

# SECOND PARTY OPINION (SPO) AND FRAMEWORK EXTERNAL REVIEW

Sustainability Quality of Gulf International Bank Sustainable and Transition Finance Framework

Gulf International Bank  
28 September 2023

## VERIFICATION PARAMETERS

<b>PRE- ISSUANCE VERIFICATION</b>	<b>Type(s) of instruments contemplated</b>	<ul style="list-style-type: none"> <li>Green, Social, and Sustainability bonds and loans</li> </ul>
	<b>Relevant standards</b>	<ul style="list-style-type: none"> <li>Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1),</li> <li>Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1),</li> <li>Sustainability Bond Guidelines, as administered by the ICMA (updated in June 2021),</li> <li>Green Loan and Social Loan Principles, as administered by the LMA (updated in February 2023),</li> </ul>
	<b>Scope of verification</b>	<ul style="list-style-type: none"> <li>GIB’s Sustainable and Transition Finance Framework (as of September 15, 2023)</li> <li>GIB’s Eligibility Criteria (as of September 15, 2023)</li> </ul>
	<b>Lifecycle</b>	<ul style="list-style-type: none"> <li>Pre-issuance verification</li> </ul>
<b>EXTERNAL REVIEW</b>	<b>Scope of verification</b>	<ul style="list-style-type: none"> <li>GIB’s Sustainable and Transition Finance Framework (as of September 15, 2023)</li> <li>GIB’s sustainable finance classification system (as of September 15, 2023)</li> </ul>
	<b>Validity</b>	<ul style="list-style-type: none"> <li>Valid as long as the Framework remains unchanged</li> </ul>

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## SCOPE OF WORK

Gulf International Bank (the 'Issuer', 'GIB' or 'the Bank') commissioned ISS Corporate Solutions (ICS) to assist with its Sustainable and Transition Finance Framework ('STFF' or 'the Framework') by assessing core elements to determine the sustainability quality of the instruments<sup>1</sup> and to determine the quality of its classification system for sustainable finance activities<sup>2</sup>: activities:

- GIB's Sustainable and Transition Finance Framework (as of September 15, 2023) – benchmarked against the International Capital Markets Association (ICMA) Green and Social Bond Principles, (GBP and SBP), and Sustainability Bond Guidelines (SBG), and the Loan Market Association's (LMA) Green and Social Loan Principles (GLP and SLP) for transaction-purpose.
- GIB's Sustainable and Transition Finance Framework (as of September 15, 2023) – benchmarked against market practices and guideline<sup>3</sup> for capital and loan markets contributing to environmental and social sustainability (see Annex 2) for classification-purpose.
- GIB's Sustainable Finance Classification System – the soundness of the eligibility parameters to identify eligible sustainable financing activities (see Annex 2)
- The Eligibility Criteria – whether the project categories contribute to the UN SDGs (see Annex 1)
- ESG Risk Management – assessment of GIB's overarching risk management procedures considered relevant in the context of the Bank's sustainable finance activities (see Annex 1)
- Linking the Sustainable and Transition Finance Framework to GIB's overall ESG profile and issuance-specific eligible green and social project categories - drawing on GIB's overall ESG profile (see Annex 3)

<sup>1</sup> The evaluation is based on GIB's Sustainable and Transition Finance Framework (as of September 15, 2023), on the analyzed Eligibility Criteria as received on September 15, 2023, and on the ISS ESG Indicative Corporate Rating updated on January 20, 2023 and applicable at the SPO delivery date.

<sup>2</sup> The methodology of external reviews provided for sustainable financing, lending, and responsible investment strategies has been developed based on ISS ESG's expertise in assessing a range of Sustainable finance-related instruments and Frameworks. In general, these types of external reviews are not to be treated as a "pass or fail" assessment of the Sustainability quality of sustainable financing, lending, or responsible investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching sustainable finance framework does not imply an evaluation of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products has not been conducted.

<sup>3</sup> The assessment is based on current market practices for sustainable capital markets referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association's [Green, Social Bond Principles](#), and [Sustainability Bond Guidelines, Sustainability-Linked Bond Principles](#), the Loan Market Association's [Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles](#), the [UNEP-FI PRB](#), and the [Climate Bonds Initiative \(CBI\) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority \(EBA\) with respect to Environmentally-Sustainable lending](#). The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

## GULF INTERNATIONAL BANK'S BUSINESS OVERVIEW

Gulf International Bank BSC provides corporate and investment banking solutions. It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG's sector classification.

It operates through the following segments: Wholesale Banking, Treasury, Financial Markets, and Head Office and Support Units. The Wholesale Banking segment refers to the provision of wholesale commercial financing and other credit facilities for corporate and institutional customers, and the provision of financial advisory services relating to structured financing, privatizations, initial public offerings, and mergers and acquisitions.

The Treasury segment relates to the range of treasury and capital market products and services to corporate and financial institution clients, money market, proprietary investment, and trading activities, as well as the management of balance sheet, and funding. The Financial Market segment engages in the provision of asset and fund management services. The Head Office and Support Unit segment refers to the support units, such as investment in the retail banking strategy prior to the launch of all planned retail banking products and services<sup>4</sup>. The company was founded on November 24, 1975 and is headquartered in Manama, Bahrain.

<sup>4</sup> Meem, the retail banking arm of GIB became operational in 2014, <https://www.gib.com/en/history-gib>

## ASSESSMENT SUMMARY

PRE-ISSUANCE VERIFICATION		
SECTION 1	SUMMARY	EVALUATION <sup>5</sup>
<b>Alignment with ICMA GBP/SBP and LMA GLP and SLP</b>	The Issuer has defined a formal concept for its Sustainable and Transition Finance Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the International Capital Markets Association (ICMA) Green and Social Bond Principles, and the Loan Market Association (LMA) Green and Social Loan Principles.	<b>Aligned</b>
EXTERNAL REVIEW ASSESSMENT		
SECTION 2	SUMMARY	
<b>Part I:  Review of GIB's Sustainable and Transition Finance Framework</b>	<p><b>The Sustainable Finance Framework partially reflects market practices. GIB has set forth a formal methodology for defining and classifying financing as sustainable to integrate sustainable finance across its business. The Framework applies to wholesale banking including global transaction and treasury of GIB's business areas and covering all geographies and legal entities where the business and eligible transactions take place. The Framework covers 89% of GIB's total revenue as of 2022. Where feasible, the Framework may be further improved by disclosing the sustainable financing target associated, and by disclosing the details of the processes for collecting data, tracking, and reporting sustainable finance transactions transparently.</b></p> <p>GIB has set forth a formal concept and proposes clear parameters for sustainable and transition financing under its Framework. Eligible types of financing include dedicated purpose, general purpose, and sustainability-linked financing. Where feasible, the Framework may be further improved by disclosing the sustainable financing target in value, percentage of total financing portfolio and timeframe, as well as any action plan, strategy, or tools to reach the sustainable financing targets.</p> <p>ESG risks are identified and managed by SEAC yet the detailed process for identification and management of ESG risks for all eligible sustainable transactions to be classified is unclear. Where feasible, the Framework may be further improved by clearly defining the responsibilities in the selection and evaluation process.</p>	

<sup>5</sup> The evaluation is based on GIB's Sustainable and Transition Finance Framework (as of August 23, 2023), and on Indicative Corporate Rating and applicable at the SPO delivery date.

	<p>The Bank tracks the sustainable financing transactions in an appropriate way and this process is extended to all sustainable financing transactions GIB is financing. Moreover, GIB monitors if all the - transactions remain eligible during their life cycle through a systematic and quarterly process The Framework may be further improved by disclosing the details of the process of collecting data, tracking, and reporting sustainable finance transactions transparently.</p> <p>GIB commits to relevant reporting on an annual basis and made publicly available to communicate the allocation of the sustainable financing transactions and the reporting is extended to all sustainable financing transactions GIB is financing. As data availability in terms of impact reporting improves, the Framework may be further improved by tracking expected and achieved impact of Banks’ sustainable financing activities on environmental and social objectives.</p>
<p><b>Part II:</b></p> <p><b>Assessment of GIB’s sustainable finance classification system</b></p>	<p><b>The Bank’s sustainable finance classification system partially reflects market practice. Where feasible, the Framework may be further improved with regards to setting forth a sample list of KPIs in line with the list proposed by the ICMA, that may be used in the structuring of a Sustainability-Linked transaction. Where feasible, the dedicated- and general-purpose financing approach may be further improved by having an external review on a deal-by-deal basis to confirm that the eligible transactions aligned with ICMA/LMA principles. For Transition finance, the selection process may be further improved by conducting an external verification for each transaction. Finally, the Framework may be further developed by including systematic comprehensive external reviews in the sustainability-linked financing approach, that assess the ambition of targets, so that general-purpose financing shall not be granted to entities that have not set adequate Sustainability Performance Targets and credible action plans to reach their SPTs.</b></p> <hr/> <p>GIB has put forth multiple sets of eligibility parameters for its financing activities to be classified as sustainable and transition:</p> <ol style="list-style-type: none"> <li><b>Parameter 1 (Dedicated Purpose Financing):</b> 95% of the selected eligibility criteria (counted as number project categories) have either a limited or a significant contribution to the Sustainable Development Goals. GIB has not committed to an external review for the eligible transactions under dedicated-purpose financing.</li> <li><b>Parameter 2 (General Purpose Financing):</b> The 90% thresholds proposed in the Sustainable and Transition Finance Framework is appropriate and in line with market practices of classifying sustainable businesses, specifically in combination with an exclusion list of unsustainable activities. GIB has not committed to an external review for the eligible transactions under general-purpose financing. GIB has processes in place to track allocation of proceeds in the eligible categories where the business mix qualifies (&gt;90% revenue) and monitor eligibility quarterly along with reclassification as traditional if the thresholds and requirements are no longer met.</li> </ol>

3. **Parameter 3 (Sustainability-Linked Financing):** The Bank outlines its commitment to align with relevant market standards for sustainability-linked financing, notably the ICMA SLBP, and LMA/APLMA/LSTA SLLP. GIB checks internally about KPI materiality and SPT ambition, and this information is preferably reviewed at least annually. The Bank also preferably seeks a Second Party Opinion provided by an external provider. However, the Bank has not provided a list of example KPIs and SPTs, and hence the materiality of the KPIs and ambition level of associated SPTs for all Sustainability-Linked transactions cannot be assessed nor how including this form of financing contributes to GIB’s ESG-related goals.
4. **Parameter 4 (Transition Finance):** GIB has included a comprehensive list of transition activities in the Sustainable and Transition Finance Framework, which are eligible to receive financing under a ‘transition’ label. The Bank outlines its commitment to align these transactions with ICMA Climate Transition Finance Handbook. GIB will ensure alignment with relevant standards through in-house due diligence. The GIB Sustainability Evaluation and Approval Committee (SEAC) reviews the eligibility definitions to ensure GIB’s position on key sectors is kept updated. GIB has set detailed criteria for qualification under transition labelling including GIB’s client’s transition plan elements and supplementary disclosure requirements. GIB plans to include transition financing as part of both dedicated and general-purpose financing. GIB has not committed to an external review for the eligible transactions under transition financing, however the Bank conducts a due diligence assessment to check whether the financed transition activities cause potential harm to sustainability objectives.

SECTION 3	SUMMARY	EVALUATION
<b>ASSESSMENT OF THE ELIGIBLE CATEGORIES’ CONTRIBUTION TO THE UN SDG’S</b>		
<b>Sustainability quality of the Eligibility Criteria</b>	The Sustainable and Transition Finance Framework will (re-)finance eligible asset categories which include: Renewable energy, Energy efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity, Clean And Low Carbon Transportation, Sustainable Water And Wastewater Management, Climate Change Adaptation, Circular Economy Adapted Products, Production Technologies And Processes, Green Buildings and Green Real Estate, Heavy Duty Road Transport, Shipping, Rail, Logistics Providers, Chemical Production, Cement Production, Plastic, Energy Generation From Oil and Gas and Renewables, Carbon Capture and Storage, Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, Employment	<b>Moderate</b>

	<p>Generation and Food Security and Sustainable Food Systems and Socioeconomic advancement and empowerment.</p> <p>The use of proceeds categories have a significant contribution to SDGs 1 ‘No Poverty’, 2 ‘Zero Hunger’, 3 ‘Good Health and Wellbeing’, 4 ‘Quality Education’, 6 ‘Clean Water and Sanitation’, 7 ‘Clean Energy’, 10 ‘Reduced Inequalities’, 11 ‘Sustainable Cities and Communities’, 12 ‘Responsible Production and Consumption’, 13 ‘Climate Action’, 14 ‘Life Below Water’, and 15 ‘Life on Land’.</p> <p>The remaining use of proceed categories improve the companies’ operational impacts and mitigate potential negative externalities of the borrower’s sector on SDGs 6 ‘Clean Water and Sanitation’, 7 ‘Clean Energy’, 12 ‘Responsible consumption and production’, 13 ‘Climate Action’ and 14 ‘Life on Water’.</p> <p>For Logistics providers (ICT that improves asset utilization, flow and modal shift, regardless of transport mode such as public transport information, car-sharing schemes, smart cards, etc.), Energy Efficiency (Replacement of existing heating/ cooling systems in buildings with more efficient, hybrid powered systems where fossil fuel component is used for back-up only and where at least 85% overall is renewable), and Energy generation – oil and gas (Use of existing infrastructure to provide the same energy services but with lower emissions (at least 5%) and Switching from coal to existing gas fired plants to achieve lower emissions in line with local decarbonization pathways based on NDCs, where they are being decommissioned at least 3 years ahead of schedule) there is no evidence of an improvement on the company’s operational impacts and potential negative externalities of the Issuer's sector.</p>	
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ASSESSMENT OF GIB’S ESG RISK MANAGEMENT PROCEDURES		
SECTION 4	SUMMARY	EVALUATION
<b>ESG Risk Management</b>	Based on an assessment of risk management practices for financial institutions, the environmental and social risks associated with the Use of Proceeds categories and the Bank’s sustainable financing activities are considered to be partially managed.	<b>Partially Managed</b>
CONSISTENCY WITH THE BANK’S SUSTAINABILITY STRATEGY		
SECTION 5	SUMMARY	EVALUATION



## SECOND PARTY OPINION

Sustainability Quality of Gulf International Bank  
and Sustainable Finance Framework

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**Linking the transactions and the Sustainable and Transition Finance Framework to GIB's overall ESG profile**

The Sustainable and Transition Finance Framework is consistent with the Bank's sustainability strategy and material ESG topics for the Bank's industry. The rationale for issuing Sustainable Financing Instruments and for developing a Sustainable and Transition Finance Framework is described by the Bank. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.

**Consistent with the Bank's Sustainability strategy**

## PART I: PRE-ISSUANCE VERIFICATION

### ALIGNMENT WITH ICMA GREEN, SOCIAL BOND PRINCIPLES, LMA GREEN AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of GIB's Sustainable and Transition Finance Framework (as of September 15, 2023) with the International Capital Markets Association (ICMA) Green and Social Bond Principles, Loan Market Association (LMA) Green Loan Principles.

ICMA' GBP AND SBP, LMA GLP AND SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by GIB's Sustainable, and Transition Finance Framework is <b>aligned</b> with the International Capital Markets Association (ICMA) Green and Social Bond Principles and Loan Market Association (LMA) Green and Social Loan Principles.</p> <p>The Issuer's green and social categories<sup>6</sup> align with the project categories as proposed by the International Capital Markets Association (ICMA) Green and Social Bond Principles, Loan Market Association (LMA) Green Loan Principles. Criteria are defined in a clear and transparent manner and GIB will disclose the planned amount of proceeds to be allocated by project category at pre-issuance.</p> <p>The Issuer defines a look-back period of 2 years for refinanced projects, in line with best market practice. Moreover, the Issuer defines an exclusion list for harmful projects categories.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by GIB's Sustainable, and Transition Finance Framework is <b>aligned</b> with the International Capital Markets Association (ICMA) Green and Social Bond Principles, and Loan Market Association (LMA) Green and Social Loan Principles.</p> <p>The projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer identifies alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and references any green</p>

<sup>6</sup> Transition categories are not in scope of Green, Social and Sustainable bonds issuances.

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		standards or certifications used, in line with best market practice.
<b>3. Management of Proceeds</b>	✓	<p>The Management of Proceeds proposed by GIB's Sustainable, and Transition Finance Framework is <b>aligned</b> with The International Capital Markets Association (ICMA) Green and Social Bond Principles, Loan Market Association (LMA) Green Loan Principle.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to dedicated account or utilizing a Sustainable Finance Register (the "Register"). Proceeds are managed on a deal-by-deal basis.</p> <p>The Issuer has defined an expected allocation period of 24 months. Any proceeds temporarily unallocated will be invested according to GIB's standard liquidity management policy into money markets and other liquid instruments.</p>
<b>4. Reporting</b>	✓	<p>The allocation and impact reporting proposed by GIB's Sustainable, and Transition Finance Framework is <b>aligned</b> with the International Capital Markets Association (ICMA) Green and Social Bond Principles and Loan Market Association (LMA) Green and Social Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. GIB explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated or any sustainable instrument is no longer outstanding.</p> <p>GIB also commits to get the allocation report audited by an external party, in line with best market practices.</p>

## PART II : FRAMEWORK EXTERNAL REVIEW ASSESSMENT

### A. REVIEW OF GIB'S SUSTAINABLE AND TRANSITION FINANCE FRAMEWORK

In its Sustainable and Transition Finance Framework, GIB defines its methodology for classifying financing as sustainable and managing its eligible sustainable finance transactions.

These processes are reviewed against current market practices for sustainable capital and loan markets derived from market standards and voluntary guidelines. The assessment is based on derived key principles for transparency, disclosure and non-contamination of sustainable labelled-products, such as proposed by the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles, the EU Green Bond Standards usability guide (March 2020), for ESG factor integration in equity and fixed-income.

CRITERIA	SUMMARY AND OPINION
<p><b>1. Targets, Objectives &amp; Progress</b></p>	<p>GIB defined a Sustainable and Transition Finance Framework to enable classification and management of its eligible sustainable finance transactions. The Framework aims to provide more specific guidance for the Bank and its borrowers to be used at a transaction level, based on a set of eight principles. The principles include the Bank's vision to help its clients transition to a more sustainable economic approach, the identified material sustainability topics, embedding sustainability considerations in its product and service offering, government, risk management and control and culture, as well as disclosing its activities and reporting against its sustainability targets, and track its progress towards sustainability strategy implementation regularly.</p> <p>GIB is part of the following initiatives and/or membership bodies: Abu Dhabi Sustainable Finance Declaration, Bahrain Association of Banks, UK Finance, UK Investment Association, World Economic Forum, Institutional Investors Group for Climate Change, Principles for Responsible Investment, Principles for Responsible Banking, FAIRR, and CDP.</p> <p><b>Opinion:</b> <i>The sustainability strategy and objectives defined by GIB for its entire activities and for its financing activities specifically is relevant to its sector and business model (as outlined in Part IV.B of this report). GIB is a member of various industry association. It is commended to further improve the Framework by disclosing the sustainable financing target in value, percentage of total financing portfolio and timeframe. Where feasible, the Framework may be further improved by listing the action plan, strategy, or tools to reach the sustainable financing target.</i></p>

**2. Definition of sustainable financing activities**

Under GIB's Sustainable and Transition Finance Framework, 'sustainable and transition finance' instruments include sustainable bonds, sukuk, loans and other debt instruments. The Framework applies to wholesale banking including global transaction Bank, and treasury of GIB's business areas, and all geographies and legal entities where the business and eligible transactions take place. This Framework does not cover asset management and retail banking. In 2022, in-scope business areas covered by the Framework accounted for 89% of the total revenue.

GIB bases its definition of sustainable financing on established national and international standards, frameworks, and principles. These include, in particular the Green Loan Principles, the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association (LMA)/APLMA/LSTA, the Green Bond Principles, the Social Bond Principles and the Sustainability-Linked Bond Principles of the International Capital Market Association (ICMA), Paris Agreement targets, Equator Principles and IFC Performance Standards.

**Eligible type of financing**

GIB's Sustainable and Transition Finance Framework sets out types of financing that the Bank defines as eligible under sustainable financing for tracking purposes, which include:

- **Dedicated purpose** financing where the use of proceeds satisfies either the green or social eligibility criteria.
- **General purpose** financing where the entity derives greater or equal to 90% of revenue or EBITDA from eligible activities, or power generators that derive greater than 90% of its energy generation mix from qualified renewable energy sources.
- **Sustainability-linked** financing which meets the five core components set out in the Sustainability-Linked Bond Principles and Sustainability-Linked Loan. Note that sustainability-linked financing is not required to satisfy either the green or social eligibility criteria.
- **Transition purpose** financing where the climate transition plan of the borrower meets the eligibility criteria set out in section 3.3.6 of the Framework and where the use of proceeds satisfies eligible transition activities criteria.

In addition to the above requirements, financing will not be eligible as sustainable financing for the purpose of its Framework if it is listed in GIB's exclusion list as part of the Framework based on the IFC exclusion list 2007<sup>7</sup>, UN Environment Programme Finance Initiative<sup>8</sup> as well as

<sup>7</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

<sup>8</sup> [https://www.unepfi.org/wordpress/wp-content/uploads/2021/06/Recommended-Exclusions-for-Sustainable-Blue-Economy-Financing\\_UNEP-FI.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2021/06/Recommended-Exclusions-for-Sustainable-Blue-Economy-Financing_UNEP-FI.pdf)

some of the activities and sectors that are included in the European Investment Bank eligibility. GIB has adopted an engagement approach with the fossil fuel and hard-to-abate ecosystem, where the Bank encourages their transition to a lower carbon economy.

**Classification of sustainable financing**

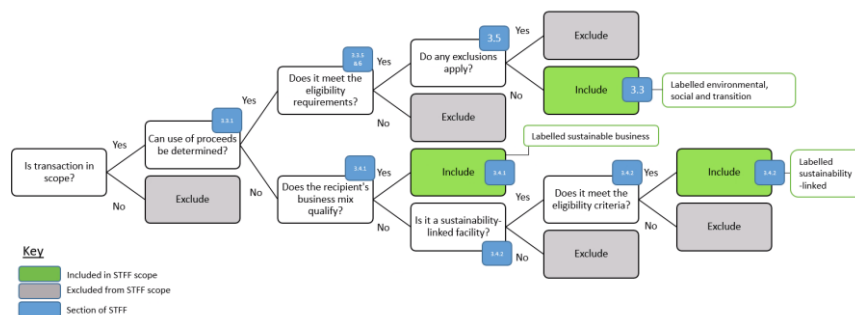


Figure 1 - GIB’s Framework - Decision Tree for inclusion in the STFF

**Instrument Scope**

For its social, green, transition and sustainability-linked financing, the Bank provides a list of products originated and managed in different Business Units<sup>9</sup>. For each product, the Bank provides the managing Business Unit, the product, and the accounting basis. The product offering includes:

PRODUCT	DESCRIPTION
Use-of-proceeds loans	Dedicated purpose financing instruments as described in Section 3.3 of the Framework
Use-of-proceeds deposits	
Sustainability-Linked Loans	Sustainability-linked financing instruments as described in Section 3.4.2 of the Framework.
Sustainability-Linked Deposits	
Sustainability-Linked Derivatives	
Sustainability-Linked Repos	
Sustainability-Linked Investments	
Transition Loans	Dedicated purpose financing instruments as described in Section 3.3 of the Framework
Other structured products	Such as derivatives, repos, structured deposits, term financing

<sup>9</sup> Please refer to an extraction of the list of products included in table 1. GIB’s product scope below.

Table 1. GIB' products scope

The Bank has included in its Framework the following exclusions:

- Production or trade in any product or activity deemed illegal under country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs (Polychlorinated Biphenyls), wildlife or products regulated under CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages.
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor/ harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Exclusion criteria as set out by the UNEP FI<sup>10</sup> relating to blue finance for the below categories:
  - Seafood
  - Ports
  - Maritime Transport
  - Marine Renewable Energy
  - Coastal and Marine Tourism

<sup>10</sup> United Nations Environment Program finance initiative, Recommended Exclusions for Sustainable Blue Economy Financing [https://www.unepfi.org/wordpress/wp-content/uploads/2021/06/Recommended-Exclusions-for-Sustainable-Blue-Economy-Financing\\_UNEP-FI.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2021/06/Recommended-Exclusions-for-Sustainable-Blue-Economy-Financing_UNEP-FI.pdf)

	<ul style="list-style-type: none"> <li>- Coastal resilience: infrastructure and nature-based solutions</li> <li>- Waste prevention and management</li> </ul> <ul style="list-style-type: none"> <li>▪ Activities and sectors:             <ul style="list-style-type: none"> <li>- Fossil fuels: deep coal mines, open cast coal mines, mining of lignite, extraction of crude petroleum, extraction of natural gases, extraction of peat, manufacture of coke oven products, manufacture of gas</li> <li>- Extraction of mineral deposits from the deep sea</li> <li>- Palm oil: palm oil growing, palm oil production/refining.</li> <li>- Conversion of natural forests into plantations</li> <li>- Waste incineration and collection, treatment, and disposal of hazardous waste</li> <li>- For-profit projects in the education sector by kindergarten, primary and secondary schools.</li> </ul> </li> </ul> <p><b>Opinion:</b> <i>The Sustainable and Transition Finance Framework presents a clear definition of GIB's classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The Sustainable Finance Framework defines exclusion criteria and activities that follow the exclusions as set out by the IFC exclusion list 2007, UN Environment Program Finance Initiative, as well as some of the activities and sectors that are included in the European Investment Bank eligibility. Where feasible, the Framework may be further improved by disclosing an estimated share of each instrument mentioned in its Framework. The eligibility parameters to identify eligible sustainable financing activities are further analyzed in Part II-B of this report.</i></p>
<p><b>3. Evaluation &amp; Selection Process</b></p>	<p>GIB's Sustainable and Transition Finance Framework is overseen by its Sustainability Evaluation and Approval Committee (SEAC). SEAC will review and approve the pre-issuance assessment and the Framework both at the outset and then on, at least an annual basis thereafter. The Committee is Chaired by the Chief Sustainability Officer and comprises voting members from the Sustainability and Risk departments.</p> <p>GIB has set a robust step-by-step evaluation and selection process at the asset level and the transaction level where GIB is the issuing or deposit-taking entity.</p> <ul style="list-style-type: none"> <li>▪ At asset level, GIB shall conduct an against the eligibility requirements in the STFF, which shall also identify and assess any ESG-related risks associated with the asset through in-house ESG scorecard or drawing on external data provider assessments.</li> </ul>



- At the transaction level, ESG-related risks associated with the transaction shall as well be identified and assessed during the eligibility assessment.

GIB also include further requirements for transition financing at a corporate level, such as commitment to prepare a Climate Transition Plan or having such a plan in place and under implementation.

**Opinion:** *GIB used its eligibility criteria outlined in this Framework to consider which products are eligible. A committee has been put in place to be responsible for the Framework. The process for sustainable finance transaction evaluation and selection is defined where GIB is the issuing or deposit-taking entity, based on the eligibility criteria and structured in a congruous manner. ESG risks are identified and managed by SEAC yet It is unclear what is the detailed process for identification and management of ESG risks for all eligible sustainable transactions to be classified. Moreover, the Bank defines exclusion criteria for controversial sectors. Where feasible, the Framework may be further improved by clearly defining the responsibilities in the selection and evaluation process.*

**4. Governance & Monitoring**

The Sustainability Evaluation and Approval Committee (SEAC) monitors and assesses the continued eligibility of all environmental and social activities, transition activities, entity, sustainable business transactions in scope of the Framework on an annual basis. The ESG risk profile of the assets are included in the project evaluation and selection process at the asset and transaction level, which is reviewed and approved by the GIB SEAC. The SEAC is Chaired by the Chief Sustainability Officer and comprises voting members from the Sustainability and Risk departments. It has responsibility for approving the categorization of transactions against the STFF at inception, and for on-going monitoring and confirmation of continued eligibility (usually annually), covering all types of activity that fall within the remit of this framework.

At the Board level, GIB has established a Board Sustainability & Climate Change Committee (BSCCC). The BSCCC advises the Board on the progression of the strategies, and challenges executive management to ensure that sustainability and climate change risks and opportunities are effectively embedded into the Bank and Group businesses. SEAC updates ESG issues semi-annually to BSCCC.

**Opinion:** *GIB clearly describes how the dedicated committees provide oversight of ESG-related issues, specifically regarding the sustainable finance classification system and this process is covering all sustainable financing transactions. GIB monitors if the financial transactions remain eligible during all their life cycle through a systematic and annual process. GIB has process for data collection, tracking, and reporting sustainable*

	<p><i>finance transactions, however. the Framework may be further improved by disclosing the details of the processes in collecting data, tracking, and reporting sustainable finance transactions transparently.</i></p>
<p><b>5. Reporting</b></p>	<p>GIB reports on its allocation of proceeds and impacts for dedicated purpose financing and transition financing in its regular reporting. The Bank expects to cover the on-balance transaction classified under this Framework. Where GIB is the issuing and deposit-taking entity, the amount of net proceeds to each high-level eligible category, selected examples of projects financed, split of allocated and unallocated proceeds and estimated amount and/or percentage of new financing and re-financing. The expected environmental and/or social benefits realized, calculation methodologies and key assumptions will be disclosed. For transition financing, the Bank shall cover all its own use of proceeds issuances and associated assets, but not for those advanced to its clients unless the asset is selected as part of the Bank’s own eligible asset pool for its own use of proceeds transaction. GIB will engage with borrowers for their report on the sustainable finance transactions, allocated amounts and impacts achieved for use of proceeds financing. GIB will report on all the sustainable financing transactions classified, including the ones they are financing. For general purpose instruments/facilities, GIB will publish summary information as part of its annual reporting on new transaction volumes and outstanding amounts under the “eligible entities / sustainable business” sub-category:</p> <ul style="list-style-type: none"> <li>▪ Amount</li> <li>▪ Selected examples of companies financed</li> </ul> <p>The Bank will update and disclose the reports annually on its website until full allocation of the net proceeds on any sustainable instrument is no longer outstanding.</p> <p><b>Opinion:</b> <i>Where GIB is the issuing entity, GIB commits to report publicly and on an annual basis its sustainable financing and the total amount of the sustainable finance instruments. The reporting is extended to all eligible sustainable financing transactions. Where feasible, the Framework may be further improved by disclosing the tracking of the expected and achieved impact of Banks’ sustainable financing activities on environmental and social objectives, as data availability in terms of impact reporting improves</i></p>
<p><b>6. External Review</b></p>	<p>GIB has appointed ICS to provide an External Review on the Sustainable and Transition Finance Framework and its alignment with the Bank’s overall strategy. At the time of this report, GIB does not intend to seek external assurance to assess the compliance of instruments against the Framework.</p>

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GIB's Sustainable and Transition Finance Framework is reviewed on a biennial basis, led by the SEAC, against the most recent market practices and updated guidelines. GIB intends to seek an external review for each Framework update. Updates on the Framework and external reviews will be published on GIB's website<sup>11</sup> to govern new transactions.

**Opinion:** *GIB has sought an external review of the Sustainable Finance and Transition Framework at its launch, in line with best market practices. The Framework and external review will be publicly available on GIB's website.*

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<sup>11</sup> GIB's website. [www.gib.com](http://www.gib.com)

**B. ASSESSMENT OF GIB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM**

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by GIB, we evaluate the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

GIB has set the following sets of eligibility criteria<sup>12</sup> for its financing activities to be classified as sustainable:

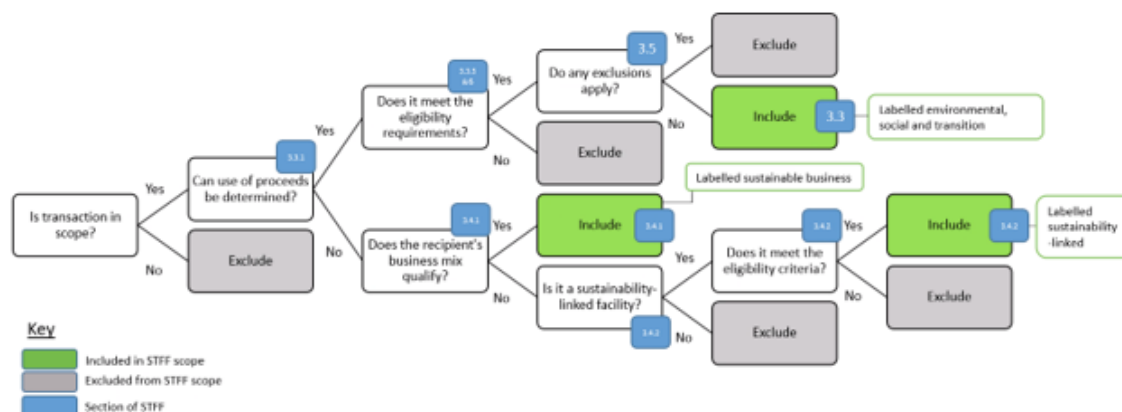


Figure 2- GIB's Framework - Decision Tree for inclusion in the STFF<sup>13</sup>

**ISS ESG assessment of GIB's classification parameters**

In the below table, each parameter outlined in GIB's Sustainable and Transition Finance Framework split into different financing approaches is assessed. The evaluation is based on criteria, derived from market practices<sup>14</sup>.

PARAMETER	CRITERIA	ASSESSMENT OF GIB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM
<b>Use of Proceeds (Dedicated Purpose Financing)</b>	Dedicated Purpose Financing contributes to sustainability objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.	A detailed SDG assessment of the impact of the eligibility criteria presented in the STFF can be found in Part III. The Green and Social Use of Proceeds categories and criteria have been set according to ICMA standards. The alignment with ICMA/LMA is checked on a deal-by-deal basis internally at pre-signing and post-signing. GIB has set the ESG Risk Management Framework in place which enlists the processes to ensure that borrowers identify and mitigate material environmental and social risks associated with the

<sup>12</sup> Please note that, all projects first go under Environmental & Social Risk assessment. Projects may be excluded if listed under Exclusion List. Also, their risk scores are assigned and managed accordingly by ES Team.

<sup>13</sup> The STFF is split into two categories of financing: Use-of-proceeds and general purpose. Use of proceeds is further split into environmental ("Green"), social and transition finance. Blue finance is a subset of environmental finance. The general purpose is split into sustainable businesses and sustainability-linked finance.

<sup>14</sup> These include, but are not limited to the ICMA GBP, SBP, and SBG, the SLBP and the Climate Transition Handbook; the GLP and SLP, the SLBP and SLLP, as administered by the LMA; the UNEP FI PRB and the EBA LOAM guidelines for environmentally sustainable lending.

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		<p>proposed projects. It is also noted that GIB intends to conduct external review for Dedicated purpose financing.</p> <p><i>Opinion: Based on its proprietary SDG Solutions Assessment (SDGA) methodology 95% of the eligibility categories have either a limited, or a significant contribution to the Sustainable Development Goals. Besides, no information is available on the future proportion of GIB sustainable financing that will be directed towards eligible categories assessed by ISS ESG SDGA proprietary methodology as having 'No Net impact'. Where feasible, the dedicated- purpose financing approach may be further improved by having an external review on a deal-by-deal basis to confirm that the eligible transactions aligned with ICMA/LMA principles. It is also noted that GIB intends to publish yearly impact and allocation reports for all transactions they have issued classified as sustainable finance, however, GIB's impact and allocation reporting shall not be required to cover use-of-proceeds financing advanced to GIB's own clients. GIB shall publish its impact and allocation reporting on its website<sup>15</sup>.</i></p>
<p><b>Company Profile (General Purpose Financing, standard approach)</b></p>	<p>General Purpose Financing contributes to Sustainable objectives if the funds are allocated to companies for whom a majority of their revenue is derived from designated eligibility criteria. Generally accepted thresholds in the market are ≥ 90% to designate green or social 'Pure Players' with a defined exclusion list on the remaining share.</p>	<p>According to GIB' framework, to be classified as sustainable, the recipient needs to derive from its core business at least 90% of its revenues from eligible categories listed in the STFF. Eligible activities are defined as environmental, social, sustainable and transition or a combination. For power generators only, greater than 90% of its energy generation mix should be derived from qualified renewable energy sources. For pre-revenue entities only, it should dedicate greater than 90% of its Capex/R&amp;D expenditure to Eligible Activities. The eligible companies here must not be involved in any excluded activities listed in the Framework. GIB has processes in place to track allocation of proceeds in the eligible categories where the business mix qualifies (&gt;90% revenue). The alignment with ICMA/LMA is checked on a deal-by-deal basis internally at pre-signing and post-signing. GIB will monitor eligibility annually and transactions will be reclassified as traditional if the above thresholds and requirements are no longer met. GIB will publish this information as part of its annual reporting on new transaction volumes and</p>

<sup>15</sup> GIB's website. [www.gib.com](http://www.gib.com)

		<p>outstanding amounts under the ‘eligible entities/sustainable business’ sub-category. The Sustainability Evaluation and Approval Committee (SEAC) will oversee the identification, assessment and monitoring of eligible entity transactions. GIB has set the ESG Risk Management Framework which enlists the processes to ensure that borrowers identify and mitigate material environmental and social risks associated with the proposed projects.</p> <p><b>Opinion:</b> <i>The 90% thresholds proposed is considered to be appropriate and in line with market practices of classifying sustainable businesses. We also note the inclusion of a safeguard with respect to the remaining 10% to exclude potential financing towards harmful activities. Finally, it is noted that GIB refers to relevant market standards to define its eligibility criteria. Based on its proprietary SDG Solutions Assessment (SDGA) methodology 95% of the eligibility categories have either a limited or a significant contribution to the Sustainable Development Goals. Where feasible, the general-purpose financing approach may be further improved by having an external review on deal-by-deal basis to confirm that the eligible transactions aligned with ICMA/LMA principles (transactions GIB has issued and financed).</i></p>
<p><b>Sustainability-Linked Instruments (General Purpose Financing)</b></p>	<p>Sustainability-linked Financing contributes to sustainable objectives if the associated KPIs<sup>16</sup> are material, core and relevant to the borrower’s business model and the associated targets are ambitious. Further, it is considered as best market practice those transactions are subject to an external review, providing verification of the alignment against ICMA/LMA core principles, the</p>	<p>The Framework draws on the core principles and recommendations for Sustainability-Linked Instruments following key components of the LMA Sustainability-Linked Loan Principles and the ICMA Sustainability-Linked Bond Principles.</p> <p>With regard to Sustainability-Linked transactions GIB will assess the transactions through an internal process, against the five core components outlined in the sustainability linked principles, namely, Selection of KPIs, Calibration of SPTs, Loan Characteristics, Reporting and Verification. In line with the Sustainability Linked Loan and Bond Principles, GIB would require that the borrower’s performance against each SPT would be externally verified as per the tenure of the target and encourages them that an SPO pre-issuance be</p>

<sup>16</sup> Key Performance Indicators, which can be external or internal and fit into the sustainability strategy of the borrower should be relevant, measurable, externally verifiable and able to be benchmarked.

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	<p>aforementioned dimensions, and, in particular, the ambition of the selected SPTs<sup>17</sup>.</p>	<p>sought for the assessment of the alignment of the transactions with ICMA/LMA principles.</p> <p><i>Opinion: It is noted that GIB requires SPT baseline and performance to be verified for all SLL &amp; SLB transactions, in line with ICMA SLBP and LMA SLLP requirements however the Bank has not provided a list of example KPIs and SPTs, and hence the materiality of the KPIs and ambition level of associated SPTs for all Sustainability-Linked transactions cannot be assessed in this report, nor how including this form of financing contributes to GIB's ESG-related goals. The KPIs and their associated SPTs will be defined for each transaction. Finally, due to the general fungible nature of financing flows, the general-purpose financing may indirectly benefit financing that are not defined as sustainable. In the absence of comprehensive external reviews that assess the ambition of targets, general-purpose financing may be granted to entities that have not set adequate Sustainability Performance Targets and/or credible action plan to reach their SPTs.</i></p>
<p><b>Transition Finance (Dedicated Purpose Financing)</b></p>	<p>The financing of Transition activities should follow clear market guidance<sup>18</sup> in order to be considered credible. Financing should focus on specific transition activities and follow a comprehensive assessment of the transition strategy of the underlying entity, which should be sound and in line with relevant 'Net Zero' scenarios, such as provided by the IEA<sup>19</sup>.</p>	<p>GIB has included an exhaustive list of transition activities in the STFF. For the transition categories GIB's approach is based on the IEA Net Zero Emissions Scenario by 2050, the Climate Bonds White Paper on Financing credible transitions, the EU Sustainable Finance Taxonomy and Energy Transitions Commission. GIB's Sustainability Evaluation and Approval Committee (SEAC) ensures that GIB's suite of sustainable finance products maintain their integrity and alignment with GIB's STFF. For Reporting of transition activities, GIB will ask its clients to commit to disclosing across the following core elements, in accordance with the Climate Transition Finance Handbook 2020: Climate transition strategy and governance, business model environmental materiality, how climate transition strategy is 'science-based' including its targets and pathways; and implementation transparency. The Climate Transition Plan and reporting against it should be succinctly integrated into the client's existing mainstream filings such as annual financial</p>

<sup>17</sup> Sustainability Performance Targets, which should be ambitious, represent a material improvement in the respective KPIs, where possible be compared to a benchmark, be consistent with the borrowers' overall ESG strategy and be determined on a predefined timeline.

<sup>18</sup> Including, for instance, guidance from the CBI White Paper on financing credible transitions.

<sup>19</sup> [International Energy Agency](https://www.iea.org/energy-efficiency/energy-efficiency-2020)

	<p>reporting/sustainability reporting/overall business strategy. However, it is permissible for entities to present the information in a standalone, publicly available document. GIB shall review the disclosures and assess continued eligibility on an annual basis.</p> <p>GIB mentions that assets and activities which qualify for labelling as “transition” will:</p> <ol style="list-style-type: none"> <li>1. Be making a substantial contribution to halving global emissions levels by 2030 and reaching net zero by 2050 but will not have a long-term role to play or</li> <li>2. Have a long-term role to play, but at present the long-term pathway to net zero goals is not certain and</li> <li>3.The assets and activities should not hamper the development and deployment of low-carbon alternatives or lead to the lock-in of carbon intensive assets and should not include the use of offsets.</li> </ol> <p>GIB requires a transition client to have committed to developing its own Climate Transition Plan or have developed and implemented its climate transition plan that sets out how it is taking action to achieve aligning its business model to aid in limiting global average temperature rise to no more than 1.5 degrees centigrade above pre-industrial levels.</p> <p>Climate Transition Plans should be time-bound and explain the transition actions that need to occur for the organisation to pivot towards a net-zero future, with near term (5-10 year) science-based targets (emissions reduction targets in line with 1.5 degree centigrade pathways), and long-term science-based targets (SBTs) in place and should contain verifiable and quantifiable key performance indicators (KPIs) that measure the success of the organisation’s climate transition; and are tracked regularly.</p> <p><b>Opinion:</b> <i>An assessment of the borrowers’ transition strategy is done by GIB as the Bank has set criteria where it requires a transition client to have committed to developing its own time-bound</i></p>
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		<p><i>Climate Transition Plan in accordance with the Climate Transition Finance Handbook 2020 and implemented it with near term and long-term science-based targets (SBTs) in place and verifiable and quantifiable key performance indicators (KPIs) and also has a list of Transition plan elements set forth in the Framework which includes criteria for Governance, Scenario analysis, Value Chain engagement, Policy engagement among others. GIB plans to include transition financing as part of both dedicated and general-purpose financing. The selection process may be further improved by conducting an external verification for each transaction. It is noted that a due diligence assessment of whether the financed transition activities cause potential harm to sustainability objectives is being conducted internally. GIB ensures that a transparent and measurable implementation plan for its clients' transition is in place.</i></p>
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## PART III: ASSESSMENT OF THE ELIGIBLE CATEGORIES CONTRIBUTION TO THE UN SDGS

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products addressing global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their financing along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories selected by the Bank in two different ways, depending on whether the proceeds are used to (re)finance:

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

### 1. Products and services


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

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





<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the Sustainable and Transition Finance Framework’s eligible categories have been assessed for its contribution to, or obstruction of, the SDG’s:

### GREEN CATEGORIES

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy<sup>20</sup></b></p> <ul style="list-style-type: none"> <li>▪ <i>Wind</i></li> <li>▪ <i>Solar photovoltaic</i></li> <li>▪ <i>Concentrated solar with fossil fuel back-up of 15% or less</i></li> <li>▪ <i>Geothermal with direct emissions below 100gCO<sub>2</sub>/kwh</i></li> <li>▪ <i>Marine renewable energy (for ocean thermals, fossil fuel back-up is only permitted for maintenance and re-starting))</i></li> </ul>	<b>Significant Contribution</b>	

<sup>20</sup> ESIA will be required for projects.

<p><b>Renewable Energy<sup>21</sup></b></p> <ul style="list-style-type: none"> <li>Run-of-river hydropower without artificial reservoir or low storage capacity.</li> <li>Lifecycle emissions of the project and the emissions from decaying organic matter are &lt;100gCO<sub>2</sub>/kWh or the power density of the dam is &gt;5W/m<sup>2</sup><sup>22</sup></li> <li>Lifecycle emissions of the project and the emissions from decaying organic matter are &lt;50gCO<sub>2</sub>/kWh or the power density of the dam is &gt;10W/m<sup>2</sup><sup>23</sup></li> <li>Construction and operation of a facility used for cogeneration of heat/cooling and power from hydropower<sup>24</sup></li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Renewable Energy<sup>25</sup></b></p> <p>Green hydrogen<sup>26</sup></p>	<p><b>Significant Contribution</b></p>	
<p><b>Renewable Energy<sup>27</sup></b></p> <p>Biomass or biogas power/ biofuel production<sup>28</sup> with feedstocks that are fully certified from sustainable sources or sustainable crops, that generates power which achieves substantial lifecycle emissions of at least 65% lower than the fossil-fuel baseline OR life cycle GHG emission intensity &lt;100gCO<sub>2</sub>e/kWh<sup>29</sup></p>	<p><b>Limited Contribution</b></p>	
<p><b>Renewable Energy</b></p> <p>Marine biomass from algae that is not grown for the purpose of biomass fuel</p>	<p><b>Limited Contribution</b></p>	

<sup>21</sup> ESIA will be required for projects.

<sup>22</sup> For hydropower facilities that became operational before the end of 2022.

<sup>23</sup> For new hydropower facilities.

<sup>24</sup> Hydropower is respecting the criteria instated in the Framework for Renewable Energy





<sup>25</sup> ESIA will be required for projects.

<sup>26</sup> Green hydrogen will be produced by electrolysis exclusively sourced by RE in a way that creates little to no CO<sub>2</sub> emissions.

<sup>27</sup> ESIA will be required for projects.

<sup>28</sup> Permissible sources of feedstocks include: Second generation biofuels (excluding uncertified wood-based biomass), which are the biofuels mainly coming from non-food biomass, such as perennial grass (switchgrass, miscanthus), byproducts and waste-based biomass (corn stover, wheat straw, forest residue, municipal waste, used cooking oil), etc. ; Third generation biofuels - biofuels generated from marine sources such as biomass (e.g. algae), but only where the plants are not grown on purpose for biomass

<sup>29</sup> Permissible sources of feedstock must be certified under the Roundtable Biomaterials (RSB) or ISCC Plus, Round Table on Responsible Soy (RTRS), Bonsucro, Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC) CBI Agriculture Criteria.






<p><b>Renewable Energy<sup>3031</sup></b></p> <ul style="list-style-type: none"> <li>Facilities producing liquid biofuel, solid and gaseous biomass for heating and cogeneration.</li> <li>Facilities producing liquid biofuel, solid and gaseous biomass for electricity production.</li> <li>Electricity generation facilities such as biomass power station. Emissions of electricity generated must be lower than 100gCO2 /kWh</li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Renewable Energy</b></p> <ul style="list-style-type: none"> <li>Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation, renewable energy storage capacity and solutions, such as solar panels, battery storage, wind turbines.</li> <li>Development of new systems and technologies to increase or improve energy storage (excluding fossil fuels)</li> <li>Facilities that improve the storage of renewable energy electricity and returns it at a later time</li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Renewable Energy<sup>32</sup></b></p> <p>Improvements in transmission and distribution systems &amp; interconnections infrastructure dedicated to connecting renewable energy, as defined in this framework, to the grid<sup>33</sup> or to facilitate the integration of renewable energy sources into the grid.</p>	<p><b>Significant Contribution</b></p>	
<p><b>Pollution prevention and control</b></p> <p>Wastewater treatment plants (treatment or recycling of discharge water) not powered by fossil fuels</p>	<p><b>Significant Contribution</b></p>	

<sup>30</sup> ESIA will be required for projects.







<sup>31</sup> Permissible sources of feedstocks include: Second generation biofuels (excluding uncertified wood-based biomass), which are the biofuels mainly coming from non-food biomass, such as perennial grass (switchgrass, miscanthus), byproducts and waste-based biomass (corn stover, wheat straw, forest residue, municipal waste, used cooking oil), etc. ; Third generation biofuels - biofuels generated from marine sources such as biomass (e.g. algae), but only where the plants are not grown on purpose for biomass

<sup>32</sup> Renewable energy includes all the sources defined in the Framework.





<sup>33</sup> If grid is less than 90% renewable electricity but the percentage of renewables is expected to increase, a pro-rata approach will be applied to determine the green allocation to grid development or maintenance.

<p><b>Pollution prevention and control</b></p> <p><i>Soil remediation (land remediation of contaminated urban sites)</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Pollution prevention and control</b></p> <p><i>Projects aimed at mitigating pollution caused by fossil fuels combustion, such as development/production of clean air purification and filtration systems and technologies using renewable energy sources as set out in the Framework and research and development of new and alternative technology, process improvements and healthcare interventions that address the effects of pollution leading to premature mortality or disability.</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p> <p><i>Sustainable agriculture certified as per EU Organic</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p> <p><i>Sustainable plantation and forest management that does not involve conversion from natural landscape, must not have been previously detrimental to the environment, and health of the forest/plantation is well managed.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p> <p><i>Sustainable forestry certified as per Rainforest Alliance, FSC (Forest Stewardship Council)</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p> <p><i>Climate smart farm inputs such as biological crop protection using biological fertilizers &amp; pesticides<sup>34</sup></i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Terrestrial and aquatic biodiversity</b></p> <p><i>The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between</i></p>	<p><b>Significant Contribution</b></p>	

<sup>34</sup> The review is limited to the examples of projects spelled out in the Framework.

<p><i>species and of ecosystems. Included activities: research and development, consulting services, organizations that work in the protection of aquatic biodiversity and NGOs. Activities must have not previously been detrimental.</i></p>		
<p><b>Clean and low carbon transportation</b></p> <p><i>Low emission rail (freight, passenger) with direct emission threshold of &lt;50gCO<sub>2</sub>e/p-km or freight rail with emissions&lt;25gCO<sub>2</sub>e/t-km</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Clean and low carbon transportation</b></p> <ul style="list-style-type: none"> <li>▪ <i>Inland water transport (passenger, freight) powered by hybrid propulsion systems combining conventional diesel with electric drive that reduce emissions by 29% compared.</i></li> <li>▪ <i>Maritime transport (passenger, freight) that uses zero carbon technology, including alternative and renewable energy and the use of alternative and hybrid fuel to reduce greenhouse gas intensity of energy used on-board by a ship arriving at staying within or departing from ports. The minimum reduction on energy per year will be 2%.</i></li> </ul>	<p><b>Limited Contribution</b></p>	 
<p><b>Clean and low carbon transportation</b></p> <ul style="list-style-type: none"> <li>▪ <i>Electric charging and green hydrogen fueling infrastructure<sup>35</sup></i></li> <li>▪ <i>Zero emissions vehicles other than for passenger/freight e.g., Waste collection vehicles, off-road excavators</i></li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Clean and low carbon transportation</b></p> <ul style="list-style-type: none"> <li>▪ <i>Infrastructure for low carbon transport (land and water) that does not run-on fossil fuels and uses alternative energy sources.</i></li> </ul>	<p><b>Limited Contribution</b></p>	
<ul style="list-style-type: none"> <li>▪ <i>Manufacturing facilities that use low-carbon emissions technology in the production of components for the above transportation technologies</i></li> </ul>	<p><b>Significant Contribution</b></p>	

<sup>35</sup> With the exclusion of parking lots alongside charging points

<p><b>Clean and low carbon transportation</b></p> <p><i>Creation of cycle lanes</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Sustainable water and wastewater management</b></p> <p><i>Provision or repair of sanitation pipelines, improving the quality of water and water supply.</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Sustainable water and wastewater management</b></p> <p><i>Manufacturing, and general cooling uses.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Sustainable water and wastewater management</b></p> <p><i>Technology, equipment, and facilities that support rainwater harvesting.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Sustainable water and wastewater management</b></p> <p><i>Flood and drought management based on addressing water scarcity, supplies and climate vulnerabilities<sup>36</sup></i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Sustainable water and wastewater management<sup>37</sup></b></p> <ul style="list-style-type: none"> <li>▪ <i>Water-use efficiency incl. improvements and technology to increase usage efficiencies, low flow equipment technology, infrastructure, and facilities that support them. This could include water conserving fixtures, leak detection technology, waste saving through drainage product and rainwater harvesting, grey and rainwater collection systems and water recycling equipment.</i></li> <li>▪ <i>Desalination plants primarily powered by low-carbon sources, such as</i></li> </ul>	<p><b>Significant Contribution</b></p>	

<sup>36</sup> An assessment to identify risks and vulnerabilities and adaption will be performed for each project to be financed under this category and the contribution of the projects to address those risks and vulnerabilities will be checked.

<sup>37</sup> The CBI criteria are fulfilled by GIB for the category.

<p><i>renewables, and with management plan for brine waste disposal.</i></p>		
<p><b>Climate change adaptation</b><sup>38</sup></p> <ul style="list-style-type: none"> <li>▪ <i>Activities that increase the resilience of eco-systems, including coastal eco-systems, and including integrated watershed management and biodiversity protection and communities</i></li> <li>▪ <i>Climate change adaptation infrastructure – terrestrial (e.g. bridges and other water resilient infrastructure) and marine (e.g. sea flood defense and early warning systems, coastal resilience infrastructure, nature-based solutions).</i></li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Circular economy</b></p> <p><i>Repair activities: companies/projects that are aimed at increasing the lifespan of existing products such as through repair and predictive maintenance.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Green buildings</b></p> <p><i>Certifications such as LEED - Gold and above, BREEAM - excellent, Abu Dhabi Estidama Pearl rating (minimum 3 pearls)</i><sup>39</sup></p>	<p><b>Significant Contribution</b></p>	  
<p><b>Green buildings</b></p> <p><i>Certifications such as NABERS<sup>40</sup> (minimum 4 stars)</i></p>	<p><b>Limited Contribution</b></p>	 

<sup>38</sup> For each project to be financed under this category:







1. An assessment to identify risks and vulnerabilities will be conducted
2. Risks and vulnerabilities assessment will be done
3. Consistency with applicable local, regional, national adaptation plans will be checked

<sup>39</sup> The review is limited to the examples of projects spelled out in the Framework.

<sup>40</sup> The review is limited to the examples of projects spelled out in the Framework



**TRANSITION CATEGORIES**

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Heavy duty road transport<sup>41</sup></b></p> <ul style="list-style-type: none"> <li>Projects that finance or refinance design and manufacture of energy efficient heavy duty road transport, including improved aerodynamics and tyre design</li> <li>Projects that use of alternative low GHG emission fuels such as certified biofuels, low emission/green hydrogen.</li> </ul>	<p>Limited Contribution</p>	
<p><b>Shipping<sup>42</sup></b></p> <p>Projects that finance or refinance use of electric engines driven by batteries or green/low-emission hydrogen fuel cells and use of low GHG fuel, such as certified biofuels, hydrogen, ammonia)</p>	<p>Limited Contribution</p>	
<p><b>Rail<sup>43</sup></b></p> <p>Projects that finance or refinance trains with hydrogen and battery electric operated.</p>	<p>Limited Contribution</p>	
<p><b>Logistics<sup>44</sup></b></p> <p>Road freight moved to more efficient modes of transport such as green hydrogen and battery electric trains where freight rail has an overall portfolio on average threshold &lt;25gCO2/ton-km</p>	<p>Limited Contribution</p>	
<p><b>Chemical production</b></p> <p>Carbon capture and storage<sup>45</sup></p>	<p>Limited Contribution</p>	
<p><b>Chemical production</b></p>	<p>Limited Contribution</p>	

<sup>41</sup> Vehicles that transport fossil fuels are not included

<sup>42</sup> Vessels that transport fossil fuels are not included.







<sup>43</sup> Rail transport of fossil fuels is not included.

<sup>44</sup> Storage and transportation of fossil fuels is not included.



<sup>45</sup> To be eligible, measures must be in place to ensure the CO<sub>2</sub> is permanently and safely stored, and the CCS process (including the energy needed for the capture process) must be efficient.

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<p><i>Technology to implement revamps, modifications, or acquisition of equipment (boilers, furnaces, reactors, heat exchanger, distillation columns and other separation units, etc.) or increase co-generation, waste heat recovery, and combustion efficiency in the production process with at least 30% improvement in energy efficiency.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Cement production</b></p> <ul style="list-style-type: none"> <li>Decarbonization technologies, such as electric kilns using renewable energy sources where emissions intensity is lower than 0.546 tCO<sub>2</sub>e/ t cementitious product</li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Plastic</b></p> <p><i>A shift towards a circular plastics economy through greater materials efficiency and use of renewable energy (as set out in this STFF) in the production, recycling and end of life (EOL) processes:</i></p> <ul style="list-style-type: none"> <li>Production with minimum 100% recycled/bio-based <sup>46</sup> input and final product must not be intended for single use and recyclable.</li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Plastic</b></p> <p><i>Decarbonization technologies of exhaust gas in the production process. To be eligible measures must be in place to ensure the CO<sub>2</sub> is permanently and safely stored, and carbon capture process must be efficient.</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Energy generation – Oil and gas</b></p> <p><i>Carbon capture and storage. To be eligible, measures must be in place to ensure the CO<sub>2</sub> is permanently and safely stored, and carbon capture process must be efficient.</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Energy generation – renewables</b></p> <p><i>Facilities for the processes involved in the preparation and production of hydrogen-based fuels (hydrogen, ammonia and synthetic hydrogen) and bio-fuel power plants, such as:</i></p>	<p><b>Significant Contribution</b></p>	

<sup>46</sup> Bio-based input must be sustainably sourced and not be derived from agricultural land that was formerly used for food production.

<ul style="list-style-type: none"> <li>The preparation and production of biomethane from landfill gas recovery systems or wastewater treatment plants</li> </ul>		
<p><b>Energy generation – renewables</b></p> <p>Facilities for the processes involved in the preparation and production of hydrogen-based fuels (hydrogen, ammonia, and synthetic hydrogen) and bio-fuel power plants, such as:</p> <ul style="list-style-type: none"> <li>Waste-based biomass, sourced from corn stover, wheat straw, forest residue, municipal waste, used cooking oil and livestock manure.</li> <li>Non-food biomass, from sources such as perennial grass, switchgrass, miscanthus, certified wood-based biomass (FSC, PEFC, Sustainable Biomass Program certifications)</li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Energy generation – renewables</b></p> <p>Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage connected to renewables as defined under section above on eligible environmental activities.</p> <p>Examples could include wind turbines, solar panels, technology, and equipment for the development of eligible hydro projects as defined above, batteries and green hydrogen fuel cells and other energy storage devices for alternative energy (including green hydrogen storage)</p>	<p><b>Limited Contribution</b></p>	

**SOCIAL CATEGORIES**

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOAL
<p><b>Affordable Basic Infrastructure</b></p> <p>Projects that provide or expand free or affordable access to clean drinking water and sanitation such as:</p> <ul style="list-style-type: none"> <li>Manufacture and supply of water filters and purifiers</li> </ul>	<p><b>Limited Contribution</b></p>	




<p><b>Affordable Basic Infrastructure</b></p> <p><i>Projects that provide or expand free or affordable access to clean drinking water and sanitation such as:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Water treatment plant/equipment</i></li> <li>▪ <i>Water distribution infrastructure</i></li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Affordable Basic Infrastructure</b></p> <p><i>Projects that develop, provide, or expand affordable access to public passenger transportation for remote, rural, and underserved communities and/or where supply is irregular, limited, or unavailable and may hinder access to services such as medical facilities or schools. Does not need to be powered by renewables to meet social criteria</i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Affordable Basic Infrastructure</b></p> <p><i>Projects that develop, provide, or expand affordable access to telecommunication infrastructure and availability to fixed line, mobile and internet services for residential customers, which can also include free or subsidized services, for remote, rural, and underserved communities and/or where supply is irregular, limited, or unavailable and may hinder access to services such as medical facilities or schools. Does not need to be powered by renewables to meet social criteria</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Affordable Basic Infrastructure</b></p> <p><i>Clean and sustainable energy sources, for example<sup>47</sup> stoves that use a hybrid of solar and solid biomass fuel for rural, remote, and underserved populations</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Affordable Basic Infrastructure</b></p> <p><i>Development/ upgrade of transportation infrastructure to improve physical connectivity to enable public passenger transport and railway networks and lines and passenger rolling stock that meets Universal emissions thresholds for passenger activity under the EU taxonomy and meets EUT 6.14. New road infrastructure must be</i></p>	<p><b>Limited Contribution</b></p>	

<sup>47</sup> The review is limited to the examples of projects spelled out in the framework.

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<p><i>in very low-intensity, less developed areas according to impact assessment conducted.</i></p> <p><i>Infrastructure projects must take into account the Climate Resilience Principles developed by the Climate Bonds.</i></p>		
<p><b>Access to Essential Services</b></p> <p><i>Provision of activities and services that ensure the inclusion of excluded, marginalized and/or vulnerable people and communities.</i></p> <p><i>Activities leading to improved /increased healthcare access and/or affordability:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Acquisition, development or expansion of non-profit or public hospitals, clinics, community health care service or facilities or other healthcare facilities that provide access to vulnerable people or populations.</i></li> <li>▪ <i>Acquisition, development or expansion of any for-profit hospital, clinic, community health care facility or service or healthcare facilities that guarantees access to vulnerable populations and those identified as defined in GIB framework. Provision of diagnostic laboratories</i></li> <li>▪ <i>Research into neglected diseases and/or drugs on the World Health Organization (WHO) essential medicines list.</i></li> <li>▪ <i>Research, development, and sale of affordably priced or subsidized medicines on the WHO essential medicines list.</i></li> </ul>	<p><b>Limited Contribution</b></p>	
<p><b>Access to Essential Services</b></p> <p><i>Development of critical medical equipment or provision of diagnostic services such as respirators, diagnostic testing equipment</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Access to Essential Services</b></p> <p><i>Education – activities which lead to enhanced access free, public, or affordable (non-profit) quality education, at the following levels:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Primary</i></li> <li>▪ <i>Secondary</i></li> </ul>	<p><b>Significant Contribution</b></p>	
	<p><b>Limited Contribution</b></p>	

<p><b>Access to Essential Services</b></p> <p><i>Education – activities which lead to enhanced access free, public, or affordable (non-profit) quality education, at the following levels:</i></p> <ul style="list-style-type: none"> <li>▪ <i>University</i></li> <li>▪ <i>Vocational</i></li> <li>▪ <i>Basic language, numeracy, and literacy skills programs</i></li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Affordable Housing</b></p> <p><i>Development and/ or operation, construction/provision of affordable housing and/or improvements to existing affordable housing provided for vulnerable groups <sup>48</sup> including:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Social housing for low income/wage earners and those include in the list of vulnerable groups: accommodation owned/provided by non-profit housing associations, charities, or government, with the provision of secure tenancies and rent caps and rent reductions for specific vulnerable groups.</i></li> <li>▪ <i>Government supported housing schemes/ programs</i></li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Affordable Housing</b></p> <p><i>Development and/ or operation, construction/provision of affordable housing and/or improvements to existing affordable housing provided for vulnerable groups <sup>49</sup> including:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Community housing - single or multiple-unit residential housing where an individual, perhaps with a specific need, shares with other inhabitants which may or may not also include family members</i></li> </ul>	<p><b>Limited Contribution</b></p>	

<sup>48</sup> Vulnerable groups are defined in the Framework, aligned with the respective country's definition/ thresholds in Bahrain, KSA, UZE, UK, Oman, Kuwait and Qatar.


<sup>49</sup> Vulnerable groups are defined in the Framework, aligned with the respective country's definition/ thresholds in Bahrain, KSA, UZE, UK, Oman, Kuwait and Qatar.

<p><b>Employment Generation</b></p> <p><i>Development of job training such as workshop space and equipment and placement programs and that support women, vulnerable groups and people experiencing single or multiple deprivations into work</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Employment Generation</b></p> <p><i>Provision of advisory, banking and financial services and products to SMEs<sup>50</sup> support their financial and business growth needs and economic prosperity that contribute to national development plans, particularly those which: are women owned and/or managed</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Food security and sustainable food systems</b></p> <ul style="list-style-type: none"> <li>▪ <i>Capacity building and training programs with a clear focus on sustainable improved agricultural resilience, productivity, and efficiency</i></li> <li>▪ <i>Education and training on nutrition</i></li> <li>▪ <i>Investment in research to develop education and access to nutrition (food and potable water) programs that address malnutrition.</i></li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Food security and sustainable food systems</b></p> <p><i>Developing access to nutrition (food and potable water) programs that address malnutrition.</i></p>	<p><b>Significant Contribution</b></p>	
<p><b>Food security and sustainable food systems</b></p> <p><i>Extension of sustainable farming practices and sustainable land use to meet certification standards such as Global G.A.P<sup>51</sup></i></p>	<p><b>Limited Contribution</b></p>	
<p><b>Socioeconomic advancement and empowerment</b></p> <p><i>Activities, products, and services that provide equitable access to affordable<sup>52</sup> basic financial services (bank accounts, loans including credit cards, currency transfers) and improvements in</i></p>	<p><b>Significant Contribution</b></p>	

<sup>50</sup> Definition of SME will be based on the relevant national definition.

<sup>51</sup> The review is limited to the examples of projects spelled out in the framework.

<sup>52</sup> An impact assessment must have been conducted of target segment risks and vulnerabilities, and how products/services address those risks and/or vulnerabilities including an assessment of why pricing constitutes 'affordable'.


<p><i>levels of financial literacy, provided to vulnerable groups</i><sup>53</sup></p>		
<p><b>Socioeconomic advancement and empowerment</b></p> <p><i>Regeneration, development, and access to public spaces, in areas of high-density low income and high unemployment populations, such as:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Sports and fitness facilities with discounted or free access.</i></li> </ul>	<p><b>Limited Contribution</b></p>	

**2. Improvements of operational performance (processes)**

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

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

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

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>54</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Renovation of existing buildings which meet the following criteria: energy savings of at least 30% in comparison to the baseline performance of the building before the renovation, measured in kWh/m<sup>2</sup> per year referenced in the Climate Bonds Taxonomy or an energy efficiency after retrofit within the top 15% of buildings in the relevant market</i></p>	<p>✓</p>	

<sup>53</sup> GIB defines Vulnerable groups as Aging population and vulnerable youth, and/or marginalized populations and /or communities, Living below the poverty line, Migrants and/or displaced persons, People with disabilities also known as People of Determination, Undereducated, Underserved, owing to a lack of access to essential goods and services, Unemployed, Women, Other Vulnerable groups, which would include as a result of fragility, conflict, violence, natural disasters and/or climate change.

<sup>54</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.



<p><b>Pollution prevention and control</b></p> <p><i>Development, operation, and increased efficiency of recycling (plants recycling waste into new materials)</i></p>	<p>✓</p>	
<p><b>Pollution prevention and control</b></p> <p><i>Development, operation, and increased efficiency of recycling. Includes machinery, aluminum and other metals, automotive parts, paper, PET, telecommunications equipment and other e-waste and other resource recover.<sup>55</sup> Recycling facilities are included (recycling plants, sludge treatment plants and waste treatment plants).</i></p>	<p>✓</p>	
<p><b>Shipping</b></p> <p><i>Implementation of operational efficiency measures, such as fleet management</i></p>	<p>✓</p>	
<p><b>Logistics providers<sup>56</sup></b></p> <p><i>ICT that improves asset utilization, flow, and modal shift, regardless of transport mode (public transport information, car-sharing schemes, smart cards, etc.)</i></p>	<p>-</p>	
<p><b>Logistics providers<sup>57</sup></b></p> <p><i>ICT that improves asset utilization, flow, and modal shift, regardless of transport mode (electric road charging systems)</i></p>	<p>✓</p>	
<p><b>Sustainable water and wastewater management</b></p> <p><i>Water metering</i></p>	<p>✓</p>	
<p><b>Sustainable Water and Wastewater Management</b></p> <p><i>Marine waste prevention and management at sea by managing and processing solid waste (e.g., garbage) and liquid waste (e.g., sewage and greywater) on board ship, including their storage and safe disposal</i></p>	<p>✓</p>	

<sup>55</sup> Chemical recycling of plastics is excluded. Wastes must be segregated before recycling.

<sup>56</sup> Storage and transportation of fossil fuels is not included.

<sup>57</sup> Storage and transportation of fossil fuels is not included.

<p><b>Environmentally sustainable management of living natural resources and land use</b></p> <p><i>Smart farm inputs such as drip irrigation</i></p>	<p>✓</p>	
<p><b>Plastic</b></p> <ul style="list-style-type: none"> <li>▪ <i>Use of renewable energy in the machine recycling process</i></li> <li>▪ <i>Improvements of energy efficiency in the production process</i></li> </ul>	<p>✓</p>	 
<p><b>Energy efficiency</b></p> <ul style="list-style-type: none"> <li>▪ <i>Development/implementation of products/technologies that reduce the energy consumption and have relevant and recognized energy efficiency rating (e.g., EU Energy Labelling), dependent on national or regional requirements, of underlying assets, projects, appliances, products, or systems such as high efficiency lighting, smart meters, or equipment for public utilities.</i></li> <li>▪ <i>Installation, maintenance, and repair of energy efficiency equipment</i></li> </ul>	<p>✓</p>	 
<p><b>Energy generation – oil and gas</b></p> <p><i>Use of existing infrastructure to provide the same energy services but with lower emissions (at least 5%)</i></p>	<p>-</p>	
<p><b>Energy generation – oil and gas</b></p> <p><i>Switching from coal to existing gas fired plants to achieve lower emissions (in line with local decarbonization pathways based on NDCs), only where they are being decommissioned at least 3 years ahead of schedule</i></p>	<p>-</p>	

## **PART IV: ASSESSMENT OF GULF INTERNATIONAL BANK'S ESG RISK MANAGEMENT PROCEDURES**

The table below evaluates GIB's ESG-specific risk management measures and policies that are considered relevant in the context of the Bank's Sustainable financing activities. The KPIs emphasize specific ESG risks outlined in Gulf International Bank's Sustainable and Transition Finance Framework as well as general sustainability-related risks considered relevant to the Banks' operations.

The KPIs are derived leveraging the ISS ESG Corporate Rating to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the task force on Climate-Related Financial Disclosure<sup>58</sup>.

The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI. The Framework covers all of Gulf International Bank's operations except retail banking.

### **ASSESSMENT AGAINST KPIs**

#### **ESG investment guidelines for financial institutions**

GIB does not have a separate ESG Risk policy, but the overall approach is included in GIB's ESG Risk Management Framework (ESG-RMF). GIB incorporates Environmental, Social and Governance (ESG) risks as part of the Enterprise Risk Management (ERM) framework. The ESG-RMF is applicable to all GIB entities (Head Office, domestic and international branches and subsidiaries across all countries of operation). The ESG risk framework is currently under internal approval and will be applied as soon as approved. It will be applicable to all of GIB's business units by end of 2024.

The ESG-RMF draws on the following standards/guidance: General risk management: ISO 31000:2018, British Standard BS 31100, Committee of Sponsoring Organization's Enterprise Risk Management (COSO ERM) and ESG-specific risk management: Recommendations of the Taskforce for Climate-related Financial Disclosure (specifically the Guidance of Risk Management Integration and Disclosure), World Business Council for Sustainable Development (WBCSD) guidance on integration ESG-related risks into risk management processes, Basel Committee guidance on climate risk transmission, and CFRF guidance on climate-related metrics.

The Sustainability Council reports to the Board Risk & Compliance Committee which in turn reports to the Board of Directors. The GIB Board has the ultimate responsibility for effective implementation of the ESG-RMF.

GIB has set ESG risk indicators to check the Bank's tolerance to ESG risks emanating from exposures to counterparties and vendors with high-risk ratings, along with appetite limits cascaded down to

<sup>58</sup> Task force on Climate-related Financial Disclosures, 2022 Status report, <https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

business functions. The risk process involves ESG risk identification, assessment, mitigation, monitoring & review. Risk reporting will be done annually in line with the Taskforce for Climate-related Financial Disclosure at a Group level from the 2023 reporting year.

The Group's corporate banking activities are assessed through an ESG risk assessment tool in addition to the Equator Principles. This assessment is conducted during on-boarding of new clients, periodic credit and customer reviews, new transactions, ad-hoc event driven reviews and investments from the Group's own funds. The assessment combines inputs from ESG risk ratings provided from credible external agencies, and an internally developed ESG risk questionnaire to assess the counterparties' ESG management approach. For ESG risks, in addition to Likelihood and Impact assessment, Vulnerability assessment and Speed of onset are also considered. The clients are ranked between 1 (Rudimentary), 2 (Evolving), 3 (Average), 4 (Good) and 5 (Excellent) on whether they have an appropriate sustainability strategy and on how they score on sustainability rating. For risk assessment, the clients are rated as low, medium and high. As per the ESG Scorecard, each client is assessed for its sustainability strategy, ranked between 1 (Rudimentary), 2 (Evolving), 3 (Average), 4 (Good) and 5 (Excellent). If the score is 2, then the Bank considers for transition finance and if the score is above 2 then for sustainable finance. Each client is assessed for any reputational impacts and rated between 1 and 3, with 1 meaning Significant, recent controversy, 2 meaning insignificant or controversy > 2 years earlier and 3 meaning no controversies. If score <2, the Bank declines to offer sustainable transactions on reputational grounds. Each client is assessed for its approach to engagement and rated between 1 and 3, with 1 meaning Not open and unskilled, 2 meaning open or unskilled and 3 meaning open and skilled. If score <2, the Bank declines to offer sustainable transactions on reputational grounds. Each client is assessed for commitment to identified sustainability goals and rated between 1 and 3, with 1 meaning no evidence of commitment, 2 meaning mixed evidence of commitment and 3 meaning strong evidence of commitment. If score <2, the Bank declines to offer sustainable transactions on reputational grounds.

GIB confirms that the lending products/borrowers for this specific transaction are located in Saudi Arabia, Bahrain, UAE, Oman, Qatar, and Kuwait.

### Inclusion

GIB does not policies to systematically ensure that vulnerable or disadvantaged populations can have universal access to the basic services financed by GIB and that there is no preferential treatment based on race, gender, sexual orientation, etc.

○ GIB abides by the consumer protection regulations and principles put in place by the regulators (central banks) in Bahrain, Saudi Arabia and the UAE, which sets out the requirements for vulnerable and disadvantaged populations. Consumer Protection regulations are being developed for the Gulf Cooperation Council for the Gulf region which would include specific requirements for vulnerable and disadvantaged populations. It will be mandatory for Banks in the Gulf region to comply with these regulations and include the same in their annual reporting once the regulations are implemented.

Furthermore, GIB targets vulnerable or disadvantaged population through the 'Access to essential services' social category, as outlined in its STFF, where a specific assessment would be conducted to ensure universal access for these groups to basic

services, and that there is no preferential treatment based on protected characteristics. However, for all the other social categories no systematic process or due diligence is in place.

### **Carbon related financing**

○ GIB does not disclose the amount of carbon-related financing throughout its overall business units and subsidiaries. However, they have established an accounting framework and are in the process of setting up the tracking system to be able to measure the carbon-related financed emissions. GIB currently does not finance and also commits to exclude all new thermal coal power plants; new coal mining projects and coal transportation projects being financed from 2023.

GIB does not have policies in place to scale down or phase out carbon-related financing activities and has not set public targets or commitments to reduce the carbon-related financed emissions. However, the Bank is in the process of preparing and committing to public targets on carbon-related financed emissions reduction.

### **Financed emissions**

○ GIB plans to start disclosing its financed emissions by 2024 in line with the Partnership for Carbon Accounting Financials (PCAF) methodology. They will engage third party providers for measurement on Scope 3 emissions of investment portfolios.

### **Marketing**

○ GIB does not have any policies and measures in place to systematically ensure that assets and transactions under this Framework provide for responsible marketing. However, GIB follows the Consumer Protection Regulations laid out by the Saudi Central Bank (SAMA) These regulations have guidelines in place that ensure compliance with regulatory requirements for prevention of mis-selling, the right to have access to all financial services and use of printed content.

### **Responsible treatment of customers with debt repayment problems**

✓ GIB has implemented various measures to deal responsibly with clients having debt repayment problems. GIB adheres to the Consumer Protection Regulations laid out by the Saudi Central Bank (SAMA). There are procedures that prohibit undue and coercive pressure on Consumers in collection of repayments/payments or debts due. GIB's retail banking division is not within the scope of this STFF. Currently, a systematic process to ensure that customers can be offered pre-emptive action is not in place. However, for internal debt counselling services around mortgage sale, the regulator Saudi Central Bank (SAMA), has mandated a unified contract that is implemented by all financiers and GIB abides by the Banking Control Law and Banking Consumer Protection Principles. GIB has created and disseminated educational materials on various topics in accordance with regulatory and Bank's requirements. The Bank provides free credit advisory hotline services to individuals before they commit to any liabilities. These services aim to help clients understand

credit risks and provide debt consulting. The Bank provides home finance credit advisory service required to meet the regulatory requirements and enhance customer awareness of home finance contracts before they accept the final offer. For debt restructuring, GIB has a Group Distressed Credit Policy and a Special Assets Unit (SPU). The SAU was established in-mid 2021 as an independent and distinct business unit to manage non-performing assets of GIB Group, enhance the level of discipline among business originators when it comes to the selection of clients and transactions, create the foundation of a business unit that will allow the Bank more flexibility to take distressed assets off the balance sheet, sale of exposures in the secondary market, follow-ups with beneficiaries of guarantees issued by GIB on behalf of the SAU clients for the possibilities of releasing or cancellation of such guarantees, review of the litigation proceedings and for carrying out a cost/benefit analysis to ascertain the viability of continuing litigation and offering SAU customers solutions such as restructuring, debt swap and settlement with a discount.

**Data protection and information security**



GIB has a policy in place for systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced data processing. Moreover, it has taken steps to ensure regular internal updates and annual training for all employees.

**Health and Safety**



GIB evaluates the projects and checks its client' certifications and management plans related to health and safety, and this is part of GIB's due diligence and evaluation process. Moreover, GIB will abide by IFC performance standards and Equator Principles which include health and safety standards in future when actual assets will be under management. GIB has a Security, Health and Safety Environment Policy that covers all employees including contractors and clients in line with the Health and Safety at Work Act 1974 (HSW Act).

**Labor Standards**



GIB evaluates relevant supporting documents as part of the due diligence process. The Bank finances projects in countries that are ILO signatory countries. Each jurisdiction complies with the applicable national labor laws, human rights codes and modern slavery regulations. These are part of the respective country HR management frameworks. Additionally, GIB has specific Supplier Code of Conduct and Modern Slavery Statement that includes relevant labor standards. Moreover, GIB will abide by IFC performance standards and Equator Principles which include labor standards in future when actual assets will be under management.

**Community dialogue**



GIB does not have policies in place to ensure that projects financed under this Framework ensure the mutual community dialogue. However, GIB reviews borrowers' adherence to the IFC Performance Standards and requires independent progress reports from them.

Moreover, GIB will abide by IFC performance standards and Equator Principles which include biodiversity standards in future when actual assets will be under management. Community dialogue is part of the due diligence process and is conducted on a deal-by-deal basis.

#### **Exclusion criteria**

GIB has an existing list of exclusions based on the IFC exclusion list that is applicable for the Framework. In addition, GIB also follows exclusions as set out by the UNEP FI, relating to blue finance for related categories. Exclusions are applied to all sustainable finance activities, both use of proceeds and general-purpose financing. GIB reviews the breadth of exclusions as part of its ongoing development and progress of the Bank's climate and sustainability strategy. GIB conducts an annual review and make recommendations based on research, science, and best practice. Moreover, GIB will ensure that the assets underlying each transaction adhere to the IFC Performance Standards in future when actual assets will be under management.

## PART V: LINKING THE TRANSACTIONS TO GULF INTERNATIONAL BANK'S ESG PROFILE

### A. CONSISTENCY OF THE SUSTAINABLE AND TRANSITION FINANCING FRAMEWORK WITH GIB'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

Gulf International Bank is committed to adhere to its eight principles which focuses on:

- Vision, Strategy, and Purpose: Encourage clients to transition to a more sustainable approach. They also identify sustainability objectives, risks, and opportunities.
- Themes: Integrate sustainability topics which are most material to their product and services.
- Products, Services, and Capabilities: Ensure that sustainability considerations are looked at throughout the product and service offerings.
- Governance: They make sure they incorporate sustainability standards in roles and responsibilities across GIB and for remuneration considerations.
- Risk management and Control: Sustainability related risks are assessed and reported.
- Culture: Ensure organizational behavior are aligned with their sustainability strategy.
- Transparency and disclosure: Stay transparent and report their sustainability targets.
- Implementation: They aim to track and implement their sustainability strategy regularly.

Gulf International Bank is committed to aims to reduce its scope 1 and 2 carbon emissions by 2025 by 11.89% to be in line with the 2°C target to the Paris agreement and, consistent with the need to halve global emissions by 2030. Increasing Gender diversity by targeting to increase overall female staff which would be included in performance assessments from 2022.

Gulf International Bank has committed to measuring its environmental impact from 2022 by reporting on energy use, water use, waste management and recycling. There is no information available on the action plan to reach its ESG targets/goals.

The Issuer is a participant and member of the Abu Dhabi Sustainable Finance Declaration, Bahrain Association of Banks, UK Finance, UK Investment Association, World Economic Forum, Institutional Investors Group for Climate Change, Principles for Responsible Investment, Principles for Responsible Banking, Farm Animal Investment Risk & Return (FAIRR) initiative, and Carbon Disclosure Project (CDP). Gulf International Bank's Asset Management is a founding signatory to the 'Net Zero Asset Managers Initiative' and Gulf International Bank UK is a signatory to 'The Principles of Responsible Banking'. It is also a signatory to a number of sustainability initiatives, such as the UN Principles for Responsible Banking and Responsible Investment, the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures.

The Issuer inaugurated their Sustainability Council in April 2020, it consists of senior management of the Bank which looks after ensuring the principles of sustainable business are embedded across organization. Furthermore, in December 2021, a Sustainability Committee was created to oversee integration of sustainability into the Bank.



## SECOND PARTY OPINION

Sustainability Quality of Gulf International Bank and Sustainable Finance Framework

Gulf International Bank reports according to the Global Rating Initiative (GRI) Standards- Core option. The reporting principles are specified by the quality of disclosures, reliability, accuracy, clarity, balance, sustainability context, materiality, completeness, timeliness, comparability.

### *Rationale for Sustainable and Transition Finance Framework*

GIB established the Sustainable and Transition Finance Framework to demonstrate the Bank's commitment its 8 principles. This includes, reducing their Scope 1 and 2 carbon emissions by 2025 to be aligned with the 2°C target to the Paris agreement. It encourages clients to transition to more sustainable approach and ensures that their business activities are aligned with their sustainability objectives.

**Opinion:** *The key sustainability activities and rationale for Sustainable and Transition financing Framework is clearly defined and are consistent with the Gulf International Bank's sustainability strategy and material ESG topics for the Issuer's industry.*

## B. GIB'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Bank is exposed through its business activities, providing additional context to the Sustainable and Transition Finance Framework.

### ESG risks associated with the Gulf International Bank's industry

GIB is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. 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 relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability Impacts of lending and other financial services or products
Customer and product responsibility
Sustainable investment criteria
Labor standard and working conditions
Business Ethics

### ESG strengths and points of attention related to the Bank's disclosures.

Leveraging ISS ESG's Research, the following strengths, and points of attention<sup>59</sup> have been identified:

<sup>59</sup> Please note that GIB is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Commercial Banks & Capital Markets sector, based on publicly available information

## SECOND PARTY OPINION

Sustainability Quality of Gulf International Bank and Sustainable Finance Framework

STRENGTHS	POINTS OF ATTENTION
<p>The company offers social financial services that include financing for education, healthcare facilities, and charitable organizations.</p>	<p>The company has disclosed limited information on its environmental guidelines for lending and/or investment banking covering environmental risk and impact assessment, resource efficiency, pollution prevention and climate change. Further, social guidelines for lending and/or investment banking covering social risk and impact assessment, human rights, labor rights and community health and safety is missing. The lending policies for specific requirements such as forestry, pulp and paper, dams and hydropower, and fisheries, nuclear power, oil and gas, mining, and aquaculture industries are not explicitly covered.</p> <p>The company provides loans that contribute to Sustainable building standards such as LEED. However, there is limited evidence available on other green financial services that include loans for renewable energy, eco-efficient housing, and eco-friendly cars.</p>
<p>The company has implemented an information security management system (ISMS) that include elements such as ISM committee, cyber security risk assessment, layered security control, and information security audits.</p>	<p>The company has not provided its policy on responsible marketing that include aspects covering i.e., accuracy, transparency on product risks and rejection of customer applications. Further, the commitment to refrain from commission payments, setting sales targets, staff training, and ethical bonus payments is missing.</p> <p>Additionally, the company has not disclosed information on its financial services such as offering basic banking accounts for unbanked customers and inclusive financial services that includes accessible banking for disabled clients.</p>
<p>The company has disclosed application procedures of environmental and social guidelines for asset management and own investments that include providing trainings to the employees on environmental, social, and governance topics, evaluation tools, and coordination with experts.</p>	<p>The company has disclosed limited information on its exclusion criteria pertaining to its own investment.</p>

exclusively. 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.

## SECOND PARTY OPINION

Sustainability Quality of Gulf International Bank and Sustainable Finance Framework

<p>The company has disclosed information on exclusion criteria (e.g., controversial weapons, environment protection, etc.) that are applied to socially responsible investment products and services. Additionally, the company has disclosed information on its engagement/shareholder advocacy activities that include engagement with investees on social and environmental issues, divestment from investee companies in case of unsatisfactory outcomes, and engagement tools e.g., proxy voting.</p>	
<p>The company offers telecommuting and flexible working options to its employees.</p>	<p>The company has provided limited information on its health and safety management system, measures to support the mental health of employees, support for dependent care, and special leave.</p> <p>The company's position on non-regular employment and different types of employment is missing.</p>
<p>The company has published its code of ethics covering issues such as anti-trust violations, insider dealings, conflicts of interest, and money laundering moderately. Additionally, the company has reported measures related to compliance procedures. This includes written confirmation from employees, compliance training, compliance risk assessment and audits, the presence of confidential and anonymous reporting channels, and whistleblower protection procedures.</p>	<p>The company prohibits corruption; however, no information is disclosed on prohibition of facilitation payments. Similarly, commitment regarding acceptance of gifts and entertainment is disclosed, while its moderate maximum amount is missing. Further, limited information is available on the compliance procedures covering compliance training that include frequency and methods used, protection of whistleblower in terms of employment, third-party anti-corruption due diligence that include risk assessments, compliance health checks, etc.</p>

Please note that the consistency between the Framework subject to this report and the GIB's sustainability strategy is further detailed in Part V.A of the report.



*Sustainability impact of products and services portfolio*

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the GIB’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the financial institution’s production process.

*Social impact of the product portfolio:*

The company primarily provides financial services that include global transactions, institutional and investment banking, retail banking, treasury, and asset management products. Additionally, the company also contributes to social financial services that include financing education and healthcare facilities, thereby, positively contributing to the sustainable development goals of quality education and providing basic services. However, there is limited information available to estimate the size of the product portfolio that contributes to different social SDGs. Thus, the impact of the product portfolio on social sustainable development goals (SDG) is considered neutral.

*Environmental impact of the product portfolio:*

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF ASSETS <sup>60</sup>	DIRECTION OF IMPACT	UN SDGS
Financing of oil industry	7%	Obstruction	 

*Breaches of international norms and ESG controversies*

At Issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Bank would be involved has been identified.

At industry level

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

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

<sup>60</sup> Percentages presented in this table are not cumulative.

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## ANNEX 1: Methodology

### SECTION 1 PART II: ASSESSMENT OF THE CONTRIBUTION TO THE SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Fonterra's Sustainable Finance Instruments contributes to related SDGs has been identified.

#### ISS ESG RISK MANAGEMENT KPIs

The ISS ESG Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described. If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

In addition, the ISS ESG KPIs assess sustainability-related risks considered relevant to the financing operations of a Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

## ANNEX 2: Methodology

### PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

We consider relevant market guidelines in the assessment of sustainable finance strategies including but not limited to fixed-income transactions. The analysis considers criteria from a set of different market standards, voluntary guidelines and best practices e.g. the International Capital Market Association’s Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association’s Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable lending. The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

SECTION	ASSESSMENT CRITERIA
<p><b>1. Objectives, Targets &amp; Progress</b></p>	<p>For a financing strategy to be classified as sustainable, Banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts and mitigate ESG risks.</p> <p>The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.</p>
<p><b>2. Definition of Sustainable Financing Activities</b></p>	<p>The sustainable financing strategy should define clearly and comprehensively what financing products are deemed as sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold, or impact indicators) while ensuring that other objectives are not harmed.</p>
<p><b>3. Evaluation &amp; Selection Process</b></p>	<p>Banks should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for sustainable financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrowers and/or investors should be collected. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible projects categories; and complementary information on the processes by which the borrower</p>

	identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s).
<b>4. Governance &amp; Monitoring</b>	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable investment, lending, or financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties are in place to promote sustainable business practices. With respect to borrowers and dedicated financing transactions, Banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.
<b>5. Reporting</b>	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds, as well as the impact and progress of the sustainable financing strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics. Issuers of Green, Social or Sustainability Bonds should make, and keep, readily available up-to-date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Until the loan is fully drawn or until the loan maturity in the case of a revolving credit facility, the bank ensures, that its borrowers make and keep readily available up-to-date information on the use of proceeds and a brief description of the projects, and their expected impact using qualitative performance indicators and, where feasible, quantitative performance measures. Information needs only be provided to those institutions participating in the loan.
<b>6. Verification</b>	It is recommended that the sustainable financing strategy for specific issuances should be reviewed by an external independent third party. The external reviews should be made available to the respective stakeholders involved.



## PART II: ASSESSMENT OF GIB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in GIB's sustainable finance classification system and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, we identify the extent to which GIB's eligibility criteria contribute to the UN SDGs

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which the Bank's eligible categories contribute to related SDGs has been identified.

## PART III: ASSESSMENT OF GIB'S ESG RISK MANAGEMENT

### ESG Risk Management KPIs

The Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

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

If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of the Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

## PART IV: SUSTAINABLE FINANCE FRAMEWORK'S LINK TO GIB'S SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the Group's overarching sustainability policies as well as the management of related ESG risks.

## SECTION 2 PART II: ASSESSMENT OF GIB'S SUSTAINABLE CLASSIFICATION TAXONOMY

This section examines the sustainability quality of each of the parameters included in GIB's Classification Taxonomy and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, ISS ESG identifies the extent to which GIB's eligibility criteria contribute to the UN SDGs.

## ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/esg/methodology-information/>

## ANNEX 4: Quality Management Processes

### SCOPE

GIB commissioned ISS Corporate Solutions to compile a sustainable financing instrument's SPO. The Second Party Opinion process includes verifying whether the eligibility criteria align with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association and to assess the sustainability credentials of its bonds and loans, as well as the Issuer's sustainability strategy.

Further GIB commissioned ISS Corporate Solutions to compile a Sustainable and Transition Finance Framework external review. The external review process includes verifying whether the Sustainable and Transition Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's classification taxonomy.

### CRITERIA

Relevant Standards for this Second Party Opinion and External Review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles,
- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- UNEP-FI PRB
- Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0
- Guidelines proposed by the European Banking authority (EBA) with respect to environmentally sustainable lending

### CLIENT'S RESPONSIBILITY

GIB's responsibility was to provide information and documentation on:

- Sustainable and Transition Finance Framework
- ESG Impact and Risk Management
- Governance procedures

## SECOND PARTY OPINION

Sustainability Quality of Gulf International Bank  
and Sustainable Finance Framework

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### ISS ESG 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 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 External Review of the Sustainable and Transition Finance Framework by GIB based on a proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with GIB took place between January to September 2023.

### ISS ESG BUSINESS PRACTICES

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

## About ISS ESG

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 opinion so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

ISS provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of our client's frameworks.

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

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Sustainable Finance Instrument's SPO and External Review, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

Project lead	Project support	Project support	Project Support	Project supervision
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