

Second-Party Opinion

Burgan Bank K.P.S.C. Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Burgan Bank K.P.S.C. Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics anticipates that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 9, 11 and 12.



PROJECT EVALUATION / SELECTION Burgan Bank's internal process in evaluating and selecting projects and companies will be overseen by its Sustainability Finance Working Group which will comprise of members from the Group Investment Banking & Treasury, Group Risk, Financial Accounting & Control and Corporate Communications departments. The Bank will adopt an environment and social risk management process for the credit/investment analysis of borrowing entities and investee companies and investment decision making processes, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Burgan Bank's Credit Administration Department will track allocation using an ESG Register. The Bank intends to allocate proceeds within 36 months of issuance and has established a 36-month lookback period for refinancing activities. Unallocated proceeds will be managed in accordance with the Bank's general liquidity guidelines, as they pertain to the deployment of ESG proceeds. This is in line with market practice.



REPORTING Burgan Bank intends to report on allocation of proceeds in its Sustainability Report until full allocation. The report will include information on the proceeds, a breakdown of proceeds allocated to eligible projects and pure play companies, proportion of financing to refinancing, projects and pure play companies by geography and the balance of unallocated proceeds. In addition, Burgan Bank is committed to reporting on relevant impact metrics. Sustainalytics views Burgan Bank's allocation and impact reporting as aligned with market practice.

Evaluation Date	February 07, 2022
Issuer Location	Kuwait City, Kuwait

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	12

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¹ The eligible categories are: Clean Transportation, Renewable Energy, Energy Efficiency, Pollution Prevention & Control, Sustainable Water and Wastewater Management, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Employment Generation – Micro, Small and Medium Enterprises

Introduction

Burgan Bank K.P.S.C. (“Burgan Bank”, or the “Bank”) is a commercial bank headquartered in Kuwait City, Kuwait and provides corporate, private and retail banking services. Burgan Bank was established by the Government of Kuwait as a Joint Stock Company in 1977 and was privatized in 1997. The Bank was listed on Boursa Kuwait (formerly the Kuwait Stock Exchange) in 1984 and currently has about 3,000 employees across its operations, which span Kuwait, Turkey, Algeria, Iraq, Tunisia, and the United Arab Emirates.

Burgan Bank has developed the Burgan Bank K.P.S.C. Sustainable Financing Framework (the “Framework”) which allows for net proceeds obtained from the issuance of any green, social or sustainability bonds and loans to be allocated in part or in full to finance and refinance projects and pure-play companies that are expected to contribute to the country’s transition to a low-carbon economy and advance the socio-economic development of Kuwait.

The Framework defines eligibility criteria in six green areas:

1. Clean Transportation
2. Renewable Energy
3. Energy Efficiency
4. Pollution Prevention & Control
5. Sustainable Water and Wastewater Management
6. Green Buildings

The Framework defines eligibility criteria in three social areas:

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Employment Generation – Micro, Small and Medium Enterprises

Burgan Bank engaged Sustainalytics to review the Burgan Bank K.P.S.C. Sustainable Financing Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)², Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)³. This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁴ The Burgan Bank K.P.S.C. Sustainable Financing Framework is available on Burgan Bank K.P.S.C. ’s website at: <https://www.burgan.com/ir/Pages/sustainability.aspx>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of Burgan Bank 's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Burgan Bank's representatives have confirmed (1) they understand it is the sole responsibility of Burgan Bank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Burgan Bank .

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Burgan Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Burgan Bank K.P.S.C. Sustainable Financing Framework

Sustainalytics is of the opinion that the Burgan Bank K.P.S.C. Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Burgan Bank 's Sustainability Financing Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Employment Generation – Micro, Small and Medium Enterprises – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics notes that the proceeds obtained from the issuance of the sustainability bonds and loans are deployed towards eligible projects or pure-play companies according to the Framework are expected to contribute to the transition to a low-carbon economy and support the socio-economic development of Kuwait.
 - While Burgan Bank's Framework includes project-based lending, it also allows for general corporate financing. Sustainalytics recognizes that the GBP and SBP require project-based lending, and that there is, in general, less transparency with non-project-based lending. By placing a minimum quantitative threshold of 90% of revenue that such company must derive from eligible criteria under the Framework, Sustainalytics believes that Burgan Bank has ensured that proceeds from the green, social and sustainability bonds and loans issued will be directed to environmental and social activities that generate positive impact.
 - Burgan Bank has defined a three-year look-back period for refinancing activities which Sustainalytics considers to be aligned with market practice.

- Within the Clean Transportation category, Burgan Bank may invest in electric rail or electric, plug-in hybrid and hydrogen vehicles for public, passenger and freight⁶ purposes.
 - The Framework limits financing to low-carbon transport with the following emissions thresholds: (i) hybrid passenger vehicles below 75 gCO₂e/km, (ii) buses below 50 gCO₂e/p-km, (iii) light commercial vehicles below 75 gCO₂e/p-km, and (iv) heavy trucks below 25 gCO₂e/t-km. Sustainalytics views the commitments to these thresholds as aligned with market expectations.
- Under the Renewable Energy category, Burgan Bank may finance the development, generation, manufacturing, construction, operation and maintenance of renewable energy sources and technologies, including solar energy, wind power, hydropower, tidal energy and geothermal energy. The Bank may also invest in transmission, distribution and other infrastructure, dedicated to renewable energy sources. Sustainalytics considers these projects well suited for inclusion in the Framework, noting in particular the following:
 - For solar energy projects, Burgan Bank may finance solar photovoltaic projects, including concentrated solar power (CSP) and solar thermal plants. The Framework limits financing to CSP and solar thermal projects that generate at least 85% electricity from solar energy sources, ensuring minimum reliance on fossil fuel back-up, which aligns with market practice.
 - The Framework limits geothermal projects to those with lifecycle emissions less than 100 gCO₂e/kWh. This is in line with market practice.
- For hydropower projects, Burgan Bank limits financing to projects with capacity ≤25 MW. For new facilities, the Bank will require an environmental and social impact assessment by a credible body and is also committed to ensuring the absence of significant risk and expected negative controversies associated with the projects. Sustainalytics notes that Burgan Bank has defined the estimated lifecycle carbon intensity threshold below 100 gCO₂e/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period and it is desirable to have a lower threshold for new facilities.⁷
- In the Energy Efficiency category, the Bank is targeting a range of technology and infrastructure projects that result in a minimum energy improvement of 20%, such as, LED lighting, energy meters and building management systems. Sustainalytics considers these investments to be aligned with market practice and notes that:
 - Burgan Bank is considering investments in smart energy grids. While noting the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Bank to select projects that are clearly anticipated to deliver tangible efficiency improvements.
 - The Framework may finance energy storage systems, including battery storage, pumped hydro, compressed air, flywheel energy and super capacitors. The investments in energy storage systems are aligned with market practice.
 - Sustainalytics views positively the Framework's inclusion of a defined minimum energy efficiency threshold for investments within this category.
- Pollution Prevention and Control expenditures may include waste collection, recovering organic waste and recyclables from waste as well as development and installation of technologies for prevention, reduction, recycling, and reuse of waste. Additionally, Burgan Bank has confirmed to Sustainalytics that it intends to: (i) support recycling through activities in this category; (ii) ensure source segregation of waste will be carried out; and (iii) exclude plastic waste and e-waste from being financed under the Framework. Sustainalytics views these investments to be aligned with market practice and notes that the Framework also excludes treatment of waste from fossil fuel operations.
- Under the Sustainable Water and Wastewater Management category, Burgan Bank may finance the equipment, technologies and facilities for water treatment, wastewater recovery and

⁶ Burgan Bank has confirmed to Sustainalytics that the primary purpose of freight rail will not be to transport fossil fuel (i.e. not more than 25% by mass transported).

⁷Sustainalytics encourages Burgan Bank to favour projects with emissions intensity threshold below the 50 gCO₂e/kWh.

improvement of water use efficiency as well as collection and transportation of water. Burgan Bank has confirmed to Sustainalytics that wastewater treatment projects will not relate to fossil fuel operations and any vehicles financed will adhere to the aforementioned clean transportation thresholds.

- Under the Green Buildings category, Burgan Bank intends to finance the acquisition, construction and refurbishments of buildings. The Bank intends to rely on third-party certification schemes to determine eligibility of green building investments and specifies minimum standards of LEED Platinum and BREEAM Very Good.
 - Sustainalytics views these certification schemes as credible and considers LEED Platinum to be impactful. While Sustainalytics notes that BREEAM Very Good may be in line with market practice in some contexts, in others, BREEAM Excellent as a minimum is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that score high enough in the Energy category to fulfill the requirements for BREEAM Excellent in that category. See Appendix 1 for further description of the referenced building standards.
- Under the Affordable Basic Infrastructure category, the Framework contemplates financing a range of projects such as:
 - Providing access to electricity, clean drinking water, sanitation and transport. For projects that expand access to electricity, Burgan Bank is considering investments in transmission and distribution infrastructure and has confirmed that projects are limited to areas with no access to energy or where access is substantially inadequate. The Bank has also confirmed that, it will not finance transmission lines that are dedicated to connecting fossil fuel power plants to the grid and it is committed to funding renewable energy projects to provide access to low-carbon energy. With regards to transport infrastructure, Burgan Bank has confirmed to Sustainalytics that activities financed are aimed at connecting remote areas to improve road connectivity where there is limited or does not exist. These investments are in line with market expectations.
 - Development of telecommunications network and related infrastructure intended to address the lack of adequate connectivity in underserved or unconnected areas. The Bank has communicated to Sustainalytics that the targeted areas are defined by those where no service exists by any operator, or areas where the telecommunications network and related infrastructure is evidently inadequate and hinders the community's development. Sustainalytics notes that connectivity in remote communities is recognized as an important service and, based on the criteria specified, anticipates that such projects will have positive social impacts.
 - Accessibility to public buildings and infrastructure for vulnerable populations. The Framework specifies the targeted population as people with reduced mobility, the elderly or those with disabilities with the intention to reduce social inequalities and exclusion. Sustainalytics views activities aimed at increasing accessibility to this defined targeted population to be in line with market practice.
- Access to Essential Services expenditures may include projects that expand access to free public healthcare, education and training facilities and infrastructure for the provision of child, youth or adult education and vocational training services. Sustainalytics notes that infrastructure projects may include buildings, technologies and programmes.
 - The Bank has identified the target population for healthcare-related expenditures as excluded or marginalized populations, vulnerable groups, migrants or displaced persons and underserved.
 - For education and vocational training, the target population includes unemployed people, young or undereducated people.
 - Burgan Bank has confirmed to Sustainalytics that all essential services financed will be accessible to everyone regardless of ability to pay, which Sustainalytics views to be in line with market practice. Sustainalytics encourages Burgan Bank to assess financing granted under this criterion on an individual basis to ensure that the goals of accessibility are met.

- Under the Employment Generation category, Burgan Bank intends to support micro, small and medium-sized enterprises (MSMEs) by increasing their access to financing.⁸ This may include direct provision of loans as well as capacity building to facilitate job creation for youth and underserved adults. In particular, under this category, the Bank is targeting beneficiaries that are: (i) experiencing long-term unemployment; (ii) people living with disabilities; and (iii) MSMEs that are at least 51% women-owned.
- Sustainalytics notes the Framework-level exclusion the financing of projects associated with coal, fossil exploration and exploitation, gambling, adult entertainment, alcohol, weapons, nuclear power generation, child and forced labor, and activities that involve human trafficking and are deemed illegal under host countries' laws or regulations. Sustainalytics is of the opinion that the addition of exclusionary criteria strengthens the Framework.
- Project Evaluation and Selection:
 - Burgan Bank's Sustainability Finance Working Group (the "Working Group"), which will include members from the Group Investment Banking & Treasury, Group Risk, Financial Accounting & Control and Corporate Communications departments and any other members assigned by the Bank's Executive Management, will be responsible for overseeing the evaluation and selection process. The Working Group and Board Credit and Investment Committee will be responsible for the final approval of eligible projects in accordance with the eligibility process.
 - Burgan Bank will have in place a bank-level environment and social risk management process for the credit or investment analysis of borrowing entities and investee companies and investment decision making processes, which will be applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
 - Based on a clearly defined process for evaluation and selection and the issuer's risk management policies, Sustainalytics considers the project selection and evaluation process to be in line with market practice.
- Management of Proceeds:
 - The allocations to eligible projects will be accounted for and accessed through the Bank's ESG Register. Proceeds will be tracked internally by the Bank's Credit Administration department.
 - Burgan Bank intends to allocate proceeds within 36 months of issuance and has established a 36-month lookback period for refinancing activities. Furthermore, unallocated proceeds will be managed in accordance with the Bank's general liquidity guidelines as they pertain to the deployment of ESG proceeds.
 - Based on a defined management approach, allocation timeframe and the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Burgan Bank intends to publish allocation and impact reporting in its Sustainability Report annually until full allocation of proceeds. The Bank has confirmed that reporting will be made publicly available or shared directly with investors.
 - Allocation reporting will include information on the proceeds such as a breakdown of proceeds allocated to eligible projects and pure play companies, proportion of financing to refinancing, projects and pure play companies by geography as well as the balance of unallocated proceeds.
 - The Banks intends to provide impact reporting on quantitative indicators of individual eligible projects and pure play companies such as GHG emissions avoided (tCO₂e), renewable energy produced (MWh), amount of water recycled (liters), annual energy savings (MWh pa), etc.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Burgan Bank K.P.S.C. Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

⁸ MSMEs are defined as entities that employ less than 50 Kuwaiti people and have an asset base of less than KD 500,000 with revenues of less than KD 1,500,000. More information can be found at: <https://www.nationalfund.gov.kw/en/media-center/publications/>

Section 2: Sustainability Strategy of Burgan Bank

Contribution of Framework to Burgan Bank K.P.S.C. 's sustainability strategy

Burgan Bank's sustainability strategy is captured in its ESG framework and focuses on four key areas: (i) endorsing ethical practices and transparency, (ii) financing responsibly, (iii) creating positive community impact, and (iv) minimizing environmental impact.⁹

To integrate the ESG framework in its financial and investment processes, the Bank has established an ESG integration model which provides guidance on assessing risks and opportunities, amplifying positive attitude towards ESG issues, and aiming for positive environmental and social impact. In its ESG Roadmap 2021, Burgan Bank set targets under each of its focus areas as follows: (i) establishing policy for sustainable financing which will provide credit facilities for green projects by 2022, (ii) pursuing impact investing through targeting companies and sectors that have direct social and/ or environmental impacts by 2022, (iii) integrating environmental aspects into risk and opportunity assessment and report on making environmental investments by 2025, and (iv) enhancing investment in SME sector as a sustainable means to grow the economy and tackle unemployment. Furthermore, the Bank aims to quantify its GHG emissions and transparently disclose its non-financial performance as well as climate and ESG-related risks and opportunities according to globally accepted guidelines. Sustainalytics notes that these targets are not currently available to the public and encourages Burgan Bank to publicly disclose its sustainability targets.⁹

While Burgan Bank has outlined its broad sustainability strategy and initiatives, Sustainalytics encourages the Bank to set time bound, quantitative long- and short-term targets that will further the Bank's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds under the Framework will be directed towards eligible projects and companies that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects companies could also lead to negative environmental and social outcomes. As a lender for eligible financings, the Bank may have limited involvement in the development of specific projects. Nonetheless, Burgan Bank should take steps to mitigate key risks related to the projects that will be financed. These risks include community relations/stakeholder participation, ensuring funds are directed to intended beneficiaries, emissions, waste and biodiversity losses associated with large-scale infrastructure development.

Sustainalytics is of the opinion that Burgan Bank is able to manage and mitigate potential risks through implementation of the following:

- Burgan Bank's ESG framework integrates ESG considerations in its risk assessment processes. ESG risk assessment is an integral part of the Bank's due diligence process before investing in any business.¹⁰ If material ESG risks are identified and deemed acceptable, a plan is developed to prioritize, manage, and mitigate the identified ESG risks.
- The ESG framework also includes responsible financing, which ensures impact investing by the Bank. As per this policy, Burgan Bank targets companies and sectors that have direct social or environmental impacts for extending credit facilities.⁹
- Burgan Bank has established a code of business conduct and ethics which describes the Bank's values and minimum standards for ethical business conduct by its employees and Directors. The code of conduct governs employee interactions with its stakeholders and forms the foundation for the Company's policies. This also provides guidance on compliance with applicable laws and regulations.¹¹
- Burgan Bank has a Credit Policy in place that sets out responsible lending practices and procedures.¹² Through this policy the Bank's lending approval process evaluates transaction to ensure that its objective to avoid financings which can cause unacceptable impact to the people or environment is adhered to. Furthermore, Burgan Bank undertakes stakeholder engagement in the

⁹ Burgan Bank, "ESG Roadmap", July 2021, shared with Sustainalytics. The document is not available publicly.

¹⁰ Draft Vision, Mission and Environment, Social and Governance (ESG) Framework, December 2020, shared with Sustainalytics. The document is not available publicly.

¹¹ Burgan Bank, Annual Report 2020, available at: https://www.burgan.com/aboutus/Documents/Investor/Reports/AnnualReport2020Eng_DigitalVersion.pdf

¹² Information shared confidentially with Sustainalytics

communities where it provides financial support to generate awareness on the nature of investments/financial services.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Burgan Bank has implemented adequate measures to manage environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of clean transportation in Kuwait

In 2018, the transport sector accounted for 14% of GHG emissions in Kuwait, with gasoline and diesel being the major sources of fuel.¹³ Furthermore, the sector's oil demand is projected to grow at a rate of 3% annually which is faster than the rest of the world, accounting for 30% of total final energy consumption in 2035.¹⁴ In addition, Kuwait has one of the lowest domestic gasoline prices in the world in conjunction with offering fuel subsidies, and has not implemented fuel efficiency standards for passenger vehicles.

Towards meeting its transportation sector needs, the Kuwaiti Government established a Kuwait Public Transportation Cooperation responsible for developing public transport services, including the connectivity of different population centers. Despite the availability of public transportation, it is estimate that personal passenger cars met 80% of the transportation needs in 2017 indicating further the need for investments in the sector. In order to promote a low-carbon transport sector, Kuwait Ports Authority is developing what it refers to as "EV City" to acts as a center for and be dedicated to the manufacturing of electric vehicles.¹⁵

Based on the above context, Sustainalytics is of the opinion that Burgan Bank's financing of electric rail and low carbon vehicles offers the potential to help reduce the road transportation sector's oil demand thus leading to overall GHG emissions reduction in Kuwait.

Contribution of energy efficiency and renewable energy to reducing GHG emissions in Kuwait

In 2018, the energy sector accounted for over 80% of GHG emissions in Kuwait with electricity generation contributing 53.5% of energy-related GHG emissions.¹⁶ Kuwait experiences extremely hot and long summer seasons leading to high air-conditioning demand and consequently high annual electricity consumption.¹⁷ Notably, Kuwait has one of the highest rates of per capita energy consumption along with subsidies for electricity and oil products leading to overconsumption of energy resources.¹⁸ Furthermore, the lack of proper enforcement of energy efficiency regulations and codes has led to a large stock of energy-inefficient buildings in Kuwait.¹⁹ In its most recent Nationally Determined Contribution (NDC) under the Paris Agreement, the government has pledged to reduce GHG emissions by 7.4% by 2035 compared to a business-as-usual scenario.²⁰ Improved energy efficiency and increased share of renewable energy are vital for achieving this commitment.

Kuwait is wholly reliant on fossil fuels for energy generation with its energy demand projected to triple by 2030 from 2019 levels.²¹ In order to diversify its energy mix, the country's government has set targets to increase the share of renewable generation to 15% by 2030. In this regard various government initiatives are expected to increase renewable energy capacity to 5 GW but may still be insufficient to meet Kuwait's renewable energy goals.²² Despite having a vast potential for solar and wind resources, renewable energy accounted for less

¹³ World Resources Institute, "Greenhouse Gas Emissions by Countries and Sectors" (2020), at: <https://www.wri.org/insights/4-charts-explain-greenhouse-gas-emissions-countries-and-sectors>

¹⁴ UNDP, "Kuwait Energy Outlook", (2019), at: https://www.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/KEO_report_English.pdf

¹⁵ Reuters, "Kuwait Ports plans region's first city for electric car makers", (2021) at: <https://www.reuters.com/article/us-kuwait-electric-idUSKBN2F214P>

¹⁶ World Resources Institute, "Greenhouse Gas Emissions by Countries and Sectors", (2020) at: <https://www.wri.org/insights/4-charts-explain-greenhouse-gas-emissions-countries-and-sectors>

¹⁷ Kuwait Institute for Scientific Research, "Energy Efficiency Program for the State of Kuwait", at:

<https://iea.blob.core.windows.net/assets/imports/events/278/Session2AhmadAlMulla.pdf>

¹⁸ UNDP, "Kuwait Energy Outlook", (2019) at: https://www.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/KEO_report_English.pdf

¹⁹ Ibid

²⁰ State of Kuwait, "Nationally Determined Contributions", (2021) at:

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Kuwait%20First/Kuwait%20updating%20the%20first%20NDC-English.pdf>

²¹ IEA, "Energy Statistics - Kuwait", (2019) at: <https://www.iea.org/countries/kuwait>

²² State of Kuwait, "Kuwait Voluntary National Review", (2019) at:

https://sustainabledevelopment.un.org/content/documents/23384Kuwait_VNR_FINAL.PDF

than 1% of the total energy demand of Kuwait in 2019 indicating that there is room for renewables in the energy mix.²³

Within this context, Sustainalytics recognizes the importance of renewable energy and energy efficiency in Kuwait and is of the opinion that Burgan Bank’s intention to finance projects in this regard is expected to contribute positively to reducing GHG emissions and promote a shift to a low-carbon energy sector in Kuwait.

Importance of expanding the access to essential services in Kuwait

Healthcare

Kuwait’s public healthcare system is facing various challenges such as increasing pressure due to the rise in non-communicable diseases, as well as a shortage of supplies and well-trained staff. The World Bank estimates that non-communicable diseases accounted for 79% of total deaths in 2019.²⁴ As a result, the healthcare system faces pressure from increased demand for treatment and care services for such diseases.²⁵ The World Bank noted that the shortage in the country’s healthcare system is evidenced by different factors including capacity of only 2 hospital beds per 1,000 people, lower than the global average in 2017 alone.²⁶ As a result, the healthcare sector is not equipped from a personnel and capacity perspective to meet the growing demand for healthcare services. Such challenges therefore hinder the country’s ability to provide equal access to quality treatment and care services to all Kuwaitis who require them, especially to vulnerable groups.²⁷

In 2019, Kuwait implemented its National Development Plan which sets sustainable development priorities for the country. The Plan entails several goals that are to be achieved by 2035.²⁸ One of the pillars includes improving the quality and national capabilities in the public healthcare system.²⁹ Currently, 17 projects are underway including building new hospitals to increase capacity, establishing policies and guidelines and building the workforce through training.³⁰ Additionally, a public-private partnership has been established between the Ministry of Health and Kuwait Health Assurance Company. This entails support of about USD 765 million, from the private sector to the government to meet growing demand for quality healthcare.^{31,32}

Burgan Bank intends to finance projects that are expected to expand the access to free public healthcare. Sustainalytics is of the opinion that such financing is likely to improve the healthcare system and increase access to quality healthcare services in the country as well as support the achievement of the targets and commitments set by the Kuwaiti government.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Burgan Bank K.P.S.C. Sustainable Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety,

²³ Ibid
²⁴ The World Bank, “Cause of death, by non-communicable diseases (% of total) – Kuwait”, (2020), at: <https://data.worldbank.org/indicator/SH.DTH.NCOM.ZS?view=chart&locations=KW>
²⁵ Chun, S. et al. (2019), “Policy Paper for the Health Pillar – Overview of Gaps, Challenges, and Way Forward in Kuwait National Development Plan 2015 – 2020”, Kuwait Public Policy Center – General Secretariat of the Supreme Council for Planning and Development, State of Kuwait, at: https://www.researchgate.net/publication/351986642_Policy_Paper_for_the_Health_Pillar_Overview_of_Gaps_Challenges_and_Way_Forward_in_Kuwait_National_Development_Plan_2015-2020
²⁶ The World Bank, “Hospital beds (per 1,000 people)”, (2019), at: <https://data.worldbank.org/indicator/SH.MED.BEDS.ZS?end=2019&start=2017>
²⁷ Estevez, K. (2020), “5 Facts About Healthcare in Kuwait”, The Borgen Project, at: <https://borgenproject.org/5-facts-about-healthcare-in-kuwait/>
²⁸ Ministry of Foreign Affairs – State of Kuwait, “Kuwait Vision 2035 – New Kuwait”, at: <https://www.mofa.gov.kw/en/kuwait-state/kuwait-vision-2035/>
²⁹ New Kuwait Summit – General Secretariat of the Supreme Council for Planning and Development, “A Unified Direction for a Prosperous, Sustainable Future”, (2019), at: <https://newkuwaitsummit.com/kndp>
³⁰ New Kuwait, “Development Plan – High Quality Healthcare”, at: <https://www.newkuwait.gov.kw/r5.aspx>
³¹ Al-Razouki, M.M. et al. (2019), “Kuwait Health Report 2019”, Kuwait Life Sciences Company, at: <https://c-abc.ca/wp-content/uploads/2019/08/klsc-bdu-kuwait-healthcare-report-2019-vf.pdf>
³² Arab Health, “Healthcare Infrastructure in Kuwait: On Solid Footing”, (2017), at: <https://www.arabhealthonline.com/magazine/en/latest-issue/Issue-6/Healthcare-Infrastructure-in-Kuwait-On-Solid-Footing.html>

		notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills,

		including technical and vocational skills, for employment, decent jobs and entrepreneurship
Employment Generation - Micro and small enterprises	8. Decent Work and Economic Growth	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>

Conclusion



Burgan Bank has developed the Burgan Bank K.P.S.C. Sustainable Financing Framework which allows for net proceeds obtained from the issuance of any sustainability bonds and loans to be allocated in part or in full, to finance or refinance clean transportation, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management and green buildings projects as well as finance projects that provide affordable basic infrastructure, access to essential services and generate employment. Sustainalytics considers that the projects funded by sustainability bond and loan proceeds are expected to provide positive environmental and social impact.

The Burgan Bank K.P.S.C. Sustainable Financing Framework outlines a process by which proceeds from the issuances will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Burgan Bank K.P.S.C. Sustainable Financing Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN SDG 3, 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Burgan Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Burgan Bank is well-positioned to issue sustainability bonds and loans, and that the Framework is robust, transparent, and in alignment with the core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.

Appendices

Appendix 1: Overview and Assessment of Green Building Certifications

	LEED ³³	BREEAM ³⁴
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ³⁵ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.
Performance display		

³³ USGBC, LEED, at: www.usgbc.org/LEED

³⁴ BREEAM: <https://www.breeam.com/>

³⁵ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Burgan Bank K.P.S.C.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Burgan Bank K.P.S.C. Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 07, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds³⁶ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 9, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

³⁶ The eligible categories are: Clean Transportation, Renewable Energy, Energy Efficiency, Pollution Prevention & Control, Sustainable Water and Wastewater Management, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Employment Generation - Micro and small enterprises

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Burgan Bank's internal process in evaluating and selecting projects and companies will be overseen by its Sustainability Finance Working Group which will comprise of members from the Group Investment Banking & Treasury, Group Risk, Financial Accounting & Control and Corporate Communications departments. The Bank will adopt an environment and social risk management process for the credit/investment analysis of borrowing entities and investee companies and investment decision making processes, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Burgan Bank's Credit Administration Department will track allocation using an ESG Register. The Bank intends to allocate proceeds within 36 months of issuance and has established a 36-month lookback period for refinancing activities. Unallocated proceeds will be managed in accordance with the Bank's general liquidity guidelines, as they pertain to the deployment of ESG proceeds. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Burgan Bank intends to report on allocation of proceeds in its Sustainability Report until full allocation. The report will include information on the proceeds, a breakdown of proceeds allocated to eligible projects and pure play companies, proportion of financing to refinancing, projects and pure play companies by geography and the balance of unallocated proceeds. In addition, Burgan Bank is committed to reporting on relevant impact metrics. Sustainalytics views Burgan Bank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify):
Breakdown of ESG Proceeds allocated to each Eligible Green/Social Project and Pure Play Company; Breakdown of new vs. refinanced Eligible Green/Social Projects and Pure Play Companies; Breakdown of Eligible Green/Social Projects and Pure Play Companies by geography; Balance of unallocated ESG proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- Project-by-project
 On a project portfolio basis
 Linkage to individual bond(s)
 Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): Percentage of electric vehicles in total portfolio (%); Air pollutants reduction (%); Renewable energy produced (MWh); renewable energy capacity (MW); Share of renewable energies in final gross energy consumption (%); amount of water desalinated; amount of water recycled (litres); amount of water reused (litres); annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste); Waste that is prevented, minimised, reused or recycled before and after the project (% of total waste and/or in absolute amount in tonnes p.a.); amount of water reused or recycled (tons or % of total waste) number of batteries recycled; level of certification by property; number of SMEs supported or funded, number of employees of SMEs supported or funded, number of jobs generated; number of women/youth supported; share of people with mobile network; share of people with broadband network; number of women/youth supported; number of patients reached; number of students reached; number of women supported |

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance

data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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