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Second Party Opinion

Islamic Development Bank Sustainable Finance Framework

July 30, 2025

Location: Saudi Arabia

Sector: Financial services

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Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2025
- ✓ Green Bond Principles, ICMA, 2025
- ✓ Sustainability Bond Guidelines ICMA, 2021

See [Alignment Assessment](#) for more detail.

Strengths

Eligible projects aim to address a range of social and environmental issues in the Islamic Development Bank's (IsDB) member countries and in Muslim communities in non-member countries. Some projects could mitigate the environmental and climate impacts of infrastructure, utilities, and economic activities in the areas in which they are implemented. Social projects aim to improve access to essential services, infrastructure, and housing, while also addressing socioeconomic disparities.

Weaknesses

No weaknesses to report.

Areas to watch

IsDB will start implementing its approach to assessing and reporting on its financed carbon footprint this year. Its system is designed to align with the multilateral development banks' (MDBs) joint approach to reporting climate results.

Some eligible projects could be linked to fossil fuels, particularly in areas where lower-carbon alternatives are not feasible or where the social benefit is the central focus. That said, eligible projects cannot be primarily powered by fossil fuels and must use low-carbon energy sources.

Assets used to back eligible sukuk structures may not necessarily be green or social in nature, unlike the allocated projects. We understand that the issuer will, on a best effort basis, ensure assets meet the framework's eligibility criteria. However, these could potentially include non-green assets.






Shades of Green Projects Assessment Summary

There is no visibility on the future allocation of any specific green, social, or sustainability (GSS) sukuk, because IsDB will be operating on a portfolio basis. That said, the issuer has committed to reporting annually on the allocation of proceeds, for as long as any GSS sukuk is outstanding. To date, it has dedicated a little over half of its eligible asset portfolio to social projects and the remainder to green projects, with the largest categories being access to essential services and climate change adaptation.

So far, IsDB has identified the eligible assets within the portfolio as follows:

Access to essential services (25.5%); affordable basic infrastructure (11.5%); affordable housing (2%); clean transportation (4.1%); climate change adaptation (24.2%); employment generation/small and midsize enterprise financing (3.1%); energy efficiency (0.3%); environmentally sustainable management of natural living resources and land use (1.3%); food security (9.6%); renewable energy (11.5%); socioeconomic advancement and empowerment (2.4%); and sustainable water and wastewater management (4.6%).

The Shade of Green shown below is based on the granular project category shading detailed in the Analysis of Eligible Projects section.

Sustainable water and wastewater management	 Medium green
Smart water technologies	
Smart measures for better irrigation and water management	
Multi-purpose water infrastructure	
Renewable energy	 Dark green
Generation, transmission and distribution of electricity from renewable sources (solar, wind, geothermal, and hydro)	
Clean transportation	  Dark to Medium green
Electric rail	
Mass transit transportation systems / zero tailpipe emissions vehicles	
Energy efficiency	 Light green
Energy efficiency improvements in buildings	
Substitution of existing heating or cooling systems in buildings with co-generation plants	
Architectural or building changes that enable a reduction of energy consumption	
Rehabilitation of district heating and cooling systems	
Reduction of heat loss in utilities and/or increased recovery of waste heat	

Improvement in utility-scale energy efficiency through efficient energy use, loss reduction, or resource efficiency improvements		
Pollution prevention and control	<div><div></div><div></div></div>	Medium to Light green
Wastewater, waste recycling, and waste reduction projects		
Waste to energy (WTE)		
Environmentally sustainable management of natural living resources and land use	<div><div></div><div></div></div>	Medium to Light green
Environmental protection and restoration		
Sustainable agriculture and forestry		
Preservation or restoration of natural landscapes		
Soil remediation/integrated soil fertility management		
Plantation to support the cultivation of climate resilient and less water intensity crop varieties		
Climate change adaptation	<div><div></div><div></div></div>	Dark to Medium green
Projects relating to flood prevention		
Projects that focus on the implementation of measures that reduce vulnerability and increase human and natural systems resilience		

See [Analysis Of Eligible Projects](#) for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

The Islamic Development Bank (IsDB), established in 1974 and headquartered in Jeddah, Saudi Arabia, is a multilateral development bank (MDB) dedicated to promoting social and economic development in its member countries and Muslim communities in non-member nations. It is owned by 57 member countries and as of Dec. 31, 2024, the five largest shareholders were Saudi Arabia (22.5%), Libya (9.03%), Indonesia (7.94%), Iran (7.9%), and Nigeria (7.33%). The top 10 shareholders collectively own about 88% of the bank's capital.

The bank operates under a solidarity agreement with the Organization of Islamic Cooperation (OIC), and all its member countries are also OIC members. As of December 2023, IsDB's extended loans that are in line with the bank's mandate stood at US\$18.30 billion, with 96% exposure to sovereigns and 4% to the private sector. The bank's exposures are geographically well diversified.

As of the end of 2023, its largest gross financing exposure was to sub-Saharan Africa at 35%, followed by the Middle East at 25%, Asia at 15%, the Commonwealth of Independent States (CIS) at 13%, and North Africa at 12%. The IsDB is committed to conducting all its operations in accordance with Islamic principles (Shariah).

Material Sustainability Factors

Climate Transition Risk

MDBs are exposed to climate transition risk through their financing of economic activities. Their direct environmental impact is small compared to financed emissions and stems mainly from power consumption (data centers for example). Policies and rules to reduce emissions could raise credit, legal, and reputational risks for lending institutions with large exposures to high-emitting sectors. These medium- to long-term risks are significant and will be proportional to the impact of climate change on the economy. Positively, financing the climate transition offers a growth avenue for development banks. IsDB's member countries are mostly in Africa and Asia, with two members each from Europe and Latin America. All 57 member countries of IsDB have submitted nationally determined contributions (NDCs) in accordance with the Paris Agreement.

Physical climate risk

Physical climate risks will affect many economic activities as climate change will increase the frequency and severity of extreme weather events. International financial institutions (IFIs) finance a wide array of industries that are exposed to physical climate risks. However, while climate change is a global issue, weather-related events are typically localized, so the extent of IFIs' exposure is linked to the geographical location of the activities and assets they finance. Banks may help mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies. In Africa, the effects of climate change on water availability and heat stress will be particularly severe. Research from the Intergovernmental Panel on Climate Change (IPCC) suggests that temperatures in the Middle East and North Africa (MENA), as well as in Europe and parts of sub-Saharan Africa, are projected to keep rising. Asian member countries, such as Bangladesh and Indonesia, are the most vulnerable to climate change. Countries are facing challenges such as changing precipitation patterns, rising sea levels, ocean warming and acidification, natural disasters, and increased temperature extremes, all of which will lead to habitat loss and diminished ecosystem services.

Other environmental factors

Financial institutions play a key role in protecting biodiversity and containing land, air, and water pollution. The drive to achieve economic development and growth may exert considerable pressure on natural ecosystems, both locally and for trading partners. Environmental factors including climate transition and physical climate risks are intertwined. Industrial operations, infrastructure development, and other human activities have increased IsDB's lending exposure to pollution risks and biodiversity loss. IsDB countries in Africa and Asia are grappling with severe pollution issues. More than half of African nations have degraded freshwater ecosystems, and air pollution contributes significantly to premature deaths in these areas. In response to pollution challenges, governments such as Nigeria and Gambia are implementing measures such as banning single-use plastics and hazardous chemicals, with support from organizations like the World Bank and the United Nations. Meanwhile, many Asian countries are focusing on promoting clean energy transitions. Most IsDB member countries have updated their national targets or National Biodiversity Strategies and Action Plans (NBSAPs) to align with the Kunming-Montreal Global Biodiversity Framework (KM GBF), as reported by the Convention on Biological Diversity, except for 13 member countries. KM GBF requires all parties to set national targets and update their NBSAPs according to the 23 targets for 2030 and four goals for 2050.

Social factors

MDBs usually play an important role in a member country's socioeconomic development. IsDB's member countries include 27 of the world's poorest nations, primarily in sub-Saharan Africa. Most IsDB member countries in Asia have high Human Development Index (HDI) rankings, indicating a better quality of life, while many African member countries rank lower. The Gini coefficient for these member countries ranges from 30 to 50, indicating income inequality when compared to Nordic and Central Eastern European countries, which have lower Gini coefficients. IsDB's objective is to enhance overall human development by concentrating on poverty reduction, health improvement, education advancement, and inclusive development in its member countries.

Issuer And Context Analysis

IsDB's eligible project categories aim to address the bank's most material sustainability factors and support its role in the sustainable development of its member countries. The eligible projects will seek to generate co-benefits by promoting green growth and social inclusion. The green categories target climate transition, physical climate, and other environmental (pollution and biodiversity) risks. The social categories aim to support socioeconomic advancements in IsDB's member countries by focusing on access to affordable housing, essential services, and basic infrastructure, as well as employment generation and reducing inequalities.

IsDB's mandate is to tackle poverty, build resilience, and drive green economic growth in its member countries and in Muslim communities in non-member countries. These populations are exposed to significant social challenges, including high poverty rates and limited access to essential services. The Global Multidimensional Poverty Index 2023 Report found that about 41% of the world's poor reside in IsDB member countries. Some are also affected by internal conflicts, particularly in Africa, and Central and South Asia. To support its member countries in this context of uneven recovery post-pandemic, IsDB developed its Realigned Strategy 2023-2025. This aims to integrate green growth with its historic priorities of female empowerment, health, education, and urban development, including energy, technology, water, and transport infrastructure. IsDB provides its member countries with impartial information and research, technical advice on project development, coordination services, and financing, and supports capacity building. Another key area of focus is the supply of aid packages to member countries and communities affected by natural disasters or conflicts, in the form of food packages, trauma kits, and medical equipment. As a result of the challenges faced by its member countries due to the pandemic, IsDB increased its approval of projects in 2023 to US\$4.3 billion (Islamic Dinar [ID] 3.2 billion; with one ID being equivalent to one IMF Special Drawing Right) from US\$3.0 billion (ID2.3 billion) in 2022, covering 65 operations in 27 member countries, with a focus on the health (32.8%) and transportation (28.5%) sectors.

IsDB plays an important role in developing Islamic finance markets, and it is one of the largest and highly rated issuers of Sharia-compliant instruments in the world. Since its 2019 inaugural green sukuk, the bank has identified US\$6.1 billion in social and green projects. The proceeds will be allocated to green, social, or sustainable projects. However, though it is market practice, this is not a requirement for the underlying assets. IsDB will, on a best-effort basis, strive to align these assets with the eligibility criteria in the framework.

IsDB is integrating climate considerations into its project financing and is working to align its approach with the MDBs' Paris Alignment framework. It aims to finance government-driven, low-carbon, climate-resilient projects in sectors such as agriculture, energy, water and sanitation, transportation, and health. This includes supporting its member countries in achieving their NDC objectives. To do so, it integrates climate considerations in its lending operations through its climate change policy. It exceeded its goal for climate finance to account for 35% of its total financial commitments by 2025, having reached 46% in 2024. To further support its efforts, IsDB developed its Green and Sustainability Strategy (2026-2030) based on the MDB's Paris Alignment framework and the climate and development commitments of its member countries. It outlines the bank's priority areas, which include supporting low carbon and resilient development, the protection of natural capital, resource efficiency, scaling up capital flows, just transition and social inclusions in its member countries. In addition, it integrated climate change and green growth considerations in all the member country partnerships it developed in 2024, such as Suriname and Algeria to name a few. Despite this, some financed projects, particularly those in low-income countries with inadequate electricity and energy infrastructure, may be exposed to fossil fuels. It is therefore positive that fossil fuel activities and fossil fuel power generation have been excluded from the scope of this framework.

IsDB will start assessing and reporting on its financed carbon footprint in 2025. The bank has not yet calculated or reported on its overall financed carbon footprint, which we see as material

as it is exposed to climate-sensitive sectors through its sovereign purpose-related loans (e.g. in utilities, transportation). In 2023, IsDB began developing its greenhouse gas accounting system to capture all emissions and be aligned with the MDB Joint Approach to Reporting Climate Results. It expects to start implementing its this year. Prior to this, IsDB calculated the emissions savings resulting from its financed projects. Moreover, IsDB participates in the MDB's Just Transition subworking group, which was formed to create a harmonized language and tracking approach for climate finance.

IsDB has established a physical climate risk management system (PCRMS) to address the exposure of its financed projects to the effects of climate change. Many IsDB member countries are highly susceptible to the effects of rising temperatures, altered weather patterns, and natural disasters, due to their geographic location, characteristics and inadequate infrastructure. Although the bank has incorporated climate risk assessments in all phases of the project cycle in its PCRMS, it has not yet performed a portfolio-level scenario analysis. Nevertheless, all physical assets are evaluated using the customized online tool, Acclimatize Aware, which helps incorporate climate adaptation and resilience measures into the design phase of projects in terms of costs and effectiveness. The bank also works closely with clients to ensure the effective assessment and management of these risks in their investments.

All IsDB's investments are subject to environmental and social due diligence. Some eligible projects could be linked to adverse environmental and climate impacts. For example, social projects related to transport, housing, and infrastructure may result in emissions from the use of fossil fuels as a power source or from material and equipment used in construction. IsDB seeks to mitigate such exposure through its environmental and social safeguards (ESS) policy, which requires the assessment of all risks and impacts of projects, including those related to project type, location, and scale. Projects with potential medium or high risks are required to undertake environmental and social impact assessments, and those with low potential risks must assess their environmental and social implications. Proponents of any projects are obligated to submit environmental and social documentation, implement and monitor adequate management policies, and report on their effectiveness to IsDB.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Social and Green Bond principles and the Sustainability Bond Guidelines.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2025
- ✓ Green Bond Principles, ICMA, 2025
- ✓ Sustainability Bond Guidelines ICMA, 2021

✓ Use of proceeds

The framework will be used to issue green, social, and/or sustainable sukuk to exclusively finance and refinance eligible projects outlined in the framework, which IsDB developed using the ICMA Green, Social and Sustainability bond principles. The look-back period on existing assets will be up to two years from the date of issuance. We assess all the framework's green project categories as having a green shade and aligned with the Green Bond and Sustainable Bond Principles. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental and social benefits of the expected use of proceeds. We assess all social project categories as aligned with the Social Bond and Sustainability Bond Principles.

✓ Process for project evaluation and selection

The evaluation and selection of eligible projects is undertaken by IsDB's sustainable finance task force, formed of representatives from several departments such as Resilience and Climate Action, and Risk Management, to name a few. Projects are subject to IsDB's green, resilient, inclusive and sustainable development approach and are screened as per the MDB Paris Alignment framework, IsDB's climate change and environmental and social safeguards (ESS) policies, as well as for compliance with international conventions and local regulations. The ESS policy entails the categorization of projects based on their level of environmental and social risk, and the development of impact assessments and mitigation solutions. Once approved, projects are either allocated to the Green, Social, or Sustainability Asset Register (GSS Asset Register). Implemented projects are required to develop monitoring and evaluation plans whereby the bank conducts ongoing due diligence through its project implementation and support report. Should a project fail its screening, or if it no longer complies with the eligibility criteria, IsDB will place it under review and will require remediation actions. If, despite this, it does not meet the criteria, the project will no longer be considered eligible for financing.

✓ Management of proceeds

IsDB's GSS Asset Register tracks the proceeds of each GSS sukuk issuance that have been deposited in the bank's general funding accounts. Unallocated proceeds will be invested according to IsDB's liquidity policy. Although unallocated proceeds will not be subject to the exclusion list included in the framework, IsDB will strive to incorporate ESG criteria in all its investment processes. The bank commits to allocating proceeds within two years of the issuance date. The GSS Asset Register will be reviewed half-yearly and will contain information on the sukuk (such as ISIN, maturity), and on the use of proceeds. Proceeds may also be used to provide financing through financial intermediaries that are required to comply with IsDB criteria and policies. To prevent double counting, the bank and the financial intermediaries will implement tracking and reporting mechanisms to ensure that only their direct contributions are reflected in green finance impact reports.

✓ Reporting

IsDB commits to disclose the allocation and impact of financed projects at least annually, on a portfolio basis, and until all sukuk issuances have reached maturity. It will also report on any changes to the GSS Asset Register, the environmental and social outcomes of the projects, and on the use of proceeds. The allocation report will list the financed eligible projects and outline the share of proceeds within each category, the geographical distribution, the share of GSS sukuk financing versus additional financing for each activity, and balance of unallocated proceeds. The impact report will include a description of the projects and their environmental objectives, the key impact indicators, and the methodology and assumptions used to determine them. We view positively that IsDB commits to aligning its impact reporting with ICMA's Harmonized Framework for Impact Reporting.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

Green project categories

Sustainable water and wastewater management	
Assessment	Description
<div></div> Medium green	<ul style="list-style-type: none">Smart water technologies such as allocation improvements and multiple-use and reuse systemsSmart measures for better irrigation water management such as advanced water saving technologies at the farmer field levelSustainable water and/or wastewater management measures including water purification, water saving, water conservation, and the re-use of water <p>All projects will have to meet at least one of the following criteria from the EU Taxonomy Technical Screening Criteria for Activities 5.1. (Construction, extension and operation of water collection, treatment and supply systems) and/or 5.2 (Renewal of water collection, treatment and supply systems):</p> <ul style="list-style-type: none">The net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply.The leakage level is decreased by at least 20% (compared to own baseline performance averaged for three years) and/or achieves a threshold value equal to or is lower than 1.5 using the Infrastructure Leakage Index (ILI) rating method.The project / activity will decrease the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years.


Analytical considerations

- Water use and wastewater treatment systems are important for securing a future where all stakeholders have reliable access to sufficient water of adequate quality. That said, these systems are energy-intensive and, if not sufficiently managed, can generate negative environmental impacts such as water and soil pollution.
- With proceeds issued under this category, the bank intends to primarily finance the development of smart water technologies, and new and existing wastewater treatment (including anaerobic treatment), sanitation, and reuse systems. We assign a shade of Medium green to eligible projects in this category to reflect their role in reducing the environmental impacts – soil, water, and air pollution – of inadequate wastewater management. That said, the lifecycle emissions of such facilities depend on the presence of fossil fuels in the grids that power them as they are energy intensive, and the materials (such as cement) and equipment associated with any new construction. Moreover, wastewater treatment can generate significant waste, and water projects can disrupt local hydrology and aquatic biodiversity and exacerbate water stress, if not managed adequately. It is therefore positive that eligible projects will be required to comply with the relevant Technical Screening Criteria of the EU Taxonomy which include, for example, improvements in energy intensity and reduced leakage rates.
- To further address the negative environmental impacts—including water stress, leakage and water management, and energy use, as well as nutrient recovery and methane emissions —associated with the development and operation of projects in this category, the bank will apply its ESS policy whereby each financed activity is screened and categorized according to its risk potential. The bank is also in the process of rolling out its greenhouse gas accounting system, which it will use to estimate emissions associated with the materials used and their transport, and those from the plant itself. As part of its commitment

to the MDB Common Principles for Climate Mitigation Finance Tracking, IsDB seeks to finance activities that will lead to a substantial reduction in emissions. We view positively that IsDB uses best-available technology and international standards to benchmark the performance of potential projects located in countries with weak or no environmental regulatory frameworks.

- Fixed assets can be exposed to physical climate risk. As part of IsDB’s climate change policy, each financed project is screened for climate risk, including physical climate risk, and adaptation measures are identified and implemented. In addition, eligible projects connected to the energy or agricultural sectors will also be subject to the respective sector-specific guidance notes developed with the World Resource Institute (WRI). In line with its mission to promote comprehensive human development, IsDB adopted the Common Approach to Measuring Climate Results developed by the major MDBs, which includes water as an indicator of the adaptation and resilience of communities impacted by its financed projects. Examples of such indicators are the volume of water available in water-stressed areas, or the beneficiaries of new and improved access to water.

Renewable energy

Assessment	Description
 Dark green	<ul style="list-style-type: none">– Generation, transmission and distribution of electricity from renewable sources such as solar, wind, geothermal and hydro (less than 10 MW in size).– Renewable Energy projects will have lifecycle emissions less than 100g CO2e/kWh.

Analytical considerations

- Renewable energy projects such as solar, wind, geothermal, and hydropower are key elements in limiting global warming to well-below 2°C. Reliable and efficient electricity transmission and distribution networks are important in supporting electrification efforts needed to achieve a low carbon economy. Nevertheless, the negative impacts of such projects to the local environment, as well as physical climate risks, need to be sufficiently mitigated.
- By financing the generation, transmission and distribution of and renewable energy, IsDB will contribute to the expansion of low carbon electrification, and, as such, we assign this category Dark green. The category includes the financing of new and brownfield transmission and distribution lines aimed at providing renewable energy to households, especially in rural settings with low connectivity, as well as to national grids. The construction of renewable energy facilities can entail emissions from materials, and technologies may be exposed to emissions from fossil fuels in the wider energy systems to which they are connected. Therefore, we think that it is positive that the framework specifies a maximum threshold of 100 CO2e/kWh for any financed renewable energy project and that hydropower will be less than 25 MW, as this is typically considered to be an indicator of low lifecycle emissions compared to fossil-based alternatives.
- IsDB seeks to mitigate the negative environmental and social impacts of eligible projects, including risks to biodiversity from hydropower and transmission and distribution facilities, by requiring that all financed projects comply with its ESS policy. This includes the screening of risks and the identification, implementation, and monitoring of mitigation measures. Emissions associated with construction activities will be estimated through its own greenhouse gas accounting system. Consideration of project-related emissions is part of IsDB’s commitment to the MDB Common Principles for Climate Mitigation Finance Tracking.
- As electricity generation infrastructure is fixed, it is exposed to physical climate risk. All IsDB’s financed projects are screened for climate risk as per its climate change policy. In addition, the bank has developed its energy sector guidance notes with the WRI, which entails the identification of physical climate risk for each project, and the assessment of potential adaptation measures based on their impacts, costs, and effectiveness. In line with its mission, IsDB tracks the number of beneficiaries of financed infrastructure that include adaptation measures, as per the MDB Common Approach to Measuring Climate Results.

Clean transportation

Assessment	Description
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- Dark to Medium green
- Investment in electric rail transportation and infrastructure.
 - Investments in mass-transit transportation systems / vehicles with zero tailpipe emissions, such as: buses, bus rapid transit, tram, cable car, monorail, rail transit and ferries.

Analytical considerations

- Zero-carbon transport, such as electric rail, is key to decarbonizing land transportation. Infrastructure projects may entail value-chain emissions, environmental impacts, and physical climate risks that can be significant if not carefully managed.
- The aim of the projects eligible under this category is to support the decarbonization of transport systems in IsDB’s member countries by enabling a modal shift to lower carbon public transportation. However, eligible assets may be exposed to considerable lifecycle emissions from the presence of fossil-fuels in the electricity grids that will power them. Although the emissions intensity of national electricity grids varies, several borrowing countries also have high grid intensity. For example, according to data from the International Energy Association (IEA) for 2022 and 2023, fossil fuels accounted for an average of 75% of electricity generation among member countries. That said, we expect this risk to decrease in the long-term as member countries work to achieve their climate ambitions. Indeed, IsDB’s structure and mandate enable it to be involved in each stage of its member countries’ decarbonization pathways on an ongoing basis, which means that it will focus on financing projects that will advance their climate ambitions. As there is a lack of visibility into where the projects will be located and to account for the variable and generally high emissions intensity of the grids that will power them, we assign the provision of financing for electric and zero tailpipe emission vehicles and their related infrastructure an overall shade of Dark to Medium green.
- Proceeds may be used to finance stations and/or depots as part of the bank’s ambition to promote the development of low carbon transport systems. Similar to all its financed activities, IsDB will apply its climate change policy to stations and depots, for example by taking into account whether stand-alone new facilities will be powered by low-carbon energy sources.
- Adverse environmental and social risks associated with projects, including air pollution, could be partly addressed by IsDB’s ESS policy and the required identification of impacts and mitigation solutions. To calculate the lifecycle emissions of each project, IsDB will use its greenhouse gas accounting system. As part of its commitment to the MDB Common Principles for Climate Mitigation Finance, the bank seeks to support activities that will reduce emissions. We view as positive that the framework excludes the transportation of fossil fuels from the scope of eligible activities.
- Infrastructure and transport vehicles may be exposed to physical climate risk. All IsDB’s projects are subject to its climate change policy, which requires the screening of climate risks. Moreover, the bank has developed its transport sector guidance notes with WRI to help its internal teams identify physical climate risks and optimal adaptation solutions.

Energy efficiency

Assessment

Light green

Description

Energy Efficiency in Buildings:

- Buildings energy efficiency improvements in lighting, appliances and equipment, including energy-management systems
- Substitution of existing heating or cooling systems for buildings by co-generation plants that generate electricity in addition to providing heating or cooling
- Architectural or building changes that enable reduction of energy consumption

District Heating and Cooling:

- Rehabilitation of district heating and cooling systems

Utility Scale Energy Efficiency Improvements:

- Reduction of heat loss in utilities and/or increased recovery of waste heat

- Improvement in utility-scale energy efficiency through efficient energy use and loss reduction, or resource efficiency improvements.
 - For transmission and distribution network projects to be considered eligible the improvement threshold is seen as the achievement of technical losses below 10% of gross generation (through infrastructure and grid optimization).
 - Resource efficiency improvements will only be eligible if significant energy savings can be demonstrated through carbon intensity performance (tCO2/unit of outcome) of the facility aligned with low-carbon pathways. IsDB will consider the following metrics serving as examples to guide establishing thresholds: (a) GHG emissions per unit of production (b) energy consumption per unit of production (c) recycling rate and (d) percentage of renewable energy used in the manufacturing process.

Analytical considerations

- Activities that seek to improve energy efficiency and increase the use of renewable sources are necessary to transition to a low carbon economy in line with the Paris Agreement 2050 objectives. This is because they allow for a reduction in overall energy consumption, provided they do not constitute obsolescence risk by prolonging the use of fossil-fuel-powered equipment and assets.
- We consider the activities listed in the category—aimed at reducing the energy consumption of buildings and utilities, increasing the integration of renewables—to be Light green. The projects may decrease the emissions of an asset or facility by requiring that the financed facilities demonstrate improvements in carbon intensity. However, our ability to quantify the climate benefits is constrained because the criteria are broadly defined, though it is a strength that T&D networks will be required to reduce technical losses by 10%. The climate benefits may also be lessened by the presence of fossil fuels in the energy and electricity grids to which the targeted assets or facilities are connected. For example, according to the IEA, in 2022 fossil fuels accounted for 99.4% of domestic energy production in the Middle East and 67.5% in Africa. We view positively that assets and infrastructure linked to fossil fuels will not be eligible for financing under this framework.
- Eligible projects, particularly buildings, can result in adverse impacts on local biodiversity and water reserves. In addition, any construction activity will result in lifecycle emissions from the materials (cement, steel) and equipment used. The environmental and social risks of potential projects are assessed and mitigated as part of IsDB’s ESS policy. Efficiency improvements may result in rebound effects. IsDB takes this into account during the project approval process as per the MDB Common Principles for the quantification of scope 3 emissions.
- The fixed nature of the assets that are eligible for financing under this category exposes them to physical climate risk. IsDB’s project approval process includes screening for such risks and identifying the optimal adaptation solutions according to its climate change policy and its energy sector guidance notes, developed in partnership with the WRI.

Pollution prevention and control

Assessment

 **Medium to Light green**

Description

- Wastewater, waste recycling, and waste reduction projects.
 - o For Wastewater treatment projects, ISDB will meet the thresholds specified in the Technical Screening Criteria of EU Taxonomy Activity 5.3. (Construction, extension and operation of wastewater collection and treatment) - The net energy consumption of the wastewater treatment plant equals to or is lower than:
 - 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10 000 p.e.
 - 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10 000 and 100 000 p.e.
 - 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100 000 p.e.

- Waste recycling and waste reduction projects (waste Projects entail Improvements to solid waste management (minimization, collection, recovery, treatment, recycling). As noted in 2.1.2 (Exclusions), landfill construction or expansion is excluded).
- Waste to energy projects (for Waste to Energy projects, ISDB will follow the Climate Bonds Initiative’s 2022 Waste Management Criteria (notably Table 9: Criteria for Energy from Waste) – any Waste to Energy projects will meet the following criteria:
 - o Plant efficiency $\geq 25\%$; AND
 - o Bottom ash recovery; AND
 - o $\geq 90\%$ recovery of metal from ash; AND
 - o Average carbon intensity of electricity and/ or heat over the life of the plant \leq waste management; AND
 - o The capacity of the plant does not exceed the calculated residual waste at any time in the plant’s life.

Analytical considerations

- Waste management is important from a pollution prevention and control perspective, as it can avoid harm to human health and local ecosystems. Recycling, if done properly, increases the useful life of materials, thereby reducing carbon and other air pollutants’ emissions, as well as energy and natural resources use. Waste collection and segregation can facilitate recycling and reuse and divert waste from being disposed. Waste-to-energy (WtE) projects may provide a disposal solution for waste that cannot be recycled or reused but, because it can create significant carbon and other pollutant emissions, they represent near-term transition steps. To reflect the different climate and environmental impacts of eligible projects, we assign a Medium to Light green shade to the overall category.
- We consider wastewater treatment and waste management activities to be Medium green, as they are likely to result in improvements in water quality and reduce the negative impact of inadequate systems. Wastewater treatment plants are energy intensive and can result in methane leakages. As such, it is positive that eligible projects will be required to meet the energy intensity criteria outlined in the Technical Screening Criteria of the EU Taxonomy. Although WtE can be a waste management solution, in particular for waste that cannot be recycled, reused, or recovery, it constitutes significant lifecycle emissions from the release of carbon contained in the incinerated materials. We therefore consider such projects to be Light green. That said, we view positively that the framework criteria apply strict requirements on eligible facilities to have a capacity that does not exceed future levels of residual waste, comply with the waste hierarchy and apply circular principles to resulting waste and by-products.
- The projects listed in this category may result in negative environmental impacts, including methane emissions from wastewater treatment plants and air pollution from WtE. IsDB will seek to address such risks through the implementation of its ESS Policy. WtE plants will be required to use best-available technologies, namely flue gas treatment and air quality monitoring, to reduce air pollution. Wastewater treatment projects will incorporate systems to detect methane leakage and will implement measures to minimize or control methane emissions from anaerobic digestion facilities. The eligible projects lack transparency about energy sources and emissions thresholds. While IsDB promotes the integration of renewable energy, access to such sources may be challenging in many emerging or less developed member countries. Nevertheless, IsDB's greenhouse gas accounting system will evaluate infrastructure emissions during both the construction and operation phases. For projects expected to generate significant greenhouse gas emissions, detailed assessments of emissions from both the infrastructure and waste components will be required.
- Infrastructure may be exposed to physical climate risks due to its fixed nature. All IsDB’s financed projects are subject to its climate change policy, which requires the screening of climate risk and the identification and application of adaptation measures.

Environmentally sustainable management of natural living resources and land use

Assessment	Description
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Medium to Light green

- Environmental protection and restoration: This includes the conservation, restoration, and sustainable management of natural resources and ecosystems, such as forests, wetlands, oceans, and wildlife.
- Sustainable agriculture and forestry: This includes the adoption of practices and technologies that increase productivity, efficiency, and sustainability of agricultural and forestry activities, such as organic farming, agroforestry, precision agriculture, vertical farming, and irrigation.
- Preservation or restoration of natural landscapes
- Soil remediation/integrated soil fertility management (inorganic and organic)
- Plantation to support the cultivation of smart agriculture projects including:
 - o climate-resilient crops
 - o less water-intensive crops,
 - o salt-tolerant and flood-resilient crops
 - o early maturing crops
 - o perennial and agroforestry-based crops

Analytical considerations

- Agricultural practices that reduce climate emissions from crop farming and enhance soil health, water quality, and ecosystem integrity are key to a low-carbon and climate-resilient future. Implementing sustainable forestry management and farming practices, as well as shifting to a plant-based diet are key to achieving these benefits, providing land-use change, physical climate, pollution, and water risks are adequately addressed. We assign a Medium to Light green shade to the overall category to reflect the diverse environmental and climate outcomes of eligible projects.
- We assess the financing of organic, precision and vertical farming, and irrigation measures as Light green. Measures that aim to reduce the environmental impact of crop farming—through, for example, improvements in biodiversity, and agrichemical and water use —can result in lower soil and water pollution and greenhouse gas emissions. That said, the framework criteria do not specify emissions-saving thresholds or standards, which limits our ability to quantify the climate benefits of the projects. The Light green shade is also supported by the lack of exclusion of the use of fossil fuel equipment on eligible farms. We consider the financing of climate resilient, less water intensive (such as barley, chickpeas, lentils) and perennial and agroforestry crops (such as cocoa, coffee, nuts, figs, pomegranates) to be Medium green because of their potential to support adaptation efforts in the agricultural systems of the bank's member countries, which can be highly exposed to physical climate risks. We typically associate nature restoration and conservation with a Dark green shade because these activities strengthen carbon sequestration and reduce biodiversity risks.
- Agricultural activities are inherently exposed to negative environmental impacts, including land use change, biodiversity, pollution, and water stress risks. These may somewhat be mitigated by the ESS policy IsDB integrates into its project approval and design processes. For projects related to climate resilient crops, the bank will consider local species, soil conditions, and land-use practices for soil health to prevent outperformance with local varieties, and it will also address biodiversity risks. IsDB has confirmed that it will use its own greenhouse gas accounting system to estimate the climate benefits of financed agriculture and land projects. It will also use the Environmental Externalities Accounting (EXACT) tool developed by the Food and Agriculture Organization of the United Nations (FAO). EXACT considers carbon sequestration through grazing practices, reduced methane emissions per unit of livestock output, and low nitrogen losses through soil and manure management.
- Agriculture is heavily exposed to physical climate risk, both in terms of changing weather patterns affecting growth and harvest rates, and damage to infrastructure and crops. All IsDB's financed projects are subject to its climate change policy, which entails screening for climate risk and identifying adaptation solutions. Its agricultural sector guidance notes, developed in partnership with WRI, will also help its internal teams identify optional adaptation measures depending on the risk level.













Climate change adaptation

Assessment	Description
 Dark to Medium green	<ul style="list-style-type: none">– Projects relating to flood prevention in the event of storms such as efficient water drainage systems in urban areas.– Projects that focus on the implementation of measures that reduce vulnerability and increase the resilience of human and natural systems to the impacts of climate change, such as extreme weather events, rising sea levels, droughts, floods, and heat waves.– Projects eligible for consideration under this category must demonstrate adherence to the three-step approach of the MDB Climate Adaptation Methodology, which comprises: establishing the context of vulnerability in the project location, articulating the intent to address vulnerability through or within the project, and elucidating the linkage between known and anticipated vulnerabilities and the specific project activities. Further information is available on the IsDB website.

Analytical considerations

- Increased temperatures and worsening weather events resulting from climate change are likely to become inevitable. Therefore, planning for and mitigating physical climate risks is central to minimizing their financial and environmental effects. We understand that projects eligible in this category will not involve fossil-fuel value-chain activities, namely upstream extraction and production, processing, storing, marketing, refining, distribution or transport, nor will they involve fossil fuel electricity generation.
- Projects eligible under this category will include nature-based and hard-engineering solutions. We consider the provision of financing for nature-based solutions—such as mangrove restoration, wetland protection, and watershed restoration—to be Dark green. Hard engineering solutions may include floodwalls and levees, stormwater drainage upgrades, seawalls and breakwaters, and retention basins. We consider these projects to be Medium green because, while they will improve the resilience of waterways, infrastructure, and urban areas, they may also disrupt local hydrology, and any construction will be exposed to emissions from the materials (cement for example) and equipment used. To reflect the differing levels of climate and environmental benefits and risks of the eligible projects, we assess the overall category as Dark to Medium green, though we understand IsDB will seek to prioritize nature-based solutions.
- IsDB estimates that future annual average disaster-related losses in the built environment in its member countries could be US\$24.6 billion and as high as US\$70 billion if extensive events and agricultural drought are also considered. With proceeds allocated to this category, IsDB will try to help its member countries improve their resilience to physical climate risk, as per its disaster risk management and resilience policy, as well as its just transition conceptual framework, its climate change action plan for 2020-2025, and its realigned strategy for 2023-2025.
- IsDB’s ESS policy could partly address potential negative effects as it entails the identification of environmental and social risks, and the implementation and monitoring of the associated mitigation measures. The bank will also aim to ensure that the risk of maladaptation is limited.
- Infrastructure may be exposed to physical climate risks due to its fixed nature. All IsDB’s financed projects are subject to its climate change policy, which requires the screening of climate risk and the identification and application of adaptation measures.

S&P Global Ratings' Shades of Green

Assessments					
 Dark green	 Medium green	 Light green	 Yellow	 Orange	 Red
Description					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Social project categories

Employment generation / SME financing

Providing and increasing access to finance for micro, small and midsize enterprises with a particular focus on women, youths, and those who are underprivileged.

Increase access to vocational skills development and employability schemes with an aim to enhance jobs creation that can benefit all segments of society including women and youths.

Provide vehicles for job creation and growth through vocational skills development, capacity development in entrepreneurship, strengthening partnerships with the private sector to create job pipelines for women and youths, and other similar approaches to strengthen job creation for youths or underprivileged individuals in member countries.

Financial literacy, skills training.

Analytical considerations

- Financing SMEs and supporting employment generation are key to fostering economic growth. SMEs contribute significantly to GDP in most economies, particularly in developing countries, and are essential to alleviating poverty. According to the World Bank, nearly 3.5 million jobs will be needed every month to absorb the growing workforce in emerging markets by 2030.
- Projects eligible under this category will seek to address issues that are material for IsDB's member countries. In 2023, the bank conducted a mapping exercise to determine the progress of its members against the global average on the macroeconomic indicators of its selected SDGs. It found that enrollment in secondary education and government expenditure on education overall (as a percentage of GDP) were lower in its member countries than the global average, and that the unemployment rate (as a percentage of total labor force) was higher. International organizations, including the World Bank and ILO, have identified job creation as one of the key challenges facing the regions in which IsDB operates. In sub-Saharan Africa, the IMF estimates that 15 million jobs will need to be created annually by 2030 to accommodate the new entrants into the work force. In MENA, the World Bank projects that by 2050 about 300 million young people will need employment.
- The framework lists the target populations for projects eligible under this category. The definition of "poor people" provided is from the ILO Decent Work Standards. We understand from the issuer that it uses international and national definitions, as well as national poverty assessments to identify the relevant vulnerable groups within the specific context of the member country in which the financed project will be implemented. In this way, it aims to address the socioeconomic diversity of its members. The measurement is based on three dimensions—income, health, and education—as per the United Nations standards, through the human development index or the multidimensional poverty index.
- Supporting SMEs and job creation in its member countries is part of the "inclusive human capital development" pillar in IsDB's realigned strategy for 2023-2025 as well as in its Green and Sustainability Strategy 2026-2030. Its activities are further guided by its internal policies, including its women's empowerment policy and the education sector policy. As part of the former, IsDB aims to finance the provision of quality education and infrastructure for women's empowerment, the integration of measures to ensure women benefit from its interventions, promoting and raising awareness of women's role in society and in leadership positions, and improving understanding of these issues. The latter includes functional and vocational education and activities related to the provision of basic and post-basic education. To date, IsDB has allocated US\$55.6 million to six programs aimed at backing women-owned SMEs in nine of its member countries.
- To ensure that the provision of finance to eligible SMEs will remain more affordable than conventional finance, the governments that request funds from IsDB sign agency agreements with the institutions that manage the proceeds on their behalf. To ensure the target populations remain eligible, IsDB complies with its internal policies. In addition, IsDB integrates a monitoring and evaluation plan, including in-country management teams and due diligence assessments, in the development of projects in countries that lack the infrastructure necessary to collect data to monitor progress.

Affordable housing

Affordable and improved housing projects targeting low-income households and marginalized, disadvantaged, and underrepresented segments of the rural population.

Affordable and improved housing projects targeting low-income and vulnerable segments of the population in urban areas.

Increased access to housing finance solutions tailored to low-income earners, women, with a focus on female-friendly housing, and youths.

Creation of employment and business opportunities for youths and women through the construction and management of affordable housing.

Analytical considerations

- The funds will be allocated to the construction of affordable housing, enhancements to existing housing stock, slum upgrades, and improved access to housing finance. IsDB has implemented an urban sector policy that prioritizes urban housing and slum upgrading, accompanied by an operational strategy for implementing the policy in financed projects. Furthermore, while continuing to support slum upgrades for low-income residents, IsDB will also place greater emphasis on encouraging private investment in housing construction for low-income households.
- According to the World Bank, in 2024, nearly 700 million people lived on less than \$2.15 per day, which is considered the extreme poverty threshold for low-income countries. Approximately three-quarters of those in extreme poverty reside in sub-Saharan Africa or in fragile, conflict-affected nations, which constitute the majority of IsDB member countries. Significant shortages of formal housing have forced many residents in Africa to inhabit informal settlements and slums. While African governments are implementing policies to improve housing—such as Algeria's housing supply programs—enforcement remains a challenge. In Asia, housing conditions differ significantly, with many countries grappling with issues of affordability, quality, and access to essential services. This region, home to over 4.8 billion people, faces the largest housing deficit globally. Urban areas are particularly affected by a critical shortage of affordable housing, resulting in overcrowded and unsafe living environments that impede access to health care and education. Nevertheless, some national policies are making strides in enhancing the availability of affordable housing. IsDB, through financing eligible projects in the affordable housing category, aims to address the housing shortages in its member countries.
- The target population for these housing initiatives includes low-income households and the vulnerable segments of both rural and urban populations, underserved communities, low-income earners, women, youths, and people affected by disaster and conflict. Additionally, the bank aims to generate employment and business opportunities for youths and women through the construction and management of affordable housing.

Affordable basic infrastructure

Projects providing/expanding access to electricity, clean drinking water, sanitation and transport (infrastructure projects included under social project category under this framework, in a given country, would have to be consistent with the low carbon-resilience development plan and/or the NDC of that country) in IsDB member countries with a particular focus on underserved communities, women, and youths.

Development of telecom networks and related infrastructure in underserved areas with a particular focus on underserved communities, women, and youths.

Development of community-level WASH facilities in rural areas and informal settlements, prioritizing access to women and children.

Projects providing affordable, reliable, and sustainable electricity access to underserved communities, enabling economic activities, especially for underserved communities, women, and youths.

Projects that provide safe and accessible transportation.

Projects that promote and increase the representation of women in design/development decision making and the management of infrastructure.

Projects that promote and ensure the employment of women in basic infrastructure sectors.

Analytical considerations

- Access to basic water services, electricity, transport, and telecom networks are key to sustainable development and the protection of human rights, particularly in emerging markets, providing this is done equitably and by addressing the potential environmental risks related to biodiversity, water scarcity, and fossil-fuel use. In addition, promoting the role of women in the implementation of such projects is essential for gender-oriented development.
- The framework broadly lists the target populations for eligible projects. Given the diversity of IsDB's member countries, it uses national definitions and poverty assessments to determine the vulnerable groups within the specific context in which the projects will be implemented.
- By supporting increased access to electricity, sanitation, transport and telecom networks and women's representation in project development and basic infrastructure sectors, IsDB is aiming to address several issues that are material to its member countries. The projects listed in this category will also seek to contribute to both the "green, resilient and sustainable infrastructure" and "inclusive human capital development" pillars in IsDB's realigned strategy for 2023-2025 as well as in its Green and Sustainability Strategy 2026-2030.
- Assuming linear progress, the IFC estimates that it could take up to 30 years to reach universal access to digital services in developing countries. IsDB has found that the number of individuals using the internet in its member countries is lower than the global average, with the former at 54.5% and the latter 63.1% in 2023. Eligible telecom measures include the development of new and existing systems. To date, IsDB has approved 90 ICT sector operations worth over US\$936 million. Uptake of the financed infrastructure will depend on affordability of smart devices and internet services, availability in the local context, and social awareness of its benefits. It is therefore positive that IsDB may integrate capacity-building elements in its financed projects, should digital skills be identified as a need based on assessments and market analysis. For example, the banks' Digital Inclusion Operational Strategy 2024-2027 includes a \$250 million budget focused on the development of government e-platforms, as well as capacity building for cybersecurity, data governance and artificial intelligence enablement.
- With proceeds allocated to this category, IsDB may provide financing for the development of sanitation and drinking water services. Eligible activities include the construction of public and private toilets, and raising awareness about hygiene practices through, for example, behavior change. The World Bank estimates that around 2 billion people globally do not have access to safely managed drinking water services, 3.6 billion to sanitation services, and 2.3 billion to handwashing services. According to the IsDB's SDG mapping exercise, in 2023 its member countries performed below the global average for people using basic drinking water services (87.1 % versus the global 91.2%) and those using safely managed sanitation services (44.6% versus 56.6% globally). Although these projects are needed to improve the health of the target populations of the bank's member countries, they also require ongoing maintenance and monitoring to ensure their continued safety.
- The IEA found that around 750 million people still lacked access to electricity in 2023. In IsDB member countries in 2023 84.5% of people had access to electricity, which was below the global average of 91.4%. Under this category, eligible projects cover electricity generation, transmission, and distribution from renewable (solar, wind, hydropower) and conventional sources and are defined in its energy sector policy. The policy states that IsDB aims to achieve increased energy access, renewable sources, energy efficiency, and knowledge sharing, with the aim of supporting inclusive economic development, resilience and equity. In 2023 it approved US\$387.9 million for energy development projects. One such initiative was the Small-Scale Renewable Energy Application in Rural Areas program in Mauritania through which it approved US\$200 million for a 400 kV subsystem.
- The World Bank said that, as of 2024, one billion people globally still live more than two kilometers from all-weather roads, one in six women do not look for jobs for fear of harassment on transport systems, and 93% of the 1.119 million annual road-related fatalities are in developing countries. Modes of transport eligible under this category include public transit systems (buses and trains), non-motorized transport (bicycles), and infrastructure improvements for connectivity, safety, and reduced emissions. Such projects are defined in IsDB's transport sector policy, which aims to promote universal and affordable access, disaster and post-conflict reconstruction, efficient transport systems, regional connectivity, and green transport. In 2023, IsDB approved 13 transport projects worth US\$1.2 billion.

All financed projects are subject to IsDB's ESS policy, which may cover the environmental and social risks related to their implementation. Moreover, its sector-specific policies, namely for energy and transport, specify that affordability of the provided services is one of the bank's key strategic objectives. That said, the ongoing enforcement of environmental and social standards beyond the duration of IsDB's loan to the respective member country will be determined by the strength of its government institutions and the adequacy of their policies and regulations. In addition, IsDB integrates a monitoring and evaluation plan in the design of projects located in countries that do not have the infrastructure to monitor their progress.

Access to essential services

Projects expanding access to free/subsidized health care, education, and training facilities.

Projects that result in the increased access of women and youths to primary health care centers.

Projects that enhance maternal and child health care services to reduce maternal and infant mortality rates with a focus on underserved groups.

Projects that provide reproductive health services including prenatal and postnatal care for women, particularly for vulnerable groups like refugees and internally displaced people (IDPs).

Projects that strengthen capacity development for health care professionals.

Projects that include the training and upskilling of women and girls in fields and sectors in which they are underrepresented (energy, technology, construction).

Projects designed to combat digital exclusion (such as the construction of cellular towers, expansion upgrade of fiber optic cables, and the upgrade of networks to more advanced, faster, and more efficient technologies).

Analytical considerations

- Health care projects aim to improve patients' access to essential medical care, enhancing the efficacy of existing health care infrastructure, while education financing seeks to upskill beneficiaries and create economic opportunities. Additionally, digital projects will focus on initiatives to tackle digital exclusion.
- The target population comprises low-income individuals, refugees and IDPs, women, youths, and those who are underserved or lack connectivity. The project's design and objectives will influence affordability and accessibility. Offering essential services that are free, subsidized, or affordable for vulnerable populations will depend on local income, government subsidies, and funding models. IsDB aims to improve equitable access while ensuring financial sustainability.
- The proceeds aim to support projects that enhance access to free or subsidized health care for women and youths, focusing on improving maternal and child health care, providing reproductive health services for women and vulnerable groups like refugees and IDPs, and developing health care professionals' capacities. Furthermore, the funding will facilitate training for women and girls in underrepresented fields such as energy, technology, and construction. It will also address digital exclusion through infrastructure improvements like cellular tower construction and network upgrades.
- Member countries of IsDB are confronting major challenges related to communicable diseases and insufficient maternal, neonatal, and child health programs, which are exacerbated by varying levels of fragility and conflict. Both Africa and the Asia-Pacific region encounter significant health challenges from communicable diseases such as malaria and HIV/AIDS, along with an increase in non-communicable diseases associated with lifestyle choices and inadequate sanitation. Education systems are challenged by inadequate funding, a lack of qualified teachers, and poor learning environments, and are intensified by household poverty, rural disadvantages, and child undernutrition. In sub-Saharan Africa, educational obstacles persist, with over 20% of children aged 6 to 11 and nearly 60% of youths aged 15 to 17 not attending school. In South Asia, 60% of children and 50% in East Asia and the Pacific are unable to read by age 10, despite being enrolled in school, according to United Nations agencies. Moreover, there are notable disparities in digital technology infrastructure and access among these countries, as highlighted in the affordable basic infrastructure category.
- IsDB has related policies supporting access to essential services such as education and health and promoting digital inclusion. Its women's empowerment policy promotes access to quality health services and education, including science, technology, engineering, and mathematics (STEM) vocational training, in its member countries; the educational policy pillar emphasizes early childhood care, higher education, and investment in STEM centers of excellence. IsDB's health policy aims to provide affordable health services to vulnerable populations through essential universal health coverage and primary health care, aligning with the goals of SDG 3. As a founding member of the Health Impact Investment Platform (HIIP), established under the Paris Global Financing Pact, IsDB aims to enhance global capacities in prevention, diagnosis, and treatment within primary health care. It also aims to assist member countries in developing ICT strategies to ensure affordable universal broadband access.

Socioeconomic advancement and empowerment

Projects that promote women's leadership and participation in decision making roles.

Projects that create decent employment opportunities and workforce integration for women particularly in traditional male dominated fields.

Projects that incorporate gender-sensitive design features.

Projects that help improve the socioeconomic status of women, such as their resilience to drivers of fragility.

Projects that help improve the education for refugees and strengthen community resilience.

Projects that integrate gender-responsive climate strategies.

Projects that support women's access to assets.

Analytical considerations

- Advancing the role of women in decision making, project development, community resilience, the workforce, and climate strategies is key to ensuring equitable sustainable development. According to the World Economic Forum Global Gender Gap Report 2024, although there has been significant worldwide progress, in areas such as Central Asia, sub-Saharan Africa, and MENA, challenges remain in terms of political and labor force participation.
- This category aims to provide high-performance health financing to support early childhood development. Eligible projects may include investments in essential primary and community health services such as maternal, neonatal, and child health interventions such as childhood immunizations and nutrition programs. Gender inequality is an important issue for IsDB's member countries. It found that in 2023 the participation rates of women over the age of 15 in the labor force and of secondary school enrollment were below the global average at 38.3% (versus 48.7% global) and 67.8% (versus 76.8% global), respectively. The gender inequality index for IsDB member countries was only slightly below the global average at 0.40, compared to 0.465.
- The framework broadly lists the target populations for projects eligible in this category. IsDB will use national definitions and poverty assessments to determine the most vulnerable groups within the specific context in which the financed activities will take place.
- Supporting women and youth is a priority for IsDB, as is indicated by its inclusion as one of the cross-cutting areas that unpin its realigned strategy for 2023-2025 as well as in its Green and Sustainability Strategy 2026-2030. Activities in scope of this category are defined in IsDB's women's empowerment policy, which is based on four pillars: access to basic services; integrating women's empowerment in all IsDB's activities; improving women's participation in socioeconomic development; and improving knowledge and capacity building.
- Projects listed in this category could worsen gender imbalances and foment conflicts if the focus is not equality. In addition, the framework does not specify how eligible services, namely health care and childcare, will remain affordable for the target populations. Said risks may be partly addressed by IsDB's commitments to rooting eligible projects in inclusive development and through its ESS policy, which all financed projects are required to comply with. IsDB integrates a monitoring and evaluation plan in the design of projects located in countries that do not have the infrastructure to monitor their progress.

Food security and sustainable food systems

Projects/investments that alleviate poverty and enhance food security and nutrition.

Projects/investments that contribute to enhancing sustainable, inclusive and equitable agriculture and rural development.

Projects/investments that creates rural employment opportunities both in agriculture and the rural non-farming economy.

Analytical considerations

- Improving food security and promoting sustainable, inclusive and equitable farming and rural advancement are important drivers of sustainable development. According to the 2025 Global Report on Food Crises by the Food Security Information Network, acute hunger (defined by Unicef as an immediate danger to lives and livelihoods due to inadequate food



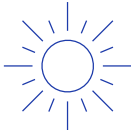

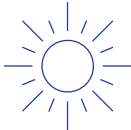
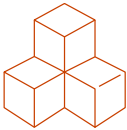
consumption), rose for the sixth consecutive year in 2024, affecting around 295 million people globally. Although part of the reason has been a rise in conflicts, this phenomenon has also been caused by weather extremes and economic shocks.

- The framework broadly lists the target populations for eligible projects. Given the diversity of IsDB's member countries, it uses national definitions and poverty assessments to determine the vulnerable groups within the specific context in which the projects will be implemented.
- Projects eligible under this category will align with IsDB's Food Security Response Program, which in 2024 was worth US\$10.54 billion. The aim of this program is addressing structural weaknesses and root causes of food insecurity in its member countries, namely low productivity, rural poverty, climate change and a lack of resilience in their agricultural and food systems. Initiatives included in this category will be selected based on the bank's Agriculture and Rural Development Sector Policy which includes, for example, improving access to yield enhancing technology and infrastructure, farmer-buyer links, and building human and institutional capacity. In doing so, the bank will aim to contribute to poverty alleviation and improved quality of life in targeted areas.
- Addressing food insecurity and promoting agricultural sustainable and resilience development is an ongoing priority for IsDB. In 2023, it found that the unemployment rate in its member countries was higher than the global average, and that the GDP value of exported goods and services was lower. For this reason, these themes have been included in its 2023-2025 Realigned Strategy as well as in its Green and Sustainability Strategy 2026-2030.
- Though the bank does not intend to finance large-scale standalone livestock operations under this framework, small-scale activities may be eligible in the context of integrated rural development programs. Any livestock farming constitutes significant climate and environmental impacts, in particular in terms of greenhouse gas emissions and biodiversity risks. In addition, eligible projects could entail risks related to working conditions, worker and consumer health and safety, as well as the potential for environmental consequences in the emissions, air, water and soil pollution, and loss of biodiversity and land use change. There is also a long-term risk that inadequate agricultural practices result in soil degradation which could affect access to food sources, livelihoods, and community resilience. IsDB will seek to address these risks by applying environmental and social safeguards through its ESS Policy. In addition, IsDB integrates a monitoring and evaluation plan in the design of projects located in countries that do not have the infrastructure to monitor their progress. Should it finance operations that include livestock, the bank will require environmental safeguards, such as responsible land and resource use, animal welfare, waste and biodiversity management and community engagement.

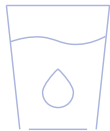
Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs	
Sustainable water and wastewater management		
	6. Clean water and sanitation*	13. Climate action
Renewable energy		
	7. Affordable and clean energy*	
Clean transport		
	11. Sustainable cities and communities*	
Energy efficiency		
	7. Affordable and clean energy*	9. Industry, innovation and infrastructure*

Pollution prevention and control



6. Clean water and sanitation



12. Responsible consumption and production*

Environmentally sustainable management of natural living resources and land use



2. Zero hunger*



15. Life on land*

Climate change adaptation



13. Climate action*

Employment generation / SME financing



1. No poverty



8. Decent work and economic growth*



9. Industry, innovation and infrastructure*

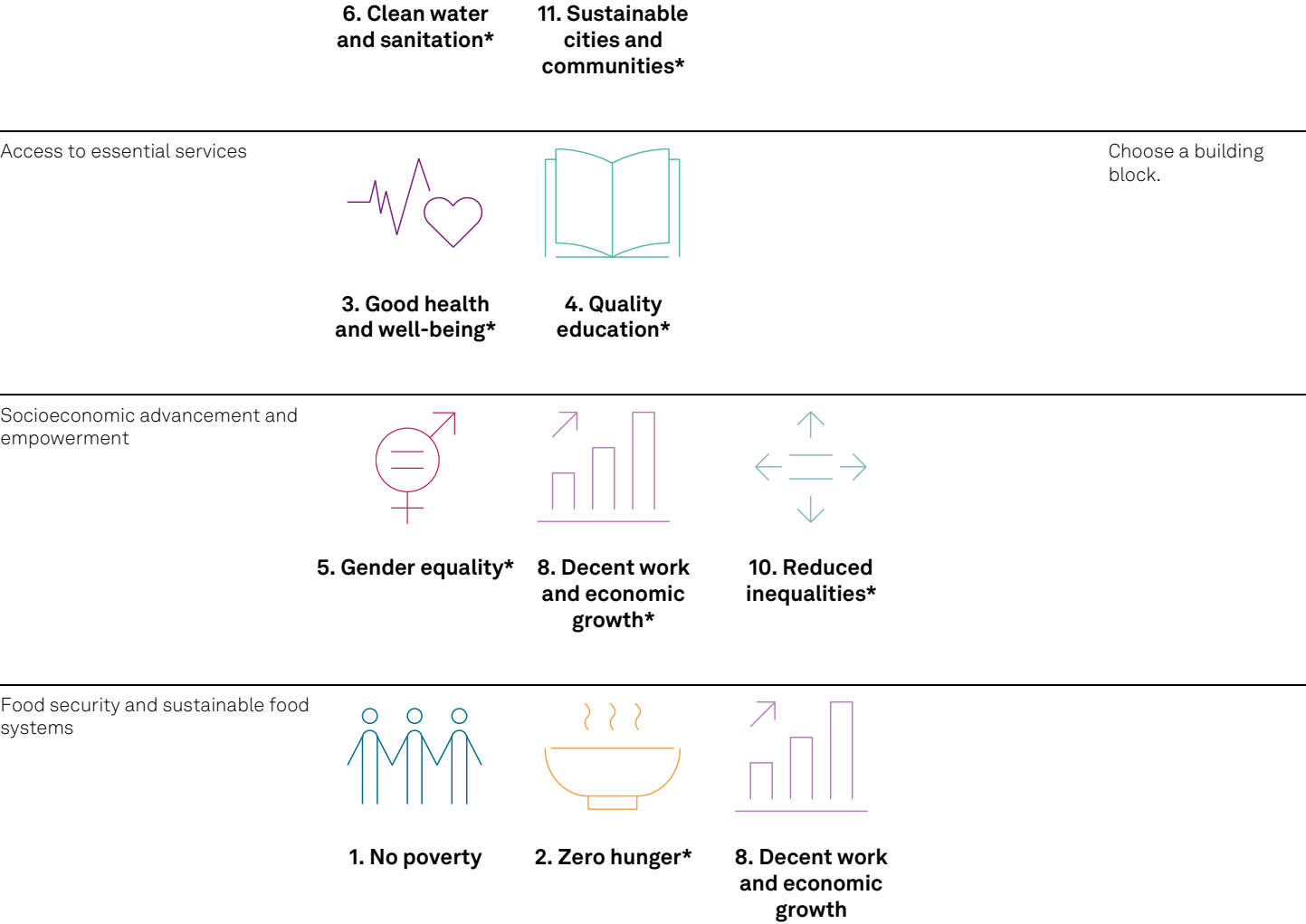
Affordable housing



11. Sustainable cities and communities*

Affordable basic infrastructure





*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023
- [S&P Global Ratings ESG Materiality Maps: Banks](#), July 20, 2022.

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