

SUSTAINABLE FINANCE FRAMEWORK

2025

البنك العربي
ARAB BANK





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About Arab Bank

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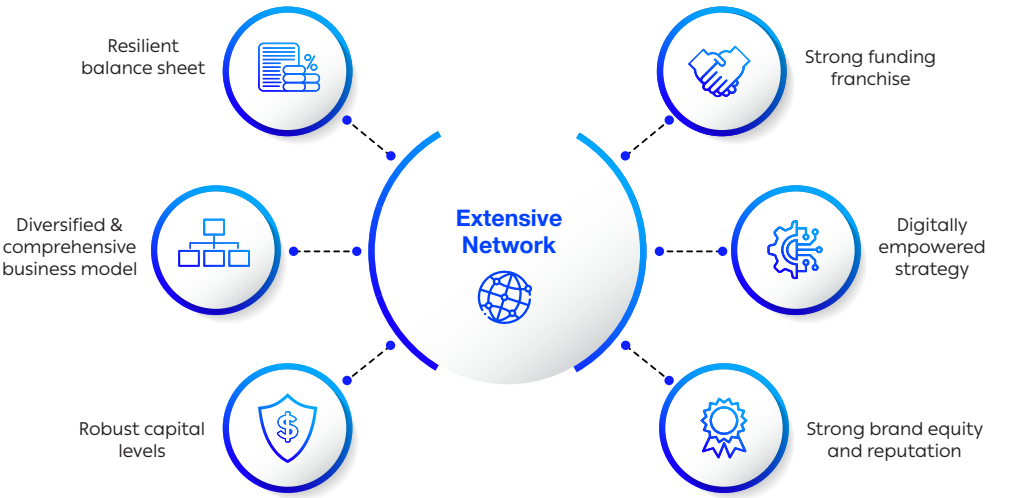
Arab Bank has one of the largest global Arab banking networks, with over 600 branches. It is one of the most competitive and diverse financial institutions. Arab Bank's extensive network covers key financial markets and centers such as London, Dubai, Singapore, Shanghai, Geneva, Sydney, and Manama.

With a legacy spanning over 95 years, Arab Bank has built distinguished reputation and high levels of credibility, earning the trust of its customers and shareholders.

Our Vision

"To constantly evolve and grow our dynamic financial services ecosystem to empower customers and communities to achieve their aspirations."

Arab Bank Key Strengths



Our Commitments

- Championing the customer
- Building connections
- Working as one
- Improving every day

Arab Bank Business Lines

CORPORATE AND INSTITUTIONAL BANKING

Providing international, regional and local companies with a full range of financial solutions through an extensive branch network and digital channels.

CONSUMER BANKING AND WEALTH MANAGEMENT

An extensive range of feature-rich banking solutions for individuals, delivered through a vast branch network and integrated digital banking channels, locally and regionally. We offer a comprehensive range of programs that are specifically designed to cater to the needs of a diverse consumer base.

 The bank also offers comprehensive wealth management solutions tailor made for the different customer profiles and leveraging the strength and capabilities of Arab Bank Group, including Arab Bank Switzerland, AB Invest and Europe Arab Bank.

TREASURY

Arab Bank's Treasury possesses extensive expertise in managing market and liquidity risk, providing expert advice and dealing services to Arab Bank's customers worldwide.

 Through its state-of-the-art systems, Treasury remains fully abreast of the latest market developments and regulatory standards, ensuring its readiness to meet the bank's and its customers' needs effectively.

Geographical Presence



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APPROACH TO SUSTAINABLE FINANCE

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In 2023, Arab Bank launched its ambitious Environment, Social, and Governance (ESG) strategy, which is supported by this Sustainable Finance Framework. This strategy aims to position Arab Bank as a leader in responsible banking practices that create positive long-term impacts for its stakeholders and the environment. Arab Bank's commitment to sustainable finance is reflected in its focus on integrating ESG principles across its product and service offerings, thereby enhancing its role in promoting sustainable economic growth.

Arab Bank's approach to sustainable finance is deeply aligned with its ESG vision and strategy. This alignment ensures that the bank's sustainable finance initiatives are not only an extension of its commitment to responsible banking practices but also a driving force behind its ambition to deliver long-term, positive impact for its stakeholders. Through its comprehensive ESG strategy, Arab Bank integrates sustainable finance into its core business operations, to drive long-term value creation and resilience.

Arab Bank's ESG strategy

Governance

Arab Bank is committed to integrating ESG in our Governance Model.

This pillar outlines the bank's approach to integrating ESG considerations into its governance model, including in its decision-making processes and risk management strategies.



Ambition

- Establish ESG operating model and governance structure
- Embed ESG KPIs in management scorecards
- Develop and implement a comprehensive ESG risk framework, policies and systems
- Expand ESG report to cover all plc countries

Environmental

Arab Bank is committed to supporting the transition to a low-carbon economy.

This pillar outlines the bank's unique role it plays in achieving the required transition to a low carbon economy and combating climate change.



Ambition

- Embed and expand our sustainable finance offerings
- Calculate baseline financed emissions and develop emissions reduction roadmap
- Develop a roadmap for achieving net-zero emissions from operations
- Develop and implement a sustainable procurement system

2.1 ESG Vision and Strategy

Arab Bank's ESG vision is "to be a leading regional financial institution in responsible banking practices by delivering long term, positive ESG impact for our stakeholders."

The bank's ESG strategy, which was approved by the Board of Directors, outlines a detailed approach to managing a range of ESG issues, with a particular emphasis on climate change. It includes initiatives for reducing the bank's carbon footprint, investing in sustainable technologies, and promoting green financing. The strategy also addresses social concerns by focusing on inclusive growth, supporting community development, and ensuring inclusive and diverse labor practices. Governance aspects are thoroughly considered, with the bank actively maintaining its commitment to transparency, ethical practices, and robust risk management.

Social

Arab Bank is committed to advancing social development.

This pillar outlines the bank's approach to advancing social responsibility within its ecosystem to support sustainable development, strengthen stakeholder relationships, and help to build a more equitable society.



Ambition

- Increase women representation within the bank's senior management
- Launch ESG awareness and culture integration initiatives and role-based training on ESG
- Establish employee wellbeing program
- Expand the bank's CSR program "Together" to key markets where the bank operates
- Enhance focus on SMEs and financial inclusion for target groups in key markets

2.2 Sustainable Finance Strategic Focus Areas

Arab Bank's commitment to sustainable finance is demonstrated through its strategic focus on several key areas, aimed at embedding sustainability across its core business operations and offerings.



Governance and Risk Management

Integrate sustainability into its governance structures and risk management practices, ensuring adherence to sustainability policies and compliance with regulatory standards.



Stakeholder Engagement

Engage with our key stakeholders, clients, regulators, investors and others, on sustainability by fostering collaboration and providing resources to encourage sustainable practice.



Products and Services

Develop financial products and services that promote sustainable practices, such as green financing and sustainable investment products, to positively impact the environment and society.



Innovation and Digital Solutions

Leverage innovation and digital solutions in embedding sustainability principles across its business and operations.

2.3 ESG Governance at Arab Bank

ESG factors have become increasingly crucial for banks and financial institutions in recent years. Strong ESG governance is essential for banks to effectively implement ESG strategy, address risks, comply with regulations, and meet the expectations of stakeholders.

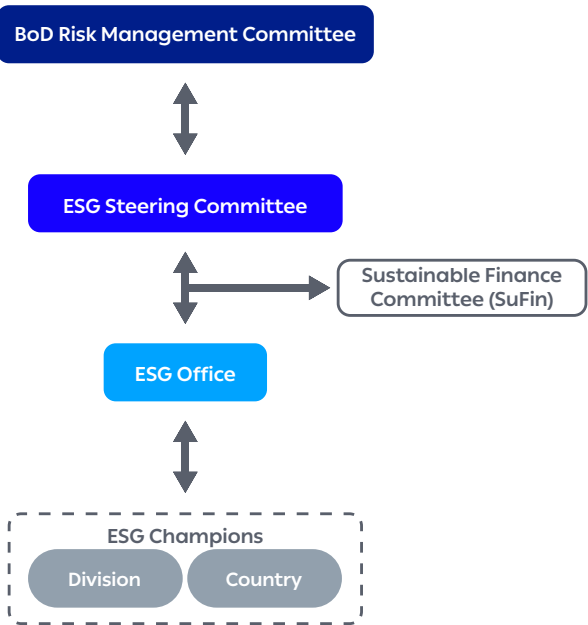
Achieving effective ESG oversight requires coordinated efforts across the bank, from the Board of Directors to frontline employees. It is essential for the bank to establish a culture that prioritizes ESG principles and integrates them into all aspects of its operations.

The bank's ESG Governance Model ensures that the oversight and management of ESG is seamlessly integrated into all facets of the business. At the top, the Board of Directors, through the Board Risk Management Committee, oversees the bank's ESG efforts, providing guidance and direction to management. Supporting this oversight is the ESG Steering Committee, comprised of executive management and led by the CEO, which is responsible for guiding and approving the overall implementation of the ESG strategy.

The bank also has a dedicated Sustainable Finance Committee (SuFin) which is tasked with managing the initiatives and activities set out within this Framework. Our operating model, is led by the ESG Office, which is staffed by a specialized team, that manages the design and execution of the ESG strategy across the Bank and is supported by dedicated ESG champions.

ESG Governance Structure

The ESG governance structure implemented within Arab Bank is outlined below. Additional details on roles and responsibilities can be found in the bank's [sustainability disclosures](#).



Sustainable Finance Committee

Arab Bank's Sustainable Finance Committee (SuFin) will be responsible for governing and implementing the initiatives set out in this Framework. SuFin is comprised of senior management personnel¹ representing key divisions, including but not limited to:



The committee ensures cross-functional collaboration and accountability in implementing the bank's Sustainable Finance Framework and advancing its sustainability agenda. The committee shall meet at least twice a year or more frequently, if required.

Key roles and responsibilities:

- Approve the bank's Sustainable Finance Framework
- Ensure appropriate and robust policy and process are in place to govern the implementation of the Framework
- Ensure that the bank maintains a sustainable finance register with sufficient controls
- Oversee the bank's sustainable finance portfolio
- Endorse all Eligible projects/transactions/portfolio recommended for allocation to sustainable bond or debt instruments in line with the Sustainable Finance Framework
- Ensure that Eligible Projects have undergone the necessary environmental and social risk assessment
- Ensure that the proceeds of any sustainable financing instrument are allocated to finance/refinance Eligible Projects
- Ensure annual review of the bond eligible portfolio and endorsing the outcome of the review
- Review and approve the bank's sustainable finance impact and allocation reports and alignment with the bank's Sustainable Finance Framework

¹Senior management personnel are either the head of the departments mentioned or a function head reporting to the head.

2.4 Environmental and Social Risks

Sound risk management practices are fundamental to Arab Bank's long-term success. Arab Bank constantly implements proactive risk management procedures to identify, mitigate and minimize risks.

Group Risk Management (GRM) represents one of the fundamental levels of oversight and is part of the organizational framework for managing risk. GRM works with the business lines on developing a robust and effective system for the identification and management of financial and non-financial risks to which Arab Bank is exposed.

The ESG Office is responsible for coordinating and reviewing environmental, social, and climate risk assessments to ensure the effective identification, management and mitigation of material risks across financing activities. It provides guidance on methodologies, ensures alignment with applicable regulations and international standards, and escalates material ESG risks to the appropriate governance bodies.

Arab Bank has an Environmental and Social Risk Policy that aims to enhance the bank's resilience to environmental and social risks. The bank is committed to managing environmental and social risks through implementing risk identification tools at customer, sector and portfolio levels. The bank integrates the management of these risks into its overall risk management framework through ensuring that potential risks are identified, assessed and mitigated throughout the lending and investment process.

Arab Bank's comprehensive approach to risk management reflects the bank's commitment to responsible banking, ensuring that its lending and investment decisions contribute to positive environmental and social outcomes while safeguarding the bank from potential risks associated with ESG factors.



3.

SUSTAINABLE FINANCE FRAMEWORK

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Arab Bank intends to use this Framework across its different business lines and geographies it operates in to guide the end-to-end management of sustainable finance instruments including Green, Social, Blue or Sustainability assets and liabilities including bonds, sustainable lending instruments and any other relevant sustainable instruments ("Sustainable Financing Instruments").

This Framework will act as a reference for the bank's sustainable product and service offerings. The sustainable finance instruments will fund eligible projects that align with the sustainable finance principles listed below:

- International Capital Market Association ("ICMA") Green Bond Principles ("GBPs")²
- ICMA Social Bond Principles ("SBPs")³
- ICMA Sustainability Bond Guidelines ("SBGs")⁴
- ICMA Sustainability Linked Bond Principle ("SLBP")⁵
- ICMA Sustainability-Linked Loans financing Bonds Guidelines ("SLLBG")⁶
- Loan Market Association ("LMA") Green Loan Principles ("GLPs")⁷
- LMA Social Loan Principles ("SLPs")⁸
- LMA Sustainability Linked Loan Principle ("SLLP")⁹
- Climate Bond Initiative Taxonomy (CBI)¹⁰
- Guidelines for Blue Finance¹¹
- ICMA Climate Transition Finance Handbook¹²

Arab Bank will consider applicable regional taxonomies as they develop and will continue to assess their implications to ensure and maintain forward-thinking practices.

Sustainable finance instruments issued under this Framework may take the form of public transactions or private placements or through structured products and services offered by the bank to its clients across regional and global markets, in either bearer or registered format, and may be structured as senior unsecured or subordinated issuances. Any bonds, and loans issued under this Framework will represent standard recourse obligations of the issuer. Investors will not bear the credit risk of the underlying allocated eligible asset exposures.

Eligible Types of Financing

As part of its commitment to advancing long-term sustainability, Arab Bank recognizes and supports a diverse range of financing solutions. These solutions are designed to drive tangible environmental and social impact. The following types of financing are central to the bank's strategy for advancing its sustainability objectives:



Dedicated Purpose Financing: This type of financing involves the allocation of proceeds specifically for projects that meet established sustainable (green/social) criteria. Funds raised through dedicated purpose financing are directed solely towards initiatives aimed at promoting environmental sustainability or addressing social issues.



General Purpose Financing: General purpose financing refers to funds that are raised for broader corporate purposes but are intended to support projects that contribute to sustainable development. While the proceeds may not be earmarked for specific initiatives, Arab Bank ensures that the financed activities align with the criteria set out in this Framework.



Transition Financing: Transition financing supports entities in their efforts to transition towards more sustainable practices, particularly those in heavy-emitting sectors. This type of financing is designed to facilitate the gradual shift of these entities towards lower-carbon operations, enabling them to meet evolving sustainability standards.

² In alignment with ICMA Green Bond Principles

³ In alignment with ICMA Social Bond Principles

⁴ In alignment with ICMA Sustainability Bond Guidelines

⁵ In alignment with ICMA Sustainability linked Bond Principles

⁶ Sustainability-Linked Loans financing Bonds Guidelines

⁷ In alignment with LMA Green Loan Principles

⁸ In alignment with LMA Social Loan Principles

⁹ In alignment with LMA Sustainability Linked Loan Principles

¹⁰ Climate Bond Initiative Taxonomy

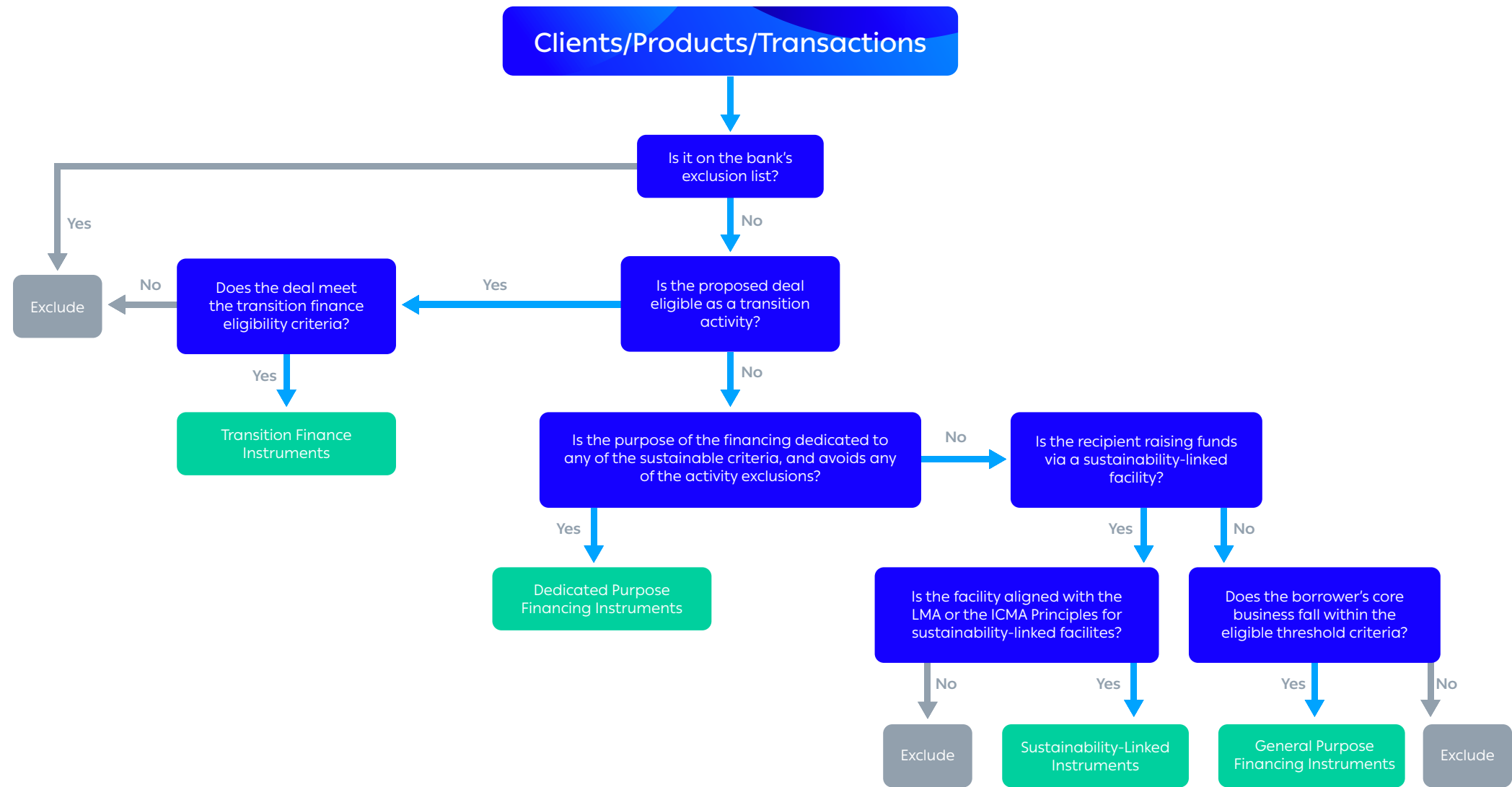
¹¹ Guidelines for Blue Finance

¹² ICMA Climate Transition Finance Handbook



Decision tree for identifying eligible financing activity

The decision tree below outlines the process for identifying eligible sustainable financing clients/products/transactions, in alignment with this Framework.



3.1 Dedicated Purpose Financing

Through dedicated purpose financing, the bank channels capital into projects that are specifically designed to achieve tangible environmental and social outcomes. This ensures that investments are strategically targeted to create positive, lasting impact on both society and the environment.

The selected eligible categories outlined in section 4.1 – Eligible Sustainable Categories are consistent with recognized international market benchmarks and best practices. As the sustainable finance landscape evolves, the criteria for these categories may be revised. Arab Bank is committed to regularly assessing and updating its classification criteria to ensure alignment with market developments and emerging best practices, while setting a standard for innovation and excellence in the field.

Issuing Green, Social and Sustainability Instruments

The issuance of green, social and sustainability instruments constitute an essential element of Arab Bank's commitment to sustainable finance, supporting the bank's broader strategy to promote long-term value creation. By adhering to the principles established by the ICMA and the LMA, Arab Bank ensures that its bond and loan issuances uphold the highest standards of transparency and accountability.

In alignment with those principles and guidelines, Arab Bank's dedicated purpose financing is presented through the four core components of the GBPs, SBPs, SBGs, and/or GLPs and SLPs as well as their recommendation for external review:

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

Use of Proceeds

Arab Bank commits to allocating funds equivalent to the net proceeds from the sustainable financing instruments issued under this Framework to finance and/or refinance the eligible portfolio of sustainable projects that meet the eligibility criteria of the defined categories of "Eligible Projects", the net proceeds are managed on a portfolio basis. The allocation will encompass all net proceeds, utilizing a combination of a three-year look-back period and a two-year forward-looking period. It is anticipated that each issuance under this Framework will be fully allocated within two years from the issuance date.

Green Categories



Renewable Energy



Pollution Prevention and Control



Clean Transportation



Climate Change Adaptation



Real Estate



Circular Economy



Energy Efficiency



Sustainable Management of Living Natural Resources



Sustainable Water and Wastewater Management

Social Categories



Socio-economic Development



Food Security and Sustainable Food Systems



Access to Basic Infrastructure



Affordable Housing



Access to Essential Services

Process for Project Evaluation and Selection

The project evaluation and selection process will ensure that the proceeds of any Arab Bank sustainable financing instruments are allocated to finance or refinance eligible sustainable projects that meet the criteria and objectives set out in section 4.1 – Eligible Sustainable Categories. SuFin will be responsible for governing and implementing the initiatives set out in the Framework. For specific roles and responsibilities of SuFin, please refer to section 2.2- ESG Governance.

Arab Bank has developed a cross-departmental approach to implementing sustainable finance due diligence and integrating ESG consideration within its policies and processes.

Sustainable finance opportunities are identified through the business origination and credit review process at Arab Bank. Potential sustainable transactions are screened using the sustainable finance checklist and referred to the sustainable finance function for further evaluation. The sustainable finance function reviews the eligible transactions against the bank's framework and policies, including the environmental and social risk policy, and confirms the classification of the transaction. The summary of the sustainable finance review and feedback is included in the credit review submission which is part of the credit decision making process.

Following a collaborative review with the business teams, transactions are submitted to the Credit Committee for final approval. Approved deals are recorded in the sustainable finance register including details on the transaction, its environmental and/or social impact and other relevant details.

Eligible deals are presented to SuFin and endorsed for allocation to eligible sustainable finance instruments.

Ongoing monitoring of sustainable transactions is managed through the bank's comprehensive annual review process. During this review, the Sustainable Finance function reviews the latest sustainability related reporting on the project/s and undertakes a decision on the sustainable finance classification. In certain cases where allocated project deviates from the committed sustainability objective, SuFin ratifies such projects with mitigative actions that includes declassification from the bank's eligible allocated portfolio and ultimately declassify such transactions from the bank's sustainable finance register.

Through the above governance process, the bank ensures that products, projects, clients, or transactions assessed for classification under this Framework shall go through rigorous checks and controls, maintain appropriate records, and are available for accurate reporting.

Management of Proceeds

The proceeds of each of Arab Bank's sustainable financing instruments will be deposited in Arab Bank's general funding accounts and earmarked for allocation towards the portfolio of eligible sustainable projects using the sustainable finance register which will be ratified by SuFin.

The sustainable finance register will contain the following information:

1. Sustainable financing instruments (bonds, loans, etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
2. Allocation of Proceeds:
 - a) The eligible sustainable projects List, including for each eligible sustainable projects, the eligible sustainable project category, project description, project location, ownership percentage, total project cost, amount allocated, settled currency, etc.
 - b) Amount of unallocated Proceeds

In case of a green/social/sustainable loan takes the form of one or more tranches of a loan facility, each tranche applicable to the green/social/sustainable project(s) will be clearly labeled, with proceeds of the green/social tranche(s) credited to a separate account or otherwise tracked appropriately via the sustainable finance register.

Any proceeds temporarily unallocated will be invested according to the bank's standard liquidity policy of investing in liquid securities and money market instruments.

As mentioned in section 2.3 - ESG Governance at Arab Bank, SuFin will ensure the review of the bond eligible portfolio and endorse the outcome of that review, at least annually, to ensure the validity of the reported assets and ensuring that the portfolio has been updated as appropriate.

Reporting

On an annual basis, Arab Bank will publish an allocation and impact report on its eligible sustainable projects portfolio. This reporting will be updated annually until full allocation of the net proceeds of any sustainable financing instruments issued, or until the sustainable financing instruments is no longer outstanding. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the information will be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories). All reporting, including this Framework and related Second Party Opinion (SPO) shall be publicly available on the bank's website.

Allocation Reporting

The allocation report shall provide information on indicators, such as:

- The amount of proceeds allocated to each eligible sustainable project category
- When possible, descriptions of the eligible sustainable projects financed, such as project locations, amount allocated, etc.
- Amount of unallocated Proceeds
- Percentage share of refinancing vs. new financing

Impact Reporting

The bank will provide reporting on the environmental and social impacts of the eligible sustainable projects portfolio. Subject to data availability and confidentiality, impact reporting may cover the metrics listed in section 4.2 - Impact Reporting Metrics of this Framework, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting. Where feasible, the methodologies as well the key assumptions used to determine the quantitative indicators will be disclosed.

3.2 General Purpose Financing

General purpose financing refers to funding provided by Arab Bank to support a range of projects and initiatives that contribute to sustainability objectives, without earmarking proceeds for specific uses. This type of financing enables Arab Bank to foster inclusive and responsible economic growth, while ensuring recipients adhere to sound environmental and social practices.

For Arab Bank, when proceeds from financing are not specifically designated for a particular eligible project portfolio, or are intended for general corporate purposes, the bank will assess the borrower's core business profile and its alignment with the principles of sustainability-linked instruments. If either criterion demonstrates alignment with Arab Bank's Sustainable Finance Framework, the transaction may be classified as sustainable following due diligence. Arab Bank's due diligence adheres to international standards and will be continuously refined to incorporate relevant assessment standards reflecting market best practices.



Business Profile

In instances where proceeds from a transaction are not explicitly allocated for a specific activity, Arab Bank will evaluate the eligibility of that transaction by assessing the borrower's business profile. The assessment will be based on data obtained from the client, publicly available annual reports and financial statements. A transaction will be considered eligible if the company meets at least one of the following criteria, which apply to both new financing and refinancing:

- Generate at least 90% of revenue or EBITDA from activities that fall within the defined categories of "Eligible Projects" as listed in section 4.1 - Eligible Sustainable Categories
- For companies involved in power generation, produce 90% of their energy production from recognized renewable sources
- For Pre-revenue entities, allocate a minimum of 90% of capital expenditures (Capex) or research and development (R&D) expenditures to eligible activities
- Non-profit healthcare providers, public educational institutions, and affordable housing providers can qualify based on their registration as public schools, universities, charities, or non-profit organizations

In cases where entities have significant but insufficient eligible activities (below the 90% threshold), a pro-rata approach will be utilized. This allows a portion of the funding to be considered eligible based on the proportion of eligible activities in the organization's overall business operations. To qualify under this pro-rata method, the recipient must meet one of the following conditions:

- Generate between 50% and 90% of revenue from eligible activities
- For companies involved in power generation, produce between 50% and 90% of their energy from renewable sources
- For pre-revenue entities, allocate between 50% and 90% of their Capex/R&D to eligible activities





Sustainability-Linked Instruments

Arab Bank is committed to fostering innovative sustainable finance solutions that encourage clients to adopt environmentally and socially responsible practices.

The financing Framework for sustainability-linked instruments aligns with the core components under established principles including, the LMA and the ICMA Sustainability-Linked Loan and Bond Principles, respectively linking financial incentives to future performance.

The core components are as follows:

- Selection of KPIs
- Calibration of Sustainability Performance Targets (SPTs)
- Financing Instrument Characteristics
- Reporting
- External Review

Sustainability-linked instruments are financial products designed to incentivize borrowers to meet specific sustainability performance targets (SPTs) through their financial structures. Unlike traditional dedicated purpose financing, the proceeds from these instruments do not need to be exclusively allocated to specific sustainability projects.

The primary aim is to link financial costs to the successful attainment of ambitious sustainability goals, thereby promoting sustainable business practices and facilitating the transition to more sustainable operations. Ongoing monitoring and verification against KPIs or third-party assessments to enhance transparency and accountability.

Selection of Key Performance Indicators (KPIs)

The selection of KPIs plays a critical role in the credibility and effectiveness of Arab Bank's sustainability-linked instruments, which may encompass both assets and liabilities. The bank places strong emphasis on ensuring that selected KPIs are core to the borrower's or issuer's sustainability strategy, material to their business model and directly address the ESG challenges most relevant to their industry. Each KPI must demonstrate strategic significance, not only reflecting current operations but also shaping the trajectory of future performance and impact.

To ensure clarity and effectiveness, Arab Bank provides a comprehensive list of measurable and externally verifiable example KPIs in section 4.2 - Impact Reporting Metrics, that align with clients' strategic objectives of this Sustainable Finance Framework. The financial terms of sustainability-linked instruments may vary based on the performance of selected KPIs against established SPTs. Documentation will clearly define KPIs and SPTs, outline calculation methodologies, and include provisions for exceptional circumstances.

Calibration of Sustainability Performance Targets (SPTs)

The calibration of SPTs is key to the structuring of the bank's sustainability-linked instruments. Arab Bank aligns with clients to setup SPTs that are ambitious, yet achievable and represent a material improvement in the respective KPIs. The SPTs should reflect a level of ambition that goes beyond both "business as usual" and regulatory required targets and be consistent with the borrowers or issuers overall sustainability strategy or policies.

Characteristics of Financing Instruments

For SLLs, the loan's economic characteristics, such as the margin, can be adjusted based on the borrower's performance against SPTs. For SLBs, the bond's financial and/or structural characteristics, such as coupon rate, can vary depending on whether the selected KPIs reach the predefined SPTs or not.

Reporting

The Framework requires borrowers and issuers to provide reporting on their performance against the SPTs at least on an annual basis. For SLLs, borrowers must provide up-to-date information to lenders on the performance of the SPTs while for SLBs issuers must publish and keep readily available information on the performance of the selected KPIs, including baseline where relevant. Arab Bank conducts annual project reviews and ensures the SPTs are progressing against the approved baselines and set forecasts for the projects, where information is available.

External review

Sustainability-linked Bonds:

Issuers shall seek to obtain a pre issuance second party opinion from a recognized independent review and perform an annual independent and external verification for their performance against each SPT for each KPI by a qualified external reviewer. The verification should be made publicly available.

Sustainability-linked Loans:

Borrowers shall obtain independent and external verification of their performance against each SPT for each KPI for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLL financial and/or characteristics, until the last SPT trigger event of the loan has been reached.¹³ The verification of the performance against the SPTs shall be shared with the lenders on an annual basis, where appropriate, should be made publicly available.

Overall, sustainability-linked instruments offer a flexible financing approach that supports the transition to sustainable practices while providing financial incentives for borrowers to enhance their sustainability performance. Arab Bank is committed to supporting its clients' sustainability ambitions through transparent, credible, and market-aligned practices, ensuring integrity in structuring, monitoring, and reporting of sustainability-linked financing.

¹³ Where information has already been verified as part of a borrower's (public) annual reporting or regulatory submission, it does not need to be verified again.

3.3 Transition Finance

Transition finance plays a critical role in enabling the decarbonization of hard-to-abate sectors such as heavy industry, transportation and energy, which are major contributors to global emissions. These sectors face significant challenges in reducing their carbon footprint due to technological, economic and structural barriers. Unlike green finance, which focuses on projects inherently low environmental impacts, transition finance is designed to bridge the gap by providing capital to high emission industries that are moving towards a low-carbon future.

Arab Bank recognizes that our clients may operate sectors that are in the process of transitioning their activities towards contributing to a low carbon economy. The bank is committed to support, guide and collaborate with our clients through their transition journey.

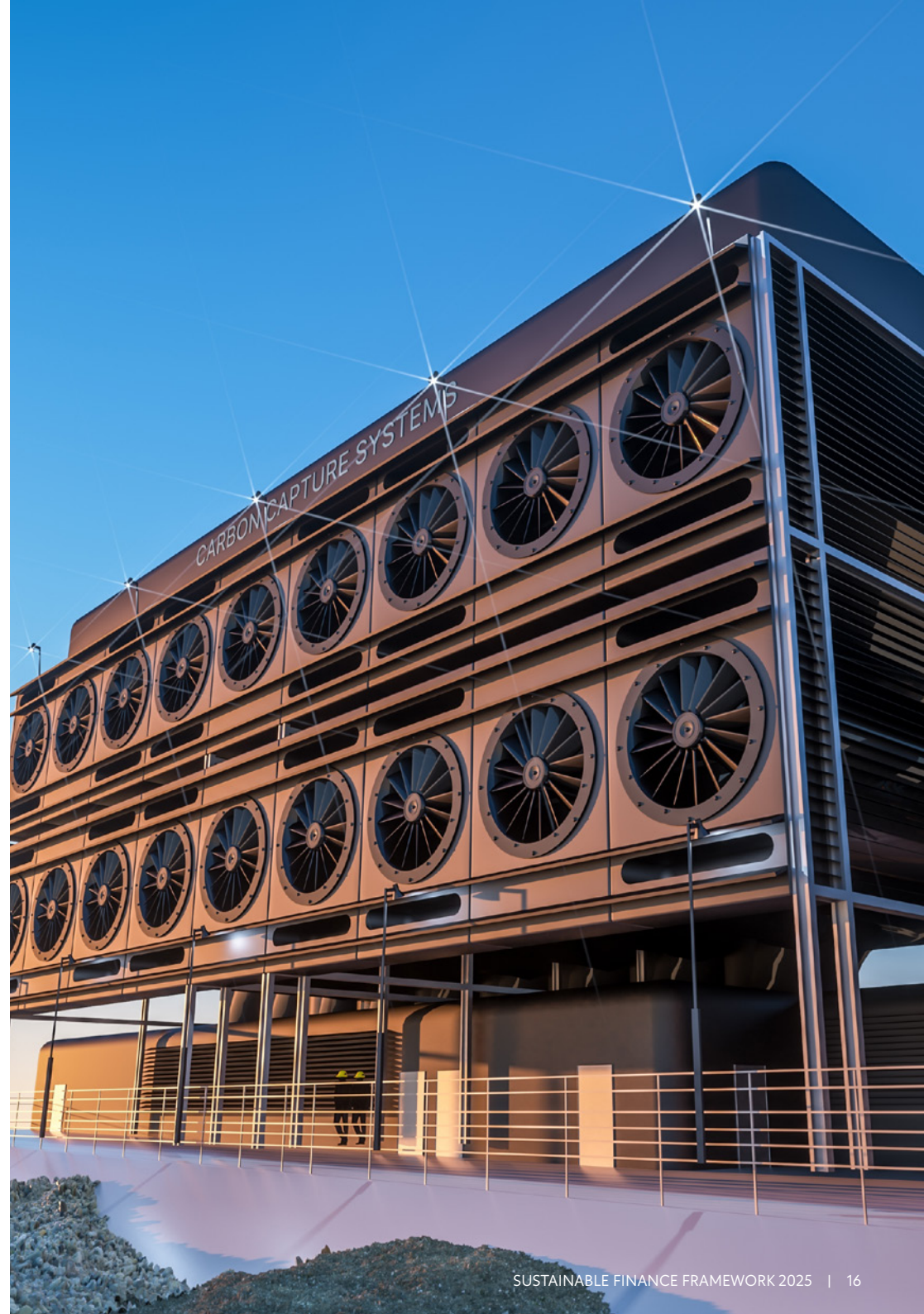
This section briefly outlines Arab Bank's eligibility guidelines for transition finance and highlights key sectors and activities that the bank perceives to be crucial to facilitate decarbonization. The transition to a low-carbon economy is a rapidly evolving area with new solutions emerging frequently. The following guidelines may be updated to reflect evolving market conditions, upcoming solutions and expanded area of scope.

Scope and Eligibility

The bank recognizes that transition finance is applicable across a wide range of sectors. Transition finance shall be structured as Dedicated Purpose Financing, directly funding specific transition projects, such as retrofitting steel plants for energy efficiency, adopting low-carbon fuels in shipping, or installing carbon capture systems in cement manufacturing. Refer to section 4.3 - Eligible Transition Activities for further details.

Any activities deemed transition by Arab Bank will not be categorized as green and/ or social financing. Where feasible, we would request the borrower to seek external reviews or second party opinions to provide an opinion on their transition finance activities.

To support a credible and effective transition to a low-carbon economy, any potential transition finance project should demonstrate no significant harm to the environment or affected communities. In addition, the client/borrower must have a credible, time-bound and transparent transition strategy in place.



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SUSTAINABLE ACTIVITIES

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4.1 Eligible Sustainable Categories

Renewable Energy

Objective: Climate Change Mitigation



Subcategory	Description	Exclusion
Electricity Production from Renewable Sources	<p>The acquisition, development, manufacturing, construction, operation, transmission, distribution, and maintenance of renewable energy assets including:</p> <ul style="list-style-type: none"> • Solar: Onshore • Solar: Offshore • Wind: Onshore • Wind: Offshore • Geothermal: Electricity generation facilities given that direct emissions below 100gCO₂/kWh • Hydropower: any type of electricity generation facility including run-of-river, impoundment, and pumped storage. Hydropower projects need to adhere to the following: <ul style="list-style-type: none"> - Operational before 2020: power density >5W/m² or GHG emissions intensity <100gCO₂e/kWh - Operational after 2020: power density >10W/m² or GHG emissions intensity <50gCO₂e/kWh - Large hydro power projects (>100MW), unless they meet the above criteria and IFC Performance Standards and in compliance with the banks Environmental and Social Risk Policy • Waste-to-energy¹⁴: 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 • 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 • Electricity generation facilities such as biomass power station¹⁵ • Anaerobic digestion facilities of sewage sludge¹⁶ • Tidal and wave energy¹⁷ 	<ul style="list-style-type: none"> • Facilities with more than 15% of electricity generated from non-renewable sources • Hydropower >1000MW • Bioenergy facilities must achieve no less than 80% GHG reduction compared to fossil fuel baseline and biofuel must be sourced from a sustainable feedstock (only timber feedstock allowed is waste wood) • Non-RSPO- certified palm oil
Manufacturing of Components for Renewable Energy	<p>Developing and/or manufacturing of renewable energy technologies and related assets, which includes:</p> <ul style="list-style-type: none"> • 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 	
Clean Energy Storage Technologies	<p>Batteries, capacitors, compressed air storage, flywheels and large-scale energy storage facilities which meet the following criteria:</p> <ul style="list-style-type: none"> • A dedicated connection to a power production plant eligible under one of the Climate Bonds sector criteria (e.g. solar, wind, hydropower) • A dedicated connection to a power production plant operating under the low carbon power threshold (100gCO₂/kWh) 	
Transmission and Distribution Assets	<ul style="list-style-type: none"> • Dedicated transmission and distribution infrastructure directly connecting or integrating renewable energy production and storage into new and/or existing networks, 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 	

• Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

¹⁴ Eligible waste-to-energy projects must show full compliance to CBI criteria on Waste Management projects (Energy from Waste)

¹⁵ In compliance with CBI criteria on Bioenergy covering emission intensity and biofuel source

¹⁶ Eligible activities include anaerobic digestion subject to proper controls on emissions and processes as per CBI criteria on Waste Management projects

¹⁷ 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

Energy Efficiency

Objective: Climate Change Mitigation



Subcategory	Description	Exclusion
Energy Efficiency Technologies	<p>Products or technologies designed to enhance energy efficiency, including:</p> <ul style="list-style-type: none"> • Installation of zoned and smart thermostat systems, sensing equipment, Building Management System (BMS) or Energy Management System (EMS) • 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 • 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 • Energy efficient appliances and technologies that shows performance improvement of at least 30% beyond a baseline of typical related replacement¹⁸ • Installation and operation of electric heat pumps given that refrigerant Global Warming Potential (GWP) threshold does not exceed 675 	
Infrastructure	<p>Enhancements in the efficiency of bulk energy service delivery, including but not limited to:</p> <ul style="list-style-type: none"> • Installation of energy efficient equipment and technology to increase the operational energy efficiency of utilities and other public services¹⁹ • Improvement of heat efficiency of district heating or cooling generation and distribution networks²⁰. For projects involving heat and cooling generation and transmission infrastructure directly connected to a power generation plant, 100% of generation will be from renewables or industrial waste heat. • Development and installation of technologies for efficient transmission and distribution such as smart meters, peak demand management and network monitoring and control systems²¹ 	
Telecommunications Infrastructure	<ul style="list-style-type: none"> • Activities that enable smart grid integration for telecommunication facilities²², 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 	
Manufacturing of Energy Efficiency technologies	<ul style="list-style-type: none"> • 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 	

¹⁸ Based on its diverse operational presence, the bank shall consider other thresholds in case they are aligned with local or international programs for sustainable finance

¹⁹ A minimum threshold of performance improvement of 30% must be achieved, the percentage must be verified by an accredited third party

²⁰ For projects that are not powered by 100% renewable energy but results in a reduction in greenhouse gas emissions (given the possibility of carbon lock-in)

²¹ 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

²² Telecommunication infrastructure including software energy monitoring and management to increase renewable energy and/or energy efficiency in the grid

Clean Transportation

Objective: Climate Change Mitigation



Subcategory	Description	Exclusion
Sustainable Transport	<ul style="list-style-type: none"> 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) are considered eligible Vehicles with zero tailpipe emissions, including hydrogen, fuel cells, and electric vehicles Public rail transportation (emissions under 50 gCO₂/p-km up to 2025, and zero tailpipe emissions thereafter) Freight rail transportation (emissions under 25 gCO₂/t-km up till 2030, 21 gCO₂/t-km from 2030 up to 2050) Zero emission shipping vessels 	<ul style="list-style-type: none"> 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)
Sustainable transport Infrastructure	<ul style="list-style-type: none"> 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 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 savings²³ on either a passenger/km or a tonne/km basis²⁴ 	

Sustainable Water and Wastewater Management

Objective: Climate Change Adaptation, Sustainable Use and Protection of Water and Marine Resources



Subcategory	Description	Exclusion
Supply management and wastewater treatment	<ul style="list-style-type: none"> Activities including sustainable water and wastewater management, covering infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems. This includes water monitoring²⁵, water treatment, water distribution, water-saving products designed to enhance efficiency²⁶ 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 asset²⁷ 	

• Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

²³ 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

²⁴ Eligible projects must comply with CBI's "Land Transport Criteria, infrastructure for low carbon transport

²⁵ Water monitoring items that are integrated sub-components of the water saving/efficiency tools and operations

²⁶ Water-saving products must achieve a 20% water efficiency improvement

²⁷ Projects must align with the full scope of the CBI Sector Criteria on Water Infrastructure

Subcategory	Description	Exclusion
Certified Sustainable Buildings	<p>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:</p> <ul style="list-style-type: none"> • 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' • 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' • GBEL- One Star • Building and Construction Authority (BCA) Green Mark: 'Gold' 	
Energy Efficient Buildings and related infrastructure	<ul style="list-style-type: none"> • Development of commercial, residential and other buildings with a primary energy demand in the top 15% of respective performance in the local market²⁸ • Upgrade of existing buildings (commercial, residential and others) when they achieve an emission/energy reduction of at least 30% from the baseline²⁹ • Upgrading building/district heating and cooling systems to a more efficient non-fossil fuel alternatives³⁰ • Development and manufacturing of low carbon and alternative building materials such as alternatives to cement and concrete³⁰ 	

²⁸ As per CBI criteria for building.

²⁹ Such improvements must be verified by an accredited third party

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

Climate Change Adaptation³¹

Objective: Climate Resilience



Subcategory	Description	Exclusion
Drought Adaptation	<p>Activities aimed at mitigating the impacts of drought, including:</p> <ul style="list-style-type: none"> 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 Development of drought-resistant crops and agricultural practices including soil rehabilitation, drip irrigation, rainwater harvesting Water storage systems to manage supply during dry periods where water supply/service enhances resiliency to drought 	<ul style="list-style-type: none"> GMO crops are excluded
Heat Adaptation	<p>Activities focused on reducing the impacts of extreme heat, including:</p> <ul style="list-style-type: none"> Creation of urban green spaces to lower temperatures and improve air quality Implementation of heat-resilient infrastructure, including reflective materials including reflective paints³² and cooling systems based on 100% renewable energy Green/blue urban infrastructure³³ 	
Other Climate Change Adaptation Activities	<p>Activities that increase the resilience of ecosystems, including:</p> <ul style="list-style-type: none"> Climate observation and early warning systems for storms, droughts, floods or dam failure Water, power, transport, and communication-resilient infrastructure ensuring repairs and reliability of service Reducing or avoiding weather-related damage through flood management, bridges designed for higher levels of flooding, and infrastructure for anticipated wind speeds, heavy rains, and increased temperatures Conservation or rehabilitation of wetlands, mangroves, and coral reefs to reduce flooding, soil erosion, and enhance coastal resilience 	

Pollution Prevention and Control

Objective: Pollution Prevention



Subcategory	Description	Exclusion
Prevention and Control of Pollution	<ul style="list-style-type: none"> Facilities focusing on waste storage infrastructure that temporarily store bulk waste³⁴ before transferring to eligible waste processing assets such as recycling, treatment, or energy recovery plants³⁵ Waste collection and transportation activities where vehicles that comply with emission standards³⁶ and transport waste exclusively to eligible processing facilities Facilities that refurbish or repair products, components, or materials for reuse without further processing³⁷ Facilities that process and recycle metals, plastics, glass, and paper ensuring materials are reused as high quality secondary raw materials Activities focused on biological treatment³⁷ Projects related to landfill gas capture infrastructure that should be directed towards existing closed landfills³⁸ 	<ul style="list-style-type: none"> Facilities that send waste to landfills without energy recovery Facilities/ projects used for permanent storage of waste, landfills Products requiring additional processing before reuse or those not covered by an eco-labelling scheme

• Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

³¹ 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

³² Evidence of solar reflectance properties must be demonstrated through technical reports to the material relevant to the heat adaptation project.

³³ This includes green roofs, green facades, permeable surfaces, rain gardens, bioswales, canals and ponds to address the effects of drought, floods and urban heat

³⁴ Facilities should have an Environmental Management System in place such as Standards for Environmental Management System (ISO 14001)

³⁵ In compliance with the eligibility requirements set out within renewable energy category for waste to energy activities

³⁶ In compliance with CBI's emissions threshold on freight activities under Land transport projects

³⁷ Eligible activities aligned with CBI Waste Management Activities

³⁸ Methane can be collected and used for energy generation with a minimum capture rate of 75%.

Sustainable Management of Living Natural Resources

Objective: Sustainable Resource Management



Subcategory	Description	Exclusion
Protection, Conservation, and Restoration of Biodiversity	<p>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:</p> <ul style="list-style-type: none"> • Soil and biomass management, erosion control, and improved soil health • Sustainable forest management, including afforestation, reforestation, and forest rehabilitation³⁹ • Sustainable fisheries and aquaculture supporting fishery operations such as wild fisheries, aquaculture and onshore and offshore processing and storage facilities⁴⁰ • Ecosystem protection, restoration and biodiversity conservation by supporting land and marine remediation, conservation and reforestation efforts to enhance ecosystem resilience • 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 practices⁴¹ • Development of supply systems for seed production along with certified primary processing and storage facilities specifically designed for eligible agricultural⁴², forestry⁴³ products 	<ul style="list-style-type: none"> • Species identified as red-list endangered or threatened or protected species as per IUCN's classification • Lack of compliance with local, national, and international legislations, destructive and illegal fishing practices • Entities where health of the forest is not managed • Systems incompatible with low carbon agriculture targets • Genetically modified seed production • The beneficiary of the financing is not the one that is responsible for any of the prior degradation of the ecosystem
Sustainable Tourism	<p>All projects that achieve sustainable/Eco tourism, including:</p> <ul style="list-style-type: none"> • Development and construction of tourism facilities such as resorts, 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

Objective: Resource Efficiency



Subcategory	Description	Exclusion
Responsible Consumption	<p>Any activity that focuses on reducing waste, and promotes circular production models that extend product life cycle and minimize environmental impact, such as:</p> <ul style="list-style-type: none"> • Sustainable product innovation that ensures waste reduction through material recovery, recycling or reuse⁴⁴ • Efficient resource management strategies initiatives that lower raw material consumption, including water and energy⁴⁵ while maintaining functionality and quality⁴⁴ • Refurbishment or repair of facilities, products or components for reuse while maintaining original functionality with minimal resource use⁴⁴ • 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 processes⁴⁴ 	

• Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

³⁹ Project areas are not intended for resource exploitation, either now or in the future, by the clients undergoing the restoration and conservation

⁴⁰ 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 an accredited third-party impact report

⁴¹ 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

⁴² Sustainable agricultural certification accepted (EU organic or Bio, or any certification provided by a certified body of IFOAM)

⁴³ Sustainable forestry certification accepted (FSC, PEFC, China Forest Certification Scheme)

⁴⁴ In compliance with the CBI Waste Management Criteria

⁴⁵ ≥ 30% improvement in energy efficiency and/or ≥ 20% improvement in water efficiency

Socioeconomic Development

Objective: Equitable Employment Opportunities for All



Subcategory	Description	Exclusion
Lending to Small and Medium-Sized Enterprises	<p>All activities that support employment generation through lending to MSMEs, such as:</p> <ul style="list-style-type: none"> • Financing and/or refinancing to Small and Medium Enterprises (SME) and Microfinance clients <p>Target Population: MSMEs⁴⁶</p>	
Women's Economic Empowerment	<p>All projects aimed at promoting socioeconomic advancement and empowerment through gender equality by providing financing to:</p> <ul style="list-style-type: none"> • Women-owned and Women led small and medium enterprises⁴⁷ <p>Target Population: General population including women entrepreneurs and smallholder businesses⁴⁸</p>	
Access to Finance	<p>All activities that promote financial inclusion, such as:</p> <ul style="list-style-type: none"> • Expanding banking access⁴⁹ to unbanked and underserved populations • Supporting microfinance institutions to provide small loan and financial services • Investing in digital and mobile banking solutions for remote areas <p>Target Population: Targeting poor and low-income population that lack access to banking and financial services</p>	

⁴⁶ MSME local definition is adopted within each area of operation. In addition, MSMEs in low- and middle-income countries, MSMEs in high income countries operating in underserved areas (where unemployment and/or GDP Per capita levels are below the national average)

⁴⁷ 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; OR 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)

⁴⁸ WMSMEs 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

⁴⁹ 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

Access to Essential Services

Objective: Affordable and Equitable Access for All to Healthcare and Education



Subcategory	Description	Exclusion
Healthcare	<ul style="list-style-type: none"> • 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 developing healthcare facility infrastructure, and 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 medicines⁵⁰ to target populations/ areas <p>Target Population: General Population including those who lack quality access to essential healthcare</p>	
Education	<p>All activities that provide access to essential services for education and vocational training, including but not limited to the following:</p> <ul style="list-style-type: none"> • 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 primary/secondary/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 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 <p>Target Population: General population including those who lack quality access to essential education services</p>	

⁵⁰ List of essential medicines should be in compliance with the World Health Organization (WHO) essential medicines list to target populations/ areas

Affordable Basic Infrastructure

Objective: Affordable and Equitable Access for All to Basic Services



Subcategory	Description	Exclusion
Water and Sanitation	<p> Expanding and upgrading water infrastructure⁵¹ (e.g. building new facilities or rehabilitating/expanding existing ones) to ensure equitable access for underserved communities and a growing population, thereby improving health outcomes and quality of life </p> <p> Implementing water saving technologies⁵² across agriculture and industry to conserve resources and support local livelihoods </p> <p>Target Population: General population including those who lack quality access to essential services</p>	
Digital Access and Inclusion	<p>All activities that enhance digital access and inclusion, such as:</p> <ul style="list-style-type: none"> • Providing affordable internet and mobile services in underserved areas • Expanding connectivity in rural, remote and low-income areas through financing telecommunication network infrastructure • Promoting access to digital infrastructure and technologies⁵³ <p>Target population: Those who lack digital access</p>	
Access to Energy	<p>All activities that improve access to energy in rural, remote and low-income areas</p> <p>Target Population: Those who lack access to reliable energy</p>	Activities that utilize fossil fuels
Transport	<p>All activities that provide affordable basic infrastructure for transportation, such as:</p> <ul style="list-style-type: none"> • 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.⁵⁴ <p>Target Population: Those who lack quality access to essential services</p>	

Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

⁵¹ 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

⁵² 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

⁵³ Such projects cover Internet access to residential homes in under developed areas or in regions that are lacking the access to such technologies

⁵⁴ 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

Affordable Housing

Objective: Affordable and Equitable Access for All to Safe and Decent Housing



Subcategory	Description	Exclusion
Financing and Development of Affordable Housing	<p>All projects aimed at financing and/or refinancing mortgages under government-supported or government-subsidized affordable housing programs⁵⁵, along with initiatives related to the development and construction of homes within such programs</p> <p>Target Population: Aligned with local government supported programs</p>	Entities benefiting from the commercial management or operation of affordable housing

Food Security and Sustainable Food Systems

Objective: Ensuring Equitable Access to Nutritious Food and Safe Drinking Water for All, While Promoting Sustainable Agricultural Practices.



Subcategory	Description	Exclusion
Food Security and Sustainable Practices	<p>Government sponsored programs or international programs focused on:</p> <ul style="list-style-type: none"> • 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 requirements⁵⁶ • Projects towards resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers and farmers <p>Target Population: Targeting those experiencing food insecurity and smallholder producers and farmers in need of support</p>	

⁵⁵ 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

⁵⁶ Projects of similar nature include World Bank programs to ensure agricultural resilience

4.2 Impact Reporting Metrics

Arab Bank applies a wide range of impact KPIs to report and evaluate the performance of its sustainable finance instruments. These KPIs can be used for all eligible sustainable categories in relation to the use of proceeds and sustainability-linked instruments, the below list of KPIs are not exhaustive and new KPIs can be adopted on a case-by-case basis.

Eligible Projects	KPIs
Renewable Energy	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (tCO2e)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings (% or MWh) • Annual CO2 emissions avoided (tCO2e)
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (tCO2e) • Number of clean vehicles deployed (e.g. electric) • Distance in kilometers travelled by financed clean transport • Estimated reduction in fuel consumption
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual gross water use before and after the project in m3/a. • Annual reduction in water use in % • Amount of rainwater collected (m3) • Annual gross amount of wastewater treated, reused or avoided before and after the project in m3/a • Annual gross amount of raw/untreated sewage sludge that is treated and disposed of (in tonnes of dry solids per annum and in %) • Annual gross amount of sludge that is reused (in tonnes of dry solids p.a. and in %)
Green Buildings	<ul style="list-style-type: none"> • Energy use in kWh/m2 of Gross Building Area p.a. • Carbon reduction in kg of CO2/2 of Gross Building Area p.a. • Water savings in m3/m2 of Gross Building Area
Climate Change Adaptation	<ul style="list-style-type: none"> • Reduction in number of operating days lost to extreme weather conditions and natural disasters • Reduction in land-loss from inundation and/or coastal erosion in km² • Increase in agricultural land using more drought resistant crops in hectares
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. • Amount of CO2 emissions avoided (tCO2e) • Amount of energy generated from waste (MWh)
Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of natural landscape area in km² and in % for increase • Absolute number of indigenous species, flora or fauna restored through the project • Absolute number of predefined target organisms and species per km² (bigger fauna) or m² (smaller fauna and flora) before and after the project • Increase in sustainable fisheries
Circular Economy	<ul style="list-style-type: none"> • The % increase in materials that are reusable, recyclable, and/or certified compostable as a result of the project and/or in absolute amount in tonnes p.a. • Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or as absolute amount in tonnes p.a. • The % and/or absolute amount in tonnes p.a. of virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes
Socioeconomic Development	<ul style="list-style-type: none"> • Number of jobs created • Number and amount of loans to MSMEs • Number of people/women provided with access to financial services • Number and amount of loans to women-owned/led MSMEs • Percentage of women in senior management positions

• Represents activities inspired by the IFC Blue-Finance Guidelines water-related impacts (reference only). Financing follows the financing criteria.

Eligible Projects	KPIs
Access to Essential Services	<ul style="list-style-type: none"> • Number of people benefited (e.g., patients benefited, or students supported) • Numbers of places and beds • Number of schools and universities financed • Number of public hospitals, clinics and health care centers financed
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of infrastructure projects completed (e.g., roads, bridges, public transport, water, sanitation, and energy) • Number of people or households with improved access to basic services (e.g., clean water, sanitation, power, transport, communication technologies)
Affordable Housing	<ul style="list-style-type: none"> • Number of affordable housing units constructed or rehabilitated • Number of people with access to safe, affordable, and sustainable housing • Number of people benefiting from housing assistance programs/subsidised housing
Food security and sustainable food systems	<ul style="list-style-type: none"> • Number of people provided with access to affordable, safe, nutritious, and sufficient food • Amount of food produced sustainably (in tons) • Annual reduction in food waste in communities served

4.3 Eligible Transition Activities

Sector	Examples of Eligible Activities
Energy and Utilities	<ul style="list-style-type: none"> • Utilization of carbon capture and storage solutions • Transitioning to low-carbon energy sources • Retrofitting utility infrastructure to improve efficiency and reduce emissions
Industry	<ul style="list-style-type: none"> • Electrification of industrial processes (such as steel, cement and chemicals) • Adoption of low-carbon technologies in high-emission industries • Energy efficiency improvements in high-emission sectors • Use of low-carbon feedstocks • Adoption of carbon capture and storage solutions • Material efficiency improvements
Transport	<ul style="list-style-type: none"> • Electrification of heavy-duty vehicles and public transport • Transitioning to low-carbon fuels • Investment in infrastructure for electric vehicles and low-carbon transport solutions • Route optimization
Agriculture and Land Use	<ul style="list-style-type: none"> • Utilizing climate smart agriculture practices • Implementing sustainable land management practices such as regenerative agriculture and agroforestry • Methane reduction initiatives in livestock farming • Reforestation and soil restoration
Buildings and Construction	<ul style="list-style-type: none"> • Retrofitting buildings with energy efficient technologies and solutions • Use of low-carbon building materials • Decarbonizing district heating and cooling systems

4.4 Excluded activities

While the Framework supports a wide range of activities, certain projects are explicitly excluded from eligibility for financing under this Framework. These exclusions are based on the potential for significant negative environmental or social impacts. The following criteria apply:

- Fossil fuel related exploration, production and distribution⁵⁷
- Coal power generation and distribution assets⁵⁷
- Coal mining and transportation
- Extractive industries, fracking and mining
- Manufacture and production of finished tobacco & alcoholic products
- Gambling including any gaming activity such as lotteries and raffles
- Defense related contracts and related military contracting
- Child labor/ forced labor and any activity related to modern slavery
- Large scale livestock production
- Adult entertainment
- Waste incineration/ landfills without emission-related capture technology
- Any activity related to deforestation or the destruction of conservation areas

⁵⁷ Exceptions may be made for transition finance activities



5.

PRODUCT SCOPE

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The following financial products⁵⁸ are recognized as part of Arab Bank's commitment to sustainable financing. This list is not exhaustive and is designed to be adaptable, allowing for the inclusion of additional products as they are developed in alignment with relevant industry standards and guidelines. Relevant global and local standards / guidelines / frameworks shall be referenced for sustainable finance product classification.

Product / Service	Description	Relevant guidelines / frameworks	Allocation Basis
Green, Social or Sustainability Bonds	Bonds (including private placements, and other debt instruments) categorized as green, blue, social or sustainability themes by corporations, governments or financial institutions.	ICMA Green, Social, and Sustainability Bond Principles	Arab Bank's share of total deal value or Proportional share of the bookrunner ⁵⁹
Syndicated Loans	Loans provided for projects that align with specified social and environmental themes.	LMA Social and Green Loan Principles	Arab Bank's share of the total deal value or Proportional share of the bookrunner ⁵⁹
Sustainability-Linked Loans (SLLs) and Bonds (SLBs)	Financing instruments that motivate borrowers to meet specific sustainability targets, which are linked to the pricing structure of the facility.	ICMA Sustainability-Linked Bond Principles LMA Sustainability-Linked Loan Principles	Arab Bank's share of total deal value or proportional share of the bookrunner
Green and Social Loans	Loans designated for financing eligible green and social initiatives.	LMA Green and Social Loan Principles	New facilities provided (limits) ⁶⁰
Sustainable Trade Finance⁶¹	Financial offerings that facilitate trade transactions between importers and earmarked to specific green/social/sustainable projects and/or assets.	LMA Green and Social Loan Principles	New facilities provided (limits) ⁶⁰
Sustainability-Linked Supply Chain (SSCF)	Financing provided to a client's suppliers based on predefined sustainability performance metrics and thresholds	ICMA Sustainability-Linked Bond Principles LMA Sustainability-Linked Loan Principles	Total facility volume ⁶²
Green Asset Finance	Financing specifically for green assets or activities that qualify as eligible based on this Framework.	LMA Green Loan Principles	New facilities provided (limits)
Green Mortgages	Mortgage products that offer incentives for purchasing energy-efficient homes, including lower interest rates for qualifying properties.	LMA Green Loan Principles	This represents the cumulative amount of mortgage loans issued by the bank, including any new lending initiatives ⁶³
Sustainable Investing	Direct investments made into funds that focus on businesses or assets with sustainable, green and social impact objectives.	ICMA Green, Social, and Sustainability Bond Principles ICMA Sustainability-Linked Bond Principles ICMA's Climate Transition Finance Handbook	Total funds invested
Other ESG Loans	Various loan products aimed at financing or refinancing companies whose business activities are deemed eligible under this Framework.	LMA Green and Social Loan Principles LMA Sustainability-Linked Loan Principles	New facilities provided (limits)
Sustainable Deposits and Liabilities⁶⁴	Liability instruments offered to our clients where the use of proceeds from such instruments is directed/invested towards sustainable objectives	ICMA Green, Social, and Sustainability Bond Principles ICMA Sustainability-Linked Bond Principles LMA Green and Social Loan Principles	Total funds deposited ⁶⁵
Sustainable finance framework-based lending	Direct investment financing to clients an established Sustainable Finance Framework that adheres to internationally accepted standards, where client shall use the funds in accordance with their respective framework	LMA Green and Social Loan Principles LMA Sustainability-Linked Loan Principles	Arab Bank's share of the total deal value or proportional share of the bookrunner

Arab Bank will account for transactions that facilitate sustainable financing in accordance with its Sustainable Finance Framework, ensuring clarity and transparency in reporting. The product scope encompasses various financing avenues, including but not limited to debt and equity capital markets, as well as corporate and consumer lending.

⁵⁸ This covers new facilities and refinancing of existing facilities

⁵⁹ This refers to the portion of the total transaction value that corresponds to the bank's involvement as a bookrunner in the deal

⁶⁰ This indicates the total amount of newly approved financing facilities available for eligible projects, in accordance with the bank's established limits

⁶¹ Financial offerings that facilitate trade transactions between importers and earmarked to specific green/social/sustainable projects and/or assets

⁶² Arab Bank may choose to apply a haircut to the total facility volume based on sustainability performance rating distribution

⁶³ This represents the cumulative amount of mortgage loans issued by the bank, including any new lending initiatives

⁶⁴ The bank will implement internal controls, periodic monitoring and management to ensure a proper asset-liability management and timely rebalancing. In cases where sustainable liabilities temporarily exceed sustainable assets, a defined rebalancing period will be applied to restore alignment, ensuring integrity and proper use of sustainable funds

⁶⁵ Sustainable deposit and liabilities with a commitment to invest/direct funds to sustainable activities shall be considered as facilitation

6.

EXTERNAL REVIEW AND VERIFICATIONS

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Arab Bank is committed to maintaining the highest standards of transparency and accountability in its Sustainable Finance Framework. To achieve this, Arab Bank engages independent third-party organizations to conduct comprehensive external reviews.

These reviews assess the overall alignment of the Sustainable Finance Framework with established guidelines and best practices in sustainable finance. By incorporating external perspectives, Arab Bank ensures that its practices are robust, credible, and in line with industry standards.

6.1 Second Party Opinion



To further enhance the credibility of its Sustainable Finance Framework, Arab Bank has appointed ISS Corporate to provide a Second Party Opinion. This assessment will evaluate the Framework's compliance with the principles set out in section 3 - Sustainable Finance Framework. The Second Party Opinion serves as an independent verification of the Framework's integrity and alignment with recognized sustainability standards.

The findings of the Second Party Opinion will be made publicly accessible on Arab Bank's official website at [Arab Bank Sustainability section](#). This transparency allows stakeholders, including investors and clients, to review the assessment and gain confidence in Arab Bank's commitment to sustainable finance.

6.2 Post Issuance External Verification

In order to provide timely and transparent information regarding the allocation and reporting of funds from sustainable financing instruments issued under this Framework, Arab Bank plans to engage a third-party reviewer for annual post-issuance external verification. This process will involve a thorough assessment of the alignment of fund allocations with the criteria established in the Framework.

The third-party reviewer will evaluate whether the funds have been utilized in accordance with the specified sustainable finance objectives, ensuring compliance with Arab Bank's sustainability commitments. This verification will help maintain accountability and provide assurance to stakeholders about the effective use of funds.

Overall, Arab Bank's approach to external review and verification underscores its dedication to responsible financing and sustainable development, fostering trust and confidence among its stakeholders.

Amendments to this Framework

The ESG Office will review this Framework on a regular basis, including its alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices in the market. In case of minor updates, Arab Bank would seek corresponding updates in the SPO from ISS corporate. In case of changes that are not minor in nature, Arab Bank would seek an updated SPO at the relevant time. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on Arab Bank's website and will replace this Framework.

References



- [ICMA Principles](#)
- [ICMA Harmonized Framework for Impact Reporting](#)
- [ICMA's Climate Transition Finance Handbook 2020](#)



- [LMA Sustainable Lending](#)
- [ICMA Sustainability-Linked Bond Principles](#)



- [Climate Bond Initiative](#)
- [CBI White Paper – Financing Credible Transitions](#)



- [IFC Guidelines for Blue Finance](#)

Disclaimer

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