

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Dubai Islamic Bank
1 September 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainable Finance Instruments
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association's (ICMA)'s Green Bond Principles (June 2021), Social Bond Principles (June 2021) and Sustainability Bond Guidelines (June 2021);• Loan Market Association (LMA)'s Green Loan Principles (June 2021) and Social Loan Principles (June 2021)
Scope of verification	<ul style="list-style-type: none">• DUBAI ISLAMIC BANK Sustainable Finance Framework (as of 31.08.2022)• DUBAI ISLAMIC BANK Selection Criteria Assessment (as of 31.08.2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework

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SCOPE OF WORK

Dubai Islamic Bank (“the Issuer” or “DIB”) commissioned ISS ESG to assist with its Sustainable Finance instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Dubai Islamic Bank ’s Sustainable Finance Framework (31.08.2022 version) – benchmarked against the International Capital Market Association’s (ICMA)’s Green Bond Principles (June 2021), Social Bond Principles (June 2021) and Sustainability Bond Guidelines (June 2021); and Loan Market Association (LMA)’s Green Loan Principles (June 2021) and Social Loan Principles (June 2021).
2. The Eligibility criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Sustainable Finance instruments link to Dubai Islamic Bank ’s sustainability strategy – drawing on Dubai Islamic Bank ’s overall sustainability profile and issuance-specific Use of Proceeds categories.

DUBAI ISLAMIC BANK BUSINESS OVERVIEW

Dubai Islamic Bank PJSC engages in the provision of banking and financial services. It operates through the following segments: Consumer Banking, Corporate Banking, Real Estate Development, Treasury, and Other. The Consumer Banking segment handles small and medium businesses and individual customers' deposits and provides consumer and commercial Murabahas, Salam, Ijarah, credit cards and funds transfer facilities as well as and trade finance facilities. The Corporate Banking segment handles financing and other credit facilities and deposit and current accounts for corporate and institutional customers. The Real Estate Development segment includes property development and other real estate investments by subsidiaries. The Treasury segment manages overall liquidity and market risk and provides treasury services to customers. The Other segment encompasses functions other than the other core lines of businesses including investment banking services. The company was founded on March 12, 1975 and is headquartered in Dubai, United Arab Emirates. It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG’s sector classification.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP, SBP, SBG, GLP and SLP.</p>	<p>The issuer has defined a formal concept for its Sustainable Finance instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBP, SBP and SBG, and the LMA GLP and SLP.</p>	Aligned
<p>Part 2:</p> <p>Sustainability quality of the Sustainable Finance Instruments</p>	<p>The Use of Proceeds Instruments will (re-)finance eligible asset categories which include renewable energy, energy efficiency, clean transportation, green buildings, pollution prevention and control, sustainable water and wastewater management, employment generation, affordable housing, and access to essential services.</p> <p>The use of proceeds categories have a significant contribution to SDGs 1 "No poverty", 5 "Gender inequality", 10 "Reduced inequalities", 6 "Clean Water and Sanitation", SDG 7 "Affordable and clean energy", SDG 11 "Sustainable Buildings and Communities" and SDG 13 "Climate action".</p> <p>The remaining use of proceed categories improve the operational impacts of DIB's borrower(s) and mitigate potential negative externalities of the sectors on SDGs 6 "Clean Water and Sanitation", SDG 7 "Affordable and clean energy", SDG 11 "Sustainable Buildings and Communities", SDG 12 "Responsible consumption and production" and SDG 13 "Climate action".</p> <p>The environmental and social risks associated with the use of proceeds categories are well managed.</p>	Positive
<p>Part 3:</p> <p>Sustainable Finance instruments' link to issuer's sustainability strategy</p>	<p>The Use of Proceeds financed through these Sustainable Finance instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing the Sustainable Finance instruments is clearly described by the issuer.</p>	Consistent with issuer's sustainability strategy

¹ ISS ESG's evaluation is based on the Dubai Islamic Bank's Sustainable Finance Framework (dated 31.08.2022), and on the ISS ESG Corporate Rating updated on the 31.08.2022 and applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, SBG, GLP and SLP

This section describes ISS ESG's assessment of the alignment of the Dubai Islamic Bank's Sustainable Finance Framework (dated 31.08.2022) with the GBP, SBP, SBG, GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	<p>ISS ESG considers the Use of Proceeds description provided by Dubai Islamic Bank's Sustainable Finance Framework as aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer's green and social categories align with the project categories as proposed by the GBP, SBP, SBG, GLP and SLP, Selection Criteria are defined in a clear and transparent manner. Environmental and social benefits are described.</p> <p>The issuer has defined a maximum of 3-year look-back period for refinanced projects</p> <p>The issuer has also explicitly defined project categories that will be excluded for financing.</p>
2. Process for Project Evaluation and Selection	✓	<p>ISS ESG considers the Process for Project Evaluation and Selection description provided by Dubai Islamic Bank's Sustainable Finance Framework as aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The issuer also has clearly defined the roles and responsibilities of the working group created for the project evaluation and selection process. It also defined the different departments that forms the working group, including the Business, Finance, Risk, Credit and Investor Relations departments, hence leveraging on different expertise in the process.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>ISS ESG finds that the Management of Proceeds proposed by Dubai Islamic Bank 's Sustainable Finance Framework as aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The proceeds will be deposited in DIB's general funding accounts and will be earmarked for allocation for eligible sustainable projects.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by Dubai Islamic Bank 's Sustainable Finance Framework as aligned with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Dubai Islamic Bank explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The issuer also commits to disclose the impact of proceeds transparently, subject to data availability and confidentiality. The issuer's impact reporting has clearly defined level of reporting, information reported, frequency, scope and duration.</p>

PART II: SUSTAINABILITY QUALITY OF THE SUSTAINABLE FINANCE INSTRUMENTS' ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.




1. Products and services

The assessment of UoP categories for (re)financing / invested in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).





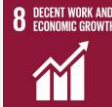


The assessment of UoP categories for (re)financing / invested in specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable Finance instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <i>Projects related to the production, transmission and storage of energy from Solar, Wind and Hydrogen</i>	Significant Contribution	
Renewable Energy <i>Projects related to the production, transmission and storage of energy from 2nd generation Biofuels and Biomass².</i>	Limited Contribution	
Green Buildings	Significant Contribution	

² Feedstock is from sustainable sources of local raw material that is sourced from agricultural residues or forestry residue and does not deplete existing terrestrial carbon pools or compete with food production

<p><i>Projects related to acquisition, development, and construction that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including:</i></p> <ul style="list-style-type: none"> - LEED “Gold” or above - BREEAM “Excellent” or above - Estidama Pearl Building Rating System (4 Pearl and above) - Global Sustainability Assessment System (GSAS) “4 star” or above 		
<p>Sustainable Water and Wastewater Management</p> <p><i>Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents</i></p>	Significant Contribution	
<p>Sustainable Water and Wastewater Management</p> <p><i>Sewer systems and pumping stations</i></p>	Significant Contribution	
<p>Electricity Transmission and Distribution</p> <p><i>Investment in smart energy grids, energy meters, management systems and battery storage facilities, and Upgrade in grid infrastructure to improve electricity transmission efficiency and reduce transmission losses</i></p>	No Net Impact	
<p>Clean Transportation</p> <p><i>Financing projects related to electric and low carbon vehicles and associated infrastructure for public, passenger and freight transportation, including auto financing programs ³ and charging infrastructure</i></p>	Limited Contribution	 
<p>Employment Generation and programs designed to provide support to the SMEs including programs designed for Women owned SMEs⁴</p>	Limited Contribution	 
<p><i>(Re)Financing Small and Medium Enterprises (SME) and microfinance clients, as well as the provision of support measures to these clients such as offering extension of payment periods and exemption of facility fees during natural disasters and pandemics</i></p>	Significant Contribution	

³ Nonelectric vehicles will meet the following criteria: Passenger cars and public rail transportation (under 75gCO₂/p-km up to 2020, and 50gCO₂/p-km thereafter up till 2030); freight transportation (under 25gCO₂/t-km up till 2030, 21gCO₂/t-km from 2030 up to 2050). The thresholds have been aligned with the IEA 2 degree scenario criteria

⁴ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology

<p>Affordable Housing</p> <p><i>Financing and/or refinancing of government-supported or government-subsidized mortgages for the provision of affordable housing as well as projects related to the development and construction of homes covered under such programmes⁵</i></p>	<p>Limited Contribution</p>	
<p>Access to Essential Services</p> <p><i>Projects related to the construction or expansion of public hospitals for the provision of not-for-profit, free or subsidised healthcare, and Provision / distribution of healthcare equipment and public healthcare services</i></p>	<p>Significant Contribution</p>	
	<p>Limited Contribution</p>	
<p>Access to Essential Services</p> <p><i>Infrastructure for the provision of emergency medical response and disease control services, and Projects related to provision of essential public services including manufacturing of firefighting and other emergency equipment</i></p>	<p>Limited Contribution</p>	
<p>Access to Essential Services</p> <p><i>Provision of child, youth or adult education and vocational training services</i></p>	<p>Significant Contribution</p>	
<p>Access to Essential Services</p> <p><i>Financing for Projects related to the construction or expansion of schools targeting a general population</i></p>	<p>Limited Contribution</p>	








2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

DIB finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. This could have an impact on the overall sustainability quality of the issuance.

⁵ DIB supports a number of government-supported and subsidized initiatives in the UAE, such as the Mohamed bin Rashid Housing Establishment and the Sheikh Zayed Housing Programme. Financing under such programmes includes profit-free financing by DIB with an upfront subsidy received from the relevant government ministry by DIB. <https://u.ae/en/information-and-services/housing/housing-authorities-and-programmes>

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (Processes)	OPERATIONAL IMPACT IMPROVEMENT ⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy efficiency District cooling systems that allows energy savings of up to 30-50%, smart energy grids, energy meters, and management systems for operational facilities</p>	✓	  
<p>Clean transportation Projects supporting the deployment of electric vehicles (EV) into own fleet including charging infrastructure in owned facilities</p>	✓	 
<p>Green Buildings Projects related to acquisition, development, and construction that belongs to the top 15% in terms of energy efficiency of their local market Refurbishment Projects and Operational plans to achieve third party certifications including -LEED “Gold” or above -BREEAM “Excellent” or above -Estidama Pearl Building Rating System (4 Pearl and above) -Global Sustainability Assessment System (GSAS) “4 star” or above</p>	✓	
<p>Pollution Prevention and Control Projects related to upgrades and renovation of facilities for collection, sorting, processing and conversion and treatment of waste, including: Recycling and reuse. This may include: - Facilities processing recyclable waste fractions into secondary raw materials, (such as steel, aluminum, glass, plastics) cease to be waste and are sold to be used as secondary raw materials. - Facilities collecting, sort, clean, refurbish, recondition and/ or repair products. The products are put back to their original use without any further pre-processing required -Biological treatment facilities (including anaerobic digestion and composting facilities)</p>	✓	

⁶ Limited information is available on the scale of the improvement as no threshold is provided. ISS ESG only displays the direction of change.

Pollution Prevention and Control

Projects related to upgrades and renovation of facilities for collection, sorting, processing and conversion and treatment of waste, including:

- Waste collection and storage
- Waste to energy plants, where recyclables are sorted and there is bottom ash recovery

-

Sustainable water and Wastewater management

Projects related to operation, maintenance or upgrades, renovations or improvements of water collection, recycling, transportation and treatment of wastewater technologies, including:

- Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents
- Sewer systems and pumping stations
- Other Projects that increase water-use efficiency by at least 20%, such as water recycling and reuse projects, water saving systems, water saving technologies and water metering



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

KPIs relevant for all use of proceeds categories

Labour, Health and Safety

- ✓ The issuer has policies and processes in place to systematically ensure that the relevant projects financed under this framework provide for high labour, health and safety standards. The projects will be located in the United Arab Emirates which ratified all core principles of the ILO Conventions. Moreover, the issuer is abided by the UAE federal law on public health, as well as Dubai additional codes of practice, circulars, and technical decisions relating to environmental and occupational health and safety issues⁷.

User safety

- ✓ The issuer ensures that assets financed under this framework have high operational safety standards in place by conducting regular site visits. Also, the projects are located in the United Arab Emirates, which are governed by local regulations in relation to building and construction safety, including the Hassantuk programme for fire protection system, Dubai Building Code for building safety, and the building permit system authorized by local municipalities in the UAE. The issuer's projects are also subject to the United Arab Emirates Health and Safety Legislation, which addresses health and safety aspects including providing workers protection against hazards, inspections to ensure the correct use of equipment, provision of first aid boxes and other medical care, and other appropriate controls in workplaces such as ventilation, lighting, cleanliness and the elimination of dust and smoke.

Environmental aspects of construction (or production) and operation

- ✓ The issuer has an environmental management system to mitigate potential risks through measures including setting environmental impact reduction targets, implementing training and awareness, and having a data compilation system. The issuer has a two-step strategy to mitigate potential environmental risks.

KPIs relevant for all green categories

Environmental aspects of construction (or production) and operation

- ✓ The issuer has a due diligence process to ensure assets it finances will undergo environmental impact assessments at the earliest stage of the project cycle as part of the legal requirement in the UAE under Federal Law No. (24) of 1999. Moreover, the

⁷ UAE Federal Labour Law: <https://www.barbour-ehs.com/wp-content/uploads/2019/12/UAE-TG.pdf>

mitigation and monitoring requirements are ensured to be implemented by the post environmental clearance compliance monitoring required by the Dubai Municipality Environment Department (DM-ED). For example, to ensure compliance with local laws, relevant projects are required to obtain permits such as the Building Completion Certificate (BOC) at the end of the project.

KPIs relevant for Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management

Dialogue with local communities

- There is limited information to show community dialogue is featured in the planning process for the assets financed under the framework. However, views exchanged with stakeholders and experts are valuable elements of the EIA system required by the federal law of UAE. Moreover, the issuer establishes regular dialogues with various local communities and agencies to ensure the channeling of funds is provided to benefit the needy individuals.

KPIs relevant for Renewable Energy, Energy Efficiency

Environment aspects of construction (or production) and operation

- ✓ The issuer has a due diligence process to ensure assets it finances will comply with relevant local laws. More specifically, waste electrical electronic equipment will be disposed of correctly or recycled according to the EU WEEE Directive and the recommendation for DRRG solar PV systems by Dubai Electricity & Water Authority.

KPIs relevant for Energy Efficiency

Data protection and information security

- ✓ The smart energy projects financed under this framework will meet requirements for data and information security by complying to the UAE Information Assurance Regulation.

KPIs relevant for Energy Efficiency, Access to Essential Services

Environment aspects of construction (or production) and operation

- ✓ The assets financed under this framework will fulfill the threshold defined by the UAE RoHS Regulation limits. Companies are required to survey their supply chains and make declarations on products containing restricted substances above a specific threshold.

KPIs relevant for Clean Transportation, Access to essential services (Healthcare equipment)

Environment aspects of construction (or production) and operation

- There is limited information to show that the issuer ensures comprehensive life cycle assessments have been conducted for assets financed under this framework.

However, life cycle assessment is recommended according to the UAE Circular Economy Policy.

User safety

- ✓ The UAE Regulations on Electric Vehicles has a comprehensive list of requirements to ensure the safety of electric vehicle users. The UAE also has regulations ensuring high standards for healthcare equipment, as all healthcare device manufacturers need to register with the UAE Ministry of Health and risk losing their registration if standards are not met. The issuer has processes to systematically ensure that the electric vehicle and healthcare equipment it finances abide by the appropriate UAE regulations.

KPIs relevant for Green Buildings

Construction standards

- ✓ The issuer has a procurement process setup to include sustainability elements in the vendor tender and evaluation process. Assets financed under this framework will follow the sustainable procurement requirement of the green building certifications, e.g. LEED, BREEAM, Estidama Pearl Building Rating System, and GSAS. Assets financed under the framework will also abide by the Dubai Building Code, which includes ensuring the use of sustainable materials in the building design, such as recycled materials as defined in ISO 14021 and certified/accredited timber.

Site selection

- There is limited information to show that the issuer has policy in place to ensure the assets to be financed under the framework will be located within a maximum of 1 km from one or more modalities of public transport. However, the green buildings certified with LEED certifications will, where applicable, comply with the requirement relating to proximity to public transportation.

Water use minimization in buildings

- ✓ The assets financed under this framework will follow the water efficiency requirement of the green building certifications, e.g. required indoor water use reduction and water metering for LEED certified buildings. Moreover, it is part of the Dubai Building Code to ensure water meters are in place. The issuer states that all green buildings it finances will follow one of the following standards or equivalent: ISO 14046 Environmental Management including Water footprint; ISO 46001 Water efficiency management systems; ISO 16075 Guidelines for treated wastewater use for irrigation projects, and ISO 24521 Activities relating to drinking water and wastewater services.

KPIs relevant for Pollution Prevention and Control

Environment aspects of construction (or production) and operation

- ✓ The assets financed under the framework will follow the UAE Waste Management Policy, which ensures high recycling of waste components for the waste treatment facilities.

KPIs relevant for Sustainable Water and Wastewater Management

Environment aspects of construction (or production) and operation

- ✓ The issuer has policies in place to systematically prevent the risks of leakage from the water treatment systems it finances. More specifically, the issuer has relationship managers who conduct regular site visits to inspect the safety standards of its projects and ensure that the relevant building and construction standards will be adhered to, including the prevention of any leakages.
- ✓ The assets financed under the framework will follow the Dubai and Abu Dhabi Water quality regulations, which systematically ensures that assets financed provide for high standards regarding quality of the treated water. It specifies that all projects will be subject to local water quality regulations and UAE water security strategy 2036.

KPIs relevant for all social categories

Exclusion of harmful sectors

- ✓ The issuer has policies and processes in place to systematically ensure the exclusion of financing to sectors or activities detrimental to society in accordance with its Responsible Financing Policy. This is explicitly outlined in the issuer's Sustainable Finance Framework.

Inclusion

- ✓ The issuer has policies and processes in place to systematically ensure that assets financed under this framework prohibit discrimination in the work place. More specifically, the issuer specifies that the projects it finances will be covered by UAE anti-discrimination policies. The relevant law is the Federal Decree Law No. 2 of 2015 on Combating Discrimination and Hatred, which aims to fight discrimination against individuals or groups based on religion, caste, doctrine, race, colour or ethnic origin. However, the issuer also discloses that it may not have direct control to implement anti-discrimination policies over the companies that it finances.

KPIs relevant for Affordable Housing

Environmental impact

- ✓ The issuer has policies and processes in place to systematically reduce the potential negative environmental impact that the assets could have. More specifically, the issuer states that the affordable housing programs it finances will be conducted in accordance with the Dubai building code, which sets minimum requirements for building design to reduce the impact on the surrounding environment.

KPIs relevant for Access to Essential Services

Site location

- The issuer does not have policies and processes in place to systematically ensure that assets financed under this framework are located within a maximum of 250 m from one or more modalities of public transport.

Quality management

- ✓ Key social programs financed under the framework include quality management policies. To ensure compliance, the issuer conducts site visits to specified projects to make sure that projects are in line with government and issuer's standards and policies, and conducts regular follow up meetings with stakeholder ensuring that project is delivered on a timely manner. The issuer states to choose to work only with authorized and credible local agencies in delivering the social project/programs such as foundations, associations, local authorities and establishments, hence further ensuring quality management of the projects.

Ethics

- ✓ The issuer states that all projects it finances will be in line with Shariah compliance, which sets minimum standards for ethical and responsible practices.

PART III: SUSTAINABLE FINANCE INSTRUMENTS LINK TO DUBAI ISLAMIC BANK 'S SUSTAINABILITY STRATEGY

A. DUBAI ISLAMIC BANK 'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labour standards and working conditions
Business ethics

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Dubai Islamic Bank's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Failure to prevent money laundering, Failure to mitigate climate change impacts and Failure to prevent deforestation / illegal logging.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

B. CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH DUBAI ISLAMIC BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

DIB's sustainability objectives and priorities are to finance companies and projects that contribute to green and social impacts, including the following fields:

- Companies and projects that are leading energy transition in the UAE. As an example, DIB is a lead financier of Bee'ah, a company that focuses on creating environmental innovations and provide solutions for future ready cities.
- Electric vehicles and hybrid cars. The Bank offers discounted profit rates for personal auto finance specifically for the utilisation for the purchase of EV or hybrid cars. Launched in 2013, this programme has led to the issuance of more than 360 financings.
- Affordable housing. DIB collaborates with the UAE Government to offer bespoke housing schemes and financing solutions to provide affordable housing to UAE nationals in all seven emirates, for both ready and under-construction projects. Key partnership programmes include the Mohammed Bin Rashid Housing Establishment ("MBHRE") and Sheikh Zayed Housing Programmes ("SZHP") which offer UAE nationals financial support schemes, including profit free financing and subsidies, with increased support offered to those with lower earnings to maximise the social impact.
- Financing for small and medium enterprises. DIB has signed a Memorandum of Understanding with Emirates Development Bank ("EDB") on a credit guarantee scheme for SMEs in the UAE. In total, DIB will aim to disburse AED200m in financing.

DIB states that it will also incorporate environmentally friendly practices in its own operations. For example, through the installation of water saving technologies across its buildings and the circulation of awareness campaigns DIB has reduced water consumption at the DIB headquarters in Dubai by 27% since 2020. It also focuses on sustainability in buildings, programmes here include the fitting of high efficiency LED installed light fittings, use of renewable materials and the reduction of electricity and power consumption.

For all sustainability priorities, DIB has shared details and examples of projects and activities. However, some of the objectives are not quantified with specific financing commitments or timelines.

Rationale for issuance

DIB hopes to issue sustainability instruments to finance projects that fulfil the green and social categories it has defined as the bank's priorities. DIB has already participated in nearly USD 6 billion of green Islamic capital market transactions and become increasingly active in the issuance of ESG sukks since 2018.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the Use of Proceeds categories financed under the Sustainable Finance instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective
Pollution Prevention and Control	✓	✓	Contribution to a material objective
Sustainable Water and Wastewater Management	✓	✓	Contribution to a material objective
Employment Generation	✓	✓	Contribution to a material objective
Affordable Housing	✓	✓	Contribution to a material objective
Access to Essential Services	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The issuer describes its rationale for issuing green, social and sustainability bonds.*

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them, and the use thereof shall be excluded.
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ANNEX 1: Methodology

ISS ESG Green/Social KPIs

The ISS ESG Green/Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Dubai Islamic Bank 's Sustainable Finance Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Dubai Islamic Bank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Dubai Islamic Bank 's Sustainable Finance instruments

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions

can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

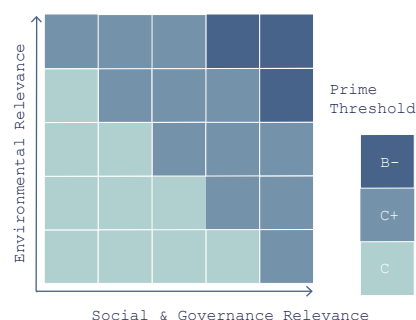
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

- Dubai Islamic Bank commissioned ISS ESG to compile a Use of Proceeds SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with ICMA's GBP (June 2021), SBP (June 2021) and SBG (June 2021); and LMA's GLP (June 2021) and SLP (June 2021)

and to assess the sustainability credentials of its Sustainable Finance Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's GBP (June 2021), SBP (June 2021) and SBG (June 2021); and LMA's GLP (June 2021) and SLP (June 2021)
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by Dubai Islamic Bank

ISSUER'S RESPONSIBILITY

Dubai Islamic Bank's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

- ISS ESG has conducted this independent Second Party Opinion of the Sustainable Finance instruments to be issued by Dubai Islamic Bank based on ISS ESG methodology and in line with the ICMA's GBP (June 2021), SBP (June 2021) and SBG (June 2021); and LMA's GLP (June 2021) and SLP (June 2021)

The engagement with Dubai Islamic Bank took place in June to July 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Use of Proceeds SPO, please contact: SPOOperations@iss-esg.com

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