

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Arab Bank

30 October 2025

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainable finance instruments¹

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2025)
- Sustainability Bond Guidelines (SBG), as administered by ICMA (as of June 2021)
- Social Bond Principles (SBP), as administered by ICMA (as of June 2025)
- Arab Bank Sustainable Finance Framework 2025 (as of Oct. 30, 2025)

Scope of verification

- Arab Bank selection criteria (as of Oct. 30, 2025)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

¹ The sustainable finance instruments contemplated by the Issuer include green, social, blue or sustainability bonds (mainly in the form of standard unsecured bonds), loans and deposits

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SCOPE OF WORK

Arab Bank ("the Issuer," "the Company" or "the Bank") commissioned ISS-Corporate to assist with its sustainable finance instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Arab Bank's Sustainable Finance Framework (as of Oct. 30, 2025), benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG) and the Loan Market Association's (LMA) Green Loan Principles (GLP), Social Loan Principles (SLP).
2. The selection criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate's proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
3. Consistency of sustainable finance instruments with Arab Bank's sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

ARAB BANK OVERVIEW

Arab Bank was founded in 1930 and has its headquarters in Amman, Jordan. The bank has a network of over 600 offices covering financial markets and financial centers such as London, Dubai, Singapore, Shanghai, Geneva, Paris, Sydney, and Bahrain.

Through its network, the bank offers a wide range of financial solutions in its main business areas, which include consumer banking and wealth management, corporate and institutional banking, and treasury, serving individuals, companies, and other financial institutions.

As one of the major banks in the MENA region, Arab Bank plays an important role in financing key infrastructure projects and strategic industries throughout the MENA region.

ESG risks associated with the Issuer's industry

Arab Bank is classified in the Commercial Banks & Capital Markets industry, as per ISS Sustainability's sector classification. Key sustainability issues faced by companies² in this industry are sustainability impacts of lending and other financial services/products, customer and product responsibility, sustainable investment criteria, labor standards and working conditions, business ethics.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

² Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within this industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part I: Alignment with GBP, SBP, SBG, GLP, SLP	The Issuer has defined a formal concept for its Sustainable Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's GBP, SBP, SBG, and LMA's GLP and SLP. <i>* Certain criteria of Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity⁴ and Sustainable Management of Living Natural Resources – Sustainable Tourism⁵ are assessed as providing no clear environmental and/or social benefits according to our methodology (see Part II of this report).</i>	Aligned with exceptions*
Part II: Sustainability quality of the Selection criteria	The sustainable finance instruments will (re)finance the following eligible asset categories: Green categories: Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Climate Change Adaptation, Pollution Prevention and Control, Sustainable Management of Living Natural Resources and Circular Economy. Social categories: Socioeconomic Development, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing and Food Security and Sustainable Food Systems.	Positive

³ The evaluation is based on Arab Bank's Sustainable Finance Framework (Oct. 30, 2025, version), on the analyzed selection criteria as received on Oct. 30, 2025.

⁴ Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through: Fisheries onshore and offshore processing and storage facilities; Activities promoting sustainable livestock practices that enhance adaptation, resilience and achieves low carbon practices. This includes interventions demonstrating carbon sequestration, reducing emissions and sustainable animal welfare practices; Certified primary processing and storage facilities specifically designed for eligible agricultural and forestry products

⁵ All projects that achieve sustainable/Eco tourism including: Development and construction of tourism facilities such as resorts and hotels that have installed environmentally friendly technologies, processes and premises as set out within this framework; Tourism activities aimed at promoting, protecting and restoring biodiversity

SPO SECTION	SUMMARY	EVALUATION ³
	Product and/or service-related use of proceeds categories⁶ individually contribute to one or more of the following SDGs:  Process-related use of proceeds categories⁷ individually (i) improve the Issuer's/Borrower's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs:  For certain criteria of Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity⁸ and Sustainable Management of Living Natural Resources – Sustainable Tourism⁹ there is no evidence of an environmental/social contribution or of an	

⁶ Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Climate Change Adaptation, Pollution Prevention and Control, Sustainable Management of Living Natural Resources. Circular Economy. Socioeconomic Development, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing and Food Security and Sustainable Food Systems.

⁷ Energy Efficiency

⁸ Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through: Fisheries onshore and offshore processing and storage facilities; Activities promoting sustainable livestock practices that enhance adaptation, resilience and achieves low carbon practices. This includes interventions demonstrating carbon sequestration, reducing emissions and sustainable animal welfare practices; Certified primary processing and storage facilities specifically designed for eligible agricultural and forestry products

⁹ All projects that achieve sustainable/Eco tourism including: Development and construction of tourism facilities such as resorts and hotels that have installed environmentally friendly technologies, processes and premises as set out within this framework; Tourism activities aimed at promoting, protecting and restoring biodiversity

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

SPO SECTION	SUMMARY	EVALUATION ³
	improvement on the Issuer and/or end users' potential negative externalities. The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.	
Part III: Consistency of Sustainable finance instruments with Arab Bank's sustainability strategy	The key sustainability objectives and the rationale for issuing Sustainable finance instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the Issuer's sustainability objectives.	Consistent with Issuer's sustainability strategy

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE ICMA'S GREEN, SOCIAL BONDS PRINCIPLES, AND SUSTAINABILITY BOND GUIDELINES, AND LMA'S GREEN, AND SOCIAL LOAN PRINCIPLES.

This section evaluates the alignment of the Arab Bank's Sustainable Finance Framework (as of Oct. 30, 2025) with the ICMA's GBP, SBP, and SBG, and the LMA's GLP, and SLP.

ICMA'S GBP, SBP, SBG, LMA'S GLP, SLP	ALIGNMENT	OPINION
1. Use of proceeds	✓ * with exceptions	The use of proceeds description provided by Arab Bank's Sustainable Finance Framework is aligned* with exceptions with the ICMA's GBP, SBP, and SBG, and LMA's GLP, and SLP. The Issuer's green and social categories align with the project categories as proposed by the ICMA's GBP, SBP, and SBG, and LMA's GLP, and SLP. Criteria are defined clearly and transparently and the evaluation process of the sustainability quality of the eligible deposits is described. Disclosure of an allocation period and commitment to report by project category has been provided and environmental and social benefits are described. The Issuer defines a look-back period of three years, in line with best market practice. <i>* Certain criteria of Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity ¹⁰ and Sustainable Management of Living Natural Resources – Sustainable Tourism ¹¹ are assessed as providing no clear environmental and/or social benefits according to our methodology (see Part II of this report).</i>

¹⁰ Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through: Fisheries onshore and offshore processing and storage facilities; Activities promoting sustainable livestock practices that enhance adaptation, resilience and achieves low carbon practices. This includes interventions demonstrating carbon sequestration, reducing emissions and sustainable animal welfare practices; Certified primary processing and storage facilities specifically designed for eligible agricultural and forestry products

¹¹ All projects that achieve sustainable/Eco tourism including: Development and construction of tourism facilities such as resorts and hotels that have installed environmentally friendly technologies, processes and premises as set out within this framework; Tourism activities aimed at promoting, protecting and restoring biodiversity

ICMA'S GBP, SBP, SBG, LMA'S GLP, SLP	ALIGNMENT	OPINION
2. Process for project evaluation and selection	✓	The process for project evaluation and selection description provided by Arab Bank's Sustainable Finance Framework is aligned with the ICMA's GBP, SBP, and SBG, and LMA's GLP, and SLP. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer's sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines exclusion criteria for harmful projects categories. The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it. Arab Bank involves various stakeholders in this process, and identifies the alignment of their Sustainable Finance Framework and their green projects with official or market-wide standards such as Climate Bond Initiative Taxonomy (CBI), Guidelines for Blue Finance, ICMA Climate Transition Finance Handbook, in line with best market practice.
3. Management of proceeds	✓	The management of proceeds provided by Arab Bank's Sustainable Finance Framework is aligned with the ICMA's GBP, SBP, and SBG, and LMA's GLP, and SLP. The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are credited to a subaccount and attested in a formal internal process. While the sustainable deposit product of Arab Bank is under development at the time of this analysis, Arab Bank commits to implement internal controls, periodic monitoring and management to ensure a timely rebalancing in events where the asset pool does not meet or exceed the net proceeds of the outstanding deposits. The net proceeds are managed on an aggregated basis for multiple

ICMA'S GBP, SBP, SBG, LMA'S GLP, SLP	ALIGNMENT	OPINION
		green/social bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds and confirms that each loan tranche will be clearly labeled as green/social/sustainable. The Issuer has defined an expected allocation period of 24 months. The Bank commits to segregating the proceeds collected by having them earmarked for specific projects, in line with best market practice.
4. Reporting	✓	The allocation and impact reporting provided by Arab Bank's Sustainable Finance Framework is aligned with the ICMA's GBP, SBP, and SBG, and LMA's GLP, and SLP. The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer's website. Arab Bank has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the portfolio level. Moreover, the Issuer commits to report annually on the entirety of assets to be financed until the proceeds have been fully allocated. The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting, in line with best market practice.

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE U.N. SDGs¹²

The Issuer can contribute to the achievement of the SDGs by funding specific services/products that help address global sustainability challenges, and by being a responsible actor, working to minimize negative externalities in its operations along the entire value chain. This section assesses the SDG impact of the use of proceeds (UoP) categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- Specific products/services
- Improvements of operational performance

1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as ISS Sustainability's SDG Solutions Assessment, a proprietary methodology designed to assess the impact of an Issuer's products or services on the U.N. SDGs, as well as other ESG benchmarks (the EU taxonomy Climate Delegated Act, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:

Obstruction	No Net Impact	Contribution
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Each of the sustainable finance instruments' use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green Categories

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy¹⁴ <i>The acquisition, development, manufacturing, construction, operation,</i>	Contribution	

¹² The impact of the UoP categories on U.N. SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

¹³ The review is limited to the examples of projects spelled out in the Framework.

¹⁴ Non-RSPO-certified palm oil is excluded from all activities within the framework of Arab Bank.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>transmission, distribution, and maintenance of renewable energy assets including:</i> ▪ <i>Solar: Onshore/offshore</i> ▪ <i>Wind: Onshore/offshore</i> ▪ <i>Geothermal electricity generation facilities, given that direct emissions are below 100gCO₂/kWh</i> ▪ <i>hydropower (with a capacity below 1000MW): any type of electricity generation facility, including run-of-river, impoundment, and pumped storage. Hydropower projects need to adhere to the following:¹⁵</i> ○ <i>Operational before 2020: power density >5W/m² or GHG emissions intensity <100gCO₂e/kWh.</i> ○ <i>Operational after 2020: power density >10W/m² or GHG emissions intensity <50gCO₂e/kWh.</i> ○ <i>Large hydro power projects (>100MW), unless they meet the above criteria and IFC Performance Standards and in compliance with the bank's ESRP.</i> ▪ <i>waste-to-energy: ¹⁶ Plant efficiency ≥25%, bottom ash recovery, ≥90% recovery from ash and metal, average carbon intensity of electricity/heat ≤ waste management allowance, and capacity ≤ waste management allowance, capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.</i>		

¹⁵ Hydropower >1000MW is excluded from the framework.

¹⁶ In compliance with CBI Waste Management Criteria, August 2022 [version](#).

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
- Electricity generation facilities such as biomass power station.¹⁷ - Anaerobic digestion facilities of sewage sludge¹⁸ - Tidal and wave energy¹⁹		
Renewable Energy - Production of biofuels from waste sources (2nd generation forestry and agriculture residues, palm kernels shells only where these are RSPO certified) that do not compete with the production of food and doesn't drain carbon reserves from the soil. - Production of biofuels from non-waste sources provided the biofuel production achieves substantial life-cycle emissions reduction of at least 65% lower than fossil-fuel and feedstock are certified sustainable by a credible 3rd party and are 2nd generation.	Contribution	 
Renewable Energy Developing and/or manufacturing of renewable energy technologies and related assets, which includes: - Equipment for energy generation essential manufacturing facilities for these components (e.g., solar panels, wind turbines) - Supporting infrastructure such as inverters, transformers, control and monitoring control systems - Renewable energy storage technologies	Contribution	

¹⁷ In compliance with CBI Bioenergy Criteria, August 2022 [version](#).

¹⁸ In compliance with CBI Waste Management Criteria, August 2022 [version](#).

¹⁹ Fossil fuel back up can only be used for restart capability and monitoring, operating or resilience measures in the event of no power in the system.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <i>Batteries, capacitors, compressed air storage, flywheels and large-scale energy storage facilities which meets the following criteria:</i> - Is a dedicated connection to a power production plant eligible under one of the Climate Bonds sector criteria (e.g. Solar, wind, hydropower). - Is a dedicated connection to a power production plant operating under the low carbon power threshold (100gCO₂/kWh).	Contribution	
Renewable Energy <i>Dedicated transmission and distribution infrastructure directly connecting or integrating renewable energy production and storage into new and/or existing networks²⁰</i>	Contribution	
Energy Efficiency <i>Products or technologies designed to enhance energy efficiency, including:</i> Installation of zoned and smart thermostat systems, sensing equipment, Building Management System (BMS) or Energy Management System (EMS).	Contribution	
Energy Efficiency <i>Products or technologies designed to enhance energy efficiency, including:</i> ICT solutions that optimize energy use, including remote power management, load balancing of renewable energy sources and that contribute to reducing overall energy consumption and increase efficiency.	Contribution	

²⁰ Such systems must have a grid emissions factor below the threshold value of 100 gCO₂e/kWh over a five-year average period and the infrastructure is located on a system for which at least 67% of its added generation capacity in the last five years falls below the low carbon power threshold.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Installation and operation of electric heat pumps given that refrigerant Global warming Potential (GWP) threshold does not exceed 675.	Contribution	
Energy Efficiency <i>The production and manufacturing of energy-efficient technologies, including LED lighting, green hydrogen fuel cells, high-efficiency building envelope materials (achieving at least 30% energy reduction compared to the baseline), and lighting systems equipped with occupancy and daylight controls.</i>		
Clean Transportation – Sustainable Transport²¹ - Acquisition and operations of zero direct emissions transport activities and its dedicated infrastructure (e.g., light rail transit, metro, tram, trolleybus, bus and rail, inland waterways vessels) - Vehicles with zero tailpipe emissions, including hydrogen, fuel cells, and electric vehicles - Public rail transportation with zero tailpipe emissions - Zero emission shipping vessels		
Clean Transportation – Sustainable Transport - Public rail transportation (emissions under 50 gCO₂/p-km up to 2025) - Freight rail transportation (emissions under 25 gCO₂/t-km up till 2030, 21 gCO₂/t-km from 2030 up to 2050)	Contribution	

²¹ The following activities are excluded from the framework: fossil fuel-based transportation, supporting infrastructure and transportation dedicated to fossil fuel transport; efficiency improvements involving conventional fossil-fuel combustion engines (hybrid engines and technologies are eligible).

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Clean Transportation - Sustainable Transport Infrastructure - Manufacturing facilities for the components of Electric, hydrogen, or other zero-direct emissions transport and their directly supporting infrastructure - Infrastructure for electric charging and hydrogen fueling infrastructure - Infrastructure for Public walking and bicycle - Manufacturing facilities focused on electric vehicles and essential components like batteries	Contribution	
Clean Transportation - Sustainable Transport Infrastructure Developing systems that improves asset utilization, flow and modal shift, regardless of transport mode (public transport information, car-sharing schemes, smart cards, road charging systems, etc.) making sure to deliver substantial GHG emissions savings²² on either a passenger/km or a tonne/km basis²³	Contribution	
Sustainable Water and Wastewater Management - Supply Management and Wastewater Treatment Activities including sustainable water and wastewater management, covering: - Wastewater treatment - Sustainable urban drainage systems - Water monitoring²⁴ - Water treatment and water distribution	Contribution	

²² Calculations of such results will be derived from the bank's sustainable finance due diligence process and any third-party assessments that show positive environmental impact, in certain cases we might calculate the marginal GHG/ Other environmental impact metrics difference between traditional infrastructure emissions and sustainable ones.

²³ In compliance with the CBI Land Transport Criteria, April 2023 [version](#).

²⁴ Water monitoring items that are integrated sub-components of the water saving/efficiency tools and operations.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Water-saving products designed to enhance efficiency²⁵		
Sustainable Water and Wastewater Management - Supply Management and Wastewater Treatment <i>Activities including sustainable water and wastewater management, covering:</i> Infrastructure for clean and/or drinking water	Contribution	
Sustainable Water and Wastewater Management - Supply Management and Wastewater Treatment <i>Seawater desalination plants and brackish water desalination plants where the average carbon intensity of energy used to power the plant must be at or below 100g CO₂/kWh over the remaining lifetime of the asset²⁶</i>	Contribution	
Real Estate – Certified Sustainable Buildings <i>New construction of building developments or renovation of existing buildings (including public service, commercial, residential, and recreational) that meet the requirements of recognized environmental building and communities' standards* such as:</i> - LEED (Leadership in Energy and Environment Design): Silver or above - BREEAM (Building Research Establishment Environmental Assessment Method): Good or above - EDGE, Green Buildings Certification - 'Certified' - HQE - 'Excellent' - CASBEE - 'A'	Contribution	

²⁵ Water-saving products must achieve a 20% water efficiency improvement.

²⁶ In compliance with the CBI Water Infrastructure Criteria, August 2022 [version](#).

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
- Al Sa'fat, Dubai Green Building System in the Emirate of Dubai - 'Golden' - GSAS, Global Sustainability Assessment System - '4 Star' - Green Star – '4 Star' - Mostadam – 'Silver' - Estidama, Pearl Building Rating System in the Emirate of Abu Dhabi - '2 Pearl Rating' - DGNB - 'Silver' - BCA Green Mark – "Gold"	Contribution	
Real Estate – Certified Sustainable Buildings New construction of building developments or renovation of existing buildings (including public service, commercial, residential, and recreational) that meet the requirements of recognized environmental building and communities' standards* such as: GBEL – One Star		
Real Estate – Energy Efficient Buildings and Related Infrastructure - Development of commercial, residential and other buildings with a primary energy demand in the top 15% of respective performance in the local market²⁷ - Upgrading building/district heating and cooling systems to a more efficient non-fossil fuel alternatives²⁸ - Upgrade of existing buildings (commercial, residential and others) when they achieve an emission/energy	Contribution	

²⁷ In compliance with the CBI Buildings Criteria, December 2023 [version](#).

²⁸ Given 30% energy improvement, positive GHG emission reduction backed by an accredited third party to verify the change.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
reduction of at least 30% from the baseline ²⁹		
Real Estate – Energy Efficient Buildings and Related Infrastructure <i>Development and manufacturing of low carbon and alternative building materials such as alternatives to cement and concrete</i> ³⁰	Contribution	
Climate Change Adaptation – Drought Adaptation ³¹³² <i>Activities aimed at mitigating the impacts of drought, including:</i> ▪ <i>Implementation of water conservation measures and efficient irrigation systems (achieving a 20% improvement) including water-efficient fixtures, equipment and technology, leak detection and loss prevention programs</i> ▪ <i>Development of drought-resistant crops</i> ▪ <i>Water storage systems to manage supply during dry periods where water supply/service enhances resiliency to drought</i> ▪ <i>Drip irrigation</i>	Contribution	
Climate Change Adaptation – Drought Adaptation <i>Activities aimed at mitigating the impacts of drought, including:</i> ▪ <i>Rainwater harvesting</i>	Contribution	

²⁹ Such improvements must be verified by an accredited third party.

³⁰ In compliance with the CBI Buildings Criteria, December 2023 [version](#).

³¹ GMO crops are excluded from this framework.

³² For any activity under climate adaptation (drought, heat, other climate change adaptation activities), Arab Bank will ensure that projects under climate change adaptation will be assessed on a case-by-case approach to identify whether climate related risks and vulnerabilities have been investigated for the project, to define the contribution of the proposed investment on climate risks and to evaluate the alignment of the project with local, regional, national strategies and climate adaptation plans.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Climate Change Adaptation – Heat Adaptation <i>Activities aimed at mitigating the impacts of extreme heat, including:</i> - Creation of urban green spaces to lower temperatures and improve air quality - Implementation of heat-resilient infrastructure, including reflective paints³³ - Green/blue urban infrastructure³⁴	Contribution	
Climate Change Adaptation – Heat Adaptation <i>Activities aimed at mitigating the impacts of extreme heat, including:</i> Implementation of heat-resilient infrastructure, including cooling systems based on 100% renewable energy	Contribution	
Climate Change Adaptation – Other Climate Adaptation Activities <i>Activities that increase the resilience of ecosystems, including:</i> - Climate observation and early warning systems for storms, droughts, floods or dam failure - Flood defenses: Funding for ecological retention, restoration of riparian wetlands, asset relocation to mitigate flood risks - Stormwater management: Investment in permeable surfaces, erosion control systems - Reducing or avoiding weather-related damage through flood management,	Contribution	

³³ Evidence of solar reflectance properties must be demonstrated through technical reports to the material relevant to the heat adaptation project.

³⁴ Such as green roofs, green facades, permeable surfaces, rain gardens, bioswales, canals and ponds to address the effects of drought, floods and urban heat.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>bridges designed for higher levels of flooding, and infrastructure for anticipated wind speeds, heavy rains, and increased temperatures</i> Conservation or rehabilitation of wetlands, mangroves, and coral reefs to reduce flooding, soil erosion, and enhance coastal resilience	Contribution	
Pollution Prevention and Control – Prevention and Control of Pollution - Facilities focusing on waste storage infrastructure that temporarily store bulk waste before transferring to eligible waste processing assets such as recycling, treatment, or energy recovery plants^{35 36} - Waste collection and transportation activities where vehicles comply with emission standards³⁷ and transport waste exclusively to eligible processing facilities - Facilities that process and recycle metals, plastics, glass, and paper ensuring materials are reused as high quality secondary raw materials		
Pollution Prevention and Control – Prevention and Control of Pollution - Activities focused on biological treatment³⁸ - Facilities that refurbish or repair products, components, or materials for reuse without further processing³⁹	Contribution	

³⁵ Energy recovery plants assessed as per the eligibility requirements set out in waste-to-energy activity, part of the renewable energy activity and in full compliance with the CBI criteria on Waste Management projects (Energy from Waste) [version](#).

³⁶ Facilities have an EMS in place such as ISO 14001. Permanent waste storage and landfills are excluded.

³⁷ In compliance with the CBI Land Transport Criteria, April 2023 [version](#).

³⁸ In compliance with the CBI Waste Management Criteria, August 2022 [version](#).

³⁹ In compliance with the CBI Waste Management Criteria, August 2022 [version](#).

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Pollution Prevention and Control – Prevention and Control of Pollution <i>Projects related to landfill gas capture infrastructure that should be directed towards existing closed landfills⁴⁰</i>	Contribution	
Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity <i>Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through:</i> ▪ Sustainable agricultural practices such as biological crop protection ▪ Sustainable forest management, including afforestation, reforestation, and forest rehabilitation⁴¹ ▪ Soil and biomass management, erosion control, and improved soil health⁴²	Contribution	
Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity <i>Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through:</i> ▪ Ecosystem protection, restoration and biodiversity conservation by supporting land and marine remediation,	Contribution	

⁴⁰ Methane can be collected and used for energy generation with a minimum capture rate of 75%.

⁴¹ Project areas are not intended for resource exploitation, either now or in the future, by the clients undergoing the restoration and conservation.

⁴² The beneficiary of the financing is not the one that is responsible for any of the prior degradation of the ecosystem.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>conservation and reforestation efforts to enhance ecosystem resilience⁴³</i> Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity <i>Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through:</i> <i>Sustainable fisheries and aquaculture supporting fishery operations such as wild fisheries and aquaculture⁴⁴</i> Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity <i>Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through:</i> <i>Development of supply systems for seed production</i> Sustainable Management of Living Natural Resources – Protection, conservation, and Restoration of Biodiversity <i>Any activity that contributes to protecting, conserving, or restoring biodiversity, achieving good condition of ecosystems, or protecting ecosystems that are already in good condition, through:</i>	Contribution Contribution No Net Impact	 

⁴³ The beneficiary of the financing is not the one that is responsible for any of the prior degradation of the ecosystem.

⁴⁴ Sustainable fisheries and aquaculture projects must be backed by an accredited certification (Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP)- minimum 2 stars, Global G.A.P. Aquaculture Standard (AquaGAP), Friends of the Sea) and complemented with accredited third-party impact report.

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
- Fisheries onshore and offshore processing and storage facilities⁴⁵ - Activities promoting sustainable livestock practices that enhance adaptation, resilience and achieves low carbon practices. This includes interventions demonstrating carbon sequestration, reducing emissions and sustainable animal welfare practices⁴⁶ - Certified primary processing and storage facilities specifically designed for eligible agricultural⁴⁷ and forestry⁴⁸ products	No Net Impact	
Sustainable Management of Living Natural Resources – Sustainable Tourism All projects that achieve sustainable/Eco tourism including: - Development and construction of tourism facilities such as resorts and hotels that have installed environmentally friendly technologies, processes and premises as set out within this framework - Tourism activities aimed at promoting, protecting and restoring biodiversity		
Circular Economy – Responsible Consumption Any activity that focuses on reducing waste, and promotes circular production models that extend product life cycle and minimize environmental impact, such as:	Contribution	

⁴⁵ Sustainable fisheries and aquaculture projects must be backed by an accredited certification (Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP)- minimum 2 stars, Global G.A.P. Aquaculture Standard (AquaGAP), Friends of the Sea) and complemented with accredited third-party impact report.

⁴⁶ Adoption of the International Finance Corporation (IFC) Good Practice Note: Improving Animal Welfare in Livestock Operations and/or the FARMS Responsible Minimum Standards (HFAC, GAP) backed with an accredited third-party impact report.

⁴⁷ Sustainable agricultural certification accepted (EU organic or Bio, or any certification provided by a certified body of IFOAM).

⁴⁸ Sustainable Forestry certification accepted (FSC, PEFC, China Forest Certification Scheme).

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹³	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
▪ Sustainable product innovation that ensures waste reduction through material recovery, recycling or reuse⁴⁹ ▪ Efficient resource management strategies initiatives that lower raw material consumption, including water and energy ⁵⁰ while maintaining functionality and quality⁵¹ ▪ Refurbishment or repair of facilities, products or components for reuse while maintaining original functionality with minimal resource use⁵² ▪ Material recovery from "non-hazardous" waste in which the activity converts at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes⁵³		

⁴⁹ In compliance with the CBI Waste Management Criteria, August 2022 [version](#).

⁵⁰ ≥ 30% improvement in energy efficiency and/or ≥ 20% improvement in water efficiency.

⁵¹ In compliance with the CBI Waste Management Criteria, August 2022 [version](#).

⁵² Ibid.

⁵³ Ibid.

Social Categories

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Socioeconomic Development - Lending to Small and Medium-Sized Enterprises <i>All activities that support employment generation through lending to MSMEs such as:</i> Financing and/or refinancing to Small and Medium Enterprises (SME) <i>Target Population: MSMEs⁵⁵ in low and lower-middle income countries⁵⁶ and MSMEs in high and upper-middle income countries⁵⁷ operating in underserved areas (where unemployment and/or GDP Per capita levels are below the national average)</i>	Contribution	
Socioeconomic Development - Lending to Small and Medium-Sized Enterprises <i>All activities that support employment generation through lending to MSMEs such as:</i> Financing and/or refinancing to microfinance clients <i>Target Population: microfinance clients⁵⁸ in low and lower-middle income countries⁵⁹ and microfinance clients in high and upper- middle income countries⁶⁰ operating in underserved areas (where unemployment and/or GDP Per capita levels are below the national average)</i>	Contribution	

⁵⁴ The review is limited to the examples of projects spelled out in the Framework.

⁵⁵ MSME local definition is adopted within each area of operation.

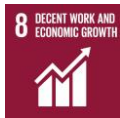
⁵⁶ As per the World Bank definition, [World Bank Country and Lending Groups – World Bank Data Help Desk](#)

⁵⁷ Ibid.

⁵⁸ MSME local definition is adopted within each area of operation I

⁵⁹ As per the World Bank definition, [World Bank Country and Lending Groups – World Bank Data Help Desk](#)

⁶⁰ Ibid.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Socioeconomic Development - Women's Economic Empowerment All projects aimed at promoting socioeconomic advancement and empowerment through gender equality by providing financing to: Women-owned and Women led small and medium enterprises (WMSME) ⁶¹ Target Population: General population including women entrepreneurs and smallholder businesses.⁶²	Contribution	
All projects aimed at promoting socioeconomic advancement and empowerment through gender equality by providing financing to: Women-owned and Women led small and medium enterprises (WMSME) ⁶³ Target Population: General population including women entrepreneurs and smallholder businesses.⁶⁴	Contribution	
Socioeconomic Development - Access to Finance All activities that promote financial inclusion, such as: - Expanding banking access ⁶⁵ to unbanked and underserved populations - Investing in digital and mobile banking solutions for remote areas	Contribution	

⁶¹ Locally adopted definition applies, in areas where such definitions do not exist, we adopt IFC women owned enterprises, where at least one of the following applies: (a) at least 51 per cent owned by a woman or women;

⁶² WMSMEs in in low- and middle-income countries, and WMSMEs in high-income countries operating in underserved areas where unemployment and/or GDP Per capita levels are below the national average

⁶³ The business is founded by a woman (i.e., 50 per cent shareholding); or (b) at least 20 per cent owned by a woman or by women; and (has a woman as CEO, COO, President or Vice President; and has a board of directors at least 30 per cent comprised of women, where a board exists).

⁶⁴ WMSMEs in in low- and middle-income countries, WMSMEs in high-income countries operating in underserved areas where unemployment and/or GDP Per capita levels are below the national average

⁶⁵ Banking access: basic bank account services such as transactions, payments, savings with moderate terms including favourable cost structure on account services to clients and easy to reach services through digital channels.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>Target Population: targeting poor and low-income population that lack access to banking and financial services.</i> Socioeconomic Development - Access to Finance <i>All activities that promote financial inclusion, such as:</i> Supporting microfinance institutions to provide small loan and financial services <i>Target Population: targeting poor and low-income population that lack access to banking and financial services</i>	Contribution	
Access to Essential Services - Healthcare <i>All activities that promote access to healthcare, such as:</i> - Projects related to the construction or expansion or retrofitting or operations of public hospitals, primary care facilities for the provision of not-for-profit, free or subsidized healthcare services - Projects related to financing basic medical equipment and devices for public, not for profit purposes - Projects for public health crisis emergency response - Projects towards the development and/or sale of affordably priced or subsidized medicines⁶⁶ to target populations/ areas		 

⁶⁶ List of essential medicines should be in compliance with the World Health Organisation (WHO) essential medicines list to target populations/ areas.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>Target Population: General Population including those who lack quality access to essential healthcare.</i> Access to Essential Services - Healthcare <i>All activities that promote financial inclusion, such as:</i> Projects related to developing healthcare facility infrastructure for public, not for profit purposes <i>Target Population: General Population including those who lack quality access to essential healthcare.</i>	Contribution	
Access to Essential Services - Education <i>All activities that provide access to essential services for education and vocational training, including but not limited to the following:</i> - Projects related to the construction or expansion of public/private schools/ community colleges/ vocational schools and Universities for the provision of not-for-profit, free, or subsidized education, including government-owned public-private partnerships (PPP) - Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries at tertiary education levels. - Expanding education access through infrastructure upgrades, transportation, remote learning and Tec based solutions for underrepresented communities. - Activities to promote entrepreneurship and innovation among secondary and	Contribution	

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
university students for target populations or specific target areas ensuing affordability through free or subsidized services. - Developing trade schools, job training and placement programs along with other educational initiatives for target populations or specific target areas ensuing affordability through free or subsidized services. Target Population: General population including those who lack quality access to essential education services. Access to Essential Services - Education All activities that provide access to essential services for education and vocational training, including but not limited to the following: - Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries at primary/secondary education levels. Target Population: General population including those who lack quality access to essential education services.	Contribution	
Affordable Basic Infrastructure - Water and Sanitation Expanding and upgrading water infrastructure⁶⁷ (e.g. building new facilities or rehabilitating/expanding existing ones) to ensure equitable access for underserved communities and a growing population,	Contribution	

⁶⁷ Water infrastructure may include, but are not limited to: facilities that generate drinking water, storage technologies, water kiosks, water connection, and sanitation facilities for target populations in areas with limited access to quality water and sanitation services.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>thereby improving health outcomes and quality of life.</i> <i>Target Population: Those who lack quality access to essential services.</i> Affordable Basic Infrastructure - Water and Sanitation <i>Implementing water saving technologies⁶⁸ across agriculture and industry to conserve resources and support local livelihoods.</i> <i>Target Population: Those who lack quality access to essential services.</i>	Contribution	
Affordable Basic Infrastructure - Digital Access and Inclusion <i>All activities that enhance digital access and inclusion, such as:</i> ▪ <i>providing affordable internet and mobile services in underserved areas.</i> ▪ <i>expanding connectivity in rural, remote and low-income areas through financing telecommunication network infrastructure.</i> ▪ <i>promoting access to digital infrastructure and technologies⁶⁹</i> <i>Target Population: Those who lack digital access</i>		
Affordable Basic Infrastructure - Access to Energy <i>All activities that improve access to energy in rural, remote and low-income areas.</i>		 

⁶⁸ water saving technologies may include, but are not limited to: drip irrigation, rainwater harvesting, smart irrigation systems for target populations in areas with limited access to quality water and sanitation services.

⁶⁹ Such projects cover Internet access to residential homes in underdeveloped areas or in regions that are lacking the access to such technologies.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>Target Population:</i> Those who lack access to reliable energy. Affordable Basic Infrastructure - Transport <i>All activities that provide affordable basic infrastructure for transportation, such as development and refurbishment of roads in underserved or remote areas to ensure safe, reliable access to healthcare, education, and economic opportunities, reducing isolation and promoting social inclusion.⁷⁰</i> <i>Target Population:</i> Those who lack quality access to essential services.	Contribution Obstruction	 
Affordable Housing <i>All projects aimed at financing and/or refinancing mortgages under government-supported or government-subsidized affordable housing programs,⁷¹ along with initiatives related to the development and construction of homes within such programs. Target Population: Aligned with local government supported programs</i>	Contribution	  
Food security and sustainable food systems <i>Government sponsored programs or international programs focused on: projects towards financing food security and sustainable food systems including but not limited to physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements.⁷²</i> <i>Target Population:</i> Targeting those experiencing food insecurity and	Contribution	 

⁷⁰ Eligible projects are focused only on low-income countries based on world bank classification of countries and in specific low GHG emissions per capita areas.

⁷¹ Programs will target low to middle income population according to world bank classification of countries, such programs will be reviewed according to Arab bank due diligence process while ensuring access to primary residence at an affordable cost.

⁷² Projects of similar nature include [world bank programs to ensure agricultural resilience](#)

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USE OF PROCEEDS (PRODUCTS/SERVICES) ⁵⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
smallholder producers and farmers in need of support. Food security and sustainable food systems <i>Projects towards resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers and farmers.</i> <i>Target Population:</i> Targeting those experiencing food insecurity and smallholder producers and farmers in need of support.	Contribution	

2. Improvements of operational performance (processes)

The below assessment qualifies the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related SDGs impacted. The assessment displays how the UoP categories mitigate the exposure to the negative externalities relevant to the Issuer’s business model and sector.

Arab Bank finances operations/processes in a variety of third-party sectors. For clarity, ISS Sustainability does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below displays the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁷³	SUSTAINABLE DEVELOPMENT GOALS
Energy Efficiency <i>Products or technologies designed to enhance energy efficiency, including energy efficient appliances and technologies that shows performance improvement of at least 30% beyond a baseline of typical related replacement</i>	✓	
Energy Efficiency <i>Products or technologies designed to enhance energy efficiency, including:</i> <i>energy efficiency improvements achieving no less than 30% energy saving involving process changes, reduced heat losses, or increased waste heat recovery, including cogeneration plants powered by renewables with emissions less than 100 gCO₂e/kWh.</i> <i>ICT solutions that optimize energy use, including remote power management, load balancing of renewable energy sources and that contribute to reducing overall energy consumption and increase efficiency.</i>	✓	

⁷³ Only the direction of change is displayed. The scale of improvement is not assessed.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁷³	SUSTAINABLE DEVELOPMENT GOALS
Energy Efficiency <i>Enhancements in the efficiency of bulk energy service delivery, including but not limited to:</i> ▪ <i>installation of energy-efficient equipment and technology to increase the operational energy efficiency of utilities and other public services.⁷⁴</i> ▪ <i>development and installation of technologies for efficient transmission and distribution such as smart meters, peak demand management and network monitoring and control systems.⁷⁵</i> ▪ <i>activities that enable smart grid integration for telecommunication facilities,⁷⁶ which includes energy management systems, IoT-based monitoring for real-time load management, automated demand-side management to reduce peak load, use of AI/ML algorithms for predictive grid interaction.</i>	✓	

Energy Efficiency

Enhancements in the efficiency of bulk energy service delivery, including but not limited to:

- *improvement of heat efficiency of district heating or cooling generation and distribution networks. For projects involving heat and cooling generation and transmission infrastructure directly*



⁷⁴ A minimum threshold of performance improvement of 30% must be achieved, the percentage must be verified by an accredited third party.

⁷⁵ Such technologies to be considered must be connected to a grid with emissions factor below the threshold value of 100 gCO₂e/kWh over a five-year average period.

⁷⁶ Telecommunication infrastructure including software energy monitoring and management to increase renewable energy and/or energy efficiency in the grid.

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Sustainability Quality of the Issuer
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USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁷³	SUSTAINABLE DEVELOPMENT GOALS
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*connected to a power generation
plant, industrial waste heat.*

- *improvement of heat efficiency of
district heating or cooling
generation and distribution
networks. For projects involving
heat and cooling generation and
transmission infrastructure directly
connected to a power generation
plant, 100% of generation will be
from renewables.*

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Jordan, Palestine, Egypt, UAE, Qatar, Bahrain, Lebanon, Algeria, Morocco, Singapore, China, Yemen.

ASSESSMENT AGAINST KPIs

ESG guidelines into the financing/lending process

The Bank established an Environmental and Social Risk Policy which defines roles and responsibilities in managing environmental and social risks and the process for identification and assessment of environmental and social risks on a customer and portfolio level. This policy also defines requirements for specific sectors considered to have higher environmental or social risks. Additionally, risk management practices, internal controls, monitoring and governance of risks are defined. The Environmental and Social Risk Policy and any changes thereto are approved by the Bank's Board of Directors and senior management.

The requirements defined in the Environmental and Social Risk Policy are also embedded in the Credit Policy Manual, ensuring that environmental and social risks are part of the credit decision making process. Arab Bank confirms that each transaction potentially qualifying as sustainable under its Sustainable Finance Framework undergoes the following:

- Exclusion List Check: Ensuring the transaction does not involve activities, sectors, or counterparties listed under the Bank's Exclusion Lists
- Sector Classification: Categorizing the transaction based on the nature of the activity and its inherent E&S sensitivity.
- Adverse Media and Reputational Screening: Reviewing public-domain information and news sources for any controversies or allegations related to the client, project, or sector.
- ESIA Review: An ESIA is reviewed if available.ESIAs are mandatory for project finance and infrastructure projects.

Based on the initial screening, transactions are categorized as follows:

- Category A – Projects with potential significant adverse E&S risks and/or impacts that are diverse, irreversible or unprecedented. These transactions are excluded as per the Bank's E&S Risk Policy.

- Category B – Projects with potential limited adverse E&S risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C – Projects with minimal or no adverse E&S risks and/or impacts.

Category C transactions are subject to standard E&S checks which are integrated within the regular credit review and approval process and include verification of compliance with local laws and regulations, legal reviews, and any basic environmental permits or licenses required. Category B transactions undergo further E&S due diligence: either formal ESIA's in case of project finance and infrastructure projects or an assessment using an internal questionnaire. E&S due diligence outcomes are included in the Credit Request form for decision-making and are reviewed by senior level staff and approved through a joint credit committee comprising of the bank senior management (with representative from the credit, risk, and business departments). For infrastructure projects, Arab Bank confirms to follow the IFC performance standards.

All infrastructure and large projects (such as large syndicated corporate loans) require the bank to engage with its clients for an Environmental and Social Impact Assessment (ESIA), which must include a risk mitigation and management plan for the identified risks. In case the action plans developed in this process require monitoring, the Bank includes such requirements in its covenant management process. Under this framework the Bank doesn't pursue transactions that are part of the sector exclusions (as defined in Excluded Activities section of the framework) and where adverse environmental or social impacts cannot be mitigated; projects in those excluded sectors are therefore expressly ineligible for financing under this framework.

Post-disbursement, the Bank performs annual review of corporate facilities, where risks are re-assessed to ensure ongoing risk management. Any breach or material E&S events are escalated to the relevant committees for corrective action. For the microfinance⁷⁷ and small businesses segment (under the MSME category), the review is performed at portfolio level. Given that Arab Bank operates in multiple jurisdictions, its approach to E&S risk management is guided by policies applicable at group level (such as the Environmental and Social Risk Policy) and local regulatory requirements. The E&S risk process applies to corporate lending transactions with thresholds based on local requirements for the Bank's operations in Egypt and Singapore. The Bank is further in the process for developing a more comprehensive approach to environmental, social and climate risk that will cover all transactions across its international network.

ESG guidelines into financing/lending process for most sensitive sectors eligible under the Framework

⁷⁷ As of the time of this assessment, Arab Bank confirms that no microfinance loans are outstanding.

As part of Arab Bank's risk assessment, environmental and social risks are required considerations for credit facilities. Requirements in this sense are defined in Arab Bank's Environmental and Social Risk Policy, which is based on IFC's performance standards. Infrastructure projects follow the IFC performance standards and ESIA is systematically conducted for infrastructure projects.

Specific enhanced due diligence measures for sensitive sectors such as agriculture, forestry, fisheries and aquaculture are not in place. Nevertheless, the Bank is currently in the process of enhancing its policies and procedures for environmental, social and climate risk management. As part of the process, the Bank will assess the materiality of these sectors in the Bank's portfolio to determine whether further improvements are required.

Labor, health and safety

The Bank has some policies and a due diligence process in place that seek to ensure that the projects underlying the eligible transactions adhere to labor, health, and safety standards.



All corporate and institutional banking projects require negative screening in compliance with national and local laws and regulations. Nevertheless, not all jurisdictions in which the projects will be located can be considered to have high labor, health and safety standards. For instance, not all fundamental conventions of the International Labour Organization (ILO) have been ratified in all the relevant countries. It is unclear if Arab Bank takes additional measures to align with international standards.

For infrastructure projects, an ESIA is conducted by a third party. In that context, the ESIA is based on either the IFC Occupational Health and Safety guidelines (IFC PS2) or EBRD labor and working conditions (PR2). Any observations or corrective actions agreed with the client are internally tracked and monitored as part of annual reviews.

Biodiversity



Biodiversity assessment is integrated into Arab Bank's due diligence processes. All infrastructure projects undergo an ESIA by a third party. In that context, the ESIA complies with IFC's Biodiversity Conservation and Sustainable Management of Living Natural Resources (PS6); certain projects are in addition also respecting EBRD's Biodiversity Conservation and Sustainable Management of Living Natural Resources (PR6).

As well, Arab Bank ensures that all transactions comply with the applicable national and local laws and regulations.

Dialogue with local communities

Where community dialogue is mandated by local laws and regulations, Arab Banks ensures that the projects financed comply with these.



Additionally, for all infrastructure projects, an ESIA is conducted by a third party. In that context, the ESIA is based on the IFC Community Health, Safety and Security (PS4), Land Acquisition and Involuntary Resettlement (PS5), Cultural Heritage (PS8) at minimum; certain projects are in addition also respecting the EBRD Performance Requirements; Land Acquisition, Restrictions on Land Use and Involuntary Resettlement (PR5), Cultural Heritage (PR8), Information Disclosure and Stakeholder Engagement (PR 10).

It is unclear if any particular measures related to information and consultation of local communities are in place for forestry management projects.

Inclusion



For Access to Essential Services categories where the target population is general population, such as education and healthcare, Arab Bank ensures through the definition of the eligibility criteria that these services must be free, subsidized or not for profit projects.



Arab Bank confirms to ensure through its Code of Conduct to not discriminate on the basis of age, gender, disability, nationality, ethnic origin, religion, family status, or any other personal characteristic in relation to borrowers and investees.

Data protection and information security



Arab Bank's data protection and information security controls align to industry best practices and regulations, including but not limited to PCI DSS, SWIFT CSP, Data Privacy & Governance, ISO 27001⁷⁸, and Third-Party Risk Management.

A Third-Party Risk Management (TPRM) function has been established as part of the ongoing development of the Business Continuity and Resilience Management program. Arab Bank subjects all third parties to detailed due diligence with an ongoing compliance program to ensure customer data remains protected. The due diligence process focuses on assessing the strength of an organization's security governance, policies, and the maturity of its controls for data protection and access management, the maturity of its incident response and recovery capabilities, thereby evaluating resilience,

⁷⁸ Arab Bank confirmed to hold an ISO 27001 certification for its IT security management system.

regulatory compliance, and overall risk posture. Third-party providers are monitored on a regular basis.

Responsible treatment of customers with debt repayment problems

During the loan origination process, Arab Bank applies several preemptive actions meant to prevent debt repayment problems:



- conservative Loan-to-Value (LTV) Ratios on asset backed financing, subject to strict LTV thresholds. Regular reevaluation is conducted during the lifetime of the financing (especially in volatile markets)
- affordability assessments, credit scoring models, income verification, stability tests, and debt service ratio.
- early warning systems based on behavioral triggers, portfolio monitoring and proactive client engagement.

Arab Bank confirms to proactively offer tailored solutions to its customers facing repayment difficulties, including counselling and rescheduling options. Debt restructuring is always offered under non-detrimental conditions. The Bank confirms that foreclosure is performed as last resort .

Sales practices

Arab Bank practices a variable reward system for its sales employees that is based on the volumes of sales but also on the level of compliance with the Bank's policies and procedures, Code of Conduct, and customer satisfaction.



The Bank provides training to its sales employees in both retail and corporate segments that seeks to ensure that financial products offered to customers match their financial capacity and needs. Moreover, the Bank has policies and procedures in place to ensure that sales practices remain customer-centric and free from aggressive sales where product suitability assessment is conducted before product offering to customers.

Moreover, the Bank conducts regular customer satisfaction surveys to evaluate customers' understanding of products and whether products offered met their expectations. Periodic mystery shopping reviews are also conducted to monitor and assess the performance of sales staff. Clients' financial profiles are regularly screened, ensuring that products and services offered match the clients financial capacity, objectives, and risk appetite. Furthermore, established a Customer Complaints Unit that oversees the prompt resolution of customer complaints and mandates corrective actions.

Marketing

Arab Bank confirms to be committed to clear and correct pricing, no hidden costs and prohibiting small print. Furthermore, the Bank commits to responsible marketing practices though ensuring that marketing material is always clear and concise.



The Bank commits to communicate transparently to its clients regarding fees, commissions, any applicable pricing and product risks. The Bank expects its relationship managers to place the clients and their needs as cornerstone of their engagement. Decisions are clearly communicated to clients and Arab Bank commits to highlight the reason for not approving any request.

PART III: CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH ARAB BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	BANK'S APPROACH
Strategic ESG topics	The Bank identified its strategic ESG priorities through a materiality assessment conducted first in 2023 and repeated in 2024, following the Global Reporting Initiative's (GRI) guidelines. The assessment involved the selection of material actual and potential impacts on the economy, environment and people by the Bank's senior management. 22 priority topics were identified in this process, including, but not limited to sustainable finance, climate change, financial inclusion and accessibility, supporting SMEs and entrepreneurship, ESG governance and ESG risk management. ⁷⁹
ESG goals/targets	To achieve its strategic ESG topics, the Bank has defined various KPIs and action plans. Specific quantitative targets have not yet been defined, but qualitative targets are in place. For example, with respect to sustainable finance, the Bank seeks to develop products and services that promote sustainable practices and positively impact the environment and society. The Bank reports on its various initiatives and achievements to date in its annual ESG reports.⁸⁰
Action plan	The Bank defined action plans and integrated ESG strategy-related KPIs into management scorecards as a first step to create ownership and accountability for the identified priority areas. The Bank confirms that plans for each of the 22 ESG priorities have been endorsed by the executive management and board of directors.

⁷⁹ More information is available in [Arab Bank's 2024 ESG report](#).

⁸⁰ Ibid.

	In the context of the strategic area of sustainable finance, Arab Bank offers its customers targeted lending products for financing electric vehicles and incentives to its credit card holders when purchasing products deemed environmentally friendly (such as renewable energy systems, electric car charging units, energy saving air conditioners). Arab Bank further offers targeted lending products and services to SMEs alongside supporting educational and financial literacy initiatives for them.
Climate transition strategy	Although Arab Bank announced its commitment to supporting the transition to a low-carbon economy, it is yet to develop a climate transition roadmap. The Bank is in the process of developing an accounting system for its financed emissions, setting targets, and developing a roadmap for reduction. In relation to its own operations, the Bank developed various initiatives and measures to decrease GHG emissions. This is done through:⁸¹ - reducing energy consumption by adopting energy efficiency measures and by integrating renewable energy into the energy mix where feasible - reducing paper consumption through automation of internal processes, introducing digital products and services for customers - reducing water consumption by installing water saving devices. Arab Bank further seeks to minimize supply chain impacts via the introduction of environmental requirements in its Suppliers Code of Conduct.
Sustainability reporting	The Bank reports on its ESG performance and initiatives on annual basis. The report is prepared following GRI standards. ESG-related publications are disclosed on the Bank's website.

⁸¹ Ibid.

Industry associations, collective commitments	-
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	Arab Bank issued its first and only sustainable bond so far in October 2023, in value of USD 250 million . The issuance was supported by a Sustainable Finance Framework from 2022 which was externally reviewed.

Rationale for issuance

Through its Sustainable Finance Framework, Arab Bank seeks to consolidate its commitment to responsible banking practices that create positive long-term impacts for its stakeholders and the environment. As well the Bank seeks to increase the relevance of sustainable finance in its funding strategy.

This Sustainable Finance Framework forms the basis for future green/social/sustainable bond issuances.

Opinion: *The Issuer clearly describes the key sustainability objectives and the rationale for issuing sustainable finance instruments. The majority of the project categories financed align with the Issuer's sustainability objectives.*

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Arab Bank commissioned ISS-Corporate to compile a Sustainable finance instruments SPO. The second-party opinion process includes verifying whether the Sustainable Finance Framework aligns with ICMA's GBP, SBP, SBG and LMA's GLP,SLP and assessing the sustainability credentials of its sustainable finance instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- ICMA's GBP, SBP, SBG
- LMA's GLP, SLP

ISSUER'S RESPONSIBILITY

Arab Bank's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS STOXX, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the Sustainable finance instruments to be issued by Arab Bank has been conducted based on proprietary methodology and in line with the ICMA/LMA GBP/SBP/SBG/GLP/SLP.

The engagement with Arab Bank took place from May to October 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS STOXX Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS STOXX.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For more information on SPO services, please contact SPOsales@iss-corporate.com.

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