

Jordan Kuwait Bank

PRE-ISSUANCE VERIFICATION LETTER

WATER INFRASTRUCTURE CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April, 2023

Approved verifier: Sustainalytics

Contact address for engagement: De Entrée 35-37 – 1101 BH, P.O. Box 22703 – 1100 DE, Amsterdam, The Netherlands

Pre-issuance Engagement Leader: Shreeya Garg, shreeya.garg@morningstar.com, (+31) 20 205 0067

Pre-issuance Engagement Support: Javier Frisancho Salinas, javier.frisanchosalinas@morningstar.com

Scope and Objectives

Jordan Kuwait Bank (“JKB” or “the Bank”) has engaged Sustainalytics to review and verify that JKB’s green bond meets the requirements under the Water Infrastructure criteria of the Climate Bonds Standard.¹

JKB is a publicly listed bank established in 1976 and headquartered in Amman, Jordan. The Bank offers retail, business and private banking services as well as treasury and investment services. As of December 2022, JKB operates in Jordan, Kuwait and Palestine through a network of 64 branches.²

JKB intends to issue a green bond under the Jordan Kuwait Bank Green Finance Framework (the “Framework”) to finance and refinance loans for the development of wastewater treatment and water distribution infrastructure projects intended to contribute in reducing water scarcity and enhancing quality of water in Jordan (“Nominated Projects”). Please see Schedule 1 for a list of Nominated Projects.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0:³

- Water Infrastructure⁴

Issuing Entity’s Responsibility

JKB was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of JKB’s green bond, issued to finance or refinance wastewater treatment and water distribution projects, and provided an independent opinion informing JKB as to the conformance of the green bond with the Pre-Issuance Requirements and Water Infrastructure criteria of the Climate Bonds Standard.

¹ Climate Bonds Standard, Water Infrastructure Criteria, at: <https://www.climatebonds.net/standard/water>

² Information shared with Sustainalytics on a confidential basis.

³ Climate Bonds Standard, Climate Bonds Standard Version 3.0 at:

https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203.0_December%202017.pdf

⁴ Climate Bonds Standard, “Water Infrastructure Criteria”, (2022), at:

https://www.climatebonds.net/files/files/Water%20Criteria%20Document%20Final_100822.pdf

Sustainalytics has relied on the information and the facts presented by JKB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by JKB.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant JKB employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of JKB's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Water Infrastructure Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that JKB's green bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that JKB will ensure compliance with the Climate Bonds Standard's requirements.

Conclusion

Based on the limited assurance procedures conducted of JKB's green bond under the Water Infrastructure criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, JKB's green bond is not in conformance with the Water Infrastructure criteria of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Project Description	Target Disbursement Date	Allocation Amount (as reported by JKB)	Allocation Amount (USD million) ⁵
Project 1: Wastewater Treatment	Refinancing	JOD 10.64	15.00 ⁶
Project 2: Enhancing water distribution network and wastewater treatment for Syrian refugees in the North of Jordan	2022 - 2023	JOD 0.34	0.48
Project 3: Wastewater Treatment	2022 - 2023	JOD 8.51	12.00
Project 4: Wastewater Treatment	2023	EUR 16.45	17.50
Total			44.98

⁵ The allocation amount is expressed in USD million using the following exchange rates: JOD 0.709/USD and EUR 0.94/USD (mid-market rates as of March 27, 2023).

⁶ Refinancing of an existing loan capped at USD 15 million.

Schedule 2A: Pre-Issuance General Requirements

Sustainalytics has conducted this verification using the following Pre-Issuance Requirements under Climate Bonds Standard Version 3.0:

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds , green loans or other labelled instruments; or,</p> <p>1.3.2 the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer's rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material</p>

	<p>environmental, social or governance risks associated with the Nominated Projects & Assets;</p> <p>2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
<p>3. Management of Proceeds</p>	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
<p>4. Reporting</p>	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p>

- 4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.

4.2 The Issuer shall include in the Disclosure Documentation:

- 4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;
- 4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;
- 4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;
- 4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;
- 4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.

Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.

Schedule 2B: Conformance to the Pre-Issuance Requirements

Details of JKB's internal processes and controls as per the Pre-Issuance Requirements are provided below:

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 JKB has developed a list of proposed Nominated Projects & Assets which comply with the Water Infrastructure sector criteria of the Climate Bonds Standard. JKB intends to keep this list updated with all the financed projects that fall within the scope of JKB's green bond program and Framework. The proposed Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • Wastewater treatment • Enhancing water distribution network and wastewater treatment for Syrian refugees in the North of Jordan <p>1.2 JKB's management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 JKB's management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by JKB that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The Jordan Kuwait Bank Green Finance Framework states that the intention of the green bonds is to finance or refinance projects with environmental benefits.</p> <p>2.1.2. JKB's environmental objectives are summarized in the Jordan Kuwait Bank Green Finance Framework.</p> <p>2.1.3. JKB's rationale for issuing green bonds is primarily to use the proceeds to finance or refinance wastewater treatment and water distribution projects in Jordan.</p> <p>2.1.4. The Jordan Kuwait Bank Green Finance Framework includes a process for project evaluation and selection in which a dedicated Sustainable Development Committee is responsible for the implementation of the Framework.</p> <p>2.2.1. JKB has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. JKB's Sustainable Development Committee consisting of representatives from the treasury, corporate business development, risk, and sustainability departments will verify that all proposed Nominated Projects & Assets conform to</p>	None

	the Climate Bonds Taxonomy and Water Infrastructure sector criteria.	
3. Management of Proceeds	<p>3.1.1 The Jordan Kuwait Bank Green Finance Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 JKB has confirmed that proceeds will be allocated within 36 months after issuance. The Bank will manage unallocated net proceeds in line with its treasury guidelines, allocating them on a temporary basis to cash, cash equivalent or short-term liquid instruments.</p> <p>3.1.3 The Jordan Kuwait Bank Green Finance Framework details the process JKB will use to allocate and manage green bonds proceeds. This will enable the estimation of the share of the Net Proceeds being used for financing and refinancing.</p>	None
Reporting Prior to Issuance	<p>4.1.1. Bonds issued under the Jordan Kuwait Bank Green Finance Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Jordan Kuwait Bank Green Finance Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The Jordan Kuwait Bank Green Finance Framework provides detail on its decision-making process, in which the Sustainable Development Committee oversees the process and has the final approval of the projects.</p> <p>4.1.4. JKB's Nominated Projects & Assets will conform with the Water Infrastructure sector criteria. JKB may report on the following impact metric: Wastewater treatment capacity (m³/day)</p> <p>4.1.5. JKB will manage unallocated net proceeds in accordance with Clause 3.1</p> <p>4.1.6. JKB will appoint an approved third-party verifier to confirm the bond's conformance with pre-issuance requirements of the Water infrastructure Criteria of the Climate Bonds Standard.</p> <p>4.1.7. JKB's Nominated Projects & Assets fall under Water Infrastructure sector criteria. JKB will report on the investment areas which the Nominated Projects & Assets fall into on annual basis until full allocation or on a timely basis upon material changes in proceeds allocation. JKB commits to reporting on the total volume of green bonds issued, the total amount and number of eligible loans, the total amount of proceeds allocated to eligible loans, and balance of unallocated proceeds. Subject to confidentiality disclosures, JKB may provide project examples.</p> <p>4.1.8. JKB has estimated that 28% of the proceeds will be allocated to refinance a wastewater treatment project that has a look-back period of one year.</p> <p>4.2.1. JKB's Nominated Projects & Assets will conform with the Water Infrastructure sector criteria.</p>	None

	<p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p> <p>4.2.3. JKB has confirmed that an approved third-party verifier will conduct periodic assurance within a year to reaffirm conformance of the bond with the Water Infrastructure criteria of the Climate Bonds Standard.</p> <p>4.2.4. JKB will provide allocation and impact reporting which will be available on the Bank's website. The report will include information on the allocation of proceeds and relevant impact metrics.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, JKB must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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