



Qatar International Islamic Bank (Q.P.S.C.)

Second-Party Opinion – Sustainable Finance Framework

Excellent

Good

Aligned

Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> Sustainable Fitch considers the sustainable finance framework of Qatar International Islamic Bank (Q.P.S.C.) (QIIB) and the use of proceeds (UoP) included in this framework to be aligned with the ICMA Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP) and Sustainability Bond Guidelines 2021, as well as the Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP) of the LMA, LSTA and APLMA. The UoP include both green and social categories. We positively assess the green UoP categories, especially those dedicated to financing renewable energy projects and clean transportation. In the social categories, we positively evaluate financing access to essential services such as healthcare and education as well as those related to employment generation.
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none"> QIIB sets out an exclusion list that means it will not finance non-sharia (Islamic law) compliant activities or activities that are considered environmentally or socially harmful. The bank will report the share of projects that are financed versus refinanced, but it has no commitment to keeping a certain level of new projects in the portfolio, which would increase the additionality of the instrument.
Evaluation and Selection	Good	<ul style="list-style-type: none"> The evaluation and selection process is clearly outlined, and the issuer has set up an evaluation and selection process where a sustainable finance working group, which comprises expertise from multiple job functions, has been established to ensure the projects are in line with the eligibility criteria. Having a multiple-layered control structure and sustainability experts would further improve internal balance and checks, as well as a further degree of ESG expertise.
Management of Proceeds	Good	<ul style="list-style-type: none"> We consider QIIB’s proceeds management process as appropriate, with the use of virtual segregation within the general funding accounts; though the best practice is to have a separate bank account for the proceeds. The unallocated proceeds will be invested in liquid assets, which is in line with market practice. The sustainable finance working group will replace ineligible projects with new eligible projects, in line with best practice.
Reporting and Transparency	Good	<ul style="list-style-type: none"> The allocation and impact reporting will be provided by UoP category level, on an annual basis until full allocation, which is in line with market practice. The indicators in the impact report are specifically measurable and relevant, and are referenced from the ICMA Harmonised Framework for Impact Reporting. However, there is no commitment to obtain a third-party verification on the allocation of proceeds, which is recommended by the ICMA and LMA.

Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> ✓ Green Bond Principles 2021 (ICMA) ✓ Social Bond Principles 2023 (ICMA) ✓ Sustainability Bond Guidelines 2021 (ICMA) ✓ Green Loan Principles 2023 (LMA/LSTA/APLMA) ✓ Social Loan Principles 2023 (LMA/LSTA/APLMA)
Date assigned	8 January 2024 8 January 2024
See Appendix B for definitions.	

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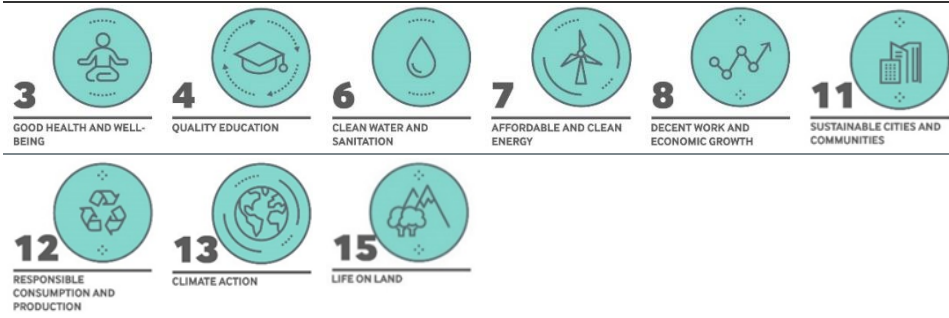
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Relevant UN Sustainable Development Goals



Use of Proceeds Summary

Green	<ul style="list-style-type: none"> Renewable energy Clean transportation Energy efficiency Green buildings Pollution prevention and control Environmentally sustainable management of living natural resources and land use Sustainable water and wastewater management
Social	<ul style="list-style-type: none"> Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socio-economic crises Access to essential services Affordable basic infrastructure

Source: ICMA GBP, ICMA SBP, QIIB sustainable finance framework 2023

Framework Highlights

Sustainable Fitch considers the sustainable finance framework of QIIB to be “aligned” with the GBP, SBP and Sustainability Bond Guidelines by the ICMA, as well as the GLP and SLP by the LMA, APLMA and LSTA. Our opinion is that the alignment is 'Good'.

QIIB has established its sustainable finance Framework with the objective of issuing various sustainable financing instruments, including green, social or sustainability bonds, sukuk, and loans.

The funds raised through this initiative will be channelled into a range of projects aimed at environmental and social improvements. These include the development of clean and renewable energy sources, the transition to sustainable transportation systems, and the promotion of energy efficiency. Investments will also be made in constructing and maintaining green buildings, controlling pollution, and ensuring environmentally responsible management of natural resources and land.

Additionally, the initiative will support sustainable water and wastewater management, job creation to counter socioeconomic issues, access to essential services for under-served populations, and the development of affordable basic infrastructure. The overarching goal of these investments is to bolster environmental sustainability while also enhancing the quality of life and infrastructure for local communities.

The framework is articulated through four core components as recommended by the aforementioned principles and guidelines (use of proceeds; process for project evaluation and selection; management of proceeds; and reporting).

Bonds and sukuk structured under this framework are designed to accommodate a variety of issuance formats, catering to both public and private placements, and may be issued as either bearer or registered securities. The nature of these financial instruments can range from senior unsecured to subordinated issuances. The issuer specified that bonds and loans issued under this framework will serve as conventional recourse-to-the-issuer obligations. This structure

ensures that investors are not exposed to the credit risk associated with the portfolio of eligible assets earmarked for financing.

In line with its ESG strategy, the bank has committed to funding projects that follow national laws and environmental standards, and that are designed, constructed, operated and maintained sustainably. It will make diligent efforts to ensure all financed projects comply with national legislation, the International Financial Corporation's performance standards, and the World Bank's environmental, health and safety guidelines, as outlined in the QIIB ESG manual.

QIIB's approach is designed to reduce the environmental impact of its financing by gradually decarbonising its portfolio. It aims to ensure that the collective environmental footprint of these portfolios remains below the industry average. This commitment reflects an effort to align its financial activities with environmentally responsible practices.

Source: Sustainable Fitch, QIIB sustainable finance framework, QIIB sustainability report 2021

Entity Highlights

QIIB is a leading, private-owned Islamic bank in Qatar, founded in 1990 and headquartered in Doha. As of December 2022, the bank has a total asset of QAR56.4 billion. It has a robust personal banking franchise; QIIB uses its brand to deliver client-focused services across its 17 branches in Qatar.

QIIB presents a blend of personal and corporate banking solutions that are focused on customer needs, shaping its strategies to align with the dynamic banking landscape, offering transactional banking via mobile, internet, and phone banking. Under the Qatar Central Bank's regulation, QIIB delivers sharia-compliant products. In treasury and investments, QIIB engages in equity participation and investment funds, maintaining a sukuk investment book and offering Islamic treasury products; while in corporate financing, QIIB serves critical sectors, including the government, oil and gas, and commercial contracting.

Consumer lending represents 39% of the total amount of QIIB's overall portfolio. QIIB has committed to expanding its customer base; it consistently prioritises retail clients and ensures it meets their financing needs with due diligence.

Real estate financing is QIIB's second-largest sector, at 19% of the overall portfolio. The substantial environmental risks associated with real estate mean QIIB aims to establish precise targets to manage the ESG risks related to the sector's environmental impact. The bank plans to identify these risks carefully and incorporate them into its credit and risk policy. The bank intends to strengthen the policy by adopting additional, sector-specific sustainability screening criteria, underlining QIIB's dedication to sustainable portfolio allocation.

Qatar's National Vision 2030 is a framework for national strategies and implementation plans, with an aim to transform Qatar into an advanced country that can sustain its development and provide a high standard of living for all its residents for generations to come. Qatar's National Vision 2030 delineates four key pillars: human development, social development, economic development, and environmental development. These pillars aim to promote a prosperous society, enable a competitive and diverse economy, and ensure that economic and social growth aligns with environmental protection.

QIIB's sustainability strategy is aligned with the goals of Qatar's National Vision 2030, and integrates the vision's pillars into QIIB's operational and strategic ESG framework.

In 2018, the Qatar Stock Exchange launched an online sustainability and ESG dashboard and an ESG index, to encourage companies to embrace sustainability data collection and disclosure. QIIB participated in this initiative until 2021.

In 2021, the bank carried out a materiality assessment to understand the significance of contemporary sustainability issues affecting both its internal and external stakeholders. This process helped identify sustainability matters that had an effect on the bank's ESG pillars.

QIIB has developed an ESG governance structure that spans across the entire bank. To drive communication and ensure the effective implementation of the ESG commitments, QIIB has also established a dedicated ESG committee that is accountable to the board of directors. This committee is tasked with facilitating communication and with supervising the execution of the

ESG manual and its associated commitments. QIIB's risk management department handles the management of ESG risks while sustainable investment is the responsibility of the investment department.

Moreover, QIIB has implemented a climate risk management policy, which established criteria and procedures for financing activities in sectors such as mining, energy, infrastructure, and the combined fields of agriculture, fishing, livestock, and forestry, given their potential for significant environmental impact. This policy encompasses general exclusions, which preclude financing for entities or transactions that pose a considerable climate risk, particularly when the entity in question does not provide sufficient information on its strategies for environmental risk mitigation during the due diligence process. Additionally, the policy prescribes industry-specific exclusions for the sectors mentioned to further mitigate climate-related financial risks.

QIIB's ESG strategy aims to integrate an environmental methodology that relies on key performance indicators. These indicators aim to monitor environmental risks, ensure there is disclosure, evaluate performance, and measure the impact and benefits of incorporating ESG principles within QIIB's operations, as well as to manage the environmental risks and consequences linked to lending activities.

QIIB is in the early stages of measuring and managing its GHG emissions. However, the bank has identified several GHG-related indicators to begin quantifying and measuring GHG emissions for future reporting.

A thriving SME sector is crucial to Qatar's National Vision 2030, as it contributes significantly to economic productivity and represents around 98% of all private companies registered in Qatar, according to the Ministry of Commerce and Industry.

QIIB, in recognition of the role of SMEs in national economic growth and from a social perspective, holds around 7% of Qatar's SME market share and proactively supports the SME sector. The bank has developed an in-depth understanding of the SME ecosystem and its diverse financial needs.

QIIB also actively participated in Qatar's Covid-19 national response guarantee programme, providing innovative financing solutions to mitigate the pandemic's impact on Qatari SMEs. Through its dedicated SME banking section, QIIB offers sharia-compliant products and services tailored to facilitate SMEs' needs for growth and sustainability. By investing in local manufacturers and supporting sectors such as real estate, food trading and medical supplies, QIIB's business solutions contribute to both economic and social development.

Source: Sustainable Fitch, QIIB sustainable finance framework, QIIB sustainability report 2021



Use of Proceeds – Eligible Projects

Alignment: Good

Company Material

Sustainable Fitch’s View

Renewable Energy

- This UoP covers the production, transmission and distribution and storage of energy from solar; wind; hydropower with either a power density above 5W/m² or life-cycle GHG emissions intensity below 100gCO₂e/kWh; and bioenergy projects supporting electricity generation with an emissions intensity below 100gCO₂e/kWh, with feedstock being sourced from sustainable sources or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools.
- The UoP also covers green hydrogen projects comprising hydrogen production, storage, distribution and R&D. The projects are limited to the production of hydrogen using electrolysis that either meet the life-cycle GHG emissions threshold of under 3tCO₂e/tH₂ or are powered using 100% renewable energy.

- We expect this UoP to be aligned with the renewable energy category of the ICMA GBP and the LMA, APLMA and LSTA GLP.
- Financing renewable energy production, transmission, distribution and R&D projects supports UN Sustainable Development Goal (SDG) 7 (affordable and clean energy) by facilitating access to clean energy technology and increasing the share of renewable energy in Qatar, where almost 100% of the total energy supply was from fossil fuels in 2020, according to the International Energy Agency. It also contributes to climate change mitigation by reducing GHG emissions.
- The UoP contributes positively to the Qatar National Vision 2030 target of having 20% of energy be generated from renewable sources by 2024, as well as the nation’s plan to reduce GHG emissions by 25% by 2030.
- We consider the solar and wind energy projects to substantially contribute to climate change mitigation. These projects are considered aligned with major international taxonomies, such as the EU taxonomy.
- Hydropower projects that have either a power density above 5W/m² or a life-cycle GHG emissions intensity below 100gCO₂e/kWh can be considered aligned with the EU taxonomy’s substantial contribution criteria (SCC).
- We consider financing bioenergy projects with feedstock sourced from non-competitive sustainable sources positively, as it contributes to climate change mitigation by reducing GHG emissions; though other international taxonomies, such as the aforementioned EU taxonomy, have more stringent requirements on the GHG emissions savings.
- The framework’s eligibility criteria for green hydrogen projects, such as the life-cycle GHG emissions threshold of under 3tCO₂e/tH₂, is partially aligned with the EU taxonomy’s SCC, though the technical screening criteria for substantial contribution have a stricter requirement for verification of life-cycle GHG emissions savings.



Clean Transportation

- This UoP covers the acquisition, operation and maintenance of low-carbon vehicles for passenger and freight transportation.
- For non-fully electrified transportation, it requires passenger and public transportation, including bus, train and rail to have emissions of under 50gCO₂/p-km by 2025 and 0gCO₂/p-km thereafter. It also requires freight transportation to have emissions under 25gCO₂/t-km up till 2030 and 21gCO₂/t-km from 2030 to 2050.
- The UoP also covers the projects supporting the deployment of electric vehicles (EVs), including charging infrastructure.

- We expect this UoP to be aligned with the clean transportation category of the ICMA GBP and the LMA, APLMA and LSTA GLP.
- Financing of both low-carbon transportation and EV-related infrastructure supports UN SDG 11 (sustainable cities and communities), by decarbonising the transport sector and providing public access to sustainable transport systems, as well as by improving air quality.
- The Qatar government reports that private passenger vehicles contributed to around 99% of the transportation GHG emissions in 2014 (most recent statistic available), which shows the need for the country to develop public transportation to reduce GHG emissions. This UoP addresses this issue and supports the country’s climate change strategy to promote the use of public transport and to improve its accessibility.
- We view positively the financing of low-carbon passenger and public transportation as it decreases the use of private vehicles and reduces GHG emissions; though there is insufficient information available for us to determine the alignment of the eligibility criteria with internationally accepted criteria such as the EU taxonomy.
- Similarly, for freight transport there is insufficient information available for us to determine the alignment of the eligibility criteria with the EU taxonomy.
- It is positive that the EV-related infrastructure, such as charging stations, are aligned with the SCC of the EU taxonomy.





Energy Efficiency

- The UoP covers projects that reduce energy consumption by at least 20% compared with the average of national energy consumption of an equivalent technology, such as district cooling systems, investment in smart energy grids, energy meters and energy management systems, smart cities and energy efficient equipment for buildings.
- It also includes development or manufacture of energy technologies including LED lights and smart grid meters.
- The bank will exclude improvement activities that result in the lock-in of fossil fuel technologies.

- We expect this UoP to be aligned with the energy efficiency category of the ICMA GBP and the LMA, APLMA and LSTA GLP.
- Financing projects that reduce energy consumption and increase energy efficiency supports SDG 7, and contributes positively to the action plan of Qatar’s climate change strategy to improve energy efficiency in new development.
- Given the broad range of energy-efficiency classes that LEDs can fall into, it would be beneficial for QIIB to disclose the model of LED or the luminous efficiency of the LEDs financed.
- The UoP is partially aligned with the EU taxonomy’s SCC, such as for the installation of energy meters, energy management systems and energy efficient equipment for buildings.
- The installation of district cooling system could reduce electrical consumption compared with a traditional cooling system, which is an important energy-saving measure in Qatar, a country that has a desert climate; though there is insufficient information available for us to determine its alignment with international taxonomies such as the EU taxonomy, which sets out specific criteria for district cooling in the SCC.



Green Buildings

- This UoP covers projects related to the acquisition, development, construction, and refurbishment of buildings that have received, or expect to receive based on their design, construction and operational plans, certification according to third-party verified green building standards, including:
 - LEED “Gold” or above;
 - BREEAM “Excellent” or above; or
 - Global Sustainability Assessment System “2 star” or above.
- It also covers projects related to acquisition, development, construction and refurbishment of data centres with a power usage effectiveness of under 1.5.

- We expect this UoP to be aligned with the green buildings category of the ICMA GBP and the LMA, APLMA and LSTA GLP. The UN Environment Programme – Finance Initiative reports that the real estate sector was responsible for 40% of global GHG emissions in 2022. This highlights the urgent need for climate change mitigation. Enhancing energy efficiency and circularity can have a direct, positive impact on the environment.
- Qatar’s geographical location and local climate properties make it more susceptible to the long-term impact of climate change. The Intergovernmental Panel on Climate Change predicts that heat waves will occur more frequently and have a longer duration in the future, which presents a higher risk on a regional level.
- QIIB’s funding will be used to finance the acquisition, construction and refurbishment of building projects, to improve the energy efficiency of the project, which can have a positive environmental impact.
- To qualify for certification under green building schemes such as BREEAM and LEED, buildings are required to meet numerous criteria covering topics such as energy performance, water usage, waste reduction, pollution control and alternative modes of transportation. Therefore, certified buildings are expected to have a better environmental performance than conventional buildings.
- We consider all of these certifications as positive in our impact assessment; however, green building certifications may not necessarily indicate alignment with stringent international standards defining green activities such as the 2021 EU taxonomy.
- This taxonomy specifies that new buildings from 2021 onwards need to have 10% less primary energy demand than nearly zero-energy buildings (as defined at the national level), while buildings built before 2021 need to be certified with an energy performance certificate class A or be within the top 15% performers in terms of operational primary energy demand.
- Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW), then market best practice is for it to be efficiently operated through energy performance monitoring and assessment.
- QIIB’s financial resources are also dedicated to supporting the acquisition, development, construction and renovation of data centres that demonstrate a power usage effectiveness rating below 1.5, indicating high energy efficiency.





- To align fully with the EU taxonomy, it is mandatory for these data centres to adopt the "expected best practices" outlined by the European Code of Conduct for Data Centre Energy Efficiency or adhere to any "alternative and equivalent best practices". Compliance with these standards must be independently verified by a third party and subjected to audits at a minimum of every three years.
- Additionally, to meet the taxonomy's stringent environmental criteria, the data centres must ensure that the global warming potential of the cooling system's refrigerants does not exceed a threshold of 675, thereby minimising their impact on climate change.
- This UoP promotes sustainable development in cities and strengthens resilience and adaptive capacity in the long-term, which is positive from an environmental perspective. It also supports SDGs 7, 11 and 13 (climate action).

Pollution Prevention and Control

- The UoP covers projects related to construction, upgrade and renovation of facilities for collection, sorting, processing and conversion, and treatment of waste, including:
 - waste collection and storage;
 - waste sorting, separation, and material recovery;
 - recycling and reuse of waste products into usable products or new materials;
 - biological treatment facilities (including anaerobic digestion and composting facilities); and
 - waste-to-energy plants, where recyclables are sorted and there is bottom ash recovery.

- We expect this UoP to be aligned with the pollution prevention and control category of the ICMA GBP and the LMA, APLMA and LSTA GLP.
- The pollution prevention and control UoP encompasses the development, modernisation and refurbishment of infrastructure for the collection, segregation, treatment and transformation of waste materials. These projects are designed to enhance the efficiency and effectiveness of waste management systems, thereby reducing environmental pollution and promoting sustainable practices.
- We positively view that this UoP can help to reduce the amount of waste and the air, water and soil pollution, which may negatively affect the environment and human health. However, the framework does not provide enough information about the characteristics of these UoP to properly assess their potential environmental impact and risks.
- Some of the project categories in this UoP are required to meet strict conditions to align to market best practice, such as the EU taxonomy. There are some mandatory requirements at the country level, for example, source segregation of waste is a mandatory practice in accordance with the regulations established by the Doha Ministry of Municipality. This measure necessitates the separation of recyclable materials, organic matter, and other waste types at the point of origin, prior to collection and processing.
- To align with the best practices, facilities focusing on anaerobic digestion of bio-waste must conform to a series of specific conditions that include rigorous methane emission controls, the use of biogas for energy or material production, the mandatory source segregation of bio-waste, and the repurposing of digestate as agricultural products, while also limiting the use of food and feed crops as feedstock in bio-waste treatment.
- Waste-to-energy activities contribute to environmental sustainability by reducing methane emissions from landfills and preventing leachate pollution. These activities also promote energy recovery from waste, helping to reduce reliance on fossil fuels and supporting a shift towards a net-zero emissions future.
- However, the focus on waste-to-energy solutions should not detract from more environmentally effective waste management methods, such as prevention, reuse, and recycling, which are higher in the waste hierarchy and crucial for a sustainable waste management system. Including waste-to-energy in waste management strategies must be carefully managed to ensure it supports, rather than hinders, overarching sustainability goals.
- This UoP supports SDG 12 (responsible consumption and production).





Environmentally Sustainable Management of Living Natural Resources and Land Use

- The UoP covers projects related to forest land certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC); afforestation or reforestation; and preservation or restoration of natural landscapes.
- We expect this UoP to be aligned with the environmentally sustainable management of living natural resources and land use category of the ICMA GBP and LMA, APLMA and LSTA GLP.
- Sustainable forest management can ensure the protection of biodiversity, reduction of soil pollution and the protection of forests for carbon sequestration.
- The bank requires the forests funded have either an FSC or PEFC certification. This assures that the forest management activities comply with national legislation, respect local use rights, and maintain the ecological functions of the forest and its biodiversity.
- The UoP is partially aligned with the EU taxonomy's SCC since obtaining certifications, such as FSC or PEFC, demonstrate compliance with some of the taxonomy criteria, but details about the forest management plan and the climate benefit analysis are not covered. This UoP supports SDG 15 (life on land).



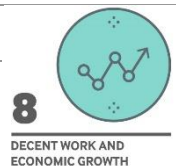
Sustainable Water and Wastewater Management

- The UoP covers projects related to construction, upgrades, renovations or improvements for transportation and treatment of wastewater, including:
 - water and wastewater treatment plants, including reuse of their effluents;
 - sewer systems and pumping stations;
 - projects that increase water-use efficiency, such as water recycling and reuse projects, water saving systems and technologies, and water metering; and
 - investment and expenditures in desalination plants powered by electricity with an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life and based on reverse-osmosis technology.
- We expect this UoP to be aligned with the sustainable water and wastewater management category of the ICMA GBP and the LMA, APLMA and LSTA GLP.
- Improper treatment of wastewater and effluents from production processes can pollute nearby water sources, posing a risk to wildlife and local communities that rely on them. Therefore, water treatment plants have a positive impact on the environment. However, they have a high energy consumption; therefore, certain energy-efficiency requirements need to be met to positively affect the environment.
- The UoP can be also used to finance desalination plants powered by electricity, and the technical screening criteria identified by the bank are aligned to the Climate Bond Initiative. For alignment with the Paris Agreement commitments, the energy used to power these plants must maintain an average carbon intensity at or below 100gCO₂e/kWh throughout the asset's remaining lifetime.
- Investments in desalination plants that meet this criterion, particularly those using reverse-osmosis technology, are considered to be in step with these global climate pledges. Despite this, desalination remains a high-energy process in comparison to traditional methods of freshwater extraction. State-of-the-art desalination technologies, while efficient, still consume between 3kWh/m³ to 10kWh/m³ of freshwater produced, which is significantly higher than the less than 1kWh/m³ required for conventional freshwater abstraction.
- This increase in energy use results in higher GHG emissions, posing a challenge to climate mitigation efforts. Desalination does not fall under the climate change mitigation environmental objective of the EU taxonomy, due to its limited potential in reducing GHG emissions, but it does play a vital role in adapting to the consequences of climate change, such as increased water scarcity. Therefore, it is especially pertinent for Qatar, which is located in a water scarce region.
- As such, desalination projects can be evaluated against the SCC of the climate change adaptation environmental objective to ensure they contribute positively to societal adaptation strategies. This UoP supports SDG 6 (clean water and sanitation).



Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socio-economic Crises



- This UoP covers the financing and refinancing of loans to micro, small and medium enterprises (MSMEs) and microfinance clients, as well as female-owned MSMEs and female entrepreneur clients (majority owned or majority managed by women).
- We expect this UoP to be aligned with the employment generation category of the ICMA SBP and the LMA, APLMA and LSTA SLP.
- Funding MSMEs and microfinance clients positively supports UN SDG 8 (decent work and economic growth). This financing promotes job creation, entrepreneurship, and the formalisation and expansion of MSMEs, which stimulates local economic development.
- The UoP also covers the supporting measures provided to these clients who have been affected by natural






<p>disasters and pandemics, such as offering extension of payment periods and exemption of facility fees.</p>	<ul style="list-style-type: none"> • According to 2022 statistics from the World Bank, the labour force participation rate for women in Qatar was 60.5%. However, only 12.6% of businesses are women-owned, according to 2018 data. Facilitating access to capital for women-led MSMEs contributes to SDG 8 by helping women to run their businesses and by supporting Qatar's socioeconomic progress. • The UoP can be used to strengthen the resilience of MSMEs, helping them to recover from natural disasters and pandemics. This supports the bank's commitment to sustainable practices and is in line with Qatar's National Vision 2030, which aims to promote SME growth, economic diversification and private sector advancements. • MSMEs are defined according to national criteria and the standards set by the Qatar Development Bank. The additional focus on supporting women-led MSMEs and those affected by the pandemic or natural disasters aligns with the criteria outlined by the ICMA SBP and the LMA, APLMA and LSTA SLP.
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Access to Essential Services (Healthcare and Education)

<ul style="list-style-type: none"> • This UoP covers the construction, maintenance or refurbishment of public, not-for-profit, free or subsidised hospitals, clinics and healthcare centres, as well as infrastructure for the provision of emergency medical response and disease control services. • The UoP also covers the construction, maintenance or refurbishment of public, not-for-profit, free or subsidised schools, universities, kindergartens or vocational training facilities, and development of related education services and programmes. • The UoP targets the general population, including populations that lack quality access to essential goods and services. 	<ul style="list-style-type: none"> • We expect this UoP to be aligned with the access to essential services category of the ICMA SBP and the LMA, APLMA and LSTA SLP. • The UoP supports SDG 3 (good health and well-being) by expanding public access to free and subsidised healthcare, contributing positively to the UN's 2030 agenda of promoting physical and mental health and well-being by increasing access to quality healthcare. It also contributes positively to society during medical emergencies such as disasters and pandemics. • It also supports SDG 4 (quality education) by building and upgrading education facilities to provide students with a safe and effective learning environment, as well as by expanding public access to quality education. • A general population will benefit from these services without targeting a particular vulnerable group. The World Bank reports the population in Qatar has increased by more than 300% from 2000 to 2022, while the population aged over 65 and between 0 and 14 have surged by 407% and 180%, respectively, from 2000 to 2022. The Qatari government provides free universal healthcare and education to its citizens while the new Qatar Healthcare Insurance Law mandates all expatriates and visitors to have mandatory medical insurance, ensuring access to basic healthcare services in both government and private facilities, so this surge in population will increase public demand for healthcare and education infrastructure. • The UoP addresses the rising demand for education and healthcare infrastructure in Qatar by providing more people with access to affordable and quality healthcare and education, which improves the beneficiaries' quality of living, literacy and life expectancy. • It also contributes positively to Qatar's National Vision 2030 of building a world-class education and healthcare system, to provide accessible high quality educational and training opportunities, as well as to deliver effective medical services and increase coverage of preventive and curative healthcare. 	<div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div>
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Affordable Basic Infrastructure

<ul style="list-style-type: none"> • This UoP covers the construction, operation and development of affordable basic infrastructure that provides sanitation, including infrastructure related to sewerage systems. 	<ul style="list-style-type: none"> • We expect this UoP to be aligned with the affordable basic infrastructure category of the ICMA SBP and the LMA, APLMA and LSTA SLP. • The UoP supports SDG 6, by increasing public access to clean water and to adequate and hygienic sanitation, as well as by reducing public exposure to unprocessed wastewater that is harmful to human health. • According to UNESCO, an estimated 3.6 billion people worldwide do not have access to safely managed sanitation services, which significantly endangers public health and well-being. In contrast, 	<div style="text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div>
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Qatar has near-universal coverage, with virtually all of its population having access to safely managed sanitation facilities. The majority of buildings in Qatar are connected to a public sewage system.

- However, as of 2020, around 5% of the total completed buildings were not connected to the public sewage network. These unconnected buildings rely on tanker services to transport wastewater to treatment facilities. This arrangement presents a minimal risk to the local population, but it does highlight a potential area for improvement in Qatar's otherwise robust sanitation infrastructure.
- The UoP addresses this urgent need for affordable sanitation and sewerage infrastructure globally and in Qatar by allowing more people to access to hygiene sanitation and sewerage systems, improving their health and well-being, as well as quality of living.

Source: QIIB sustainable finance framework

Source: Sustainable Fitch, Qatar Development Bank, Qatar water statistic 2021, World Bank, International Energy Agency

Use of Proceeds – Other Information

Company Material

- QIIB will allocate an amount at least equivalent to the net proceeds of the instruments issued under the framework to finance and/or refinance, in whole or in part, of the projects that meet the eligibility criteria of the eligible sustainable project categories.
- Eligible loans can include financing or refinancing of entities where at least 90% of the financing recipient's revenue is derived from sources that meet the relevant eligibility criteria in one or more of the categories set out below and the remaining portion of revenues do not contradict with the Exclusion Criteria ("pure-play entities").
- A maximum three-year lookback period would apply for refinanced projects, and QIIB expects each issuance of the framework to be fully allocated within two years from the date of issuance.
- The framework includes an exclusion list that covers activities that are considered non-sharia compliant, including payday loans, gambling, adult entertainment, alcohol and tobacco. It also excludes a number of other activities from the eligible portfolio, such as coal or unabated gas-fired power generation and distribution; fossil fuel-related exploration, extraction, production and distribution; as well as military contracting, weapons and nuclear power generation.

Source: QIIB sustainable finance framework

Alignment: Good

Sustainable Fitch's View

- In line with the recommendations of the ICMA and LMA, QIIB will report annually the share of projects to be financed and refinanced using the bond proceeds. The split allows stakeholders to identify the level of additionality that is brought by the new projects under the instrument.
- The exclusion list is comprehensive and well-defined. It excludes a wide range of activities that are considered non-sharia compliant or environmentally and socially harmful. It also excludes activities involving modern slavery or forced labour, reducing the risk of financing companies that are involved in human rights violations. It provides assurance to external stakeholders that the funds will not be used for financing activities that are considered environmentally or socially harmful.
- The lookback period for refinanced projects is a maximum of three years, in line with market practice.
- The framework includes financing or refinancing to pure play companies whose activities are in line with the eligible UoP categories in the framework. The ICMA guidelines recommend issuers demonstrate that the proceeds have been allocated to assets, investments and other related and supporting expenditures with clear environmental and/or social benefits.
- Sustainable Fitch recognises the green or social impact of pure play companies; while the purpose of finance is defined, further clarity on the type of expenditures may benefit the instrument's transparency and would better fit the recommendations of the ICMA. The types of expenditures that can be financed with the proceeds of bonds should be specified by issuers in their bond frameworks or documentation. Our understanding is that this financing will follow all the ICMA's core components, similar to the other uses of proceeds.
- QIIB commits to regularly verifying that the revenue meets the 90% threshold as part of the SFWG's responsibilities, and to ensuring that no double-counting occurs in any of its financing activities. However, the framework provides limited information about how the revenues would be calculated and about the monitoring process for preventing double counting.
- The framework also clarifies that any activities of such pure play companies will exclude any activities included in the exclusion list. Thus, we assume that 100% of the revenues of the pure play companies financed would not include any lines of business that contravene the exclusion list.

Source: Sustainable Fitch

Evaluation and Selection

Company Material

- QIIB's sustainable financing working group will be responsible for governing and implementing the initiatives set out in the framework. Its responsibilities include ratifying eligible sustainable projects that are proposed by the constituent team members, ensuring all eligible projects have been assessed from an environmental and social risk management perspective and are in line with the bank's ESG risk management policy, ensuring the allocation of proceeds to pure play entities follows the definition of pure play as indicated in the framework, and managing any future updates to the sustainable finance framework.
- The sustainable finance working group comprises a number of bank management personnel, including but not limited to the department representatives from the risk, corporate banking and financial sectors.
- QIIB will make best efforts to ensure that all projects are operated in compliance with the applicable national laws, International Financial Corporation performance standards and the World Bank environmental, health and safety guidelines. It has also laid out a climate risk

Alignment: Good

Sustainable Fitch's View

- The selection and evaluation process and eligibility criteria are clearly-defined in the framework and align with the requirements set out in the guidelines of the ICMA and the LMA. The sustainability financing working group will ratify the proposed projects and ensure the projects are in line with the eligibility criteria.
- It is positive to establish a working group for project selection and evaluation, but having a multi-layer structure would provide further assurance on the internal controls and balances.
- The working group involves representatives from different job functions to ensure there is sufficient challenge and discussion in the group. While not a requirement of the ICMA and LMA, LSTA and APLMA, having further sustainability expertise in the group would ensure it has the relevant skills to assess the environmental and social impact of projects and that ESG factors are considered in the decision making and asset allocation.

Evaluation and Selection

Alignment: Good

Company Material

management policy that lays out criteria to be followed in relation to the funding of a number of activities that will cause negative environmental impacts.

Sustainable Fitch's View

- It is positive from an ESG perspective that the bank will ensure all projects are in line with different international standards and comply with relevant legislations, and that the working group ensures the projects have been assessed in accordance with the bank's ESG and climate risk management policy. These align with the requirements set out in the ICMA and LMA guidelines on the process of identification and management of the environmental and social risks associated with the projects.

Source: QIIB sustainable finance framework

Source: Sustainable Fitch

Management of Proceeds

Alignment: Good

Company Material

- The proceeds will be deposited in QIIB's general funding accounts and earmarked for allocations to eligible sustainable projects using the sustainable finance register.
- The register will contain details of the sustainable financing instruments and the allocation of proceeds, including the list of eligible sustainable projects and the amount of unallocated proceeds.
- Any unallocated proceeds will be invested according to the bank's standards liquidity policy of investing in liquid securities and money market instruments, in line with the exclusion criteria listed in the framework.
- QIIB expects each issuance under the framework to be fully allocated within two years from the date of issuance.
- The sustainability financing working group will undertake monitoring of the asset pool to ensure the eligibility of sustainable projects with the criteria set out in the framework, while replacing any ineligible sustainable projects with new eligible sustainable projects.

Sustainable Fitch's View

- The proceeds will be deposited in the bank's general funding accounts and segregated virtually; they will be earmarked and monitored using the sustainable finance register, which is aligned with the requirements of ICMA and LMA. The unallocated proceeds will be invested in liquid securities and money market instruments, which aligns to the ICMA and LMA requirement to disclose the intended types of temporary placement for unallocated proceeds.
- The net proceeds are expected to be fully allocated within two years from the date of issuance, in line with market practice.
- The sustainability financing working group will monitor the asset pool to ensure the eligible projects comply with the eligibility criteria in the framework; the group will replace ineligible projects with new eligible projects, providing assurance to external stakeholders that the eligible assets comply with the eligibility criteria.
- We consider the practice used for the management of proceeds to be appropriate, but having the allocation of funds be audited by an independent third party would place the bank in line with best practice.

Source: QIIB sustainable finance framework

Source: Sustainable Fitch

Reporting and Transparency

Alignment: Good

Company Material

- QIIB will publish an allocation and an impact report on an annual basis. The report will be updated annually until full allocation of the net proceeds of the instrument issued, or until the instrument is no longer outstanding.
- The allocation reporting contains the list of eligible sustainable projects, the amount of proceeds allocated to each sustainable category, the description of projects financed, the share of financing versus refinancing, the selected examples of financed projects, and the amount of unallocated proceeds.
- The impact report will cover a number of impact reporting metrics, and where available, reference the relevant indicators suggested in the ICMA Harmonised Framework for Impact Reporting. The calculation methodologies and key assumptions will also be disclosed.

Sustainable Fitch's View








- QIIB has fully committed to provide an allocation and impact report on an annual basis until full allocation, which is aligned with the requirement set out by the ICMA and LMA. The allocation of proceeds will be reported by the financed category, which is aligned with the requirement of the ICMA and LMA for allocation reporting to be on a project-by-project basis.
- The ICMA and LMA require issuers to include a brief description of the projects financed, which may be included in the bank's allocation report.
- We view positively that the bank will provide impact report with reference to the latest versions of the Harmonised Framework for Impact Reporting frameworks as developed by the ICMA, providing investors assurance on the reporting quality and placing it in line with best practice.
- QIIB will report the financing for pure-play entities in line with the definition that is laid out in the framework.
- It is positive from an ESG perspective that the quantitative indicators of the impact reporting are specifically measurable and relevant to the UoP categories, which provides transparency to investors.
- It seems the impact reporting will not be audited externally, where the best practice is to have an independent third party to verify the key performance indicators that are achieved to provide assurance to investors on the reporting quality.

Source: QIIB sustainable finance framework

Source: Sustainable Fitch



Relevant UN Sustainable Development Goals

<ul style="list-style-type: none"> • 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. 	 3 GOOD HEALTH AND WELL-BEING
<ul style="list-style-type: none"> • 4.a: Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all. 	 4 QUALITY EDUCATION
<ul style="list-style-type: none"> • 6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. 	 6 CLEAN WATER AND SANITATION
<ul style="list-style-type: none"> • 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix. • 7.3: By 2030, double the global rate of improvement in energy efficiency. 	 7 AFFORDABLE AND CLEAN ENERGY
<ul style="list-style-type: none"> • 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 	 8 DECENT WORK AND ECONOMIC GROWTH
<ul style="list-style-type: none"> • 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 	 11 SUSTAINABLE CITIES AND COMMUNITIES
<ul style="list-style-type: none"> • 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
<ul style="list-style-type: none"> • 13.2: Integrate climate change measures into national policies, strategies and planning 	 13 CLIMATE ACTION
<ul style="list-style-type: none"> • 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements. • 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally. 	 15 LIFE ON LAND

Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Sustainability

Four Pillars	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes
Independent External Review Provider	
Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	n.a.
1) Use of Proceeds (UoP) – based on expected or actual instrument allocation	
UoP as per Green Bond Principles (GBP)	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	Yes
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	Yes
Sustainable water and wastewater management	Yes
Climate change adaptation	No
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.
Use of Proceeds as per Social Bond Principles (SBP)	
Affordable basic infrastructure	Yes
Access to essential services	Yes
Affordable housing	No
Employment generation (through SME financing and microfinancing)	Yes
Food security	No
Socioeconomic advancement and empowerment	No
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	No
Other	n.a.
Target Populations	
Living below the poverty line	No
Excluded and/or marginalised populations and /or communities	No
People with disabilities	No
Migrants and/or displaced persons	No
Undereducated	No
Underserved, owing to a lack of quality access to essential goods and services	Yes
Unemployed and/or workers affected by climate transition	No



Type of Instrument: Sustainability

Women and/or sexual and gender minorities	Yes
Aging populations and vulnerable youth	No
Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	Yes
Other	n.a.

2) Project Evaluation & Selection

Evaluation & Selection	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation & Selection/Responsibility & Accountability

Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds

Tracking of Proceeds	
Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting

UoP Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency



Type of Instrument: Sustainability

Annual	Yes
Semi-annual	No
Other	n.a.
Impact Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.
Impact Reporting/Information Reported (exp. ex-post)	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Number and type of clean transportation infrastructure financed, type of scheme and certification level, increase in area under sustainable forest management, forestry certification scheme, annual amount of wastewater treated, number of public hospitals, clinics and health care centres financed, number of schools and universities financed, and number of places and beds financed.
Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.
Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	No
Other	n.a.
Source: Sustainable Fitch, ICMA	

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer’s green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, “alignment” should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Second Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products provided by Sustainable Fitch include an ESG Entity Rating, ESG Framework Rating, ESG Instrument Rating, ESG Scores and ESG Second-Party Opinion, among other ESG analytical products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established certain policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: www.sustainablefitch.com.

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