

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Finance Framework

Bapco Energies
21 December 2022¹

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainability-Linked Financing Instruments
Relevant standard(s)	<ul style="list-style-type: none">▪ Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2020)▪ Sustainability-Linked Loan Principles as administered by the LMA (as of March 2022)
Scope of verification	<ul style="list-style-type: none">▪ Bapco Energies' Sustainability-Linked Finance Framework (June 14, 2023)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as Bapco Energies' Sustainability-Linked Finance Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

¹ The SPO was initiated in May 2022, based on the methodology applied at the time, and was completed in December 2022. It is to be noted that the Issuer provided additional comments regarding their business exposure to ESG risks (Part 3.B) and made cosmetic updates to its Framework, including changing its brand name from 'nogaholding' to 'Bapco Energies' as well as certain of its business units' names, which we considered until June 14, 2023 to ensure consistency between the Framework and the SPO.

CONTENTS

SCOPE OF WORK	3
BAPCO ENERGIES BUSINESS OVERVIEW	3
SPO ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	7
PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA SUSTAINABILITY-LINKED LOAN PRINCIPLES	7
PART 2: KPI SELECTION & SPT CALIBRATION	9
PART 3: LINKING THE TRANSACTION(S) TO BAPCO ENERGIES' ESG PROFILE.....	29
A. CONSISTENCY OF SUSTAINABILITY-LINKED FINANCE INSTRUMENTS WITH BAPCO ENERGIES' SUSTAINABILITY STRATEGY	29
B. ISSUER'S BUSINESS EXPOSURE TO ESG RISKS	30
ANNEX 1: ISS ESG Corporate Rating Methodology	34
ANNEX 2: Quality management processes	36
About our SPO.....	37

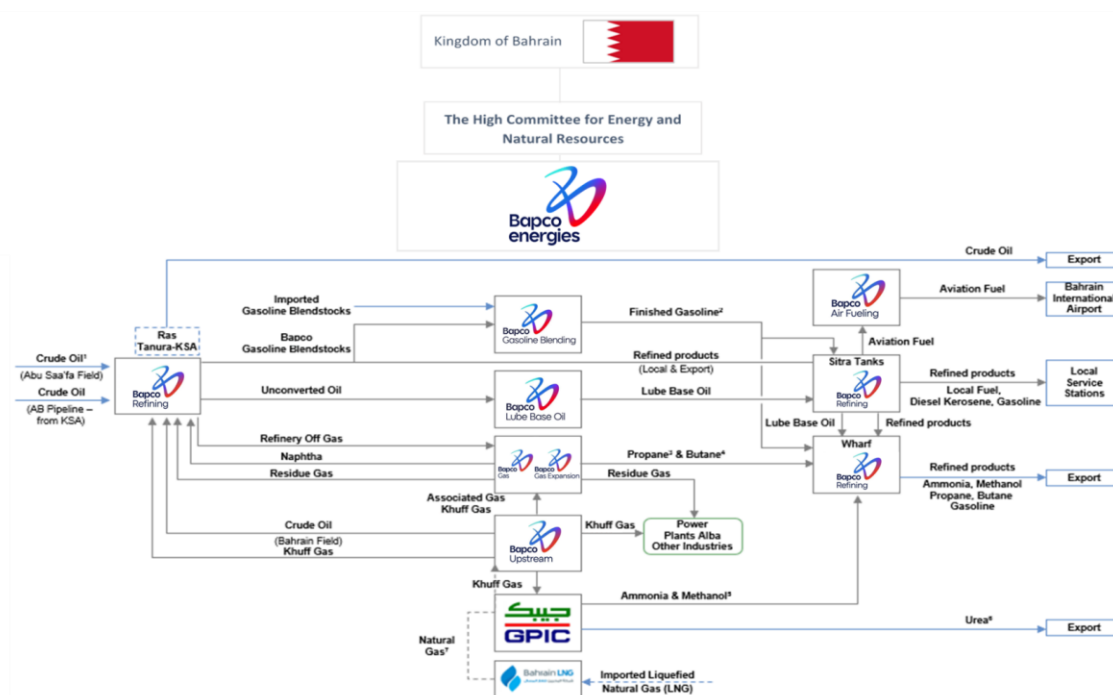
SCOPE OF WORK

The Oil and Gas Holding Company (“Bapco Energies” or “the Issuer” or “the Company”) commissioned ISS to assist with its Sustainability-Linked Financing Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Bapco Energies’ Sustainability-Linked Finance Framework (June 14, 2023 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA) and Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA).
2. The sustainability credibility of the Key Performance Indicators (KPIs) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant and material to the Bapco Energies’ business model and industry, and whether the associated targets are ambitious.
3. Linking the transaction(s) to Bapco Energies’ overall ESG profile – drawing on Bapco Energies’ sustainability objectives.

BAPCO ENERGIES BUSINESS OVERVIEW

Bapco Energies is the energy investment and development company of the Kingdom of Bahrain. The company has holdings in assets that are involved in production of crude oil, regasification of liquid natural gas (LNG), production of petrochemicals and aviation refueling. The major business operations of Bapco Energies corresponds to gas processing (Bapco Gas), crude oil production (Bapco Upstream) and refining, marketing and distribution of petroleum products (Bapco Refining).



SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ²
<p>Part 1:</p> <p>Alignment with the SLBP and SLLP</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles except for limited evidence to assess the level of ambition of SPT 1, SPT 2 and SPT 3</p> <p>The Issuer has defined a formal framework for its Sustainability-Linked Financing Instruments regarding the selection of KPIs, calibration of SPTs, Sustainability-Linked Financing Instruments characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLP) as administered by the LMA.</p> <p>The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPT(s), step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction.</p>
<p>Part 2A:</p> <p>KPI selection and SPT calibration</p> <p>KPI 1: Net Scope 1 and 2 emissions intensity³</p> <p>SPT 1: Net Scope 1 and 2 emissions intensity reduction by respectively 15%, 25%, 50% and 75% by the years 2025, 2030, 2040 and 2050</p>	<p>KPI selection: Relevant and Core to Issuer’s business model and sustainability profile. If used individually on a financial instrument as a standalone KPI (which will always be the case for the financing instruments that will mature in 2034 or earlier as the scope 3 emissions target is a 2035 target), the KPI is material to the Company’s direct operations but not to the Corporate Value Chain⁴.</p> <p>If integrated with KPI 3 on the same financial instrument, then together, the two KPIs are material to the Company’s direct operation, but only partially material to the Corporate Value Chain as it covers less than 2/3 of the company’s reported Scope 3 emissions.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • SPTs 1.1, 1.2, 1.3 and 1.4 are ambitious against historical performance • Limited information available to directly compare with targets set by industry peer group • Limited information available to directly compare with international targets <p>The KPI selected is relevant, core and moderately material to the Issuer’s business model and sustainability profile. If used individually on a financial instrument as a standalone KPI (which will always be the case for the financing instruments that will mature in 2034 or earlier as the scope 3 emissions target is a 2035 target), the KPI is material to the company’s direct operations but not to the Corporate Value Chain. If integrated with KPI 3 on the same financial instrument, then together, the two KPIs are</p>

² Our evaluation is based on Bapco Energies’ Sustainable Finance Framework (as of June 14, 2023), and on the ISS ESG Corporate Rating updated on January 25, 2023 and applicable at the SPO delivery date. We based this analysis on the Issuer’s own emissions reporting and makes no comment on the quality or consistency of the Issuer’s Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer’s sector. We note that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer’s reporting

³ Net Scope 1 and 2 emissions per unit of energy that Bapco Energies produces.

⁴ The concept of Corporate Value Chain is used by the GHG protocol to define Scope 3 emissions.

material to the Company’s direct operation, but only partially material to the Corporate Value Chain as it covers less than 2/3 of the Company’s reported Scope 3 emissions. It is also consistent with the Company’s sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that within the industry there are different intensity calculation methods that exist. Furthermore, the fact this is a net emissions KPI reduces comparability, because some emissions reductions may be done by offsets⁵. It covers at least 95% of the company’s direct operations in both emissions and revenue, and the Company’s direct operations are responsible for 8.2% of the Company’s total reported GHG emissions in 2021.

SPTs 1.1, 1.2, 1.3 and 1.4 are ambitious against historical performance. However, there is limited information to directly compare them with industry peers, and with international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how the action plan ensures the achievement of the SPTs.

Part 2B:

KPI 2: Net absolute Scope 1 and 2 GHG reduction

SPT 2: Net absolute Scope 1 and 2 GHG reduction 30% from 2017 levels by 2035

KPI selection: Relevant and Core to Issuer’s business model and sustainability profile. If used individually on a financial instrument as a standalone KPI, the KPI is material to the Company’s direct operations but not to the Corporate Value Chain⁶. If integrated with KPI 3, please see KPI 1 assessment.

Sustainability Performance Target (SPT) calibration:

- **Ambitious against Bapco Energies’ past performance**
- **Limited information available to directly compare with targets set by industry peer group**
- **Limited information available to directly compare with international targets**

The KPI selected is relevant, core and moderately material to the Issuer’s business model and sustainability profile. If integrated with KPI 3, please see KPI 1 assessment. It is also consistent with the Company’s sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that this is a net emissions KPI which reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets. It covers at least 95% of the Company’s direct operations in both emissions and revenue, and the Company’s direct operations are responsible for 8.2% of the company’s total reported GHG emissions in 2021.

SPT 2 is ambitious against historical performance. However, there is limited information to directly compare SPT 2 with industry peers and international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how the action plan ensures the achievement of the SPT.

⁵ Although Bapco Energies states a commitment that emissions offsets will be used only as a last resort to offset residual emissions, Bapco Energies has not disclosed the threshold for the percentage of emissions offsets it commits to.

⁶ The concept of Corporate Value Chain is used by the GHG protocol to define Scope 3 emissions.

Part 2C: **KPI selection: Relevant and Core to Issuer’s business model and sustainability profile. If used individually on a financial instrument as a standalone KPI, the KPI is partially material to the Company’s Corporate Value Chain but not material to the direct operations of the Company. If integrated with KPI 1 or KPI 2, please see KPI 1 assessment.**

KPI 3: Net absolute Scope 3 GHG reduction

SPT 3: Net absolute Scope 3 GHG emissions reduction by 30% by 2035

Sustainability Performance Target (SPT) calibration:

- **Ambitious against Bapco Energies’ past performance**
- **Limited information available to directly compare with targets set by industry peer group**
- **Limited information available to directly compare with international targets**

The KPI selected is core and relevant to the Issuer’s business model as a standalone KPI. It is partially material to the Company’s Corporate Value Chain, but not material to the direct operations of the Company, as it covers only Bapco Energies’ domestic Scope 3 Category 11 emissions and does not cover Scope 1 and Scope 2 emissions. In 2021, Bapco Energies’ domestic Scope 3 Category 11 emissions constituted 45% of its total Scope 3 Category 11 emissions (the other 55% are international Scope 3 Category 11 emissions). As such, this KPI covers less than 2/3 of the company’s reported Scope 3 Category 11 emissions. Bapco Energies only reports Scope 3 Category 11 emissions, which make up the majority of Scope 3 emissions for oil and gas companies.⁷ If integrated with KPI 1 or KPI 2, please see KPI 1 assessment above. The KPI is consistent with the Company’s sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that it is a net emissions KPI, which reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets and it only focuses on a specific perimeter of the company. It covers 41.5% of the Company’s total CO₂ emissions, according to 2021 figures.

SPT 3 is ambitious against historical performance. There is limited information to directly compare SPT 3 with industry peers and international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how the action plan ensures the achievement of the SPTs.

Part 3: Consistent with Issuer’s sustainability strategy

Linking the transaction(s) to Bapco Energies’ overall ESG profile

The KPIs selected by the Issuer are related to climate change. Climate change has been defined as one of the key priorities of the Issuer in terms of sustainability strategy and we find that this is a material sustainability topic for the Issuer. These issuances contribute to Bapco Energies’ sustainability strategy thanks to the KPIs’ clear link to one of the key sustainability priorities of the Issuer. The strategy could be further strengthened by setting clearer timelines, milestones and action plans that show further granular details on how the Issuer seeks to achieve the specific KPIs and SPTs.

⁷ CDP estimates that Category 11: Use of Sold Products comprises about 91% of Scope 3 emissions in the oil and gas sector. Bapco Energies confirms that its Category 11 as a proportion of Scope 3 emissions is in line with the industry. It has not separately disclosed the exact percentage of its Category 11 emissions as a proportion of Scope 3 emissions.


CDP, CDP Technical Note: Relevance of Scope 3 Categories by Sector, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf?1649687608

SPO ASSESSMENT

PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes our assessment of the alignment of the Bapco Energies' Sustainability-Linked Finance Framework (dated June 14, 2023) with the SLBP and SLLP.

SLB PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
3. Instruments Characteristics	✓	<p>We consider the Sustainability-Linked Bond / Loan Characteristics description provided by the Issuer as aligned with the SLBP and SLLP. The Issuer has specified that relevant coupon step-up amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. The Issuer also explained that in the case the SPTs cannot be calculated or observed, the defined bond characteristic change will be triggered as if the target was not met. The Issuer also clarified that appropriate baseline recalculations will be conducted if extreme / exceptional events (such as significant change in perimeters through material M&A activities), and these recalculations will be verified and reported. The Issuer may recalculate in good faith the levels of the baselines, SPTs and/or KPIs to reflect any material impact (e.g. impact causing a change of at least 5%) on the initial levels of the SPTs, baselines and/or KPIs</p> <p>It should also be noted that the Issuer's KPIs and SPTs involve a range of target years (between 2025 and 2050). Bapco Energies confirms that it follows ICMA guidance to ensure the structure of any SLB requires their performance against at least one SPT will be evaluated, prior to the bond becoming callable at the issuer's option at a pre-determined price.</p>
4. Reporting	✓	We consider the Reporting description provided by the Issuer as aligned with the SLBP and SLLP. This will be made available annually to investors and include valuable information, as described above.

5. External verification		We consider the Verification description provided by the Issuer as aligned with the SLBP and SLLP. We provide an SPO for Bapco Energies' Sustainability-Linked Finance Framework through this report. The performance of the SPTs against the KPIs will be externally verified annually until the targets are reached.
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PART 2: KPI SELECTION & SPT CALIBRATION

2A.1 Selection of KPI 1

KPI 1: Net Scope 1 and 2 emissions per unit of energy that Bapco Energies produces

FROM ISSUER'S FRAMEWORK

KPI: Net Scope 1 and 2 emissions per unit of energy that Bapco Energies produces

- **SPT 1.1:** By 2025, reducing net Scope 1 and 2 emissions intensity by 15% from 2017 levels
- **SPT 1.2:** By 2030, reducing net Scope 1 and 2 emissions intensity by 25% from 2017 levels
- **SPT 1.3:** By 2040, reducing net Scope 1 and 2 emissions intensity by 50% from 2017 levels
- **SPT 1.4:** By 2050, reducing net Scope 1 and 2 emissions intensity by 75% from 2017 levels

Definition: Net Scope 1 and 2 emissions per unit of energy that Bapco Energies produces.

The numerator is operational Scope 1 and 2 emissions from exploration & production, refining and chemical processing activities from all OpCos reduced by the amount of any carbon offsetting in line with Bapco Energies' policies for this area. The numerator is calculated by using the IPCC software⁸. Scope 2 emissions are calculated on a market-based methodology.

The denominator is energy from the products obtained from exploration and production, refining, gas processing as well as chemical production from Bapco Refining, Bapco Upstream, GPIC, Bapco Gas and Bapco Gas Expansion. The denominator is measured in megajoules. This information is collected by each of Bapco Energies' subsidiary entities. The Issuer states that it avoids double counting by defining the scope of what each subsidiary entity measures and reports, so that energy from its products are only counted once even if they are being processed by different entities that are upstream/downstream from each other in the same value chain. For example, if crude is produced by Bapco Upstream and refined by Bapco Refining, Bapco Energies specifies this crude is only accounted for in the energy output of Bapco Upstream and not Bapco Refining. It states this system of using clear definitions avoids double counting. In addition, it states that it engages external experts to examine its portfolio and verify that no double counting happens.

Long-term goal: reaching net zero Scope 1 and 2 emissions by 2060.

Rationale: Bapco Energies has set a long term goal of reaching net zero Scope 1 and 2 GHG emissions by 2060. Bapco Energies has set this KPI as an interim target, which provides transparency on progress towards its long term goal.

Baseline: 5.98gCO₂e/MJ

Baseline year: 2017

Goals:

- 5.08 gCO₂e /MJ by 2025
- 4.49 gCO₂e /MJ by 2030
- 2.99 gCO₂e /MJ by 2040
- 1.50 gCO₂e /MJ by 2050

Scope:

The KPI covers the emissions derived from exploration & production, refining and chemical processing activities across Bapco Energies' portfolio and the units of energy from the products produced from primary fossil fuels. The Issuer states that activities covered by this KPI comprises of at least 95% of all calculated Scope 1 and 2 emissions by revenue and emissions.

⁸ IPCC, Inventory software, <https://www.ipcc-nggip.iges.or.jp/software/index.html>

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Integrated Oil and Gas industry, according to key ESG standards⁹ for reporting and ISS ESG assessment. Companies in this sector have high Scope 1 and 2 emissions, due to the energy intensive processes of extracting, refining and distribution. Beyond CO₂ emissions, the Oil and Gas industry is responsible for high methane emissions, which are the second largest cause of global warming as of 2021.

We find that climate change mitigation and the GHG emissions reduction KPI selected by the Issuer are:

- **Relevant** to Bapco Energies' business as companies in the Oil & Gas industry are highly GHG-emitting and exposed to risks related to this KPI, including the environmental risks and impacts of operations along the value chain and climate business protection.
- **Core** to the Bapco Energies' business as climate change mitigation reduction measures affects key processes and operations that are core to the business model of the Issuer (e.g. energy efficiency improvements, such as the Bapco Refining Modernization Plan which looks to increase Bapco Refining's energy efficiency index by at least 28% through both adding more efficient units and retiring less efficient ones, investment into renewable energy such as large scale solar projects, and invest in new technologies such as carbon capture, utilization and storage). Further details on the company's action plan, are discussed in section 2B.2
- **Moderately material**¹⁰ to Bapco Energies' business model and sustainability profile from an ESG perspective if used individually on a financial instruments.
 - KPI 1 is material to the Company's direct operations but not to the Corporate Value Chain, because KPI 1 focuses on Scope 1 and 2 emissions (covering at least 95% of the Scope 1 and 2 emissions according to the Issuer). However, Scope 1 and 2 emissions represent 8.2% of Bapco Energies' total reported emissions. Therefore, KPI 1 is deemed not material to the Corporate Value Chain of the Company according to our methodology.
 - It is worth noting that KPI 3 addresses Bapco Energies' Scope 3 Category 11 GHG emissions in Bahrain (i.e. Bapco Energies' Scope 3 Category 11 domestic emissions), which represents approximately 41.5% of the Company's total GHG emissions. Therefore, KPI 1 and 3 together would be considered material to the direct operations of the Company and partially material to the Corporate Value Chain if they are integrated into the same financial instrument and both linked to the instruments characteristics.
 - Furthermore, as this KPI measures net emissions, meaning carbon offset measures may be deployed, there is less guarantee that the achievement of the KPI will be mainly driven by reduction in gross emissions. Although Bapco Energies states a commitment that emissions offsets will be used only as a last resort to offset residual

⁹ Key ESG Standards include SASB and TCFD, among others.

¹⁰ We base this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. We note that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

emissions, Bapco Energies has not disclosed the threshold for the percentage of emissions offsets it commits to.

- Last but not least, Bapco Energies' intensity interim targets for 2025 and 2030 do not guarantee a decrease in terms of absolute GHG emissions for the periods mentioned as SPT 2 only covers 2035.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is defined as it covers at least 95% of the company's direct operations that are responsible for 8.2% of the company's total reported GHG emissions.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. GHG emission is widely disclosed and standardized in the market. The Issuer calculates emissions in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.¹¹
- **Externally verified:** All historical data between 2017 and 2021 is externally verified by an auditor.
- **Benchmarkable:** The Issuer states that calculation of the numerator (i.e. measurement of GHG emissions) will follow 2006 IPCC Guidelines for National Greenhouse Gas Inventories. This calculation methodology is considered to be consistent with the GHG Protocol¹². Meanwhile, the denominator (i.e. MJ unit of energy) is also a common measure deployed for calculating emissions intensity in the oil and gas sector according to Transition Pathway Initiative¹³, making this KPI comparable with data reported by other companies.

Nonetheless, there are limitations in comparing data provided by different oil and gas companies as the carbon emissions intensity per stream is different, hence the overall carbon emissions intensity of the company depends on the magnitude of operations in each stream which makes it difficult to directly compare the KPI among peers. Moreover, it should be noted this KPI's calculation includes only Scope 1 and 2 emissions, which is different from the Carbon intensity methodology provided by Transition Pathway Initiative, which includes Scopes 1, 2 and 3 emissions. Benchmarking of the SPT in relation with this KPI has been analyzed in section 1A.2. Furthermore, the fact this is a net emissions KPI reduces comparability because some emissions reductions may be done by offsets

We note that whilst the intensity metric in KPI 1 does not itself provide information on whether the Company's absolute Scope 1 and 2 emissions would decrease, the absolute metric in KPI 2 does provide this information. However, it should be noted that KPI 2 only concerns the year 2035, so there is no guarantee that the absolute emissions in all the other

¹¹ IPCC, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, <https://www.ipcc-nggip.iges.or.jp/public/2006gl/vol1.html>

¹² The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard, [ghg-protocol-revised.pdf \(ghgprotocol.org\)](https://www.ghgprotocol.org/)

¹³ Transition Pathway Initiative, June 2019, Carbon Performance assessment of oil & gas producers: note on methodology, <https://www.transitionpathwayinitiative.org/publications/39.pdf?type=Publication>

target years set by KPI 1 will decrease. Setting both absolute and intensity targets is considered best market practice (as per the Climate Transition Finance Handbook)¹⁴.

Opinion on KPI selection: *The KPI selected is relevant, core, and moderately material to the Bapco Energies' business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that it is an intensity KPI, and that within the industry there are different intensity calculation methods that exist. Furthermore, the fact this is a net emissions KPI reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets. It covers at least 95% of the Company's direct operations in both emissions and revenue, and the Company's direct operations are responsible for 8.2% of the Company's total reported GHG emissions.*

2A.2 Calibration of SPT 1

SPT 1.1: By 2025, reducing net Scope 1 and 2 emissions intensity by 15% from 2017 levels

SPT 1.2: By 2030, reducing net Scope 1 and 2 emissions intensity by 25% from 2017 levels

SPT 1.3: By 2040, reducing net Scope 1 and 2 emissions intensity by 50% from 2017 levels

SPT 1.4: By 2050, reducing net Scope 1 and 2 emissions intensity by 75% from 2017 levels

FROM ISSUER'S FRAMEWORK¹⁵

Sustainability Performance Target:

- SPT 1.1: By 2025, reducing net Scope 1 and 2 emissions intensity by 15% from 2017 levels
- SPT 1.2: By 2030, reducing net Scope 1 and 2 emissions intensity by 25% from 2017 levels
- SPT 1.3: By 2040, reducing net Scope 1 and 2 emissions intensity by 50% from 2017 levels
- SPT 1.4: By 2050, reducing net Scope 1 and 2 emissions intensity by 75% from 2017 levels

Sustainability Performance Target Trigger: achievement of the net Scope 1 and 2 GHG emission intensity reduction target for the years ending 2025, 2030, 2040 and 2050.

Sustainability Performance Target Observation Date:

- SPT 1.1: December 31, 2025
- SPT 1.2: December 31, 2030
- SPT 1.3: December 31, 2040
- SPT 1.4: December 31, 2050

2017 Baseline Intensity: 5.98 gCO₂e /MJ

Strategic 2060 Goal and selection of methodology for calculating the SPT: This SPT aligns with Bapco Energies' long term goal of reaching net zero Scope 1 and 2 emissions by 2060. According to the Issuer, this strategic goal is chosen to align with the strategic goal of the Kingdom of Bahrain, which has committed to achieve net zero by 2060.

Calculation methodology: Calculation for this SPT will cover emissions derived from hydrocarbon production activities across Bapco Energies' portfolio and the units of energy from the products produced from primary fossil fuels. The numerator is operational Scope 1 and 2 emissions from exploration & production, refining and chemical processing activities from all OpCos reduced by the amount of any carbon offsetting in line with

¹⁴ ICMA Climate Transition Finance Handbook, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>

¹⁵ This table is displayed by the Issuer in its Sustainability-Linked Finance Framework and have been copied over in this report for clarity.

Bapco Energies’ policies for this area, while the denominator is energy from the products obtained from exploration and production, refining, gas processing as well as chemical production from Bapco Refining, Bapco Upstream, GPIC, Bapco Gas and Bapco Gas Expansion .

Risks to the target: project delay, funding requirements, and diminishing yield of feedstock i.e. diminishing efficiency.

Ambition

Against company’s past performance

Bapco Energies has set four SPTs relating to its Scope 1 and 2 emissions intensity, as outlined in Table 1. The compounded annual growth rate (CAGR) for each SPT in relation to the 2017 baseline are also shown in the following table.

TABLE 1.	2017 (BASELINE)	2018	2019	2020	2021	2025 (SPT 1.1)	2030 (SPT 1.2)	2040 (SPT 1.3)	2050 (STP 1.4)
Net Scope 1 and 2 emissions intensity (gCO₂e /MJ)	5.98	5.29	5.25	5.62	5.55	5.08	4.49	2.99	1.50
Reduction vs 2017 baseline (in %)					-7.19%	-15%	-25%	-50%	-75%
CAGR compared to 2017 baseline					-1.85%	-2.02%	-2.18%	-2.97%	-4.10%

Bapco Energies’ historical Scope 1 and 2 intensity trajectory from 2017 baseline to 2021 (latest available data) has a CAGR of -1.85%. In comparison, the four SPTs CAGRs from a 2017 baseline are: -2.02% for SPT 1.1, -2.18% for SPT 1.2, -2.97% for SPT 1.3 and -4.10% for SPT 1.4. Therefore, from a quantitative perspective, all four SPTs are more ambitious than historical trajectory.

When observing historical data, a significant emissions intensity drop mostly in 2018 but also in 2019 can be observed. The Issuer explains the main factor behind this decrease is the launch of Central Gas Plant III (CGPIII) at Bapco Gas Expansion , which is significantly more efficient than existing plants. More specifically, the Issuer states that CGPIII’s technology enables the same amount of feedstock to produce higher yields (hence increasing the denominator of its KPI formula, all things being equal). The Issuer states that this efficiency could not be taken for granted for the long term, because the quality of its feedstock could differ in the future. Therefore it believes significant effort still needs to be invested to achieve each SPT despite the emission intensity drop already achieved in 2019. This is reflected in the subsequent increase in 2020 and 2021.

Overall, it can be concluded that, from a quantitative perspective, all four SPTs are more ambitious than historical trajectory.

Against company's industry peers

We conducted a benchmarking of the SPT set by Bapco Energies against a peer group of 36 companies (including Bapco Energies) in the Integrated Oil and Gas industry, including both International Oil Companies (IOCs) and National Oil Companies (NOCs)¹⁶.

Of the 36 companies, 25 companies have set scope 1 and 2 emissions targets (either absolute and/or intensity) and 11 companies have either not set Scope 1 and 2 targets or not disclosed their targets. Of these 25 companies with scopes 1 and 2 targets (including Bapco Energies), 11 companies have intensity targets and 15 companies have absolute targets. Bapco Energies has both absolute and intensity targets. This puts Bapco Energies within the more ambitious sub-group of peers in terms of transparency of target setting and disclosure. It should be noted that further numerical comparison of these companies has not been feasible due to their different scope or calculation methodologies, and some peers have not disclosed precise base years.

We also compared Bapco Energies' SPTs against 7 National Oil Companies which Bapco Energies identifies as belonging to their most comparable peer group. These 7 NOCs are already included in the peer group of 36 companies. Of the 8 NOCs (including Bapco Energies), 3 companies have set Scope 1 and 2 intensity targets (including Bapco Energies), 3 companies have set intensity targets without specifying the scope, and one company only has a long term net zero target. This puts Bapco Energies within the more ambitious sub-group of peers in terms of transparency of target setting and disclosure, for Scope 1 and 2 intensity targets. Nonetheless, it should be noted that further numerical comparison is not been feasible due to peers' different scope or calculation methodologies, and some peers have not disclosed precise base years.

As such, we conclude that without comparable data on GHG emission intensity target setting of peers, there is limited information to assess the level of ambition of the SPT either against the larger group of 35 peers, or the more specific group of 7 NOCs.

Against national and international targets

- **Kingdom of Bahrain national climate target¹⁷:** The Company's long-term objective of carbon neutrality for Scope 1 and 2 GHG emissions is in a timeframe compatible with the target set by the Kingdom of Bahrain, which is to reduce emissions by 30% by 2035 and achieve Net Zero by 2060.¹⁸ However, the Kingdom of Bahrain has not made its base year public, therefore it is not possible to quantitatively compare the level of ambition between the targets set by Bapco Energies and the Kingdom of Bahrain.
- **Industry target:** The Oil and Gas Climate Initiative (OGCI), which is a CEO-led initiative that aims to accelerate the industry response to climate change, has set up an upstream carbon intensity target of 17 kg CO₂e/boe by 2025. Bapco Energies is not a signatory of the OGCI. We also note that the OGCI industry target is an upstream target, whereas Bapco Energies' SPT 1

¹⁶ We built this peer group by using the 32 Integrated Oil and Gas companies in the ISS ESG universe as a starting point. When comparing these 32 companies with a list of 16 companies identified by Bapco Energies as peers, 14 companies overlap and 3 companies do not. Hence, the 3 companies that do not overlap from the two lists were added - along with Bapco Energies itself, to create the 36 peer group portfolio for analysis.

¹⁷ We note that country and corporate targets cannot be compared directly due to differences in the way country and corporate GHG inventories are calculated; for example, country target setting do not have Scope 1, 2 or 3 emissions.

¹⁸ International Finance, November 2021, Bahrain to cut 30% emission by 2035, vows net-zero emissions by 2060, <https://internationalfinance.com/bahrain-to-cut-emission-by-2035-vows-net-zero-emissions-by-2060/>

targets covers upstream, midstream and downstream activities. Therefore, we are not able to compare Bapco Energies' target to the OGCI's target.

- **Paris Agreement:** The Science Based Target Initiative (SBTi) is a widely accepted organization providing science-based guidance on target setting for GHG emissions reduction. It is important to note that the SBTi recently announced it will no longer accept commitments from the oil and gas sector¹⁹ to set SBTi validated targets.

Without the validation of the company's target by SBTi, or other forms of validation by another internationally recognized organization focused on target setting in line with the Paris Agreement, it is currently not possible to evaluate the level of the SPT's ambition against the Paris Agreement. Bapco Energies states that it currently has no plans for new oil field exploration. It further states that if new oil field exploration occurs in the future, the overall GHG emissions of Bapco Energies will remain in line with the GHG emissions reductions targets set. It is important to note that developing new oil and gas fields is found to be "incompatible" with the 1.5°C target as highlighted by a World Economic Forum report published in October 2022²⁰ and a study done by International Institute for Sustainable Development, which is based on a comprehensive review of all "feasible" routes to staying below 1.5°C, and is coherent with the conclusions of the International Energy Agency (IEA)²¹. Additionally, the 2021 Production Gap report published by the Stockholm Environment Institute highlights that to be consistent with limiting warming to 1.5°C, global coal, oil, and gas production would have to decrease by around 11%, 4%, and 3%, respectively, each year between 2020 and 2030.²²

Thus, we conclude that there is limited information to directly compare the SPT with the Paris Agreement or oil and gas industry target.

Measurability & comparability

- **Historical data:** The Issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly GHG emissions intensity data available since then, going beyond the SLBP requirement of providing historical data for previous 3 years.
- **Timeline:** The Issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its Scope 1 and 2 intensity emissions, Bapco Energies' has outlined several actions, including:

1. Reduction of non-routine flaring and improved methane leakage detection via usage of emissions surveillance satellites. According to the company, this will support the aim to reduce

¹⁹ <https://sciencebasedtargets.org/sectors/oil-and-gas#what-is-the-sb-tis-policy-on-fossil-fuel-companies>

²⁰ World Economic Forum, October 2022, New fossil fuels 'incompatible' with 1.5°C goal, comprehensive analysis finds, <https://www.weforum.org/agenda/2022/10/fossil-fuels-incompatible-1-5c-goal-energy-climate-change-study/>

²¹ Carbon Brief, May 2021, IEA: Renewables should overtake coal 'within five years' to secure 1.5°C goal, <https://www.carbonbrief.org/iea-renewables-should-overtake-coal-within-five-years-to-secure-1-5c-goal/>

²² Stockholm Environment Institute, 2021, The Production Gap Report 2021. <http://productiongap.org/2021report>

methane related emissions by 30% by 2030 compared to 2020 levels as per the Kingdom of Bahrain's commitment to the Global Methane Pledge.

2. Investment into new technology, including neutralization technology to reduce net carbon emissions, including feasibility studies of a CO₂ Cluster / CCUS scheme (more specifically, Bapco Energies has done preliminary feasibility on large scale industrial size CCS project within the Kingdom of Bahrain focusing on the large industrial emitters which contribute more than 80% of Bahrain total emissions. The target is to capture CO₂ at source from these emitters' processes and transport and store the captured CO₂ in the available depleted reservoirs. The aim is to capture and store 20%-25% of domestic emissions. Bapco Energies is working with technical consultants on the way forward and the project is expected to be implemented from 2025-2030).
3. Explore opportunities in alternative energy. Although Bapco Energies has no specific targets for its renewable energy composition, it states that the energy it produced from renewables over the past years have already increased, and it expects this to increase further. Currently its renewable energy mix is mainly focused on solar energy. Going forward, it will look to focus on further solar projects. Based on current plans, Bapco Energies expects more than 75% of its short term renewables projects to be from solar. The target is to consider large scale utility size solar energy project with regional partners to supplement Bahrain's energy and decarbonize Bahrain's electricity grid by 20%. The project will be set up in phases to be completed by 2030.

Regarding Bapco Energies' use of carbon credits, the Company states it commits to following the recommendations laid out by the Taskforce on Scaling Voluntary Carbon Markets in its Phase 1 Final Report (for example, the report recommended that offsets should amplify existing and ongoing work of parallel initiatives, and void disincentivizing emissions reduction efforts)²³. Furthermore, by committing to the Core Carbon Principles of The Integrity Council for the Voluntary Carbon Market (ICVCM), Bapco Energies commits to only use carbon credits to compensate for unavoidable or unabated emissions on its transition pathway to reaching net zero, and any carbon credits purchased will follow the Core Carbon Principles of the ICVCM. Bapco Energies also states that it currently has no plan to use offsets in the foreseeable future, which Bapco Energies defines as the next 5-10 years. This could change if technological advances are slower than expected. It states, as an example, that if CCUS takes longer to be commercially viable than currently expected, offsets might be used to compensate for the delay. Bapco Energies also states its commitment that any carbon credits purchased and/or generated would be aligned to the Core Carbon Principles of the ICVCM, which sets threshold standards for high-quality carbon credits.²⁴

We note that the supporting strategy and action plan have not outlined quantified capex spending to support the achievement of the targets outlined by each of the SPTs, in accordance to their respective timelines. The supporting strategy and action plan also lacks details on how much emissions reductions are projected to come from absolute reductions versus the amount from offsets, although the Issuer has provided further clarity as described above. Although the Company has set a vision for itself to become an integrated energy company in the future, as a contributing element of reducing emissions, its action plan does not outline sufficiently granular steps it hopes to take to increase the

²³ Taskforce on Scaling Voluntary Carbon Markets, 2021, Taskforce on Scaling Voluntary Carbon Markets Final Report, https://www.iif.com/Portals/1/Files/TSVCM_Report.pdf

²⁴ The Integrity Council for the Voluntary Carbon Market, Core Carbon Principles <https://icvcm.org/the-core-carbon-principles/>

mix of alternative energy sources. However, Bapco Energies states that it will be releasing further information in the short term as it becomes available.

Opinion on SPT calibration: *We conclude that all four SPTs are quantitatively ambitious against historical performance. However, there is limited information to directly compare them with industry peers and with international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how it ensures the achievement of the SPTs.*

2B.1 Selection of KPI 2

KPI 2: Scope 1 and 2 net absolute GHG emissions reduction, in tCO₂e

FROM ISSUER'S FRAMEWORK

- **KPI:** Scope 1 and 2 net absolute GHG emissions reduction, in tCO₂e
- **SPT:** Scope 1 and 2 net GHG emissions reduction at least by 30% from 2017 levels by 2035

Definition: Operational Scope 1 and 2 emissions from exploration & production, refining and chemical processing activities from all OpCos reduced by the amount of any carbon offsetting in line with Bapco Energies' policies for this area. Scope 2 emissions are calculated on a market-based methodology.

Long-term goal: Reaching net zero Scope 1 and 2 absolute GHG emissions by 2060.

Rationale: Bapco Energies has set a long term goal of reaching net zero Scope 1 and 2 absolute GHG emissions by 2060. Bapco Energies has set this KPI as an interim target to provide transparency on progress towards its long term goal. Bapco Energies states that it has chosen 2035 as a target year to be aligned with the interim target of the Kingdom of Bahrain (which also has a 30% reduction by 2035 as an interim target, on the path to its 2060 net zero target).

Baseline: 6,422,160.70 tCO₂e

Baseline year: 2017

According to the Issuer, the 2017 baseline is chosen to allow for comparison against other oil and gas companies, given it is the chosen baseline year for measuring emissions levels of companies signed up to the Oil and Gas Climate Initiative, a CEO-led initiative that aims to accelerate the Oil and Gas industry response to climate change.²⁵

2035 goal: 4,495,512.49 tCO₂e

Scope: The KPI covers the emissions derived from exploration & production, refining and chemical processing activities across Bapco Energies' portfolio. The KPI reflects Bapco Energies' ownership percentage of each OpCo. The Issuer states that activities included in this KPI account for at least 95% of Bapco Energies' revenues and emissions.

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Integrated Oil and Gas industry, according to key ESG standards²⁶ for reporting and ISS ESG assessment. Companies in this sector have high Scope 1 and 2 emissions, due to the energy intensive processes of extracting, refining

²⁵ The Oil and Gas Climate Initiative, <https://www.ogci.com/about-us/>

²⁶ Key ESG Standards include SASB and TCFD, among others.

and distribution. Beyond CO₂ emissions, the Oil and Gas industry is responsible for high methane emissions, which are the second largest cause of global warming as of 2021.

Bapco Energies has set long term net zero Scope 1 and 2 emissions targets for 2060. In contrast to KPI 1, which may result in increased absolute emissions if the production and sale of energy products increase, KPI 2 allows the Issuer to show that its absolute emissions are decreasing too. Therefore, the Issuer has set this target to help track its progress towards this long term target.

We find that the climate change mitigation and the GHG emissions reduction KPI selected by the Issuer is:

- **Relevant** to Bapco Energies' business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions (e.g. energy transition and decarbonisation).
- **Core** to the Bapco Energies' business as reducing its Scope 1 and 2 emissions require key processes and operations that are core to the business model of the Issuer (e.g. energy efficiency improvements and investment into new technology, particularly carbon capture, utilization and storage) further details on the company's action plan, are discussed in section 2B.2.
- **Moderately Material²⁷** to Bapco Energies' direct operations but not the Corporate Value Chain. However, if integrated with KPI 3 on the same financial instrument, then together, the two KPIs are material to the Issuer's direct operations and partially material to the Corporate Value Chain as it covers less than 2/3 of the company's reported Scope 3 emissions. The KPI covers at least 95% of the Issuer's total emissions, which account for 8.2% of its overall reported emissions.
 - KPI 2 is material to the Company's direct operations because the KPI covers at least 95% of the Issuer's Scope 1 and 2 emissions. However, because KPI 2 does not cover Scope 3 emissions, KPI 2 is deemed not material to the Corporate Value Chain of the company as per ISS ESG's methodology.
 - It is worth noting that KPI 3 addresses Scope 3 GHG emissions in the downstream value chain, which represents approximately 41.5% of the company's total reported GHG emissions. Therefore, KPI 2 and 3 together would be considered material to the direct operations and partially material to the whole Corporate Value Chain if they are integrated into the same financial instrument and both linked to the instruments characteristics.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers at least 95% of the Company's operations that are responsible for 8.2% of the Company's total reported GHG emissions.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. GHG emission is widely disclosed and standardized in the market. The Issuer uses the IPCC

²⁷ We base this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. We note that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

software to calculate emissions, following the IPCC standards. This calculation methodology is considered to be consistent with the GHG Protocol.

- **Externally verified:** All historical data between 2017 and 2021 are externally verified by an auditor.
- **Benchmarkable:** The Issuer states that its measurement of GHG emissions will follow IPCC guidelines. Nonetheless, the fact that it is a net emissions KPI reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets. Benchmarking of the SPT in relation with this KPI has been analyzed in section 2B.2

Opinion on KPI selection: *We find that the KPI selected is core, relevant and moderately material to the Issuer's business model and consistent with its sustainability strategy. The KPI is considered material to the Company's direct operations as it covers over 95% of Scope 1 and 2 GHG emissions but not material to the Corporate Value Chain as it does not cover Scope 3, which represents 91.8% of the reported GHG emissions. If integrated together with KPI 3 as part of the same financial instrument, the two KPIs together can be considered material to the direct operations and partially material to the Corporate Value Chain. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that it is a net emissions KPI, which reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets. It covers at least 95% of the Company's operations, which accounts for 8.2% of the Company's total reported GHG emissions.*

2B.2 Calibration of SPT 2

SPT 2: Scope 1 and 2 net absolute emissions reduction equal to or greater than 30% from 2017 levels by 2035

FROM ISSUER'S FRAMEWORK²⁸

Sustainability Performance Target: Scope 1 and 2 net absolute emissions reduction equal to or greater than 30% from 2017 levels by 2035

Sustainability Performance Target Trigger: achievement of the absolute Scope 1 and 2 GHG emission reduction target for the year ending 2035

Sustainability Performance Target Observation Date: December 31st of 2035

2017 Baseline: 5,715,522.32 tCO₂e

According to the Issuer, the 2017 baseline is chosen to allow for comparison against other oil and gas companies, given it is the chosen baseline year for measuring emissions levels of companies signed up to the Oil and Gas Climate Initiative, a CEO-led initiative that aims to accelerate the Oil and Gas industry response to climate change.²⁹

Strategic 2060 Goal and selection of methodology for calculating the SPT: According to the Issuer, this SPT aligns with Bapco Energies' long term goal of reaching net zero Scope 1 and 2 emissions by 2060. According to the Issuer, this strategic goal is chosen to align with the strategic goal of the Kingdom of Bahrain, which has committed to achieve net zero by 2060.

Calculation methodology: Calculation for this SPT will cover operational Scope 1 and 2 emissions from exploration & production, refining and chemical processing activities from all OpCos. This covers the entities where the most significant amounts of emissions are produced, namely Bapco refining, Bapco Gas, Bapco Gas Expansion, GPIC, Bapco Upstream, and BLNG. Several of the downstream companies (such as Bapco Lube Based Oil and Bapco Gasoline Blending) have their emissions included in Bapco Refining's reporting, given that Bapco Refining is the refiner that produces the products that these companies then sell. To avoid double counting, the Issuer states that it will not include the emissions from these downstream companies in this KPI.

Risks to the target: project delay, funding requirements, and diminishing yield of feedstock i.e. diminishing efficiency.

²⁸ This table is displayed by the Issuer in its Sustainability-Linked Finance Framework and have been copied over in this report for clarity.

²⁹ Oil and Gas Climate Initiative, <https://www.ogci.com/about-us/>

Ambition

Against company's past performance

TABLE 2.	2017 (baseline)	2018	2019	2020	2021	2035
Absolute Scope 1 and 2 emissions (tCO₂e)	5,715,522.32	5,035,319.39	5,502,320.20	5,398,938.85	5,294,592.95	4,000,865.62
Reduction vs 2017 baseline (in %)					-7.36%	-30.00%
CAGR compared to 2017 baseline					-1.89%	-1.96%

Bapco Energies has set a target of emissions reduction must be equal to or greater than 30% from 2017 levels by 2035.

As shown in Table 2, the 2035 reduction target would equate to a -1.96% CAGR reduction rate compared to baseline. In comparison, Bapco Energies' historical emissions reduction trajectory from 2017 to 2021 shows a -1.89% CAGR.

It is noticeable that Bapco Energies' historical emissions experienced a drop between the years of 2017 and 2018, before raising in 2019. Bapco Energies states the 2018 absolute emissions drop is mainly due to several planned shutdowns of refinery units in Bapco Refining, resulting in reduced operational capacity. Bapco Energies further states that Bapco Refining also routinely conducts minor modernization programs, which contributed to reduced emissions in 2018.

We conclude that SPT 2 is ambitious against historical trajectory from a quantitative perspective.

Against company's industry peers

We conducted a benchmarking of the SPT set by Bapco Energies against a peer group of 36 companies (including Bapco Energies) in the Integrated Oil and Gas industry, including both International Oil Companies (IOCs) and National Oil Companies (NOCs)³⁰.

Of the 36 companies, 25 companies have set scope 1 and 2 emissions targets (either absolute and/or intensity) and 11 companies have either not set Scope 1 and 2 targets or not disclosed their targets. Of these 25 companies with scopes 1 and 2 targets (including Bapco Energies), 11 companies have intensity targets and 15 companies have absolute targets. Bapco Energies has both absolute and intensity targets. This puts Bapco Energies within the more ambitious sub-group of peers in terms of

³⁰ We built this peer group by using the 32 Integrated Oil and Gas companies in the ISS ESG universe as a starting point. When comparing these 32 companies with a list of 16 companies identified by Bapco Energies as peers, 14 companies overlap and 3 companies do not. Hence, the 3 companies that do not overlap from the two lists were added - along with Bapco Energies itself, to create the 36 peer group portfolio for analysis.

transparency of target setting and disclosure. It should be noted that further numerical comparison of these companies is not feasible due to their different scope or calculation methodologies, and some peers have not disclosed precise base years.

We also compared Bapco Energies' against 7 National Oil Companies which Bapco Energies identifies as belonging to their most comparable peer group. These 7 NOCs are already included in the peer group of 36 companies. Of the 8 NOCs (including Bapco Energies), 4 companies have set absolute targets (including Bapco Energies). This puts Bapco Energies within the more ambitious sub-group of peers in terms of transparency of target setting and disclosure in relation to absolute target setting. Again, it should be noted that further numerical comparison has not been feasible due to peers' different scope or calculation methodologies, and some peers have not disclosed precise base years.

As such, we conclude that without comparable data on GHG emission target setting of peers, there is limited information to assess the level of ambition of the SPT either against the larger group of 35 peers, or the more specific group of 7 NOCs.

Against international and national targets

- **National Target:** Same assessment as SPT 1, please refer to SPT 1 text.
- **Industry target:** Same assessment as SPT 1, please refer to SPT 1 text.
- **Paris Agreement:** Same assessment as SPT 1, please refer to SPT 1 text.

Thus, we conclude that there is limited information to directly compare the SPT with the Paris Agreement or the Oil and Gas industry target.

Measurability & comparability

- **Historical data:** The Issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly GHG emissions intensity data available since then, going beyond the SLBP of providing historical data for previous 3 years.
- **Timeline:** The Issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

Information and analysis are the same as that of SPT 1, as both SPT 1 and 2 focus on Scope 1 and 2 emissions (please see SPT 1 details).

Opinion on SPT calibration: *We conclude that the SPT is quantitatively ambitious against historical performance. However, there is limited information to directly compare them with industry peers, and with international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how the action plan ensures the achievement of the SPTs.*

2C.1 Selection of KPI 3

KPI 3: Absolute net Scope 3 GHG emissions

FROM ISSUER'S FRAMEWORK

- **KPI:** By 2035, reducing net absolute Scope 3 emissions
- **SPT:** By 2035, reducing net absolute Scope 3 emissions by 30% from 2017 levels

Definition: The KPI covers the emissions from hydrocarbon products sold by Bapco Energies.

Long-term goal: Scope 3 emissions Net Zero by 2060

Rationale: The Issuer believes that reducing GHG emissions from the products sold (i.e. its Scope 3 emissions) is just as important as GHG emissions from its operations (i.e. its Scope 1 and 2 emissions). Therefore it has set this KPI to reduce its Scope 3 GHG emissions. The Issuer defines its Scope 3 in terms of the products sold to external entities, both locally and internationally. The SPT is an interim target to help the Issuer achieve its long term goal of Scope 3 net zero by 2060.

Baseline: 28,605,488.04 tCO₂e

Baseline year: 2017

Goals: 20,023,842 tCO₂e by 2035

Scope: The KPI covers the domestic part of Bapco Energies' Scope 3 Category 11 emissions, which is 45% of Bapco Energies' entire Scope 3 Category 11 emissions (the remaining 55% relates to international).

The KPI covers the emissions from the Issuer's hydrocarbon products sold by Bapco Energies, specifically a range of refined products sold by Bapco Refining (e.g. kerosene, diesel, jet fuel, liquid petroleum gas), gas sold by Bapco Upstream and Bapco Gas, gasoline sold by Bapco Gasoline Blending, and chemicals products sold by GPIC (including ammonia, urea and methanol) which constitute about 6% of Bapco Energies' Scope 3 emissions, as well as the units of energy from those products.

This KPI's scope covers 45% of its entire Scope 3 Category 11 emissions. As the Issuer's Scope 3 Category 11 emissions covers 91.8% of its overall reported emissions, this KPI's scope covers 41.5% of the Issuer's overall reported emissions.

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Integrated Oil and Gas industry, according to key ESG standards³¹ for reporting and ISS ESG assessment. Companies in this sector are among the most highly GHG-emitting, especially in the process of extracting, refining and distributing oil and gas. Beyond CO₂ emissions, the Oil and Gas industry is responsible for high methane emissions, which are the second largest cause of global warming as of 2021.

Scope 3 emissions are also particularly relevant for the Integrated Oil and Gas, because most of the emissions in the value chain are downstream emissions (i.e. Category 10 'Processing of sold products' and Category 11 'Use of sold products'). Bapco Energies has set net zero Scope 3 emissions absolute as its 2060 long term target, and this KPI helps to track the interim targets with the long term target.

We find that the Scope 3 emissions KPI selected by the Issuer is:

- **Relevant** to Bapco Energies' business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions (e.g. energy transition and decarbonisation).

³¹ Key ESG Standards include SASB and TCFD, among others.

- **Core** to the Bapco Energies' business as reducing the Company's scope 3 emissions will inherently require it to produce and sell less fossil fuels, which is a fundamental shift of the Company's business model.
- **Partially material**³² to Bapco Energies' business model and sustainability profile, from an ESG perspective if used individually on a financial instrument. Furthermore, as this KPI measures net emissions, meaning carbon offset measures may be deployed, there is less guarantee that the achievement of the KPI will be mainly driven by reduction in gross emissions.
 - KPI 3 is partially material to the Company's Corporate Value Chain because the KPI addresses Bapco Energies' domestic Scope 3 GHG emissions in the downstream value chain (i.e. Category 11 Use of Sold Products), which represent an estimated 41.5% of the total reported GHG emissions of the Company and does not cover international Scope 3 GHG emissions. However, the KPI does not cover Scope 1 and 2 emissions and therefore, KPI 3 is deemed not material to the direct operations of the Company as per ISS ESG's methodology.
 - It is worth noting that KPIs 1 and 2 addresses GHG emissions from direct operations (Scope 1 and 2 emissions), representing an estimated 8.2% of total reported emissions of the company. Therefore, if KPI 3 is integrated with either KPI 1 or KPI 2 in the same financial instrument and both linked to the characteristics of the financial instrument, together they will be material to the direct operations and partially material to the whole Corporate Value Chain .

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers 45% of the Company's Scope 3 emissions. Total Scope 3 emissions are responsible for 91.8% of the Company's total reported GHG emissions.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. GHG emission is widely disclosed and standardized in the market. The Issuer uses the IPCC software to calculate emissions, following the IPCC standards. This calculation methodology is considered to be consistent with the GHG Protocol.
- **Externally verified:** All 2017-2021 historical data is externally verified by an auditor.
- **Benchmarkable with limitations:** The Issuer states that calculation will follow IPCC guidelines. As such, calculation of the numerator refers to commonly acknowledged GHG accounting standards and protocol. However, as this KPI measures net emissions, meaning carbon offset measures may be deployed, there is less guarantee that the achievement of the KPI will be mainly driven by reduction in gross emissions. Benchmarking of the SPT in relation with this KPI has been analyzed in section 2C.2.

Opinion on KPI selection: *The KPI selected is core, relevant and partially material to the Issuer's Corporate Value Chain, but not material to the direct operations of the Company as a standalone KPI.*

³² We base this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. We note that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

If integrated with KPI 1 or KPI 2 as part of the same financial instrument, the two KPIs together can be considered material to the Company's direct operations and partially material to the Corporate Value Chain. The KPI covers 45% of the Company's Scope 3 emissions, that are responsible for 91.8% of the Company's total reported GHG emissions. The KPI is consistent with the Company's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The limitations refer to the fact that it is a net emissions KPI, which reduces the extent to which the KPI is benchmarkable, because some emissions reductions may be done by offsets.

2C.2 Calibration of SPT 3

SPT 3: By 2035, reducing net absolute Scope 3 emissions by 30% from 2017 levels

FROM ISSUER'S FRAMEWORK³³

Sustainability Performance Targets: By 2035, reducing net absolute Scope 3 emissions by 30% from 2017 levels.

Sustainability Performance Target Trigger: achievement of the absolute Scope 3 GHG emission reduction target by 31 December 2035

Sustainability Performance Target Observation Date: 31 December 2035

2017 Baseline: 28,605,488.04 tCO₂e

Strategic 2060 Goal and selection of methodology for calculating the SPT:

The Issuer has set a 2060 strategic goal of net zero Scope 3 emissions. It has set this goal as it believes that reducing GHG emissions from the products sold (i.e. its Scope 3 emissions) is just as important as GHG emissions from its operations (i.e. its Scope 1 and 2 emissions).

To ensure calculation on a consistent basis, Bapco Energies has adopted the following approach for calculating this KPI. On an annual basis, Bapco Energies will calculate the volume of products sold by each of the 5 entities of the Bapco Energies group which sell products outside of Bapco Energies, recording the split of each hydrocarbon product type, including chemicals. Bapco Energies will then use the conversion factors detailed in Appendix 1 of this SLFF to calculate the emissions content of each product sold as well as the units of energy from each product. Bapco Energies will then subtract the amount of abated emissions, for example from CCUS, from each one of these customers, proportionate to the share of fossil fuels supplied by Bapco Energies to each customer in relation to their total purchases, as well as making any further reductions.

³³ This table is displayed by the Issuer in its Sustainability-Linked Finance Framework and have been copied over in this report for clarity.

Ambition

Against company's past performance

Table 3.	2017 (Baseline)	2018	2019	2020	2021	2035 (Target)
Absolute Scope 3 emissions (tCO₂e)	28,605,488.04	28,493,364.44	30,943,800.62	30,690,210.65	30,452,481.97	20,023,842
Reduction vs 2017 baseline (in %)					6.46%	-30%
CAGR vs 2017 baseline (in %)					1.58%	-2.81%

Bapco Energies has the SPT to reduce its net absolute Scope 3 GHG emissions by 30% by 2035 compared to a 2017 baseline level. This equates to a compounded annual reduction rate of 2.81% between 2017 (baseline) and target year of 2035. In comparison, the compounded annual rate of change between the baseline year of 2017 and 2021 (latest data available) is an increase of 1.58%. Therefore, the future reduction trajectory is more ambitious than historical trajectory.

Against company's industry peers

We conducted a benchmarking of the SPT set by Bapco Energies against a peer group of 36 companies (including Bapco Energies) in the Integrated Oil and Gas industry, including both International Oil Companies (IOCs) and National Oil Companies (NOCs)³⁴.

Of the 36 companies, only 4 companies have set and disclosed scope 3 targets (including Bapco Energies). This puts Bapco Energies within the more ambitious sub-group of peers in terms of transparency of target setting and disclosure. It should be noted that further numerical comparison of these companies is not feasible due to their different scope or calculation methodologies, for example some targets are absolute while others are intensity.

We also benchmarked Bapco Energies' SPTs against 7 National Oil Companies which Bapco Energies identifies as belonging to their most comparable peer group. These 7 NOCs are already included in the peer group of 36 companies. Of the 8 NOCs (including Bapco Energies), Bapco Energies is the only company that has set and disclosed a separate scope 3 target. This puts Bapco Energies within the more ambitious sub-group of peers in terms of transparency of target setting and disclosure. However, it should be noted that NOCs generally are less transparent in their target disclosures compared to IOCs, therefore there is also the possibility that some peers have set scope 3 targets but have not disclosed them in the public domain.

³⁴ We built this peer group by using the 32 Integrated Oil and Gas companies in the ISS ESG universe as a starting point. When comparing these 32 companies with a list of 16 companies identified by Bapco Energies as peers, 14 companies overlap and 3 companies do not. Hence, the 3 companies that do not overlap from the two lists were added - along with Bapco Energies itself, to create the 36 peer group portfolio for analysis.

As such, we conclude that there is limited information available to directly compare with targets set by industry peer group.

Against national and international targets

- **National Target:** The Kingdom of Bahrain has a national target of reaching Net Zero by 2060, with an interim target of 30 percent reduction by 2035.³⁵ Bapco Energies' SPT 3 has been calibrated to be compatible with such trajectory³⁶.
- **Industry target:** The OGCI's target focuses on Scope 1 and 2 emissions. Therefore, we are not able to compare Bapco Energies' target to the OGCI's target.
- **Paris Agreement:** Same assessment as SPT 1, please refer to SPT 1 text.

Thus, we conclude that there is limited information to directly compare the SPT with the Paris Agreement or the Oil and Gas industry target.

Measurability & comparability

- **Historical data:** The Issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly GHG emissions intensity data available since then, going beyond the SLBP of providing historical data for previous 3 years.
- **Timeline:** The Issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its Scope 3 emissions, Bapco Energies' has outlined several measures, including:

1. Modernization of existing units and investment in new technology to further improve efficiency gains for Bapco Energies' oil and gas products. Driving the energy transition of Bapco Energies' customers through dialogues. Bapco Energies wishes to play a role especially in the energy transition of those customers within Bahrain where it has the greatest sphere of influence. By supporting its customers in their own decarbonization efforts and supplying them with less emitting energy sources, Bapco Energies will be able to reduce scope 3 emissions.
2. Explore opportunities in alternative energy. Although Bapco Energies has no specific targets for its renewable energy composition, it states that the energy it produced from renewables over the past years have already increased, and it expects this to increase further. Currently its renewable energy mix is mainly focused on solar energy. Going forward, it will look to focus on:
 - a. Further solar projects
 - b. Feasibility studies into the development of alternative energy sources such as blue H2 and green H2

We note that the supporting strategy and action plan have not outlined quantified CAPEX spending to support the achievement of the SPT. The supporting strategy and action plan also lacks details on how

³⁵International Finance, November 2021, Bahrain to cut 30% emission by 2035, vows net-zero emissions by 2060, <https://internationalfinance.com/bahrain-to-cut-emission-by-2035-vows-net-zero-emissions-by-2060/>

³⁶ We note that country and corporate targets cannot be compared directly due to differences in the way country and corporate GHG inventories are calculated; for example, country target setting do not have Scope 1, 2 or 3 emissions.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainability-Linked Finance Framework

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much emissions reductions are projected to come from absolute reductions versus the amount from offsets, although the Issuer has provided further clarity as described above for SPT 1. Although the Company has set a vision for itself to become an integrated energy company in the future, as a contributing element of reducing emissions, its action plan does not outline sufficiently granular steps it hopes to take to increase the mix of alternative energy sources. However, Bapco Energies states that it will be releasing further information in the short term as it becomes available.

Opinion on SPT calibration: *We conclude that SPT 3 would be considered quantitatively ambitious against historical performance. However, there is limited information to directly compare SPT 3 with industry peers and international targets. The target is set in a clear timeline and is supported by a strategy and action plan, although there is a lack of quantified measures in the action plan to demonstrate how the action plan ensures the achievement of the SPTs.*

PART 3: LINKING THE TRANSACTION(S) TO BAPCO ENERGIES' ESG PROFILE

A. CONSISTENCY OF SUSTAINABILITY-LINKED FINANCE INSTRUMENTS WITH BAPCO ENERGIES' SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Bapco Energies has identified climate change mitigation as one of its priority long-term goals. The definition of a GHG emission reduction KPI is consistent with Bapco Energies' long-standing strategy of mitigating its impact on causing climate change.

As part of the National Energy Strategy developed in 2022, Bapco Energies has committed to achieving net zero for Scopes 1, 2 and 3 emissions by 2060 to complement the Kingdom of Bahrain's net zero commitment by 2060. To drive this transition, the Kingdom of Bahrain has the following general policy for the petroleum sector in the country: "Joining international efforts to combat the impact of Climate Change and attain the goals of Paris Agreement through adopting the Circular Carbon Economy Framework & 4th Industrial Revolution tools to accelerate low carbon transition and achieve carbon neutrality by 2060". As such, Bapco Energies is in the process of a transformation to evolve from an oil and gas holding company into an integrated energy company, which the Issuer defines as a company not solely focused on the hydrocarbon market³⁷.

Consistency with KPIs

KPI 1: Bapco Energies has set climate change mitigation as one of its priority long-term goals. KPI 1 focuses on reducing the company's Scope 1 and 2 emissions intensity, and is therefore consistent with its climate change mitigation objective.

KPI 2: Bapco Energies has set climate change mitigation as one of its priority long-term goals. In particular, Bapco Energies has highlighted the importance of reducing absolute emissions as well as emissions intensity. KPI 2 focuses on reducing the company's absolute net Scope 1 and 2 emissions, and is therefore consistent with its climate change mitigation objective.

KPI 3: Bapco Energies has set climate change mitigation as one of its priority long-term goals. In particular, Bapco Energies has highlighted its commitment reduce emissions of products sold by Bapco Energies OpCos in its sustainability objectives. KPI 3 focuses on reducing the company's Scope 3 emissions, and is therefore consistent with the company's climate change mitigation objective.

³⁷ As mentioned in section II, further details could be provided on the Company's strategy to reach net zero (information such as CAPEX/OPEX to decarbonize their hydrocarbon activities, % of offsets versus absolute reductions used in the action plan for the achievement of the SPTs are not clearly provided). However, Bapco Energies states that it will be releasing further information in the short term as it becomes available.

B. ISSUER'S BUSINESS EXPOSURE TO ESG RISKS³⁸

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.

Bapco Energies is the energy investment and development company of Kingdom of Bahrain. The company has holdings in assets that are involved in production of crude oil, regasification of liquid natural gas (LNG), production of petrochemicals and aviation refueling. The major business operations of Bapco Energies corresponds to gas processing (Bapco Gas), crude oil production (Bapco Upstream) and refining, marketing and distribution of petroleum products (Bapco Refining).

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. The Issuer is classified in the Integrated Oil and Gas industry, as per ISS ESG's sector classification.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Protection of human rights and community outreach
Business ethics and relations with governments
Climate protection and contribution to the energy transition
Environmental risks and impacts of operations

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, ISS ESG identified the following strengths and points of attention³⁹:

STRENGTHS	POINTS OF ATTENTION
The company has a health and safety management system (HSMS) in place for its employees and contractors certified to international standards such as ISO 45001 and OHSAS 18001.	The company has not disclosed a groupwide accident rate and fatalities for its employees and contractors.
The company has its major holding companies' environmental management systems (EMS)	The company has not disclosed policies and due diligence procedures regarding the protection of human rights of local communities where it operates. Furthermore, there is no disclosure on the company's approach towards community

³⁸ Please note that the analysis in this section has been concluded in February 2023 before the Company changed its brand name from "nogaholding" to "Bapco Energies", as well as several of its business divisions' brand names. We have updated the name of the company and business divisions accordingly to ensure consistency throughout the SPO. Nonetheless, the content of the analysis has not changed.

³⁹ Please note that Bapco Energies is not part of the ISS ESG Corporate Rating Universe. The information is based on a disclosure review conducted by the analyst in charge of the Integrated Oil and Gas sector. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

<p>certified to ISO 14001. Additionally, the group acknowledges climate change as a risk and its own responsibility towards the same.</p>	<p>consultation and outreach programs with respect to potential safety, health, and environmental impacts of its projects.</p>
<p>The company has participated in a project that aims to generate 8.8KW of energy from solar panels to provide electricity to a botanical garden and park in Bahrain.</p>	<p>The company has not disclosed its groupwide policies and procedures pertaining to business ethics covering key issues like corruption, conflict of interest, antitrust violation etc. However, an affiliate company, GPIC, is a signatory of the United Nations Global Compact (UNGC).</p> <p>The Bapco Energies Group has aligned its carbon neutrality goal with Bahrain's 2060 Net Zero target. However, the company has not disclosed groupwide energy consumption data.</p> <p>The company has not disclosed groupwide data on NOx, SOx and particulate matter (PM) emissions. Additionally, there is no disclosure on freshwater use and hazardous waste for the relevant operations of the group.</p>



Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer'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 Issuer's production process.

Social impact of the product portfolio:

Bapco Energies has ownership in companies that are active in the Oil & Gas industry, and it has no positive or negative contribution to achieving social sustainability objectives. Thus, the impact of the product portfolio of the company on social Sustainable Development Goals is considered neutral.

Environmental impact of the product portfolio

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁴⁰	DIRECTION OF IMPACT	UN SDGS
Natural Gas Liquids from conventional sources	11.31%	OBSTRUCTION	 

⁴⁰ The percentages in the table are an estimation of the relevant product segments.

Conventional transportation fuels	1.42%	OBSTRUCTION	
Nitrogen-based fertilizer	4.82%	OBSTRUCTION	
Crude oil from conventional sources	77.39%	OBSTRUCTION	

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication, ISS ESG has not identified any 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 Integrated Oil and Gas industry are as follows: Failure to mitigate climate change impacts, Failure to prevent oil spill, Failure to prevent water pollution.

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

DISCLAIMER

1. Validity of the SPO: For Bapco Energies' Sustainability-Linked Financing Instruments issuances as long as the Sustainability-Linked Finance Framework (June 14, 2023), SPTs benchmarks (including data for KPI baseline) and structural securities characteristics described in this document do not change.
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.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating Methodology

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, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, 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

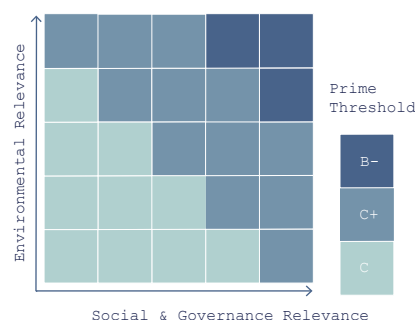
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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 2: Quality management processes

SCOPE

Bapco Energies commissioned ISS to compile a Sustainability-Linked Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Finance Framework aligns with the ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Sustainability-Linked Financing Instruments, as well as the Bapco Energies' sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA Sustainability-Linked Loan Principles

BAPCO ENERGIES' RESPONSIBILITY

Bapco Energies' responsibility was to provide information and documentation on:

- Sustainability-Linked Finance Framework

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 Sustainability-Linked Financing Instruments to be issued by Bapco Energies based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and Sustainability Loan Principles.

The engagement with Bapco Energies took place from May 2022 to June 2023.

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 our 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 information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Financing Instruments SPO, please contact: SPOOperations@iss-esg.com

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