

S&P Global Ratings

This S&P Global Ratings Second Party Opinion (SPO) represents our opinion on whether the documentation of a sustainable finance framework or program and whether the documentation of a sustainable finance transaction aligns with certain third-party published sustainable finance principles, guidelines, and standards ("Principles"). For more details please refer to the Analytical Approach and Analytical Supplement, available at [spglobal.com](https://www.spglobal.com) under [Sustainable Financing Opinions](#). An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings.

Second Party Opinion

Arab Bank Sustainable Finance Framework

Nov. 22, 2022

Headquartered in Amman, Jordan, and founded in 1930, Arab Bank is one of the largest global Arab banking networks. It operates through a network of 600 branches in 28 countries. Arab Bank provides various financial products and services covering consumer banking, corporate, and institutional banking, and treasury services.

In our view, Arab Bank's Sustainable Finance Framework, published on [Nov. 21, 2022](#), is aligned with:

- ✓ Green Bond Principles, ICMA, 2021
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Social Bond Principles, ICMA, 2021
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines ICMA, 2021

This second party opinion does not assess the alignment of any individual transaction issued under the framework with the Principles listed above.

Issuer's Sustainability Objectives

Arab Bank (the bank) aims to be a leading socially, economically, and environmentally responsible financial institution in the Arab world. The bank's sustainability approach has five focus areas: responsible financing, employee empowerment, transparent reporting, system optimization, and community cooperation.

The bank's Sustainable Finance Framework will help achieve those goals through the targeted financing of relevant green and social initiatives. These initiatives include social projects that target small and medium-size enterprises (SMEs), women-led enterprises, and segments of the population that lack access to basic infrastructure and essential services, as well as green projects that support the energy transition in the region.

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Second Party Opinion Summary

Use of proceeds

Alignment  Arab Bank's Sustainable Finance Framework is strong with this component of the Principles.

Score Not aligned Aligned **Strong** Advanced

The bank commits to using amounts equivalent to the net proceeds of the sustainable financing instruments issued under its Sustainable Finance Framework to finance and/or refinance eligible green or social projects. All eligible green and social projects contribute to environmental and social objectives. Furthermore, the framework clearly defines all eligible project categories, their associated eligibility criteria, and target population, where relevant.

Process for project evaluation and selection

Alignment  Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

The bank's framework clearly describes its processes to select and approve green and social projects, including exclusionary criteria for projects. It also describes how it identifies and manages potential social and environmental risk associated with the eligible projects. The bank's Sustainable Finance Working Group (SFWG) is responsible for approving eligible projects and monitoring these projects' continued eligibility with the criteria defined in the framework.

Management of proceeds

Alignment  Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

The bank commits to tracking the proceeds allocated to all eligible green and social projects until they have been fully allocated using its internal sustainable finance register. Unallocated proceeds will be invested according to its standard liquidity policy of investing in liquid securities and money market instruments.

Reporting

Alignment  Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

Score Not aligned Aligned **Strong** Advanced

The bank commits to reporting, at least annually until proceeds are fully allocated, on the allocation of funds across eligible projects and on the impact metrics associated with the financed projects. Calculation methodologies and key assumptions for impact metrics will be disclosed. Final allocation reports will be subject to a review by an independent third party.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Arab Bank's Sustainable Finance Framework is strong with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider the bank's overall use of proceeds commitments to be strong.

The bank commits to using an amount equivalent to the net proceeds of the sustainable financing instruments issued under its Sustainable Finance Framework to finance and/or refinance eligible green or social projects. The bank also commits to a three-year look-back period for refinanced projects, which we consider in line with market practice and a strength of the framework. The framework also mentions that the bank will disclose, where possible, the share allocated to financing or refinancing of the instruments issued under the framework -- another strength.

All eligible green projects are linked to environmental objectives and aligned with eligible categories. These include: renewable energy (solar, wind, and green hydrogen and ammonia from electrolysis powered by 100% renewable energy), energy efficiency (projects that target reduction of energy consumption by at least 20%, such as district cooling systems, grid infrastructure, and smart energy grids), clean transportation (financing for electric and low-carbon vehicles and associated infrastructure, as well as passenger and freight transportation, the framework adheres to the IEA SDS emission requirements for nonelectric vehicles); sustainable water and wastewater management (water and wastewater treatment plants, sewer systems and pumping stations, as well as water desalination projects that are partially powered by renewable energy); and green buildings (LEED or BREEAM certified equal or above "gold" or "excellent", respectively)

The bank's framework also identifies sustainability objectives within its social project categories. These include employment generation and programs designed to prevent or alleviate unemployment stemming from socioeconomic crises by providing financing or credit relief measures to SMEs and women-owned and focused businesses during natural disasters and pandemics. They also include financing for projects that grant access to essential services, including the provision/distribution of health care equipment and infrastructure, as well as providing child, youth, or adult education and vocational training services. Projects in scope should be either not-for-profit, free, or subsidized and target the general population, including those lacking access to essential services and this access is not limited by citizenship status in the markets where the bank participates.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

Second Party Opinion

We consider the bank's overall process for project selection and evaluation commitments to be aligned.

The bank's sustainable finance framework clearly outlines its process for identifying and selecting eligible green and social projects while also providing an exclusionary list of projects. Exclusions include those projects where most revenue comes from fossil fuels, nuclear power for electric generation, alcohol, tobacco, extractive industries and mining, and defense-related contracts.

Eligible projects will be evaluated and selected by the bank's SFWG, which comprises management personnel, including representatives from the Branding, Credit, Group Regulatory Compliance, Risk Management, Corporate & Institutional Banking, Finance, and Investor Relations and Strategy departments. The SFWG will meet at least twice a year to ratify eligible sustainable projects and ensure they have all been assessed from an environmental and social risk management perspective. In addition, the SFWG has been explicitly empowered to select projects and monitor and review the asset pool to ensure continued eligibility until full allocation. Moreover, the SFWG commits to replacing any projects that no longer meet the eligibility criteria with a new eligible project.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

We view the bank's framework as aligned with this component of the relevant principles because it commits to maintaining a sustainable finance register that will track the allocation of proceeds to each eligible project, while also specifying the type of sustainable finance instrument, such as sukuk, bonds, or loans. The issuer has also committed to invest any unallocated proceeds according to the bank's standard liquidity policy of investing in liquid securities and money market instruments. If a project does not meet its eligibility criteria through monitoring by the SFWG, the bank will replace it with a new eligible sustainable project.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Arab Bank's Sustainable Finance Framework is aligned with this component of the Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider the bank's overall reporting practices to be aligned.

The issuer commits to publishing annual allocations and impact reports until the net proceeds are fully allocated, or until no more instruments are outstanding.

The allocation reports will include a list of eligible projects, the amount of proceeds allocated to each eligible project category, and, when possible, descriptions of the eligible projects financed such as locations and amount allocated. They will also include selected examples of projects financed, amount of unallocated proceeds, and percentage share of refinancing projects versus new financing. The impact reports will disclose impact indicators reflecting the actual environmental and/or social benefits of the eligible projects. These may include metrics relevant for each environmental or social project category, such as annual greenhouse gas emissions

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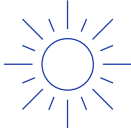

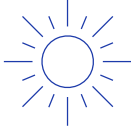







reduced/avoided in tons of carbon dioxide, number and type of clean transportation infrastructure financed, annual reduction in water use, number and amount of loans granted to SMEs and women-owned SMEs, number of people benefited from access to health care facilities and education opportunities, or number of public hospitals and schools financed. The bank does not commit to reporting both expected and actual impact metrics, which we view as a stronger market practice.

We view positively that the bank commits to disclosing its calculation methodologies and key assumptions for its reporting metrics, as well as its intention to engage an external reviewer who will verify the allocation of funds to eligible projects, per the framework. The bank also commits to using indicators suggested by ICMA's Harmonized Framework for Impact Reporting, where available, which is best practice. Additionally, the bank commits to, where possible, disclose actual figures for operational projects; however, the framework does not specify that it will release expected figures for projects to benchmark against actual impact figures. We believe the level of sophistication of the social impact indicators is somewhat limited, but reflects the still-nascent stage of the social financing market.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Arab Bank's Sustainable Finance Framework intends to contribute to the following SDGs:

Use of proceeds/KPI	SDGs
Renewable Energy	  7. Affordable and clean energy 13. Climate action
Energy Efficiency	   7. Affordable and clean energy 13. Climate action 9. Industry, innovation and infrastructure
Clean Transportation	  11. Sustainable cities and communities 13. Climate action
Sustainable Water and Wastewater Management	 6. Clean water and sanitation
Green Buildings	  11. Sustainable cities and communities 13. Climate action

Second Party Opinion

Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crisis.



**8. Decent work
and economic
growth**

Access to essential services



**3. Good health
and well-being**



**4. Quality
education**

*The eligible project categories link to these SDGs in the ICMA mapping. [For use of proceeds]

Second Party Opinion

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