بنك الخليج الدولي

# Gulf International Bank Sustainable & Transition Finance Framework 2023

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# 1. Introduction

Recent years have seen a fundamental change in the way that companies are judged by their customers, their employees, society and the markets. At Gulf International Bank (GIB), our vision is to accelerate the transition to a more sustainable and net zero economy by enabling business with sustainable finance today for the benefit of tomorrow.

We believe that banks should play a central role in stimulating a more sustainable way of doing business. They are centrally placed through credit and investment decisions to influence and fund the transition to a sustainable and net zero economy. Banks should also reflect the needs of society, and today's society expects banks to be clear about how their products create value for their stakeholders, which includes the planet. In response to this, at a group level, GIB has committed to use finance as a force for good.

This document is GIB's Sustainable and Transition Finance Framework (STFF).

The primary purpose of the STFF is to set out how we classify and manage sustainable finance transactions.

# 2. About GIB

## 2.1 Company overview

Gulf International Bank B.S.C. (GIB) is a pan-Gulf Cooperation Council (GCC) universal bank established in 1975 and regulated by the Central Bank of Bahrain.

GIB provides diverse financial products, services and bespoke banking solutions to a wide client base in the GCC, Europe and North America. This includes corporate, institutional, global transaction and investment banking; treasury and asset management; and meem, a fully digital Shariah-compliant retail bank.

The Group is active across regional and international markets through its subsidiaries GIB Saudi Arabia and GIB (UK) Ltd, and its branches in the UAE, USA and UK. Headquartered in Al Khobar, GIB Saudi Arabia has branches in Riyadh and Jeddah, with its Riyadh based subsidiary, GIB Capital, delivering the Bank's investment banking activities. GIB Capital's activities span equity advisory and placements, mergers, acquisitions and privatisations; debt capital market solutions and strategic financial advisory, along with asset management and equities brokerage.

GIB is owned by the governments of the GCC countries, with Saudi Arabia's Public Investment Fund being the primary shareholder.

## 2.2. Our approach to Sustainability

In December 2021, the Board approved the GIB Sustainability Framework. The Framework outlines GIB's vision of integrating sustainable finance across our business. The Framework, based on a set of eight principles, is the foundation upon which we conduct our business. As a result, and with the same scope, we have designed our STFF which aims to provide more specific guidance to be used at a transaction level.

GIB is part of the following initiatives and / or membership bodies: Abu Dhabi Sustainable Finance Declaration, Bahrain Association of Banks, UK Finance, UK Investment Association, World Economic Forum, Institutional Investors Group for Climate Change, Principles for Responsible Investment, Principles for Responsible Banking, FAIRR, and CDP.

### Our principles

***Vision, strategy and purpose.*** We believe that finance can be a force for good. Helping our clients transition to a more sustainable economic approach sits at the heart of our sustainability strategy. As part of our strategy, we identify our sustainability objectives, risks and opportunities across different time horizons

***Themes.*** We identify and integrate the sustainability topics that are most material for us. We use industry standards, industry research and our own assessment to determine what is material for us. We also use regional and international frameworks and initiatives to determine the enduring issues that are most relevant for us

***Products, services and capabilities.*** GIB's strategy ensures that sustainability considerations are embedded throughout our product and service offering. In addition, we seek to offer clients specific ESG products and services that meet their needs and help them in their journey in transitioning into a more sustainable future, working proactively with them to enable activities that create shared and enduring prosperity

***Governance.*** We hold ourselves to high governance standards. We incorporate sustainability considerations in roles and responsibilities across the GIB, in our various policies, and in our remuneration considerations. We reflect both regional and international regulatory frameworks in our governance

***Risk management and control.*** We understand, assess, measure and proactively manage our sustainability-related risks. Such risks are reported to the relevant stakeholders within and outside GIB.

***Culture.*** We constantly seek to ensure sustainability considerations are embedded in how our people operate, and reflected in our organisational behaviours.

***Transparency and disclosure.*** We believe that disclosing our activities and reporting against our sustainability targets is important so that our stakeholders can hold us to account.

***Implementation.*** We track our progress towards implementing our sustainability strategy regularly.

# 3. Sustainable & Transition Finance Framework

## 3.1 Sustainability standards, principles and guidance

The following were used to determine the STFF's requirements:

- The International Capital Markets Association (ICMA) Green Bond Principles (June 2021 with June 2022 Appendix 1) and Social Bond Principles (June 2021 with June 2022) Appendix[1]
- Loan Market Association (LMA) Green Loan Principles (2018) and Guidance on Green Loan Principles (February 2021)[2]
- APLMA/LMA/LSTA Social Loan Principles (February 2023)[3]
- LSTA Sustainability-Linked Loan Principles (March 2022)[4] , and green and social mapping, including with the Paris Agreement targets
- United Nations Sustainable Development Goals
- Equator Principles
- IFC Performance Standards[5].

For some product types, accepted Principles do not yet exist. For such products, GIB's approach is to use a best-endeavours basis through applying the principles as closely as possible and adapted only where necessary to the needs of the specific instrument (such as green deposits and ESG-linked repos).

## 3.2 Scope

The STFF does not intend to be exhaustive due to constantly new and emerging scientific evidence, advances in technology and policy changes; there remains a role for judgement in its application. We also recognise that data gaps may make it challenging to apply the STFF in full.

### Issuer scope

The STFF covers:

a) transactions where GIB is the issuer;
b) transactions where GIB is the financial intermediary i.e. lender or deposit-taker. However, borrowers may use their own Frameworks and eligibility criteria, if judged to be appropriate[6].
It covers both origination activity and transactions in secondary markets.

### Business line scope

The STFF covers Wholesale banking (including Global Transaction Banking), and Treasury (including Treasury Investments, bonds and funds). It does not cover Asset Management, as that is covered in separate Responsible Investment and Stewardship policies. It does not cover Retail banking, as that is covered in its own operating policies.

In FY2022, in-scope business areas accounted for 89% of total revenue.

### Geographical scope

The STFF covers all geographies where GIB conducts business.

[1]Green Bond Principles » ICMA (icmagroup.org) ; Social Bond Principles (SBP) » ICMA (icmagroup.org);
[2]Green Loan Principles - LSTA
[3]https://www.lsta.org/content/social-loan-principles-slp/
[4]Sustainability Linked Loan Principles (SLLP) - LSTA
[5]Performance Standards (ifc.org); The Equator Principles - Equator Principles Association (equator-principles.com)
[6]A second party opinion from a reputable supplier must have been received on the Framework for it to be used in lieu of GIB's STFF, with that SPO highlighting no exceptions against the relevant Principles.

## Legal entity scope

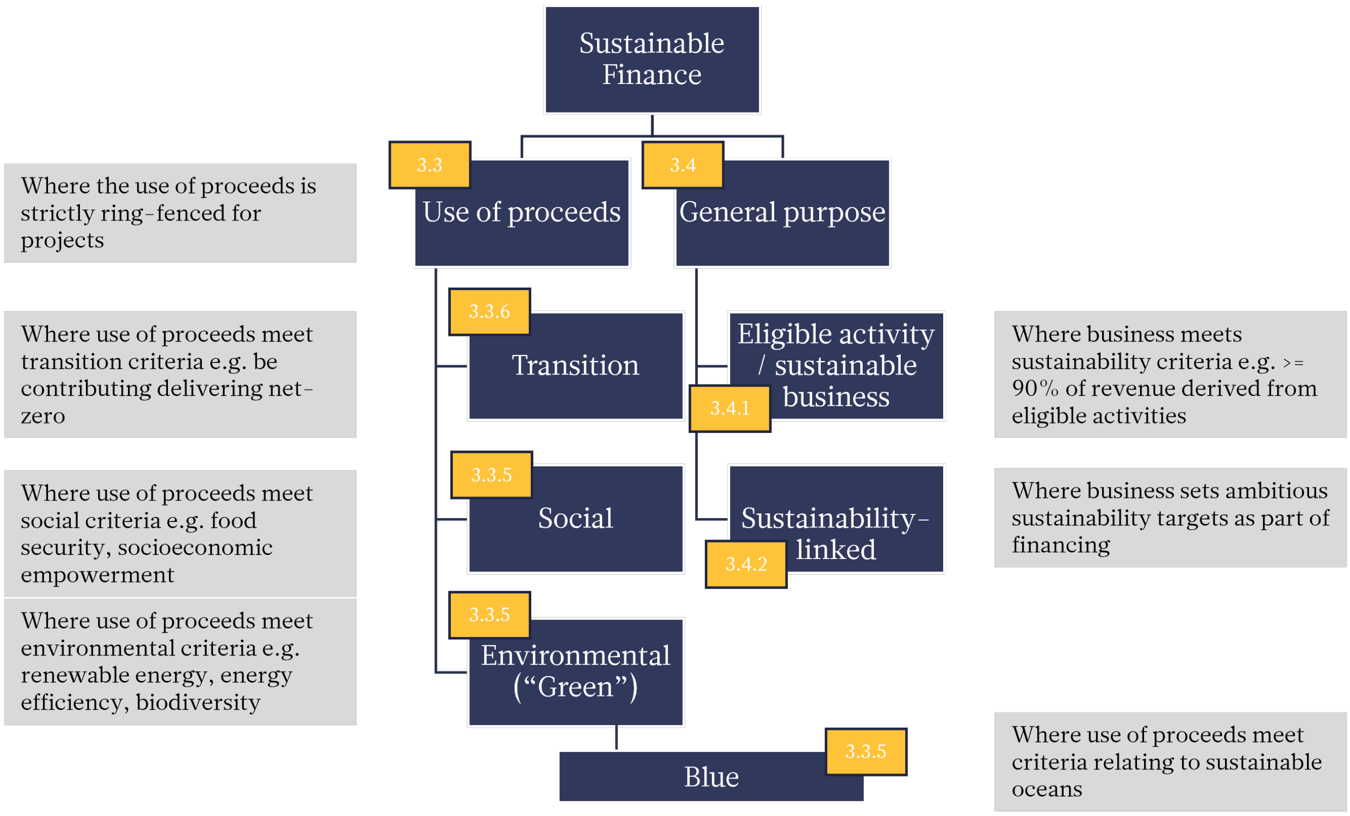
The STFF covers all GIB legal entities in which such activity may take place GIB B.S.C., GIB KSA, GIB (UK), and the branches in the UK, UAE and USA.

## Product scope

- The products covered in the STFF include:
- Funded facilities, including Project Finance
- Trade products, including letters of credit, letters of guarantee, supply chain finance, receivable finance
- Deposits (term deposits, CASA) and structured deposits
- Transaction banking – payments, corporate credit cards and payment gateway
- Repos and derivatives/structured products (all tenures)
- Bonds and sukuks including: corporate (including covered bonds), supra-national, sovereign, and agency (SSA) bonds

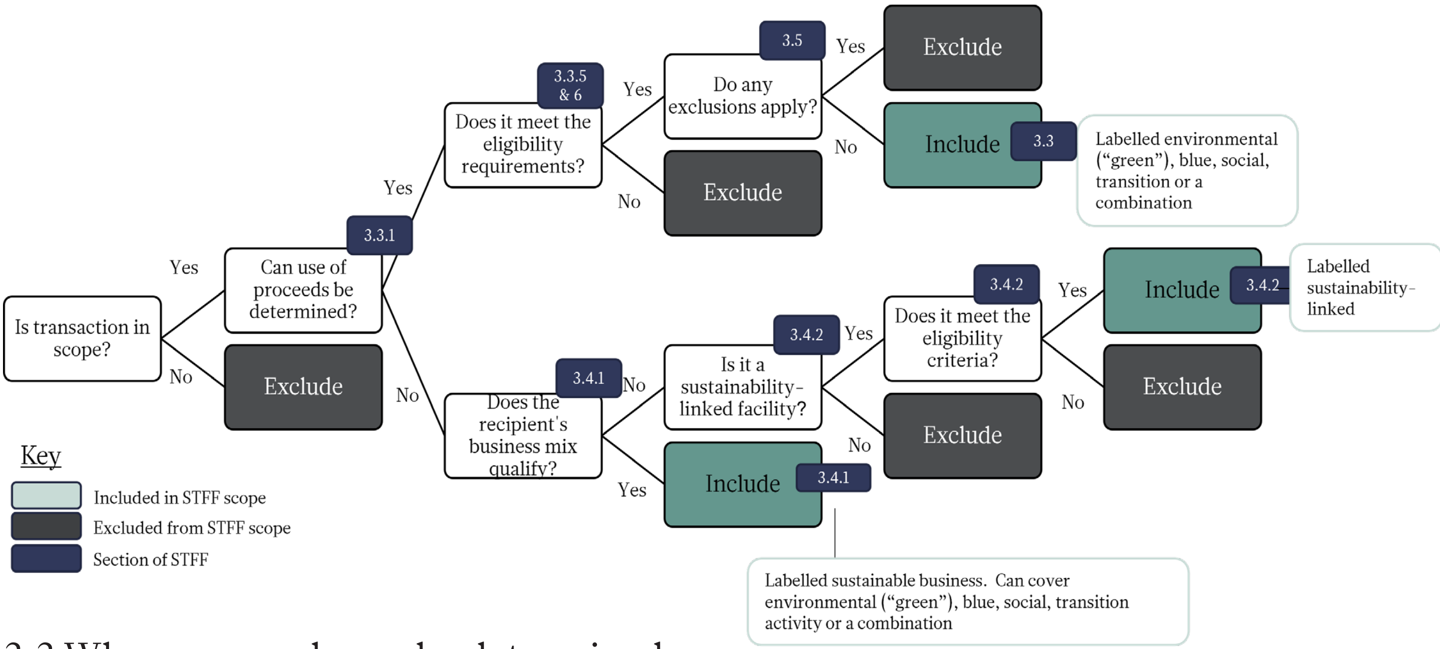
Instruments issued under the STFF may take the form of public transactions or private debt placements, and may take the form of senior unsecured or sub-ordinated issuances.

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



### Decision Tree for inclusion in the STFF

The decision tree describes the process used for identifying transactions that fall within the scope of this framework. Transactions are assessed on a deal-by-deal basis.




## 3.3 Where proceeds can be determined

We use the Green Bond Principles, Green Loan Principles, and Social Bond Principles as our core components:

a) Use of proceeds;
b) Process for Project Evaluation and Selection
c) Management of Proceeds; and
d) Reporting

GIB assesses each transaction on a deal-by-deal basis against these criteria and determines upon origination or purchase whether or not the criteria have been met. The below outlines salient features of GIB's approach, but the relevant principles are applied in full.

"Issuing entities" refers to the client (e.g. the entity issuing a green bond, taking out a sustainability-linked loan or requiring a green letter of credit). Additional information is provided where GIB is the issuing or deposit-taking entity.

The below requirements cover all three sub-categories in the STFF: environmental, social and transition financing. "Green" is used as a shorthand for 'meeting environmental criteria'. "Blue" is subset of environmental criteria and refers to activity supporting sustainable ocean activity. Activity can be across multiple categories, in which case a joint label would be used.

### 3.3.1 Use of proceeds

GIB requires clear and robust identification of use of proceeds at the pre-issuance phase of the transaction and throughout the life-cycle. The issuer should disclose the planned amount of proceeds to be allocated by project category at pre-issuance. 100% of the funds from the financing transaction must be directed towards an activity that is listed under the eligible criteria (see section 3.3.5).

Monies may be used to finance, re-finance and invest in whole or in part, new or existing projects under development and/or projects in operation from any eligible categories.

**Where GIB is the issuing or deposit-taking entity:**

- GIB shall follow the above requirements in full
- Transactions shall be identified as having a defined use of proceeds at inception
- Reviews of continued eligibility shall be conducted, at least annually

### 3.3.2 Project Evaluation and selection

GIB requires entities to have a robust process in place to ensure that projects are properly identified, evaluated and selected for inclusion in a sustainable transaction. Similarly, it expects the entity to undertake regular monitoring to ensure continuing eligibility and take remedial action where needed. For re-financing, a maximum 2-year look-back period would apply, in line with market practice. GIB expects that a robust process would contain the elements set out below, or equivalent.

**Where GIB is the issuing or deposit-taking entity:**

- GIB will follow the above requirements in full

**At the asset level:**

- GIB shall conduct an assessment on an asset-by-asset basis against the eligibility requirements in the STFF. It shall also identify and assess any ESG-related risks associated with the asset. This may be conducted in-house, or through external data provider assessments. The assessment shall cover both eligibility relative to the criteria set out below and also whether the activities cause, or have the potential to cause, significant harm to sustainability objectives.[7]
- GIB Compliance shall conduct reviews of all clients, both at on-boarding and as part of its annual KYC/AML reviews. Where the client operates in a high-risk sector, including in relation to ESG factors, enhanced due diligence shall be conducted. As a result of the enhanced due diligence, GIB may require client to undertake specific mitigation activities.
- A second line internal review shall be conducted by GIB of each proposed asset to confirm eligibility and highlight any additional ESG risks that should be considered.
- Once confirmed, all eligible assets shall be tagged in the relevant system to enable aggregation and reporting.
- A review shall be conducted, at least annually, to confirm continued eligibility.

**At the transaction level:**

- GIB shall conduct an assessment at the transaction level against the eligibility requirements in the STFF. GIB shall identify and assess any ESG-related risks associated with the transaction.
- The pool of eligible assets shall be taken as the total volume of assets recorded by GIB as eligible under the STFF. However, within that, GIB must specifically ensure the existing and pipeline of assets will match, based on reasonable assumptions, with the proposed issuance or deposit thereby ensuring eligibility for the lifetime of the facility / deposit. This shall consider: current and expected volume of eligible assets (limiting the look-back period to a maximum of 2 years); the ESG risk profile of the assets; and the percentage that is for new versus re-financing.
- A review shall be conducted, at least annually, to confirm continued eligibility, and transactions will be reclassified if no longer eligible.

Project evaluation and selection (at the asset and transaction level) is reviewed and approved by the GIB Sustainability Evaluation and Approval Committee (SEAC)[8], both at the outset and then on at least an annual basis thereafter.

[7]We adopt the definition provided by the EU Sustainable Finance Disclosure Regulation.
[8]See Section 4 for further details on GIB's governance bodies.

### 3.3.3 Management of proceeds

GIB requires issuing entities to have a clear process for managing use of proceeds. This could involve allocating all proceeds to a dedicated account or utilizing a Sustainable Finance Register (the "Register").
Such a Register would be expected to include:

- Instrument details: pricing date, maturity date, principal amount of proceeds, coupon etc.
- Allocation of proceeds:
    - Eligible projects list, environmental and/or social category, project description, project location, total project cost, amount allocated, settled currency
    - Amount of unallocated proceeds
    - GIB requires all proceeds to be allocated to eligible projects within 2 years. Any proceeds temporarily unallocated will be invested according to GIB's standard liquidity management policy into money markets and other liquid instruments, and, for avoiding any doubt, subject to the same exclusion criteria (see section 3.5).

**Where GIB is the issuing or deposit-taking entity:**

- GIB shall follow the above requirements in full
- GIB shall use the Sustainable Finance Register approach
- Where there is an initial shortfall between the volume of finance raised or deposits taken, the GIB business area must document how unallocated proceeds will be used.
- The SEAC shall receive a quarterly report on the allocation of proceeds by transaction, and may escalate any concerns to the GCEO
- The SEAC shall review the management of proceeds on at least an annual basis

### 3.3.4 Reporting

GIB requires issuing entities to publish an Allocation Report and an Impact Report on its Eligible Activities. These may be included in regular reporting; they do not need to be standalone reports. These Reports should be updated annually until full allocation of the net proceeds on any sustainable instrument is no longer outstanding.

Allocation reporting is expected to cover:

- Amount of net proceeds to each high-level eligible category
- Selected examples of projects financed
- Split of allocated and unallocated proceeds
- Estimated amount and/or percentage of new financing and re-financing

Impact reporting is expected to cover the environmental and/or social benefits realised, where feasible in a quantified manner. Calculation methodologies and key assumptions should be disclosed.

Supplementary reporting requirements are in place for transition financing (see Section 3.3.6).

The SEAC will oversee the tracking, monitoring and reporting conducted by issuing entities to ensure that the requirements of this Framework are met – both in principle at the outset, and throughout the life-cycle of the deal. Specifically, this will include whether entities have published an Allocation and Impact Report, and have fulfilled the additional requirements under transition financing (see Section 3.3.6).
GIB will collect data on all transactions classified as eligible under this sub-category, tracking it on a quarterly basis. The SEAC will receive quarterly monitoring and tracking reports.

GIB will publish summary information as part of its annual reporting on new transaction volumes and outstanding amounts under the "use of proceeds" sub-category:

- Amount
- Selected examples of companies financed

**Where GIB is the issuing or deposit-taking entity:**

- GIB will follow the above requirements in full.
- GIB's reporting shall be annual and shall cover all its own use-of-proceeds issuances and associated assets. GIB's impact and allocation reporting shall not be required to cover use-of-proceeds financing advanced to GIB's own clients (i.e. the impact that those clients have had through their activities), unless the asset is selected as part of GIB's own eligible asset pool for its own use-of-proceeds transaction.
- GIB shall publish its impact and allocation reporting on its website.

### 3.3.5 Eligible environmental and social activities

Use of proceeds are based on specific eligibility criteria which is derived from a list of activities that are defined as sustainable ("Eligible"). All prospective transactions are reviewed against these eligibility criteria and are only classified as sustainable if they meet them. Likewise these criteria are used for the periodic reviews to ensure continued eligibility over the lifetime of the transactions. Furthermore, projects must demonstrate that there is no evidence of current or potential significant harm to sustainability objectives from current and expected activities.[9]

Where entities have their own appropriate Sustainable Finance Framework[10] in place, their own eligibility criteria may be used.

In addition, SMEs are automatically eligible, as a long as their purpose / primary business activity is not within the excluded categories (see Section 3.5). Women-owned and managed SMEs are particularly supported[11].

**Environmental**

Note: where we subsequently refer to "renewable energy" or "renewable sources", we mean activity that meets the criteria of the "Renewable Energy" theme.

[9]We adopt the definition provided by the EU Sustainable Finance Disclosure Regulation
[10]A second party opinion from a reputable supplier must have been received on the Framework for it to be used in lieu of GIB's STFF, with that SPO highlighting no exceptions against the relevant Principles.
[11]See Gender-Responsive Procurement: A Transformative Strategy for Creating Better Systems for Women's Entrepreneurship | WEPs

The following tables highlights the themes and relevant SDGs and their eligible activities. Within the tables, the criteria, items in white are eligible to be labelled as “blue” i.e. pertaining to sustainable oceans.

## Renewable Energy

Wind
Solar photovoltaic
Concentrated solar with fossil fuel back-up of 15% or less
Geothermal with direct emissions below 100g$CO_2$/kwh

### Hydropower

For all new hydropower projects regardless of size, an environmental and social impact assessment by a credible, third-party body is required per project. There should be no significant risk, controversies or expected negative impact identified by the assessment.

### Hydropower includes:

- Run-of-river hydropower without artificial reservoir or low storage capacity.
- For hydropower facilities that became operational before the end of 2022: Lifecycle emissions of the project and the emissions from decaying organic matter are <100g$CO_2$/kWh or the power density of the dam is > 5W /m2.
- For new hydropower facilities: Lifecycle emissions of the project and the emissions from decaying organic matter are <50g$CO_2$/kWh10W/m2 or the power density of the dam is >10W/m2 T.
- The construction and operation of a facility used for cogeneration of heat/cooling and power from hydropower.
- Only for pumped storage: facility will not be charged with carbon intensive energy OR facility is contributing to a grid which has at least 20% share of intermittent renewables.
- Green hydrogen that will be produced by electrolysis exclusively sourced by renewable energy in a way that creates little to no $CO_2$ emissions.

### Bio-fuels

Permissible sources of feedstocks include:

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

Where certification is needed, these must be one of the following, pre-approved best practice standards: Roundtable on Sustainable Biomaterials (RSB) or ISCC Plus; soy certified under Round Table on Responsible Soy (RTRS); sugarcane certified under Bonsucro; waste wood certified under Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) CBI Agriculture Criteria.

Palm oil residue and peat are excluded.

The following eligible categories must all use permissible sources listed above:

- Facilities producing liquid biofuel, solid and gaseous biomass for heating and cogeneration. 80% GHG emission reduction compared to fossil fuel baseline.
- Facilities producing liquid biofuel, solid and gaseous biomass for electricity production. 80% GHG emission reduction compared to fossil fuel baseline.
- Biomass power stations. Emissions of electricity generated must be lower than 100gCO2 / kWh.
- Biomass or biogas power/ biofuel production that generates power which achieves substantial lifecycle emissions of at least 65% lower than the fossil-fuel baseline OR life cycle GHG emission intensity <100gCO2e/kWh .

### Other

- **Marine renewable energy. For ocean thermals, fossil fuel back-up is only permitted for maintenance and re-starting.**
- Development of new systems and technologies to increase or improve energy storage (excluding fossil fuels).
- Improvements in transmission and distribution systems & interconnections infrastructure dedicated to connecting renewable energy, as defined in this framework, to the grid or to facilitate the integration of renewable energy sources into the grid[12] at a range of voltages across interconnected or distribution systems. Transmissions lines directly connected or dedicated to fossil fuel power are not included.
- Facilities that store electricity and return it at a later time.
- Distributed assets such as circuit breakers, voltage regulators intended to reduce the curtailment of renewable energy to the grid.

Note: ESIA will be required for all activities.

## Energy Efficiency

7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

- Development/implementation of products/technologies that are forecast to reduce the energy consumption and have a relevant and recognized energy efficiency rating, such as EU Energy Labelling that shows efficiency and energy savings of over 5% or more dependent on national or regional requirements, of underlying assets, projects, appliances, products or systems such as high efficiency lighting, smart meters or equipment for public utilities.
- Installation of new technology that generates electricity in addition to providing heating/ cooling (5% forecast improvement threshold) (energy source may be hybrid, but where fossil fuel component is used for back-up only and where at least 85% overall is renewable)
- Installation, maintenance, and repair of energy efficiency equipment.

## Terrestrial and aquatic biodiversity

14 LIFE BELOW WATER | 15 LIFE ON LAND

- **The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems.** Activities must have not previously been detrimental and can include: research and development, consulting services, organizations that work in the protection of aquatic biodiversity and NGOs.

[12] If grid is less than 90% renewable electricity but the percentage of renewables is expected to increase, a pro-rata approach will be applied to determine the green allocation to grid development or maintenance

## Pollution prevention and control

- Research and projects that aim to mitigate pollution caused by fossil fuels combustion, air pollution linked to climate and chemicals that disrupt endocrine systems, examples include:
  - Development/production of clean air purification and filtration systems and technologies using renewable energy sources as set out in this framework
  - Research and development of new and alternative technology, process improvements and healthcare-related interventions that address the effects of pollution leading to premature mortality or disability.
- Wastewater treatment (treatment or recycling of discharge water), but where these are not powered by fossil fuels.
- Soil remediation (land remediation of contaminated urban sites).
- Development, operation and increased efficiency of recycling (plants recycling waste into new materials). Includes machinery, aluminium and other metals, automotive parts, paper, PET, telecommunications equipment and other e-waste and other resource recover. Chemical recycling of plastics is excluded. Wastes must be segregated before recycling. Recycling facilities are included (recycling plants, sludge treatment plants and waste treatment plants).

## Environmentally sustainable management of living natural resources, ocean and land use

- Sustainable agriculture certified as per EU Organic.
- Smart farm inputs such as biological crop protection or drip irrigation. Only biological fertilizers and pesticides to be used.
- Sustainable plantation and forest management that does not involve conversion from natural landscape, must not have been previously detrimental to the environment, and health of the forest/plantation is well managed.
- Sustainable forestry as per Rainforest Alliance, FSC (Forest Stewardship Council).

Examples include: preservation, protection, regeneration, expansion of traditional and mangrove forests; **scientific solutions for sustainably managed oceans; using green technology and the innovative use of marine resources to address threats to the ocean's health, ecology, illegal fishing, pollution, ocean dependent economies, habitat and biodiversity loss.**

## Circular economy adapted products, production technologies and processes

- Repair activities: companies/projects that are aimed at increasing the lifespan of existing products such as through repair and predictive maintenance.

### Clean and low carbon transportation

- Low emissions rail (freight, passenger) with direct emission threshold of less than 50 gCO2e/p-km or freight rail with emissions less than 25 gCO2e/t-km.
- Inland water transport (passenger, freight) powered by hybrid propulsion systems combining conventional diesel with electric drive that reduce emissions by 29% compared with baseline.
- **Maritime transport (passenger, freight)** that uses zero carbon technology, including alternative and renewable energy and the use of alternative and hybrid fuel to reduce greenhouse gas ('GHG') intensity of energy used on-board by a ship arriving at, staying within or departing from ports. The minimum reduction in energy per year will be 2 per cent.
- Zero-emissions vehicles other than for passenger/freight, e.g. waste collection vehicles, off-road excavators.
- Electric charging and green hydrogen fuelling infrastructure (excludes financing for parking lots alongside charging points).
- Manufacturing facilities that use low carbon emissions technology in the production of components for any of the above transportation technologies.
- Creation of cycle lanes.

### Sustainable water and wastewater management

- Built, engineered, and nature-based assets designed to provide infrastructure services across a wide range of sectors:
  - healthcare and sanitation, which could include the provision or repair of sanitation pipelines, improving the quality of water and water supply;
  - storage, flood and drought management based on addressing water scarcity, suppliers and climate vulnerabilities[13];
  - manufacturing, and general cooling uses;
  - water-use efficiency incl. improvements and technology e.g., water metering to increase usage efficiencies, low flow equipment technology, infrastructure, and facilities that support them. This could include: water conserving fixtures, leak detection technology, waste saving through drainage product and rainwater harvesting, grey and rain water collection systems and water recycling equipment.
  - **marine waste prevention and management at sea** by managing and processing solid waste (e.g. garbage) and liquid waste (e.g. sewage and greywater) on board ship, including their storage and safe disposal.
- Development or improvement of water quality such as water treatment facilities, water recycling and re-use
- Desalination plants primarily powered by low-carbon sources, such as renewables, and with management plan for brine waste disposal.
  - Desalination plants must meet a specific threshold separate from other water assets based on the Climate Bonds requirements, including:
  - The average carbon intensity of a plant's energy must be at or below 100g CO2 /kWh over the remaining lifetime of the plant.
  - Adaptation & Resilience plans must be in place addressing brine disposal and feed-water intake.

Note: consultancy services to deliver the above are also included.

[13] An assessment to identify risks and vulnerabilities and adaption will be performed for each project to be financed under this category and the contribution of the projects to address those risks and vulnerabilities will be checked.

### Green buildings and green real estate

- New construction of energy-efficient buildings and developments which meet recognised international and local building standards such as:
    - LEED: minimum Gold .
    - BREEAM: minimum excellent.
    - Abu Dhabi Estidama Pearl rating: minimum 3 pearls.
- Renovation of existing buildings which meet the following criteria:
    - Energy savings of at least 30% in comparison to the baseline performance of the building before the renovation, measured in kWh/m2 per year referenced in the Climate Bonds Taxonomy or an energy efficiency after retrofit is within the top 15% of buildings in the relevant market.

### Climate change adaptation

- Activities (R&D, consulting or organizations working in these areas) that increase the resilience of eco-systems, **including coastal eco-systems**, and including integrated watershed management and biodiversity protection and communities.
- Climate change adaptation infrastructure – terrestrial (e.g. bridges and other water resilient infrastructure) **and marine (e.g. sea flood defence and early warning systems, coastal resilience infrastructure, nature-based solutions)**. To be eligible, an assessment must have been conducted to identify risks and vulnerabilities, and that the project/activity contributes to addressing those risks and vulnerabilities. All projects must be consistent with applicable local, regional and national adaptation plans.

## Social

### Employment generation

- Development of job training facilities such as workshop space and equipment and placement programmes and that support women, vulnerable groups and people experiencing single or multiple deprivations into work.
- Provision of advisory, banking and financial services and products to SMEs[16] to support their financial and business growth needs and economic prosperity that contributes to national development plans, in particular SMEs which are majority-owned by women.

## Affordable basic infrastructure

- Projects that provide or expand free or affordable access to clean drinking water and sanitation such as:
  - water treatment plant/equipment
  - omanufacture and supply of water filters and purifiers and
  - water distribution infrastructure
- Public passenger transportation, in remote, rural and underserved communities and/or where supply is irregular, limited or unavailable and may hinder access to services such as medical facilities or schools. Does not need to be powered by renewables to meet social criteria.
- Telecommunication infrastructure and availability to fixed line, mobile and internet services for residential customers, which can also include free or subsidised services, for remote, rural and underserved communities and/or where supply is irregular, limited or unavailable
- Clean and sustainable energy sources, for example[14] stoves that use a hybrid of solar and solid biomass fuel for rural, remote and underserved populations.
- Development/upgrade of transportation infrastructure to improve physical connectivity to enable public passenger transport by road and railway networks and lines and passenger rolling stock that meets Universal emissions thresholds for passenger activity under the EU taxonomy and meets EUT 6.14. New road infrastructure must be in very low-intensity, less developed areas according to impact assessment conducted.

Note: all infrastructure projects must take into account the Climate Resilience Principles developed by Climate Bonds[15]

## Affordable housing

- Development and/or operation, construction/provision of affordable housing and/or improvements to existing affordable housing provided for vulnerable groups including:

  - Social housing for low income/wage earners and those include in the list of vulnerable groups: accommodation owned/provided by non-profit housing associations, charities or government, with the provision of secure tenancies and rent caps and rent reductions for specific vulnerable groups. This would include social housing, shelters, community housing and government supported housing schemes/programmes Community housing - single or multiple-unit residential housing where an individual, perhaps with a specific need, shares with other inhabitants which may or may not also include family members.
  - Government supported housing schemes/programmes

## Socioeconomic advancement and empowerment

- Activities, products and services that provide equitable access to affordable basic financial services (bank accounts, loans including credit cards, currency transfers) and improvements in levels of financial literacy, provided to vulnerable groups (as defined below). Responsible Banking practices must be followed. An impact assessment must have been conducted of target segment risks and vulnerabilities, and how products/services address those risks and/or vulnerabilities including an assessment of why pricing constitutes 'affordable'.

- Regeneration, development and access to public spaces, in areas of high-density low income and high unemployment populations. Safety and security measures must be in place. This would include sports and fitness facilities with discounted or free access.

[14] The review is limited to the examples of projects spelled out in the framework.
[15] https://www.climatebonds.net/climate-resilience-principles

## Access to essential services

Provision of activities and services that ensure the inclusion of excluded, marginalized and/or vulnerable people and communities

- Activities leading to improved /increased healthcare access and/or affordability:
- Acquisition, development or expansion of non-profit or public hospitals, clinics, community health care service or facilities or other healthcare facilities that provide access to vulnerable people or populations.
- Acquisition, development or expansion of any for-profit hospital, clinic, community health care facility or service or healthcare facilities that guarantees access to vulnerable populations as defined in this framework.
- Development of critical medical equipment or provision of diagnostic services such as respirators, diagnostic testing equipment and laboratories
- Research into neglected diseases and/or drugs on the World Health Organisation (WHO) essential medicines list.
- Research, development and sale of affordably priced or subsidised medicines on the WHO essential medicines list.

Note: activities may cover both the construction and operation of facilities conducting the above

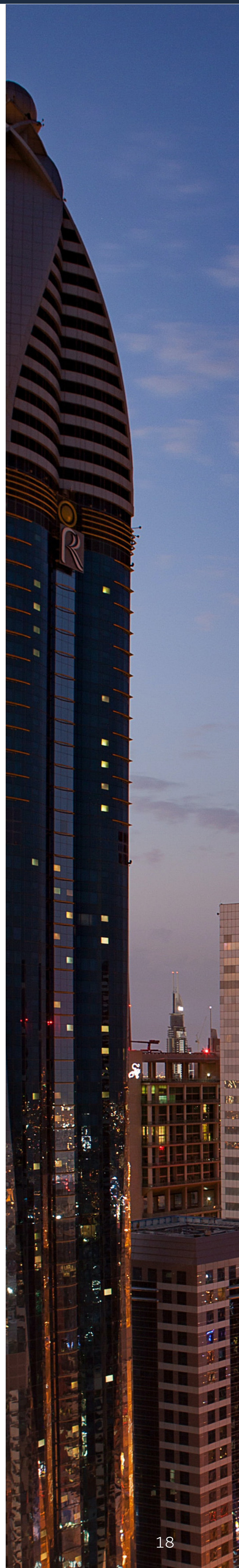
Education – activities which lead to enhanced access of free, public or affordable (non-profit) quality education, at the following levels:

- primary
- secondary
- university
- vocational
- basic language, numeracy and literacy skills programmes

## Food security and sustainable food systems

- Capacity building and training programmes with a clear focus on sustainable improved agricultural resilience, productivity and efficiency
- Investment in research to develop education and access to nutrition (food and potable water) programmes that address malnutrition.
- Developing access to nutrition (food and potable water) programmes that address malnutrition.
- Education and training on nutrition
- Extension of sustainable farming practices and sustainable land use to meet certification standards such as Global G.A.P.[17] in areas such as:
    - Food safety and traceability
    - Environment (including biodiversity)
    - Workers' health, safety and welfare
    - Animal welfare
    - Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP)

[16]Definition of SME will be based on the relevant national definition
[17]See: GlobalG.A.P. sustainable agriculture certification | Ecocert



### Vulnerable Groups

Within the context of this framework, and also considering local differences across geographies and societies, we define the target population of vulnerable, marginalised, excluded and other disadvantaged groups below (and/or the social issue(s) that will be addressed for society at large). Target population will apply to all sustainable finance transactions and all instruments.

Target population for Bahrain, KSA, UAE, UK, Oman, Kuwait and Qatar will align with the respective country's definition/thresholds.

This list is not exhaustive, but serves as a guide:

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

People living with multiple deprivations[18] which may comprise of:

- Income deprivation
- Employment deprivation
- Education, skills and training deprivation
- Health deprivation and disability
- Crime
- Barriers to housing and services
- Living environment deprivation

Where eligibility is based on vulnerable or disadvantaged groups, a specific assessment should be conducted to ensure universal access for these groups to basic services, and that there is no preferential treatment based on protected characteristics.

## 3.3.6 Transition financing, transition plan, supplementary disclosures and eligible activities

### Transition Financing

In transition financing, the intention is to support clients with their transition to low carbon operations, mobilising capital in support of the needed transition.

[18] See English indices of deprivation 2019 - GOV.UK (www.gov.uk)

Our approach is based on:

- The IEA Net Zero Emissions Scenario by 2050[19];
- The Climate Bonds White Paper on Financing credible transitions[20];
- The EU Sustainable Finance Taxonomy and consultation Report on Taxonomy extension options
- Energy Transitions Commission

Assets and activities which qualify for labelling as "transition" will:

Be making a substantial contribution to halving global emissions levels by 2030 and reaching net zero by 2050 but will not have a long-term role to play; OR
Have a long-term role to play, but at present the long-term pathway to net zero goals is not certain;

**And**

- Not hamper the development and deployment of low-carbon alternatives or lead to the lock-in of carbon intensive assets
- Do not include the use of offsets

**We require a transition client to:**

a) Have committed to developing its own Climate Transition Plan; or
b) Have developed and implemented its climate transition plan that sets out how it is taking action to achieve:
  i. Aligning its business model with a world in which the global average temperature is allowed to rise by no more than 1.5 degrees centigrade above pre-industrial levels.
  ii. Enabling a thriving economy that works for people and planet in the long-term

**Transition plan elements**

Climate Transition Plans should include the following elements:

| Transition Plan Element | Description |
|---|---|
| Approach to transition | A climate transition plan should explain the transition actions that need to occur for the organisation to pivot towards a net-zero future, with near term (5-10 year) science-based targets (emissions reduction targets in line with 1.5 degree centrigrade pathways), and long-term science-based targets (SBTs) in place. The climate transition plan should be time-bound. The climate transition plan should cover at least 90% of the core business activities of the entity (measured by revenue) |
| Governance | A climate transition plan should demonstrate that an organization has board-level oversight on the climate transition plan and that there are defined governance mechanisms in place to ensure delivery of the plan's targets at management level, including defined roles and responsibilities at the senior management level |

[19]Net Zero Emissions by 2050 Scenario (NZE) – World Energy Model – Analysis - IEA
[20]Financing Credible Transitions (White Paper) | Climate Bonds Initiative

| Transition Plan Element | Description |
|---|---|
| Scenario analysis | A climate transition plan should be underpinned by robust scenario analysis – to identify potential substantive climate-related risks and opportunities |
| Financial planning | As part of its strategy to achieve net zero, an organization should outline time-bound financial planning details. For example, capital expenditure (CAPEX), operating expenditure (OPEX), revenue. Ongoing CAPEX plans should be in line with transition strategy. |
| Value Chain engagement and low carbon initiatives | A climate transition plan should include time-bound actions to decarbonize business processes (and those of its value chain), with time-bound KPIs. This includes four distinct elements : (1) supply chain engagement (2) increasing portfolio of low carbon products and services (3) customer engagement and (4) implementing emissions reduction initiatives for its direct operations |
| Policy engagement | A climate transition plan should demonstrate that an organization's public policy engagement[21] aligns with its climate ambitions and strategy. |
| Risks and opportunities | A climate transition plan should outline an organization's process for minimising identified climate-related risks and maximising substantive climate-related opportunities. |
| Targets | A climate transition plan should contain time-bound, verified science-based targets which are in line with the latest climate science. |
| Scope 1, 2, & 3 accounting with verification[22] | A climate transition plan should be accompanied by an annual Scope 1, 2 and 3 emissions inventory that is complete, accurate, transparent, consistent, relevant, and verified by a third-party. |
| Metrics and tracking | A climate transition plan should contain verifiable and quantifiable key performance indicators (KPIs) that measure the success of the organisation's climate transition. It should also set out how the metrics are tracked. |

Source: CDP[23] and GIB

### Supplementary disclosure requirements

In addition to the reporting requirements set out in Section 3.3.4, we expect issuers to commit to disclosing annually across the following core elements, in accordance with the Climate Transition Finance Handbook 2020[24]:

1. Issuer's climate transition strategy and governance;
2. Business model environmental materiality;
3. How climate transition strategy is 'science-based' including its targets and pathways; and,
4. Implementation transparency.

[21]Public policy engagement includes direct policy and lobby group engagement.
[22]The inventory accounting includes emissions and energy sources accounting.
[23]CDP_technical_note_-_Climate_transition_plans.pdf
[24]See https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf

The Climate Transition Plan and reporting against it should be succinctly integrated into the organisation's existing mainstream filings (in annual financial reporting/sustainability reporting/overall business strategy). However, it is permissible for entities to present the information in a standalone, publically available document. GIB shall review the disclosures and assess continued eligibility on an annual basis.

### Eligible transition activities

All prospective transactions are reviewed against these eligibility criteria and are only classified as sustainable if they meet them. Likewise these criteria are used for the periodic reviews to ensure continued eligibility over the lifetime of the transactions. Furthermore, projects must demonstrate that there is no evidence of current or potential significant harm to sustainability objectives from current and expected activities.

The following tables highlights the themes and relevant SDGs and their eligible activities.

**Heavy duty road transport**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Design and manufacture of energy efficient heavy duty road transport, including improved aerodynamics and tyre design
- Use of alternative low GHG emission fuels (certified biofuels, green hydrogen, green ammonia

Note: vehicles that transport fossil fuels are not included

**Shipping**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Implementation of operational efficiency measures, such as fleet management
- Use of electric engines driven by batteries or green hydrogen fuel cells
- Use of low GHG emission fuel (certified biofuels, hydrogen, green ammonia).

Note: vessels that transport fossil fuels are not included.

**Rail**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Hydrogen and battery electric trains

Note: rail transport of fossil fuels is not included

**Cement Production**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Decarbonisation technologies, such as electric kilns using renewable energy sources

### Logistics providers

- Road freight moved to more efficient modes of transport such as green hydrogen and battery electric trains where freight rail has an overall portfolio on average threshold <25g$CO_2$/tonne-km
- Use of alternative low GHG emission fuels (certified biofuels, hydrogen, green ammonia)
- ICT that improves asset utilisation, flow and modal shift, regardless of transport mode (public transport information, car-sharing schemes, smart cards, road electric charging systems, etc)

Note: storage and transportation of fossil fuels is not included

### Chemical production

The chemical industry includes industries supplying agrochemicals, plastics, synthetic fibres, paints and detergents and other substances

- Basic Chemicals[25] include
  - Inorganic basic chemicals:
  - Amonia
  - Chlorine
  - Disodium carbonate/Soda ash
  - Nitric acid
  - Carbon black

- Organic basic chemicals

  - High value chemicals (acetylene, ethylene, propylene, butadiene)
  - Aromatics (Benzene, Toluene and Xylene (BTX)) Methanol

- Technology to implement revamps, modifications or acquisition of equipment (boilers, furnaces, reactors, heat exchanger, distillation columns and other separation units, etc.) or increase co-generation, waste heat recovery, and combustion efficiency in the production process with at least 30% improvement in energy efficiency.
- Carbon capture and storage (CCS), or Carbon Capture Use and Storage (CCUS) or carbon capture and sequestration activity. To be eligible, measures must be in place to ensure the $CO_2$ is permanently and safely stored, and the CCS process (including the energy needed for the capture process) must be efficient.

### Carbon Capture and Storage

Wherever Carbon Capture and Storage is used the below eligibility requirements apply:

- Decarbonisation technologies - measures must be in place to ensure the $CO_2$ is permanently and safely stored, and evidence of the carbon capture process must be efficient including the energy needed for the capture process.
- Certification of CCS such as: ISO 27914:2017 Carbon dioxide capture, transportation and geological storage – Geological storage and ISO standard, ISO 27913:2017 Carbon dioxide capture, transportation and geological storage — Pipeline transportation systems

[25] See: Basic Chemicals Criteria (climatebonds.net)

### Plastic

- A shift towards a circular plastics economy through greater materials efficiency and use of renewable energy (as set out in this STFF) in the production, recycling and end of life (EOL) processes
  - Bio-based input must be sustainably sourced and not be derived from agricultural land that was formerly used for food production
  - Production with minimum 100% recycled/ bio-based input and final product must not be intended for single use and recyclable.
- Implementation of decarbonisation technologies such as for exhaust gas in the production process. To be eligible measures must be in place to ensure the CO2 is permanently and safely stored, and carbon capture process must be efficient.

### Energy generation - oil and gas

- Carbon capture and storage. To be eligible, measures must be in place to ensure the CO2 is permanently and safely stored, and carbon capture process must be efficient.
- Use of existing infrastructure to provide the same energy services but with lower emissions (at least 5%), as part of long-term transition to zero emissions energy reduction
- Switching from coal to existing gas-fired plants to achieve lower emissions (in line with local decarbonisation pathways based on NDCs), only where they are being decommissioned at least 3 years ahead of schedule

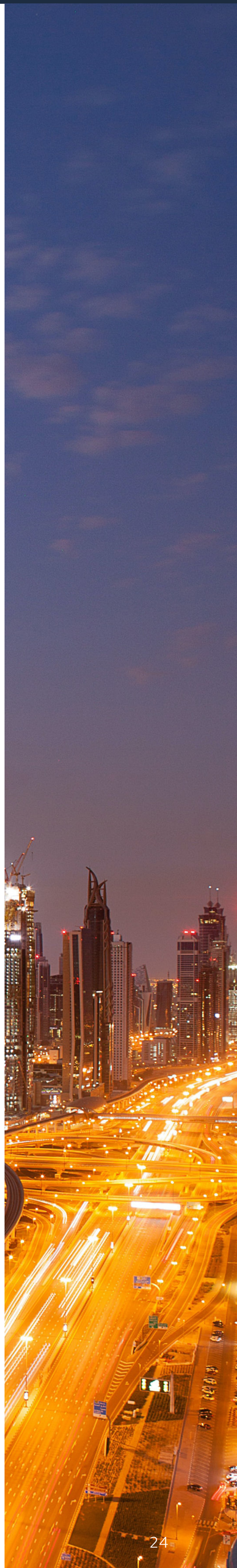
### Energy generation -Renewables

- Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage connected to renewables as defined under section above on eligible environmental activities
  - Examples could include wind turbines, solar panels, technology and equipment for the development of eligible hydro projects as defined above, batteries and green hydrogen[26] fuel cells and other energy storage devices for alternative energy (including green hydrogen storage)
- Facilities for the processes involved in the preparation and production of biofuels, biogas, bio-methane and hydrogen-based fuels (hydrogen, ammonia and synthetic hydrogen) and bio-fuel power plants, such as:
  - Non-food biomass, from sources such as perennial grass, switchgrass, miscanthus, certified wood-based biomass (FSC, PEFC, Sustainable Biomass Program certifications)
  - Waste-based biomass, sourced from corn stover, wheat straw, forest residue, municipal waste, used cooking oil and livestock manure
  - The preparation and production of biomethane from landfill gas recovery systems or wastewater treatment plants

Where entities have their own appropriate Transition Finance Framework[27] in place, their own eligibility criteria may be used.

We are aware and take into consideration that there are differences in how an economic activity intended as a transitional solution in the GCC may differ from that in other markets. The SEAC reviews the eligibility definitions to ensure our position on key sectors is kept updated.

[26] Green hydrogen produced by electrolysis sourced with renewable energy.
[27] A second party opinion from a reputable supplier must have been received on the Framework for it to be used in lieu of GIB's STFF, with that SPO highlighting no exceptions against the relevant Principles.



## 3.4 General purpose instruments / facilities

### 3.4.1 Eligible entities / sustainable business

Where financing is used for general corporate purposes, GIB determines whether the core business of the recipient falls under the eligible green, social or transition criteria and is thus eligible for inclusion. This assessment is conducted on a deal-by-deal basis. Eligible activities are defined as above (environmental, social, transition or a combination), consistent with the Principles / Standards listed.

The following criteria apply:

1. Derives greater or equal to 90% of revenue from Eligible Activities; OR
2. For power generators only: derives greater than 90% of its energy generation mix from qualified renewable energy sources; OR
3. For pre-revenue entities only: dedicates greater than 90% of its Capex/R&D expenditure to Eligible Activities.

The company must not be involved in any excluded activities (see Section 3.5).
GIB will conduct an assessment at inception of eligibility against the above criteria and will apply its ESG risk management approach.

GIB will monitor eligibility on a periodic basis, at least annually. Transactions will be reclassified as traditional if the above thresholds / requirements are no longer met.
The SEAC will oversee the identification, assessment and monitoring of eligible sustainability-linked transactions. It will also review transactions on at least an annual basis thereafter, reclassifying them if no longer eligible.

GIB will collect data on all transactions classified as eligible under this sub-category, tracking it on a quarterly basis. The SEAC will receive quarterly monitoring and tracking reports.

GIB will publish summary information as part of its annual reporting on new transaction volumes and outstanding amounts under the "eligible entities / sustainable business" sub-category:

- Amount
- Selected examples of companies financed

**For GIB:**

- GIB does not currently consider itself to fulfil the criteria set out in this section, and so does not intend to issue under this category.

### 3.4.2 Sustainability-linked

There are two main sub-categories for sustainability-linked transactions, set out below, and GIB has some general requirements for all types of sustainability-linked transactions. All transactions are assessed on a deal-by-deal basis against the below principles.

### Loans and contingent facilities

Sustainability linked loans are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives.

The borrower's sustainability performance is measured using predefined sustainability performance targets (SPTs), as measured by predefined key performance indicators (KPIs), which may comprise or include external ratings and/or equivalent metrics, and which measure improvements in the borrower's sustainability profile.

The use of proceeds in relation to a sustainability linked loan is not a determinant in its categorisation and, in most instances, sustainability linked loans will be used for general corporate purposes. Instead of determining specific uses of proceeds, sustainability linked loans look to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against the relevant predetermined SPTs.

In some instances, a loan may be structured to allow for its categorisation as both a sustainable loan, and a sustainability linked loan.

Eligibility is determined against the LMA/APLMA/LSTA Sustainability-linked Loan Principles (SLLP).
The SLLP set out a framework, enabling all market participants to clearly understand the characteristics of a sustainability linked loan, based around the following five core components:

1. Selection of KPIs
2. Calibration of SPTs
3. Loan Characteristics
4. Reporting
5. Verification

GIB assesses transactions on a deal-by-deal basis against these criteria and determines whether not the criteria have been met and hence the loan is Eligible. Preferably, alignment with the SLLP should be provided by a Second Party Opinion by a recognised and reputable external provider. GIB requires issuers to undertake independent external assurance on their performance against each SPT for each KPI, as per the timeline agreed in the transaction.

### Bonds

Sustainability-Linked Bonds ("SLBs") are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives. Issuers are thereby committing explicitly (including in the bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline.

SLBs are a forward-looking performance-based instrument. Those objectives are (i) measured through predefined Key Performance Indicators (KPIs) and (ii) assessed against predefined Sustainability Performance Targets (SPTs).
The proceeds of SLBs are intended to be used for general purposes, hence the use of proceeds is not a determinant in its categorisation. Regardless, in select cases, issuers may choose to combine the GBP/SBP approach with the SLBP.

The SLBP set out a set out a framework, enabling all market participants to clearly understand the characteristics of a sustainability linked loan, based around the following five core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

GIB assesses transactions on a deal-by-deal basis against these criteria and determines whether not the criteria have been met and hence the bond is Eligible. Preferably, alignment with the SLBP should be provided by a Second Party Opinion by a recognised and reputable external provider. GIB requires issuers to undertake independent external assurance on their performance against each SPT for each KPI, as per the timeline agreed in the transaction.

### Other

Where frameworks/guidance do not currently exist for other transactions in sustainability-linked format (such as sustainability-linked deposits), GIB will use a best-endeavours basis to apply the principles above to these other transactions.
Across all sub-categories:

The SEAC will oversee the identification, assessment and monitoring of eligible sustainability-linked transactions. It will also review transactions on at least an annual basis thereafter, reclassifying them if no longer eligible.

GIB will collect data on all transactions classified as eligible under this sub-category, tracking it on a quarterly basis throughout the lifecycle of the deal. The SEAC will receive quarterly monitoring and tracking reports. This will include performance versus the SPTs.

GIB will publish summary information as part of its annual reporting on new transaction volumes and outstanding amounts under the "sustainability-linked" sub-category:

- Amount
- Selected examples of companies financed
- Selected examples of SPTs

### Where GIB is the issuing or deposit-making entity:

- GIB will follow the above requirements in full
- GIB will undertake external independent assurance to verify performance of KPIs agreed against the SPTs.
- Reporting will be on an annual basis in its sustainability reporting.

## 3.5 Exclusions

In general, we have adopted an engagement approach with the fossil fuel and hard-to-abate (e.g. cement, aluminium, minerals) ecosystem as opposed to a disinvestment approach. As such, we will play a role in encouraging and supporting clients operating in these sectors transition to a lower carbon economy.

However, we recognise that certain activities should be explicitly excluded from eligibility for sustainable financing where is has material negative environmental and/or social impacts.
Exclusions are applied to all sustainable finance activities, whether use of proceeds or general purpose.
We base a number of exclusions on those set out in the IFC exclusion list (2007)[28]. We therefore exclude any business whose primary activity involves the following:

- Production or trade in any product or activity deemed illegal under country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs (Polychlorinated Biphenyls), wildlife or products regulated under CITES[29] (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages.
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labour30 /harmful child labour [31]
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

We follow the exclusions as set out by the UNEP FI[32], relating to blue finance covering (see link for detailed requirements):

- Seafood
- Ports
- Maritime Transport
- Marine Renewable Energy
- Coastal and Marine Tourism
- Coastal resilience: infrastructure and nature-based solutions
- Waste prevention and management

[28]See: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifc-exclusionlist
[29]See CITES.org Convention on International Trade in Endangered Species of Wild Fauna and Flora
[30]Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
[31]Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development
[32]See:https://www.unepfi.org/wordpress/wp-content/uploads/2021/06/Recommended-Exclusions-for-Sustainable-Blue-Economy-Financing_UNEP-FI.pdf

We also exclude the following, some of which are included in the EIB (European Investment Bank) eligibility, excluded activities and excluded sectors list:

- Fossil fuels: deep coal mines, open cast coal mines, mining of lignite, extraction of crude petroleum, extraction of natural gases, extraction of peat, manufacture of coke oven products, manufacture of gas
- Extraction of mineral deposits from the deep sea
- Palm oil: palm oil growing, palm oil production/refining
- Conversion of natural forests into plantations
- Waste incineration and collection, treatment and disposal of hazardous waste
- For-profit projects in the education sector by kindergarten, primary and secondary schools.

The Chief Sustainability Officer is responsible for approving the Exclusions list. The SEAC will establish the annual review process to ensure our position on key sectors is kept updated.

## 4. Governance

GIB has established a management-level Sustainability Assessment and Evaluation Committee to ensure that GIB's suite of sustainable finance products maintain their integrity and alignment with GIB's agreed framework. The SEAC has a particular focus on mitigating sustainability-related risk, including that relating to climate change and reputational risk ("green-washing").

The Committee is Chaired by the Chief Sustainability Officer and comprises voting members from the Sustainability and Risk departments. Non-voting attendees may be invited, typically comprising relationship managers on a transaction under discussion, sector / industry / country experts, communications experts and legal / compliance experts. The Committee has responsibility for approving the categorisation of transactions against the STFF at inception, and also for on-going monitoring and confirmation of continued eligibility (usually annually), covering all types of activity that fall within the remit of this framework.

GIB's Board of Directors has ultimate responsibility for sustainability matters. The Board receives a specific update on ESG issues on a regular basis, usually semi-annual. It discharging its responsibilities, it is supported by a number of Board level Committees. ESG matters are considered as per the remit of those Committees. In particular, GIB has established a Board Sustainability & Climate Change Committee (BSCCC).

The purpose of the BSCCC is to play an advisory role in the design of GIB's sustainability (which includes ESG) and climate change strategy. The BSCCC advises the Board on the progression of the strategies, and challenges executive management to ensure that sustainability and climate change risks and opportunities are effectively embedded into the Bank and Group businesses.

The BSCCC works closely with other Board Committees were there is potential for overlap. This includes: sustainability-related risks (Board Risk Policy Committee), governance and stakeholder management (Board Governance, Nomination and Remuneration Committee) and Executive remuneration linked to sustainability and climate risk (Board Governance, Nomination and Remuneration Committee).

## 5. Product accounting basis

| Business unit | Product | Measurement Basis |
|---|---|---|
| Wholesale Banking | Sustainability-Linked Loans, Use-of-proceeds loans | GIB's hold of the deal value GIB's proportional bookrunner share (where GIB is the lead Bank) |
| | Sustainability-Linked Deposits, use-of-proceeds deposits | Total funds deposited |
| Treasury | Sustainability-Linked Derivatives | Total deals executed |
| | Sustainability-Linked Repos | Total funds placed under reverse repo, funds received for repos |
| | Other structured products | Total deals executed |
| Where GIB is the issuing entity | Term Financing | GIB's hold of the deal value GIB's proportional bookrunner share (where GIB is the lead Bank) |

## 6. Review and amendment process

### Internal review

The STFF is reviewed on a periodic basis, usually biennial, and such review may result in amendment to ensure it is aligned with the newest best market practices and updated guidelines. This will be undertaken by Group Sustainability and overseen by the SEAC. The updated framework, if any, will be published on the GIB website and will replace this STFF. Pre-existing transactions will continue to be governed by the framework that was in place at the time of issue; new transactions will be governed by the new STFF and the vintage of the framework will be noted in the transaction's documentation.

### External Review

GIB has sought a Second Party Opinion (SPO) on its STFF. The Opinion will be made public on our website.

GIB intends to undertake an SPO on any updates as a result of its periodic review before the new version comes into effect. Such an opinion will be made public on our website.

### Assurance

GIB does not currently intend to undertake external assurance to assess the compliance of all instruments against the STFF, but this will be kept under review as the assurance market matures and GIB's volumes of eligible transactions increases.

# Definitions

Blue Finance: finance where the use of proceeds is strictly ring-fenced for environmental projects that relate to sustainable oceans (see eligibility criteria).

ESG: Environmental, Social and Governance factors that are financially material for an individual company. Typically summarised in ESG ratings or scores.

Climate Transition Plan: plan explaining the transition actions that need to occur for the organisation to pivot towards a net-zero future,
Issuing Entity: the client for eligible transactions (e.g. the entity issuing a green bond, taking out a sustainability-linked loan or requiring a green letter of credit).

Green Finance: finance where the use of proceeds is strictly ring-fenced for environmental projects (see eligibility criteria).

Mobilisation: Mobilising finance into technologies and infrastructure needed to transition the global economy to net zero. This includes capital allocated into climate solutions to support adaptation and resilience as well as decarbonisation.

Register: lists eligible projects / activities under the relevant financing framework.
SME: Small and medium-sized entities (including micro businesses). Definition as per the jurisdiction in which they are head-quartered.

Social Finance: finance where the use of proceeds is strictly ring-fenced for social projects (see eligibility criteria) .

Sustainable Finance: general term for all activities that fall within scope of this framework.

Sustainability-linked: instrument where there is a link between the interest paid/ received depending on how the depositor/borrower performs against a set of pre-agreed sustainability performance targets.

Transition finance: finance where the use of proceeds are strictly ring-fenced for activities that are enabling the transition to a low-carbon world, as defined by alignment with the Paris Agreement to keep global temperature risk to $1.5^{\circ}$ or less than pre-industrial averages (see eligibility criteria).

Projects, initiatives, activities: Used to refer to the use of proceeds, these terms are used interchangeably in this document, apart from when specifically referring to Project Finance as a product.

Note that financing may incorporate both use-of-proceeds structure and sustainability-linked elements, in which case both labels are used e.g. sustainability-linked green loan. The above definitions also apply to re-financing.

| Terms | Definition |
|---|---|
| APLMA | Asia Pacific Loan Market Association |
| CASA | Current Account and Savings Account |
| EIB | European Investment Bank |
| ESIA | Environmental and Social Impact Assessment |
| ESG | Environmental, Social and Governance factors |
| EU | European Union |
| GCEO | Group CEO |
| GCC | Gulf Cooperation Council countries |
| GCSO | Group Chief Sustainability Officer |
| GIB | Gulf International Bank |
| ICMA | International Capital Markets Association |
| IFC | International Finance Corporation |
| LMA | Loan Market Association |
| LSTA | Loan Syndications and Trading Association |
| SASB | Sustainability Accounting Standards Board Standards |
| SEAC | GIB Sustainability Evaluation and Approval Committee |
| SL | Sustainability-linked |
| SLB | Sustainability-linked Bond |
| SLBP | Sustainability-linked Bond Principles |
| SLD | Sustainability-linked Deposit |
| SLL | Sustainability-linked Loan |
| SLLP | Sustainability-linked Loan Principles |
| SME | Small and medium-sized businesses (includes micro businesses) |
| SPO | Second party opinion |
| UAE | United Arab Emirates |
| UK | United Kingdom |
| UNEP | United Nations Environmental Programme |
| US | United States |