

Sustainable Bond Framework of Micro, Small & Medium Enterprises Bonds S.A.

This document contains the Sustainable Bond Framework of Micro, Small & Medium Enterprises Bonds S.A. and amends and restates the Frameworks for the issuance of Green, Social and Sustainability Bonds dated 19 December 2019 and 09 November 2021.

08 March 2024

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Introduction

Terminology

This document is the sustainable bond framework (**'the Framework'**) of Micro, Small & Medium Enterprises Bonds S.A. (**'MSME'**). The Framework has been drafted with the aim to be compliant with the International Capital Market Association's (**'ICMA'**) Green Bond Principles (**'GBP'**) as published in 2021 with 2022 appendix, Social Bond Principles (**'SBP'**) as published 2023 and the Sustainability Bond Guidelines (**'SBG'**) as published in June 2021. The Framework is further designed to be in line with the Green Loan Principles (**'GLP'**) as published by the Loan Markets Association (**'LMA'**) in 2023 and the Social Loan Principles (**'SLP'**) as published by the LMA in 2023, jointly referred to as the **'Principles'**.

The Framework may be applied by MSME (i) in context of bonds issued by MSME, and (ii) in relations to loans granted by MSME:

- The Framework applies to bonds issued by MSME, which are issued as a green bond pursuant to the GBP (a **'Green Bond'**), a social bond pursuant to the SBP (a **'Social Bond'**) or a sustainability bond pursuant to the SBG (a **'Sustainability Bond'**) (all three categories jointly referred to as **'Sustainable Bonds'**). The application of the Framework will be indicated in the prospectus related to a Sustainable Bond.
- The Framework applies to loans granted by MSME which is granted as a green loan pursuant to the GLP (a **'Green Loan'**), a social loan pursuant to the SLP (a **'Social Loan'**), or a sustainability loan as a combination of a Green Loan and a Social Loan (all three categories jointly referred to as **'Sustainable Loans'**). The application of the Framework to a loan granted by MSME will be indicated in the prospectus related to the bond issuance to which the Sustainable Loans pertain to.

MSME operates several issuance programmes for the issuance of Sustainable Bonds. Each Sustainable Bond will be issued pursuant to a prospectus (**'Prospectus'**), consisting of the programme memorandum and the applicable supplement for the specific issuance (Final Terms).

Company Overview

Micro, Small & Medium Enterprises Bonds S.A. (MSME)

MSME is a limited company (société anonyme) set up as a securitization company, domiciled and incorporated in Luxembourg and subject to supervision by the Luxembourg regulator (CSSF). Its main activity is to grant loans to borrowers in emerging and frontier markets and to issue bonds which repack such loans. Since inception in 2010, MSME has issued bonds with a notional amount in excess of USD 3 billion. Bonds are distributed to predominantly European professional investors. MSME is arranged by Symbiotics UK Limited, and MSME has appointed Symbiotics Investments SA as its origination agent and servicer. As part of the origination service, Symbiotics Investments performs a credit risk rating and an environmental, social and governance (**'ESG'**) risk rating for each prospective borrower (or ensures that such an assessment has been performed by a third party).

Symbiotics

Symbiotics is the leading market access platform for impact investing, dedicated to private markets in emerging and frontier economies. Symbiotics group, through its subsidiaries, offers investment, asset management and capacity building services.

Symbiotics Investments SA (part of Symbiotics group), incorporated in Switzerland, provides impact investment opportunities in emerging and frontier economies through research and investment services, including the origination, structuring, monitoring and servicing of loans, as well as the placement of bonds. The company manages a business line that has originated more than 7,796 investments, or USD 9.85 billion, to 574 companies in 95 emerging and frontier markets since 2005.

Symbiotics UK Limited (a fully owned subsidiary of Symbiotics Investments SA), incorporated in the United Kingdom, offers structuring and arranger services, and acts as distributor of bonds in the United Kingdom. It is authorised and regulated by the UK financial services regulator (FCA).

Impact Strategy

Symbiotics is strongly committed to sustainable development. As early as 2004, Symbiotics developed and implemented its sustainability strategy.

The mission of Symbiotics is to promote sustainable development in emerging and frontier economies by facilitating the connection between investors and local financial intermediaries, enterprises and projects. Symbiotics updated its Impact Promise in 2022, maintaining its approach based on three main pillars:

- **Emerging Economies:** Symbiotics seeks to deploy capital to where it normally doesn't flow, reaching out through investments to support people and small businesses in low- and middle-income markets.
- **Responsible Investments:** Symbiotics integrates environmental, social and governance (ESG) risks in its investment proposals but also screens for environmental and social adverse impact that its activities might have on its target markets.
- **Sustainable Objectives:** Symbiotics measures the positive development and contributions of its activities by assigning sustainable objectives and key impact indicators (using SDGs) to each of its investment proposals.

All Sustainable Bonds are associated with one or several targeted Sustainable Development Goals ('SDGs') which will be disclosed in the offering document of the applicable Sustainable Bond as "Target SDG(s)".

Overview of Issuances to Date (as of 31 Dec 2023)

Since 2020, MSME had issued the following Sustainable Bonds and Sustainable Loans in emerging and frontier markets. Each Sustainable Bond and Sustainable Loan has designated Eligible Social

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Projects respectively and/or Eligible Green Projects which are meant to be financed through the bond issuance.

Borrower	Country / Region	Type	Investment Currency	Notional Amount (USD)
Pan Asia Bank	Sri Lanka	green	LKR	10,000,000
Abaco	Peru	social	PEN	10,250,000
Pan Asia Bank	Sri Lanka	green	USD	3,500,000
Samunnati	India	social	INR	6,743,528
AEB	Armenia	sustainability	AMD	15,200,000
Chongho	China	social	CNH	8,419,617
La Hipotecaria Colombia	Colombia	social	COP	10,500,000
Crystal	Georgia	sustainability	GEL	5,000,000
Araratbank	Armenia	sustainability	USD	15,500,000
LAAD	Panama	green	USD	30,000,000
Seylan	Sri Lanka	green	USD	15,100,000
EVN Finance	Vietnam	green	USD	11,100,000
Samunnati	India	green	INR	4,629,391
Microcred China - Conso	China	social	CNY	14,555,257
EVN Finance	Vietnam	green	VND	10,100,000
AFPL	India	social	INR	6,772,451
Greenlight Planet Group	United States	green	USD	15,000,000
ACBA	Armenia	sustainability	AMD	6,750,000
MBK	Indonesia	social	IDR	20,775,000
Hamkorbank	Uzbekistan	social	USD	10,000,000
COAC Cacpeco	Ecuador	social	USD	14,000,000
AFPL	India	social	INR	8,354,926
Center-Invest COAC Fernando Daquilema	Ecuador	social	USD	6,500,000
Greenlight Planet Group	United States	green	USD	6,000,000
Greenlight Planet Group	United States	green	USD	16,850,000
Evoca	Armenia	social	USD	7,500,000
Satin	India	social	INR	12,299,940
Credo	Georgia	social	GEL	5,000,000
FACES	Ecuador	green	USD	5,000,000
Laudex	Mexico	social	MXN	5,837,244
Microcred China - Conso	China	social	CNY	11,849,283
Zuoli	China	green	CNY	8,541,007
Promerica CR	Costa Rica	social	CRC	13,250,000
Samunnati	India	green	INR	7,364,048
Neogrowth	India	social	INR	3,850,547
Crystal	Georgia	social	GEL	10,000,000
Chongho	China	social	EUR	16,411,806
Aye	India	social	INR	8,223,125

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Kinara	India	social	INR	8,728,161
Namdev	India	green	INR	7,345,555
Huimin	China	social	EUR	4,714,479
MBK	Indonesia	social	IDR	11,750,000
Lulalend	South Africa	social	ZAR	4,720,397
AFPL	India	social	INR	5,719,516
AFPL	India	social	INR	4,973,492
Greenlight Planet Group	United States	green	USD	10,000,000
Light	India	social (gender)	INR	2,994,445
Banco Internacional	Ecuador	green	USD	29,000,000
EVN Finance	Vietnam	green	USD	7,500,000
GEC	Vietnam	green	VND	9,000,000
Aviom	India	social	INR	2,970,600
CIFI Group	Panama	green	USD	6,850,000
Agricover	Romania	social	RON	9,173,817
Mufin	India	green	INR	3,794,859
Mufin	India	green	INR	3,257,260
Norsad Capital	Botswana	green	ZAR	7,465,947
AMK	Cambodia	green	USD	7,500,000
Tunesie Leasing	Tunesia	green	TND	7,500,000
Khan Bank	Mongolia	social (gender)	USD	10,000,000
Pubali Bank	Bangladesh	green	USD	4,000,000
Pubali Bank	Bangladesh	green	USD	7,500,000
MEB Kenya	Kenya	green	USD	7,500,000
Prabhu Bank	Nepal	green	USD	5,000,000
Sunrise Bank	Nepal	green	USD	6,250,000
Varthana	India	social (education)	INR	2,501,601
Banco Solidario	Ecuador	green	USD	7,500,000
BBVA Colombia	Colombia	green	USD	50,000,000
Candi Solar	Switzerland	green	USD	5,000,000
Isbank	Turkey	social	USD	7,000,000
Total				673,982,688

Compliance

Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation (‘SFDR’) promotes transparency in the market for sustainable investment products, preventing greenwashing and increasing transparency to sustainability claims¹. Investment funds which fall within the scope of SFDR may choose to classify themselves as article 8 or article 9 funds.

¹ <https://www.eurosif.org/policies/sfdr/>

MSME itself is not within the scope of SDFR. However, this Framework and the bonds issued under it are designed to be eligible for a fund that falls under article 8 as well as article 9 under SFDR, based on the following rationale:

- **Do Good:** Each bond and loan under this Framework will contain a use of proceeds provision, whereby the proceeds of such bond and loan are applied solely to (re)finance eligible projects, as further laid out in the section "Use of Proceeds". These eligible projects contribute to environmental or social objectives which are further classified according to the SDGs. There is ongoing reporting in relation to the use of proceeds allocation and the linked SDGs.
- **Do No Harm:** The borrower in relation to each bond issued under this Framework will be assessed from an ESG perspective (by Symbiotics Investments as origination or through an equivalent assessment by a third party), which focuses on the assessment of the borrower's risk of doing harm. Further, Green Bonds will contain exclusion lists and require the application of IFC Performance Standards to high-risk projects, and Social Bonds will contain exclusion lists and appropriate client protection language as further explained in the section on "Project Evaluation and Selection".

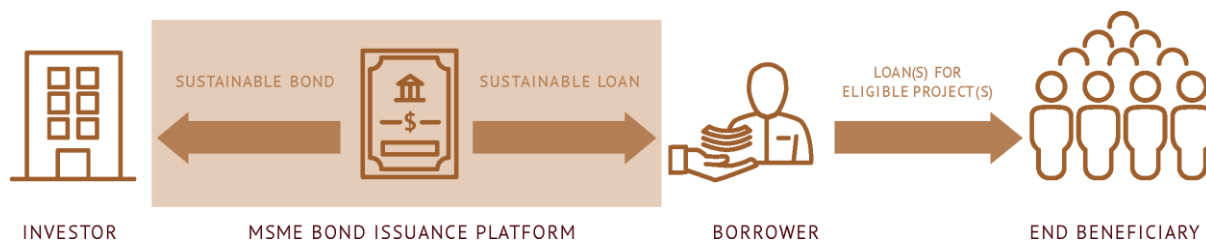
International Capital Market Association (ICMA)

The initial Framework published in 2019 was drafted with the intention to comply with the ICMA Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines. The Framework has undergone a first update in 2021 to reflect changes in market practice. This third version of the Framework takes into consideration GBP as published in 2021 with 2022 appendix, SBP as published 2023 and the SBG as published in June 2021. The Framework is also in line with the Green Loan Principles as published by LMA in 2023 and Social Loan Principles as published by LMA in 2023.

The Framework

Activities of MSME

The main activity of MSME is to grant loans to eligible counterparties ('Borrower') and to issue bonds which repackage such loans. The Borrower then on-lends the proceeds of the loan to end beneficiaries.



Borrowers can be financial institutions, project finance structures or asset-backed financings, and loans can be granted in form of bilateral or syndicated term loans, participations, debentures, revolving credit facilities, or other types of debt. Participations must be loan participations with unilateral or multilateral development banks or reputable financial institutions whereby the underlying loan subject to the participation satisfies the above criteria is also permitted under this Framework. MSME usually operates on a transaction-by-transaction basis, whereby each loan it grants is repacked into a separate bond issuance.

Application of the Framework

The Framework may be applied by MSME (i) in context of bonds issued by MSME, and (ii) in relations to loans granted by MSME:

- The Framework applies to bonds issued by MSME, which are issued as a Green Bond pursuant to the GBP, a Social Bond pursuant to the SBP or a Sustainability Bond pursuant to the SBG, all together referred to as Sustainable Bonds. The application of the Framework will be indicated in the Prospectus related to a Sustainable Bond.
- The Framework applies to loans granted by MSME which is granted as a Green Loan pursuant to the GLP, a Social Loan pursuant to the SLP, or a Sustainability Loan as a combination of a Green Loan and a Social Loan, all three categories jointly referred to as Sustainable Loans. The application of the Framework to a loan granted by MSME will be indicated in the Prospectus related to the bond issuance to which the Sustainable Loans pertain to.

For each bond issued under this Framework, MSME will designate such bond as either a Green Bond, Social Bond or Sustainability Bond. The proceeds of a Green Bond are allocated to the underlying Green Loan, the proceeds of a Social Bond are allocated to the underlying Social Loan, and the proceeds of a Sustainability Bond are allocated to the underlying Sustainability Loan.

Further, the proceeds of Green, Social or Sustainability Bond may also be allocated to several underlying loans. In a situation where the proceeds of a bond are allocated to several underlying loans, such a bond is further categories as a 'Basket Bond'.

MSME can under this Framework also grant a Sustainable Loan, without issuing a Sustainability Bond.

Verification Process

Under the Framework, a person at the level of Symbiotics Investments SA, in its capacity as origination agent, has been appointed to ensure that the Framework is correctly applied to a transaction, as further laid out below. This person is referred to as the 'Sustainable Bonds Lead'. This person will, in case of the issuance of a bond or loan under this Framework, certify to MSME that:

- The Borrower of the underlying Sustainable Loan is an eligible intermediary for purposes of the Framework, and meets the following criteria, in line with the four pillars of the Framework described below:
 - Is capable to apply a use of proceeds provision
 - Has a process in place addressing how to evaluate and classify the assets/projects
 - Has a process in place to trace the proceeds
 - Is able to provide regular reporting on the use of proceeds and the impact-related data.
- The selected eligible project category(ies) (and sub-categories, where applicable), as well as the associated reporting indicators are consistent with this Framework
- The targeted SDG(s) are consistent with the eligible project category(ies) (and sub-categories, where applicable).

The above is confirmed to MSME in form of an eligibility certificate, which shall be approved by two members of the Sustainable Bonds Advisory Committee. The basis for the verification is a memorandum (the 'Sustainable Bond Memo') which is prepared by the Sustainable Bonds Lead in close collaboration with Symbiotics Investments' markets analysts, ESG specialists, transaction legal analysts and external specialists, as required. The Sustainable Bond Memo gives an overview of the Borrower, a description of the existing and targeted portfolio, the green and/or social strategy, and the compliance with the Framework.

The Sustainable Bonds Lead can call on the Sustainable Bonds Advisory Committee, if further advice is required, which consists of a representative of each of (i) Symbiotics Investments general management (Managing or Executive Director), (ii) Sustainable Bonds Lead and (iii) an ESG or impact expert.

The Four Pillars

1. Use of Proceeds

Each bond and loan to which this Framework applies has a use of proceeds provision, whereby the proceeds of such bond and loan are applied solely to (re)finance eligible projects, as further laid out

in this section. A distinction is made between Eligible Green Projects and Eligible Social Projects (together defined as 'Eligible Projects').

Eligible Projects may include existing projects that have been outstanding for no more than 2 years. In exceptional cases a longer look-back period may apply, which would be disclosed and explained in the applicable offering documents.

Under this Framework, MSME may grant 3 types of loans:

- Green Loan: means a loan where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Green Projects,
- Social Loan: means a loan where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Social Projects,
- Sustainability Loan: means a loan where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within Eligible Green and/or Social Projects.

Restrictions on the Eligible Project may be applied based on the own internal assessment by the Servicer which can be stricter compared to this Framework. Potential restrictions depend on the specific characteristics of each Borrower and need to be approved by the Sustainable Bonds Lead.

Eligible Green Projects

Projects in the following categories can be considered for inclusion as Eligible Green Projects:

- A. Renewable energy
- B. Energy efficiency
- C. Clean transportation
- D. Green buildings
- E. Pollution prevention and control
- F. Environmentally sustainable management of living natural resources and land use
- G. Sustainable water and wastewater management
- H. Eco-efficient and/or circular economy – adapted products, production technologies and processes
- I. Terrestrial and aquatic biodiversity
- J. Climate change adaptation

A detailed overview on Eligible Green Projects is included in the Annex.

Eligible Social Projects

Projects in the following categories can be considered for inclusion as Eligible Social Projects:

- A. Affordable basic infrastructure

- B. Access to essential services
- C. Affordable housing
- D. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
- E. Food security and sustainable food systems
- F. Socioeconomic advancement and empowerment

A detailed overview on Eligible Social Projects is included in the Annex.

Further, an Eligible Social Projects must be linked to a target population. a ('**Target Population**'), which will be specified in the Prospectus.

In principle, the general public of the jurisdiction in which the Borrower under a Social Loan operates may be the Target Population, i.e. Eligible Social Projects may be offered to the general public as a whole. However, considering the general public of a country as the Target Population is limited to countries where the Eligible Social Projects address social issues which are generally prevalent in the country as a whole. As an example, the systemic lack of access to appropriate financing preventing employment generation (as measured by the ratio of private debt to GDP at the level of the respective country), is considered as a social issue which can be addressed by offering Eligible Social Projects to the general public.

For gender-focused Social Bonds, the Target Population is the entire female population.

For education-focused Social Bonds, the Target Population is the student population, in particular those enrolled in primary and secondary education or vocational training, and educational facilities, e.g. schools and training providers.

2. Project Evaluation and Selection

All Borrowers undergo an ESG risk assessment, either by Symbiotics Investments or by a suitable third party.

In 2022, Symbiotics Investments launched a new ESG risk rating methodology to assess the sustainability of companies with an increased focus on environmental and social 'E&S' risks and how companies manage those risks. It will serve as a basis to align compliance requirements as established by the SFDR. The ESG risk rating consists of nine dimensions classified into three categories depending on their impact:

E - ENVIRONMENT		S - SOCIAL		G – GOVERNANCE	
	1 Energy & Natural Resources		4 Human Capital		7 Values
	2 Air, Water & Land		5 Customers		8 Transparency
	3 Ecosystems & Biodiversity		6 Communities		9 ESMS

For companies that do not undergo a Symbiotics Investments rating, a comparable external ESG assessment/rating is required and will be assessed by the Sustainable Bonds Lead.

Further, where so indicated in the terms and conditions of a Sustainable Bond, MSME may require Symbiotics Investments to apply additional filters in relation to the origination of an underlying loan, such as the application of an environmental and social monitoring system and the involvement of an environmental and social coordinator in the origination. The details and specifications of such filters will be disclosed in the final terms and conditions of a Sustainable Bond.

Do No Harm (Green Loans/Bonds)

In relation to Green Loans and Green Bonds, the Framework requires the application of a specific green exclusion list in relation to the Borrower balance sheet (under a Green Loan), as well as the application of IFC performance standards and exclusion of high-risk sectors on a use of proceeds basis:

- Green exclusion list (which shall apply to the whole balance sheet of the Borrower, as opposed to a use of proceeds basis only): The Borrower and its clients shall not be engaged in any fossil fuel activities, which shall be further defined in the applicable Prospectus (the '**Fossil Fuel Activities**'), in particular, but not limited to (i) the power generation from any grid connected fossil fuel power plant of which the energy source is coal, or (ii) coal mining (with (i) and (ii) jointly the '**Coal-based Fossil Fuel Activities**'). If the Borrower has an existing exposure to Fossil Fuel Activities, then the Borrower must be committed to an eventual phasing-out of its Fossil Fuel Activities within a suitable time-frame, which could either be provided by a public statement by the Borrower or through an environmental and social action plan ('**ESAP**'). In any case, no new or increased exposure to Coal-based Fossil Fuel Activities shall be permitted, unless the Borrower has provided a rationale or evidence as to why such new or increased exposure can be justified from a greenhouse gas emissions standpoint.
- Compliance with IFC Performance Standard 2 is required to (i) (re)finance Eligible Green Projects with use of proceeds above USD 5,000,000, and (ii) for Borrowers active in high-risk industry sectors², unless otherwise indicated in the offering documents.

² **Infrastructure** (Railways, Ports, harbours and terminals, Airports, Toll roads, Crude oil and petroleum product terminals, Pipelines, Long distance overhead transmission lines, Large dams (hydro power plants / irrigation/water supply), River-run-off hydro power plants (> 50 MW), Waste management / Waste treatment facilities, Thermal power: new plants (> 50 MW), Thermal power: existing plants (> 50 MW), All coal fired thermal power plants generating electricity for public energy supply or captive energy production in industrial processes, Wind parks (> 100 MW installed capacity).

Heavy Industry (Cement and lime manufacturing, Glass manufacturing, Construction materials extraction, Integrated steel mills, Base metal smelting and Refining, Pulp and paper mills, Foundries, Pharmaceuticals and biotechnology manufacturing, Coal processing, Natural gas processing, Oleo chemicals manufacturing, Nitrogenous fertilizer manufacturing, Phosphate fertilizer manufacturing, Pesticides manufacturing and packaging, Petroleum-based polymers manufacturing, Petroleum refining, Large volume petroleum-based organic chemicals manufacturing, Large volume inorganic compounds manufacturing and coal tar distillation).

Oil & Gas (Offshore oil and gas development, Onshore oil and gas development, Liquefied natural gas (LNG) facilities).

Socially Critical Projects (Projects with large groups of low-skilled labour, for instance in free trade zones etc. (e.g. textiles manufacturing, Projects which may affect indigenous or tribal populations), Projects which may affect areas of archaeological or cultural significance, Projects which cause or have caused (during last 5 years) physical or economic resettlement, Projects which cause retrenchment of more than 10% of the present work force (or > 50 workers)).

Large Scale Primary Production (Plants / Animals) (Plantation crop production, Forestry, Aquaculture, Animal production).

Do No Harm (Social Loans/Bonds)

In relation to Social Loans and Social Bonds, the Framework requires the application of social lending practices at the level of the Borrower:

- The Borrower needs to comply with all applicable law and regulations, as well as relevant environmental and social requirements, especially in the area of financial services and consumer protection.
- The Borrower needs to provide its customers with clear and comprehensive information on the characteristics of the financial services the customers seek, in a way easily understandable for the customer.
- The agreements in respect of Eligible Social Projects shall contain such information and shall be drafted in a manner that the relevant customer is able to understand.
- Furthermore, the Borrower reviews the customer's repayment capacity before signing an agreement in respect to an Eligible Social Project and refrains from any form of unfair or even harmful debt collection practice.

Do No Harm (all transactions)

The Framework requires the application of the following exclusion list at the level of the Borrower:

The Borrower shall not finance any activity, production, use, distribution, business or trade involving the following minimum:

1. Forced labor³ or child labor⁴.
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.

Environmentally Critical Projects (Projects in or bordering ecological sensitive or protected areas (e.g. agriculture in areas which comprise natural habitat, large scale tourism projects adjacent to protected areas etc), Large scale conversion of natural habitats (as a guide anything greater than 10ha), Large scale land reclamation, Projects that have potential to heavily impact ecosystem services (e.g. due to intensive use of ground water), Projects which result in significant greenhouse gas emissions (more than 25,000 tonnes CO₂e annually) or untreated waste effluents of hazardous solid waste).

³ 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 International Labor Organization (ILO) conventions.

⁴ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

4. Destruction⁵ of High Conservation Value areas⁶.
5. Radioactive materials⁷ and unbounded asbestos fibers.
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media.
8. Weapons and munitions.
9. Activities relating to:
 - oil sands (such as extraction, production, or transportation);
 - uranium or other radioactive fuels (such as extraction, and/or power or thermal generation based on uranium or other radioactive fuels);or (any person involved in such activities, a "Producer").

Distribution by any party of power or heat generated by thermal coal shall not be prohibited, provided that such party, being the distributor, is not an associate of and is independent of and operationally separate from the Producer and/or any of its associates.⁸

10. In the event that any of the following products form a substantial part of a project's primary financed business activities⁹:
 - Alcoholic Beverages (except beer and wine);
 - Tobacco; or
 - Gambling, casinos and equivalent enterprises.

3. Management of Proceeds

The net proceeds of a Sustainable Bond will be on-lent to the Borrower(s) by MSME in accordance with the terms of the underlying Sustainable Loan(s).

Therefore, the management of the proceeds will take place at the level of the Borrower. Each Borrower to which this Framework applies will be contractually required to hold the proceeds of the underlying Sustainable Loan in a sub-account or to otherwise track the funds in its internal systems.

Each underlying Sustainable Loan made available can have one or more Eligible Green Projects and/or Eligible Social Projects that the Sustainable Bond finances. The Borrower will ensure and will make a repeating representation that each Eligible Project is not funded by more than one financing instrument to avoid double counting of Eligible Projects.

⁵ 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.

⁶ 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>).

⁷ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

⁸ In cases where the borrower has an existing exposure, an environmental and social action plan ('ESAP') needs to be established showing the commitment to phase out these activities.

⁹ For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

MSME will distribute the full bond proceeds (directly or indirectly) to the Borrower. Usually this distribution happens immediately following the issuance of a bond. Occasionally, in case an availability period applies, the proceeds may be held in an account with the account bank of MSME, or alternatively held in a money market fund, in each case as further described in the applicable Prospectus. Pending full allocation of the bond proceeds to Eligible Projects, the Borrower may be required to hold these unallocated proceeds in cash or other short-term money market instruments.

If the underlying Eligible Project is prepaid or no longer qualifies as an Eligible Green Project or Eligible Social Project, the Borrower has the possibility to replace the ineligible or prepaid project with an Eligible Project. If the Borrower fails to replace the project within a reasonable period, then it will either (i) be required to prepay the part of the loan that is not covered by the Eligible Project within one year or (ii) such failure constitutes an event of default under the terms of the loan. Deviations from this requirement would be disclosed in the Prospectus of the Sustainable Bond.

If the Eligible Green Project(s) or the Eligible Social Project(s) has(/have) a shorter expected weighted average maturity than the maturity of a Sustainable Bond, the Borrower will be required to re-allocate the repayments from the Eligible Green Project(s) or Eligible Social Project(s) within a reasonable timeframe. Deviations from this requirement would be disclosed in the Prospectus of the Sustainable Bond.

Further, in case of a Basket Bond, MSME will ensure that the proceeds of the Basket Bond are held on a designated account pending the disbursement of the eligible underlying loan(s), and will further ensure that in case of a failure to disburse eligible underlying loans in an amount equal to the notional amount of the Basket Bond at the end of an appropriate period, the unallocated proceeds are applied towards an early redemption.

4. Reporting

Use of Proceeds Reporting

In relation to each Green Bond, Social Bond or Sustainability Bond, MSME will produce a use of proceeds report (the '**Use of Proceeds Report**') on an annual basis. The Use of Proceeds Report will be made available on the Luxembourg Stock Exchange Green Exchange (LGX).

The Use of Proceeds Report, which will be prepared for each Sustainable Bond or Basket Bond separately, will contain details of the initial allocation of proceeds made to each Eligible Project Category and the related SDG. Whilst the Use of Proceeds Report is provided on annual basis, once the proceeds have been allocated to a respective Eligible Project Category, the Use of Proceeds Report would only change forthwith in case the respective Borrower reports a re-allocation of proceeds to a different Eligible Project Category, which is not expected to happen frequently.

Further, in case of a Basket Bond, the Use of Proceeds Report will contain an overview of proceeds for each Green, Social and Sustainability Loan granted on an aggregated basis. Such report will also be made available annually.

The Prospectus of a Sustainable Bond may provide for further details of a report applicable to such a bond.

Impact Reporting

Unless otherwise indicated in the Prospectus, MSME will produce an annual impact report (the '**Impact Report**'). The Impact Report will be made available on the Luxembourg Stock Exchange Green Exchange (LGX).

The Prospectus of a Sustainable Bond will provide further details in relation to the reporting indicators which the Impact Report will contain. It is anticipated that these indicators will be aligned with the key potential reporting indicators laid out in the Annex of this Framework.

External Review

Second Party Opinion

MSME has commissioned a second party opinion ('**SPO**') for its Framework from DNV who have confirmed that the Framework complies with the Principles. This second party opinion, as well as the Framework, will be made available to the investors (i.e. will be displayed on the Luxembourg Stock Exchange Green Exchange).

External Verification

MSME may request on an annual basis an external verification on each or a specific bond issued or loan structured under its Framework. In such case the verification may be provided starting one year after the issuance of or after the full amount has been allocated to Eligible Projects. Such external verification may be provided by an auditor or an external expert.

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Annex: Green and Social Eligible Projects

Green Eligible Project Category	Green Eligible Project Sub-Category (including, not limited to)	Target SDG(s)	Reporting Indicators	Potential Additional Reporting Indicators (including, not limited to)
Renewable energy	Wind power (on-shore)	7.2/7.b	Number of end-borrowers reached with renewable energy supply loans OR Number of projects financed (whichever more applicable) Annual renewable energy generation in MWN/KWh	Annual GHG emissions reduced / avoided in tonnes of CO ₂ equivalent
	Marine renewable energy (off-shore wind, solar, tidal, etc.)	7.2/7.b		
	Geothermal power (with direct emissions <100gCO ₂ /kWh)	7.2/7.b		
	Solar power (concentrated solar power, photovoltaic power)	7.1 OR 7.2/7.b		
	Biomass or biogas power (in line with waste/sustainable feedstocks value chain and confirmation that projects do not compete food products or contribute to deforestation)	7.1 OR 7.2/7.b		
	Ocean power (e.g., wave, tidal, ocean currents, salt gradient)	7.2/7.b		
Hydropower plants (run-of-river plant which does not have an artificial reservoir) large hydro projects (>25MW) are excluded.	7.2/7.b			
Energy efficiency	New refurbished buildings (resulting in a 30% energy efficiency improvement)	7.3	Number of end-borrowers reached with building loans meeting regional, national, internationally recognized standards / certifications (ESG, BREEAM Excellent and outstanding, LEED Platinum or Gold, or equivalent)	Annual energy savings in MWh / GWh Annual GHG emissions reduced / avoided in tonnes of CO ₂ equivalent
	Machinery and equipment (replacement, minimum 30% energy efficiency improvement)	7.3		
	Energy storage	7.3		
	District heating (that use district heating or cooling system using at least 50% renewable energy, 50% waste heat, 75% co-generated heat or 50% of a combination of such energy and heat)	7.3		
	Smart grids	7.3		
	Appliances and products (minimum energy stars or equivalent)	7.3		
Clean transportation	Electric, hydrogen, public, rail and non-motorized transportation,	11.2 (E)	Number of end-borrowers reached with loans to finance electric, hydrogen, public, rail and non-motorized transportation	Annual GHG emissions reduced / avoided in tonnes of CO ₂ equivalent Reduction of air pollutants Number of vehicles financed Number of electric charging points installed
	Infrastructure for low-carbon transport (e.g., clean energy vehicles) and reduction of harmful emissions	11.2 (E)		
Green buildings (meeting regional, national, internationally recognised standards / certifications)	Certified buildings (EDGE, BREEAM Excellent and outstanding, LEED Platinum or Gold, or equivalent, etc.)	11.c	Number of end-borrowers reached with building loans meeting regional, national, internationally recognized standards / certifications (ESG, BREEAM Excellent and outstanding, LEED Platinum or Gold, or equivalent)	kWh/m ² of GBA p.a. % of energy use reduced/avoided; % water reduced/avoided.
Pollution prevention and control	Reduction of air emissions (investments into technology with main purpose to reduce air emissions)	12.4/12.5	Number of end-borrowers reached with loans for waste generation	Increase of recycling capacity (tons) Increase of collection capacity (tons) CO ₂ emissions avoided (tCO ₂ e)
	Greenhouse gas control	12.4/12.5		
	Soil remediation	15.a		
	Waste prevention, reduction or recycling	12.4/12.5		
Environmentally sustainable management of living natural resources and land use	Sustainable agriculture and Sustainable animal husbandry (Guided by 22 June 2023 CBI criteria within the context of Emerging and Frontier Markets) o E.g. reduction in energy, water, fertilizer etc. usage o Investments in crop selection, improve existing carbon pools etc.	2.4	Number of end-borrowers who have received a loan that apply environmental remediation measures to improve their production.	ha % of land cultivated under practices qualified as sustainable
	Climate smart farm inputs (e.g. biological crop protection, drip irrigation)	2.4		
	Sustainable fishery and aquaculture	14.7		
	Sustainable forestry (afforestation, reforestation, forest rehabilitation/restoration, existing forest management)	15.a		
	Preservation or restoration of natural landscapes	15.a		
Sustainable water and wastewater management	Sustainable infrastructure for clean drinking water	6.3	Number of end-borrowers reached with loans for improving their WASH needs	Wastewater quality improvement Amount of wastewater treated / avoided Water savings (m ³)
	Wastewater treatment			
	Sustainable urban drainage systems			
	River training			
Eco-efficient and/or circular economy-adapted products, production technologies and processes	Funding towards companies active within the renewable energy value chain.	7.2/7.b	Number of companies reached that are active within the RE value chain Number of companies that invest in eco efficient processes and production technologies Number of end-borrowers reached with loans for waste generation Number of companies that invest in eco efficient processes and production technologies	Annual GHG emissions reduced / avoided in tonnes of CO ₂ equivalent % of energy use reduced / avoided % water reduced/avoided Reduction of air pollutants
	Agricultural value chain (resulting into companies active in increasing efficiency, lower crop loss and/or improvement in biodiversity)	2.4 OR 9.4 OR 11.2 (E)		
	Production value chain (investments enabling circular/eco-efficient economy)	12.4/12.5		
	Natural resources value chain (investments in circular economy, recycling, etc.)	12.4/12.5		
	Research and development investments into improvements into the above-mentioned value chains.	9.4 OR 11.2 (E)		
Terrestrial and aquatic biodiversity	Financed activity is either contributing to conserving/increasing biodiversity, or the core business/aim of the project is to conserve or increase biodiversity	15.a	Number of end-borrowers reached with loans for conservation and sustainability of biodiversity and ecosystems	Biodiversity loss avoided or reduced (# of species) Expenditure on conservation and sustainable use of biodiversity and ecosystems
	The transition to, or maintenance of, silvo-pastoral systems, if no conversion of natural land is involved	15.a		
Climate change adaptation	Projects with the aim to adapt to (local) changing environmental conditions due to climate change (including but not limited to): Infrastructure projects to adapt to extreme weather	13.1	Number of companies that invest in eco efficient processes and production technologies Number of end-borrowers reached with loans for conservation and sustainability of biodiversity and ecosystems	Number of people benefitting from measures to mitigate the consequences of climate change such as natural disasters Flood-resilient floor space High-risk assets with climate insurance cover Reduction in weather-related disruptions and/or risk frequency
	Infrastructure projects to adapt to rising sea levels	13.1		
	Alleviation of ocean acidification	14.3		
	Alleviation of soil erosion	15.a		

MICRO, SMALL & MEDIUM ENTERPRISES BONDS S.A.

Social Eligible Project Category	Social Eligible Project Sub-Category (including, not limited to)	Target SDG(s)	Reporting Indicators	Potential Additional Reporting Indicators (including, not limited to)
Affordable basic infrastructure	For those previously not able to access such services or at excessive rates:			
	- Water	6.1/6.2	Number of end-borrowers reached with loans for water supply	
	- Sanitation sewage	6.1/6.2	Number of end-borrowers reached with loans for water supply	
	- Public transport	11.2 (5)	Number of end-borrowers/companies reached with public transport loans	
	Basic transport infrastructure	11.2 (5)	Number of end-borrowers/companies reached with basic transport infrastructure loans	
Access to essential services	Education services: - Vocational training - Primary and secondary school - Tech companies (service providers) - Professional training service	4.6	Number of end-borrowers reached with an education loan	% of female students
	Health services: - Health clinics - Health facilities (labs) - Pharmaceuticals - Health technologies	3.8	Number of end-borrowers reached with a healthcare loan	Number of end-borrowers who gained access to medical services through health loans; Number of healthcare infrastructure built
	Financial services (for those not previously able to access such services or at excessive rates): - Household finance	1.4	Number of end-borrowers reached who qualify as LMIH	
Affordable housing	Affordable housing	11.1	Number of end-borrowers reached with housing loans	Number of housing units constructed or improved
Employment generation	Microfinance	1.4	Number of end-borrowers reached with microfinance loans	% of microfinance borrowers in rural areas % of women microfinance borrowers
	SME Finance	8.3	Number of end-borrowers reached with SME loans	
Food security and sustainable food systems	Financial services for small holder farmers	2.3	Number of end-borrowers reached who qualify as small holder farmers	
Socioeconomic advancement and empowerment	Women and/or sexual and gender minorities	5.1	Number of women end-borrowers reached	
	Vulnerable groups, (including as a result of natural disasters), in access and/or control over assets, services, resources and opportunities and/or participation and integration into the market and society, including reduction of income inequality	1.4	Number of end-borrowers reached belonging to vulnerable groups	

Contact

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