

The Saudi Investment Bank

Second-Party Opinion – Sustainable Finance Framework

Excellent
Good
Aligned
Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> Sustainable Fitch considers the use of proceeds (UoP) categories included in The Saudi Investment Bank's (SAIB) sustainable finance framework as aligned with the ICMA Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP) and Sustainability Bond Guidelines 2021 (SBG); they also align with the LMA, LSTA and APLMA Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP). The sustainable finance framework outlines 12 categories that contribute to SAIB's environmental and social objectives and its sustainability framework, which aim to promote environmental and social outcomes.
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none"> SAIB has established a list of exclusions to ensure it does not finance activities that are environmentally and socially sensitive or do not comply with sharia (Islamic law). Both new and existing projects can be financed. The bank has not committed to keeping a certain level of new projects in its portfolio, which would increase the instruments' additionality.
Evaluation and Selection	Good	<ul style="list-style-type: none"> SAIB has clearly outlined a project selection process, which involves a sustainable finance working group (SFWG). The SFWG includes diverse experts providing cross knowledge, which ensures projects meet the eligibility criteria. However, we consider the evaluation and selection to be single-layered, restricting appropriate internal checks and balances.
Management of Proceeds	Good	<ul style="list-style-type: none"> We consider the bank's proceeds management through earmarked segregation as suitable, though a dedicated bank account would be optimal. Ineligible projects are substituted, and the framework outlines the process for managing unallocated proceeds in compliance with the ICMA requirements.
Reporting and Transparency	Excellent	<ul style="list-style-type: none"> The allocation and impact reporting will be provided annually at the category level until full allocation, which is in line with standard market practice. Allocation reporting will be externally reviewed annually until full allocation. The impact report indicators are specifically measurable and relevant.

Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> ✓ Green Bond Principles 2021 (ICMA) ✓ Social Bond Principles 2023 (ICMA) ✓ Sustainability Bond Guidelines 2021 (ICMA) ✓ Green Loan Principles 2023 (LMA/LSTA/APLMA) ✓ Social Loan Principles 2023 (LMA/LSTA/APLMA)
Date assigned	26 September 2024
See Appendix B for definitions.	

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Relevant UN Sustainable Development Goals



1 NO POVERTY
 2 ZERO HUNGER
 3 GOOD HEALTH AND WELL-BEING
 4 QUALITY EDUCATION
 6 CLEAN WATER AND SANITATION
 7 AFFORDABLE AND CLEAN ENERGY
 8 DECENT WORK AND ECONOMIC GROWTH
 11 SUSTAINABLE CITIES AND COMMUNITIES
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
 13 CLIMATE ACTION
 14 LIFE BELOW WATER

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Use of Proceeds Summary

Green	<ul style="list-style-type: none"> Renewable energy Green buildings Clean transportation Environmentally sustainable management of living natural resources and land use Sustainable water and wastewater management Energy efficiency Pollution prevention and control
Social	<ul style="list-style-type: none"> Affordable basic infrastructure Access to essential services Affordable housing Employment generation (including through SME financing and microfinance) Food security

Source: ICMA GBP, SBP and SGB; SAIB sustainable finance framework (August 2024)

Framework Highlights

We consider SAIB's sustainable finance framework to be aligned with the ICMA GBP, SBP and SBG and with the LMA, LSTA and APLMA GLP and SLP. Our opinion is that the framework's alignment with these principles is 'Good'.

SAIB established its sustainable finance framework with the objective of issuing various sustainable financing instruments, including bonds and sukuk that are green, social or sustainability instruments. Bonds or sukuk issued under SAIB's framework may take the form of public transactions or private placements, be in bearer or registered format and may take the form of senior unsecured or subordinated issuances.

The proceeds from green, social or sustainability instruments issued by SAIB will be used to finance and/or refinance projects with environmental and social benefits.

Green projects include development of renewable energy sources, transition to clean transportation systems, sustainable water and wastewater management, and promotion of energy efficiency. Investments will also be made in constructing and maintaining green buildings, controlling pollution, and ensuring terrestrial and aquatic biodiversity conservation.

Additionally, social projects that can be financed include job creation to counter socioeconomic issues, provision of affordable housing, access to essential services, development of affordable basic infrastructure and support to a sustainable food system to ensure food security. The overarching goal of these investments is to bolster environmental sustainability while also enhancing the quality of life and infrastructure for the general population.

The framework includes the four core components recommended by the aforementioned principles and guidelines: UoP; process for project evaluation and selection; management of proceeds; and reporting.

The bank pledged, in line with its commitment to ESG principles, to refrain from funding a broad array of operations deemed inconsistent with sharia or that could cause damage to environmental or social welfare. The bank also explicitly bans any transactions linked to modern slavery or forced labour, thereby minimising the likelihood of supporting businesses implicated in human rights abuse. This catalogue of exclusions serves to reassure outside parties that the bank's financial resources will not support endeavours detrimental to either the environment or society.

The ICMA GBP, SBP and SBG, and the LMA, LSTA and APLMA GLP and SLP recommend that eligible projects are clearly described in the legal documentation for transactions. We have only reviewed the sustainable finance framework for this Second-Party Opinion and have not reviewed any transaction legal documents or marketing materials; however, the framework provides the description of projects.

Source: Sustainable Fitch, SAIB sustainable finance framework (August 2024), SAIB company material

Entity Highlights

SAIB is a joint-stock company and commercial bank based in Saudi Arabia, with total assets of USD38.75 billion as of 30 June 2024. Established in 1976, SAIB is publicly traded on the Saudi Stock Exchange (Tadawul). The General Organisation for Social Insurance is the major shareholder, owning 25.60% of the bank's shares.

SAIB serves a diversified clientele through its personal banking, corporate banking, treasury, and asset management and brokerage services, offering both sharia-compliant and conventional products and services across Saudi Arabia.

The SME sector is vital for achieving the diversification goals outlined in the Saudi Vision 2030, which aims for loans to Saudi Arabia's SMEs to constitute 20% of total bank loans by 2030. SAIB contributes to this objective by providing a variety of sharia-compliant financial options. The bank offers comprehensive financing solutions for SMEs, including guaranteed financing through the SMEs Loan Guarantee (Kafalah) Programme. The Kafalah Programme, launched by the Saudi Industrial Development Fund, provides guarantees to assist micro-, small- and medium-sized enterprises (MSMEs) and entrepreneurs in securing necessary financing.

The Saudi Vision 2030 is a long-term development plan aimed at stimulating economic growth, technological advancement and sustainability by 2030. Saudi Arabia recently amplified its sustainability goals, announcing its intention to achieve net-zero GHG emissions by 2060, with 50% of its electricity capacity being from renewable sources by 2030. This pledge reflects the country's strategic move toward a greener and more sustainable energy landscape.

The Kingdom's initiative also seeks to diversify the economy away from oil, attract foreign investment and improve the overall quality of life for residents. The Saudi Vision 2030, founded on the themes of a vibrant society, a thriving economy and an ambitious nation, guides the Kingdom's aspirations, policies and plans.

SAIB is actively contributing to these goals. For instance, under the theme "a vibrant society", the bank finances general and urban infrastructure projects and reduces water and electricity consumption through its building management system. Under "a thriving economy", SAIB has increased its funding to MSMEs to support small businesses. SAIB also supports the Saudi Vision 2030 by financing green projects such as renewable energy, recycling, water and wastewater treatment, hazardous waste disposal and other environmental services.

Additionally, SAIB's strategy, aligned with the Saudi Vision 2030, particularly supports the financial sector development programme, which emphasises the growth and digital innovation of the MSME sector. The bank aims to enhance banking services and digital transformation to drive efficiencies and improve customer experiences.

SAIB has established a sustainability committee, which is the strategic leadership body responsible for overseeing, advising and advocating for the successful implementation of sustainability initiatives at SAIB. It guides sustainability efforts across all organisational phases by utilising the bank's sustainability framework, policy, and strategic priorities and targets.

The sustainability committee ensures that sustainability is embedded into SAIB's corporate strategy, policies, procedures, management systems, activities and culture. It identifies and implements high-impact sustainability initiatives to enhance performance, measures and reports on performance, both internally and externally, and maintains meaningful dialogue with stakeholders. Strategic sustainability priorities and targets are periodically reviewed and adapted in response to evolving trends, risks and opportunities.

The bank aligns its operations and community outreach with select UN Sustainable Development Goals (SDGs), ensuring that its initiatives have a positive impact in line with these global objectives.

Source: Sustainable Fitch, SAIB sustainable finance framework (August 2024), SAIB company material



Use of Proceeds – Eligible Projects

Alignment: Good

Company Material

Sustainable Fitch's View

Renewable energy

- This UoP covers the financing of projects related to the production, transmission and distribution, and storage of energy from renewable sources such as solar, wind, green hydrogen, hydropower and bioenergy (including the manufacture of dedicated components for renewable energy).
- Solar projects include PV solar energy and concentrated solar power with a minimum 85% of power generation derived from solar sources.
- Wind projects include both onshore and offshore wind energy.
- Green hydrogen and green ammonia projects that are powered by electrolysis using 100% renewable energy, including wind and solar, and limited to a life-cycle GHG emissions intensity of or below 3kgCO_{2e} per kg of hydrogen (kgH₂).
- Hydropower, including pumped storage, is to be run with either a power density above 5W/m² or life-cycle GHG emissions intensity below 100gCO_{2e}/kWh.
- It also covers bioenergy projects supporting electricity generation with emissions intensity below 100gCO_{2e}/kWh, with feedstock being sourced from sustainable sources (eg agricultural residues or forestry residues) or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools.

- We expect this UoP to be aligned with the renewable energy categories of the ICMA GBP and SBG, and the LMA, LSTA and APLMA GLP.
- We view this UoP to have a good environmental impact. The promotion of renewable energy enables Saudi Arabia to transition away from its dependency on crude oil, which accounted for 86% of its total energy production as of 2021, according to the International Energy Agency.
- The promotion of renewable energy also contributes to the country's Saudi Vision 2030 target to increase the share of electricity that comes from renewable sources to 50% by 2030.
- Financing of renewable energy production and manufacturing of related components support SDG 7 (affordable and clean energy) by supporting access to a clean energy technology and increasing the share of renewable energy in Saudi Arabia. They also contribute to climate change mitigation by reducing GHG emissions.
- We consider SAIB's wind, solar and hydropower energy projects to substantially contribute to climate change mitigation, as we consider the eligibility criteria defined in its framework to be aligned with international standards such as the EU taxonomy.
- We positively view the framework's eligibility criteria for green hydrogen projects, such as the life-cycle GHG emissions threshold of under 3kgCO_{2e}/tH₂, as this provides certainty about these projects' potential positive environmental impact.
- We also consider financing of biomass energy to be environmentally positive, as it contributes to the increased production and distribution of renewable energy as well as to the reduction of GHG emissions subject to certain environmental criteria being met.
- We positively view that materials sourced are already used in agricultural activities or byproducts of agricultural activities instead of materials from virgin forests, as it avoids potential depletion of existing carbon-sequestering forests.
- However, major international taxonomies have more stringent requirements compared to the eligibility criteria defined in the framework, including that the GHG emissions savings from the use of biomass should be at least 80% in relation to the GHG savings methodology and the relative fossil fuel comparator.



Clean transportation

- This UoP covers projects related to the acquisition, operation and maintenance of low-carbon vehicles for passenger and freight transportation.
- For non-fully electrified transportation, it should meet the following criteria: for passenger and public transportation, including bus, train and rail, specific emissions should be under 50gCO₂/passenger-km up to 2025, and 0gCO₂/passenger-km thereafter; and for freight transportation, specific emissions should be under 25gCO₂/t-km until 2030 and 21gCO₂/t-km from 2030 up to 2050.
- It also includes projects supporting the deployment of electric vehicles including charging infrastructure.

- We expect the UoP to align with the clean transportation categories of the ICMA GBP and the LMA, LSTA and APLMA GLP.
- We view this UoP to have an excellent environmental benefit. Financing zero- and low-carbon transportation and related infrastructure supports the decarbonisation of the transport sector, providing access to sustainable transport and improving air quality, therefore, contributing to SDG 11 (sustainable cities and communities).
- As reported by the Saudi Energy Efficiency Centre, the land transport sector consumed nearly 19% of the total energy in Saudi Arabia in 2022. Consequently, decarbonising this sector will be essential for the country to achieve its net-zero GHG emissions targets.



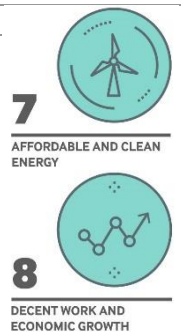


- Promoting zero- and low-carbon transportation as part of the decarbonisation effort would also help achieve the country's goal of reducing GHG emissions by 278 million tonnes a year by 2030.
- We consider the eligibility criteria defined in the framework for zero-carbon transportation and low-carbon transportation, which exclude the transportation of fossil fuels, to be in line with the requirements defined in major international taxonomies, such as the EU taxonomy.
- Financing of supporting infrastructure, such as charging stations for electric vehicles, is also considered to contribute to climate change mitigation and to align with substantial contribution criteria included in the EU taxonomy, as it explicitly excludes storage and transportation of fossil fuels.

Energy efficiency

- This UoP covers projects that reduce energy consumption. It includes projects improving operational energy efficiency by at least 20% compared to the average national energy consumption of an equivalent project or technology.
- Additionally, it covers district cooling systems with at least 30% improvement in energy efficiency; investment in smart energy grids, energy meters and energy management systems; upgrading older generation (3G and 4G) telecommunications infrastructure and networks to 5G; and energy-efficient equipment for buildings including LED lighting and HVAC, and supporting infrastructure.
- For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded.

- We expect the UoP to align with the energy efficiency categories of the ICMA GBP and the LMA, LSTA and APLMA GLP.
- We view the financing of these projects to have a good environmental benefit and to contribute to SDGs 7 and 8 (decent work and economic growth) through improvements in energy efficiency and global resource efficiency that may support GHG emissions reduction.
- Additionally, projects under this category support the Saudi Vision 2030 by promoting energy solutions, enabling innovation in low-emissions technology and promoting more stringent efficiency standards.
- This UoP encompasses projects that directly contribute to national initiatives such as the Saudi Energy Efficiency Programme, which coordinates public and private energy-efficiency efforts as well as aims to enhance the energy-efficiency culture across various sectors in Saudi Arabia.
- The installation of district cooling systems could reduce electricity consumption compared to a traditional cooling system. This is an important energy-saving measure in Saudi Arabia, which has a mostly arid desert climate; we positively view this potential financing, though there is insufficient information available for us to determine its alignment with international taxonomies such as the EU taxonomy, which sets out specific criteria for district cooling in the substantial contribution criteria.
- We positively view that this UoP can also support installation of energy meters, energy management systems, energy-efficient equipment and manufacturing of batteries or battery components. We also positively view the financing of telecommunications infrastructure and upgrade of networks to 5G as these support the development of quality, reliable and sustainable technological solutions that promote data transmission efficiency.
- However, the eligibility criteria include a broad range of energy-efficiency projects compared to the criteria defined in major international taxonomies, which are more stringent in classifying sustainable activities.





Green buildings

- This UoP covers the financing of projects related to the acquisition, development, construction and refurbishment of buildings that belong to the top 15% in terms of energy efficiency in their local market.
- It also covers buildings that have received, or expect to receive based on their design, construction and operational plans, certification in accordance with third-party-verified green building standards, including: LEED Gold or above, Mostadam Gold or above, BREEAM Excellent or above, Global Sustainability Assessment System (GSAS) 3 star or above, or EDGE (certified, advanced, zero carbon).
- It also covers projects related to the acquisition, development, construction and refurbishment of data centres with a power usage effectiveness of under 1.5.

- We expect the UoP to align with the green buildings categories of the ICMA GBP, and the LMA, LSTA and APLMA GLP.
- We view this UoP to have a good environmental impact. Enhancing energy efficiency in Saudi Arabian buildings is crucial for reducing energy consumption, achieving economic savings and mitigating environmental impact. According to the Saudi Vision 2030 and the Saudi Energy Efficiency Centre, improving energy efficiency plays a vital role in achieving better resource management and reducing GHG emissions, in line with the country's sustainable development goals.
- The UN Environment Programme – Finance Initiative reported that the real estate sector was responsible for 40% of global GHG emissions in 2022. This highlights the need for climate change mitigation in this sector.
- Saudi Arabia has one of the highest per capita energy consumption rates in the world, largely due to air conditioning needs in its hot climate. Residential buildings account for nearly 50% of the total electricity consumption in the country. Efforts are underway to improve the energy efficiency of existing and new residential buildings.
- The Saudi Building Code, which includes comprehensive energy-efficiency standards, was officially implemented in 2018. This code aims to ensure that all new constructions adhere to higher standards of safety, sustainability and energy efficiency.
- SAIB can finance the acquisition, development, construction and refurbishment of building projects to improve their energy efficiency, as long as these belong to the top 15% of buildings in terms of energy efficiency in Saudi Arabia.
- However, additional visibility on how the entity will determine the top 15% most energy-efficient buildings, considering energy performance certificate (EPC) requirements for buildings have not yet been implemented in the country, would allow us to assess the UoP's environmental contribution at a deeper level.
- The framework includes Mostadam green building certification, which is Saudi Arabia's premier green building certification system, aligned with the Saudi Vision 2030. This certification promotes sustainable practices tailored to the local environment. Mostadam-certified buildings significantly lower their environmental impact and support the nation's sustainability goals by reducing energy and water consumption, and improving indoor environmental quality.
- The framework also includes other types of internationally recognised certifications. Qualifying for certification under green building schemes requires meeting criteria on topics such as energy performance, water usage, waste reduction, pollution control and alternative modes of transportation. As such, we expect certified buildings to have a better environmental performance than conventional buildings.
- We positively consider these certifications, but they may not necessarily indicate alignment with stringent international standards defining green activities, which have specific requirements for primary energy demand.
- This green category also includes financing for projects related to data centres with a power usage effectiveness of under 1.5, which we view positively as it supports energy efficiency in cities and companies, thereby lowering overall GHG emissions and bringing a positive environmental impact.





- We view the financing related to green buildings to contribute to SDGs 7, 11 and 13 (climate action) through improvements in energy efficiency of the real estate sector, which is a significant contributor to global GHG emissions.

Pollution prevention and control

- This UoP covers projects related to the construction, upgrade and renovation of facilities for collection, sorting, processing, conversion and treatment of waste, including waste collection and storage, waste sorting, separation and material recovery, recycling and reuse of waste products into usable products and/or new materials, and biological treatment facilities (including anaerobic digestion and composting facilities).
- Additionally, this UoP can finance waste-to-energy plants, where recyclables are sorted and there is bottom ash recovery. The life-cycle GHG emissions intensity of energy produced should be less than 100gCO₂e/kWh.
- We expect the UoP to align with the pollution prevention and control category of the ICMA GBP and the LMA, LSTA and APLMA GLP.
- We view this UoP to have a good positive environmental impact, as it supports the Saudi Recycle 2024 Plan, which aims to recycle 95% of the Kingdom's waste by emphasising recycling practices, reduced landfill usage and improving waste management infrastructure. Saudi Arabia is enhancing its waste management and recycling capabilities through government initiatives and investments in modern recycling facilities and waste-to-energy plants by 2040.
- We view the financing in this UoP to contribute to SDG 12 (responsible consumption and production) by supporting the design to improve the efficiency and effectiveness of waste management systems, thereby reducing environmental pollution and promoting sustainable practices. Proper waste management also contributes to the low-carbon, circular economy transition.
- Projects related to reducing environmental pollution and waste are considered eligible under international taxonomies for their environmental contribution, and we positively view that the eligibility criteria include sorting, separation and material recovery as well promotion of recycling and reuse of waste products into usable products and new materials.
- The issuer has confirmed that activities related to the collection of non-hazardous and hazardous waste will be segregated at source to avoid cross-contamination, which we view positively.
- However, the framework does not provide enough information about the characteristics of these projects, such as whether a monitoring and contingency plan is in place in order to minimise methane leakage at anaerobic digestion of bio-waste facilities; or information on whether the waste is non-hazardous or hazardous to prevent cross-contamination.
- We are not able to determine if the projects will align with international or local market best practices without further information about the projects' technical characteristics.
- Waste-to-energy activities contribute to environmental sustainability by reducing methane emissions from landfills and preventing leachate pollution. These activities also promote energy recovery from waste, which helps reduce reliance on fossil fuels and supports a shift towards a net-zero emissions future.
- The focus on waste-to-energy solutions should not detract from waste management methods that are more environmentally effective, such as prevention, reuse and recycling, which are higher in the waste hierarchy and crucial for a sustainable waste management system.
- Waste-to-energy approaches in waste management must be carefully managed to ensure they support, rather than impede, broader sustainability goals.



Sustainable water and wastewater management



- This UoP cover projects related to the construction of, or upgrades, renovations or improvements for, the transportation and wastewater treatment facilities, including water and wastewater treatment plants (WWTP) including reuse of WWTP effluents; sewer systems and pumping stations; and projects that increase water-use efficiency,
- We expect the UoP to align with the sustainable water and wastewater management categories of the ICMA GBP and the LMA, LSTA and APLMA GLP.
- We view this UoP to provide a good environmental impact. Improper treatment of wastewater and effluents from production processes can pollute nearby water sources, posing a risk to wildlife and local communities that rely on





<p>such as water recycling and reuse projects, water saving systems, technologies and water metering.</p> <ul style="list-style-type: none"> It can also cover investments and expenditures in desalination plants powered by electricity with an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life and based on the reverse osmosis technology. 	<p>such sources. This means water treatment plants have a positive impact on the environment, as they help improve ambient water quality, protect both ecosystem health and human health, and allow safe reuse of water, thereby also contributing to SDG 6 (clean water and sanitation).</p> <ul style="list-style-type: none"> Saudi Arabia, as one of the world's most water-stressed nations, is actively taking steps to secure water. The country's strategy encompasses actions to ensure optimising agricultural water use; increasing desalination and storage; using more treated wastewater; and enhancing water system resilience through better planning and monitoring. Also, it intends to support the agriculture sector as part of the plan and make agriculture more sustainable through improving current practices and crop productivity. We positively view the financing of projects under this category, as it supports the Saudi National Water Strategy for 2030, which aims to safeguard and optimise water resources across the Kingdoms' economy. We consider the UoP to be eligible under the climate change mitigation and adaptation objectives of international taxonomies, for the activities related to water collection, treatment and supply systems with improved energy efficiency. However, compliance with more stringent criteria would be needed to further classify them as sustainable activities. For example, water and wastewater facilities have a high energy consumption, so certain energy-efficiency requirements need to be met for them to positively affect the environment. The UoP can also include financing of desalination plants powered by electricity, which we consider as having a good environmental impact in the Saudi Arabian context. As reported by Saudi Arabia's ministry of environment, water and agriculture, to meet the country's water demand, it will need to rely on 90% desalinated water and 10% ground and surface water by 2030. We view investments in desalination plants that meet the average carbon intensity of or below 100gCO₂e/kWh and those using the reverse-osmosis technology as having a significant positive environmental impact. However, there is a lack of additional thresholds as required by international taxonomies to fully align with the substantial contribution criteria for climate change adaptation. Nevertheless, we recognise this UoP's environmental benefits, as it plays a vital role in adapting to the consequences of climate change, such as increased water scarcity. Therefore, it is especially pertinent for Saudi Arabia, which is in a water-scarce region.
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Terrestrial and aquatic biodiversity conservation

<ul style="list-style-type: none"> This UoP can finance sustainable fisheries certified under the Marine Stewardship Council or equivalent third-party certification; and sustainable aquaculture projects certified under the Aquaculture Stewardship Council or equivalent third-party certification. 	<ul style="list-style-type: none"> We expect the UoP to align with the ICMA GBP and with the LMA, LSTA and APLMA GLP, under their respective categories of terrestrial and aquatic biodiversity conservation. This UoP aims to reduce overfishing and achieve efficient use of natural resources through solutions that value natural capital. Saudi Arabia has also included targets to achieve seafood self-sufficiency in its Vision 2030, which heightens the need to adopt environmentally positive practices. The requirements outlined in this UoP include the sale of products certified by the Marine Stewardship Council and Aquaculture Stewardship Council, which offer some assurance of reduced environmental impact. However, these requirements are not yet included in established international taxonomies. For example, the EU taxonomy has not yet classified fishing and aquaculture activities as environmentally sustainable. 	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>14 LIFE BELOW WATER</p>
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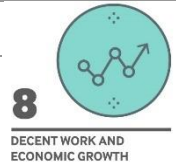


- The issuer has confirmed that it will ensure compliance with the frequency and thoroughness of verification checks of the certification under the requirements of the Aquaculture Stewardship Council methodology. The audit checks will be conducted annually.
- This UoP aligns with SDGs 12 and 14 (life below water).

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

- This UoP covers the financing and/or refinancing of loans to MSME and microfinance clients, as well as the provision of support measures to these clients such as offering extension of payment periods and exemption of facility fees during natural disasters and pandemics.
- The entity has identified as target population MSMEs, as classified in accordance with the definitions of the Central Bank of Saudi Arabia and the Kafalah Programme; MSMEs whose economic activities have been affected by pandemics and natural disasters; and female-owned MSMEs and female entrepreneur clients (majority owned or majority managed by women).

- We expect the UoP to align with the employment generation (including through SME financing and microfinancing) categories of the ICMA SBP and SBG, and the LMA, LSTA and APLMA SLP.
- We view this UoP to have an excellent social impact, as it can foster community cohesion and individual well-being by mitigating the adverse social effects associated with joblessness, such as increased crime and mental health issues. Additionally, funding SMEs and microfinance clients promotes entrepreneurship and the formalisation and expansion of SMEs, which stimulates local economic development.
- Under the Saudi Vision 2030, the country aims to increase SME contribution to its GDP to 35% in 2030 from 20% in 2018; additionally, it intends to increase women's participation in the workforce to 30%, and lower the rate of unemployment to 7%.
- We consider this UoP to contribute to SDG 8, as it can improve social stability by providing individuals with income security and the means to support their families, thereby reducing poverty and enhancing overall economic growth.
- The issuer relies on government-defined target population, which we view as positive, as it is in line with national definitions and enhances the potential positive social impact.
- The additional focus on supporting women-led SMEs and those affected by the pandemic or natural disasters aligns with international market best practices; we positively considered this in our assessment.



Affordable housing

- This UoP covers the financing and/or refinancing of government-supported or government-subsidised mortgages in partnership with mortgage financing programmes for the provision of affordable housing as well as projects related to the development and construction of homes covered under such programmes.
- For this UoP, the entity has identified as target population those eligible for government-supported affordable housing mortgage financing schemes under the programmes of the Real Estate Development Fund and the ministry of housing.
- The eligibility criteria also include first-time home buyers. The programme also covers borrowers with salaries under SAR5,000 and "about to retire" customers, to further ensure affordability.

- We expect the UoP to align with the affordable housing categories of the ICMA SBP and SBG, and the LMA, LSTA and APLMA SLP.
- We view the UoP to have a good social impact. Financing affordable housing could contribute significantly to reducing the housing deficit the country faces and to improving living conditions for its citizens, especially the population who otherwise would not have access to securing housing.
- We view this UoP to support SDGs 1 (no poverty) and 11, through the creation of inclusive and sustainable communities by enabling affordable property ownership and access to affordable rental housing, both of which support financial and housing security. Additionally, the UoP supports the provision of affordable housing in Saudi Arabia, especially for young customers who are part of its rapidly growing population.
- The real estate sector is crucial for the country's economy, contributing to 7% of the GDP as of 2021. The home ownership rate stood at 63.7% in December 2023; however, the country has set an ambitious target as part of the Saudi Vision 2030 initiative to increase home ownership to 70% by 2030.
- To achieve this, the Saudi ministry of housing introduced several initiatives aimed at facilitating home ownership. These include subsidised loans, partnerships with private developers to construct new homes, and reforms to land and





property laws to make the market more accessible for average Saudi citizens.

- However, the issuer has set income bracket thresholds that indicate the housing is not specifically targeting the lowest-income groups. The financing is designed to increase the rate of social housing ownership across the country.

Access to essential services (healthcare and education)

- This UoP covers projects that expand access to public, not-for-profit, free or subsidised healthcare and education.
• This includes the construction, maintenance or refurbishment of hospitals, clinics and healthcare centres; infrastructure for the provision of emergency medical response and disease control services; and construction, maintenance or refurbishment of schools, universities, kindergartens or vocational training facilities and development of related education services and programmes.
• The target population is the general population, including populations that lack quality access to essential goods and services.

- We expect the UoP to align with the access to essential services categories of the ICMA SBP and SBG, and the LMA, LSTA and APLMA SLP.
• Climate change poses a significant threat to public health, with extreme weather events happening in particular in vulnerable countries such as Saudi Arabia. According to the World Bank, Saudi Arabia is at risk of several natural hazards, including floods, sand and dust storms, and drought, leading to casualties and the spread of diseases.
• We view this UoP to have a good social impact, as it addresses climate risk, as well as the increasing demand for healthcare and infrastructure due to Saudi Arabia's growing and aging population, by providing more people with access to affordable, quality healthcare and basic infrastructure that would otherwise not be easily accessible to the general public; this improves the quality of life and life expectancy of beneficiaries.
• This UoP's financing initiatives are closely related to the Saudi Vision 2030, as Saudi Arabia aims to improve the standard and quality of healthcare services, modernise facilities and equipment, and enhance the role of private sector investment as well as develop regulations that empower non-profit organisations.
• The Saudi Vision 2030 also aims to further integrate advanced technologies into education, investing in physical and digital infrastructure, to provide students of any age with a higher quality, multi-faceted education.
• The UoP supports SDGs 3 (good health and well-being), 4 (quality education) and 11 by increasing public access to urban infrastructure, educational opportunities for upskilling, leading to more efficient resource use and more inclusive public services.
• The issuer has identified the population lacking quality access to essential goods and services as its target population for the described projects.
• Further information on whether there will be any additional support for the neediest individuals or families within this broad target population, would enable a more precise understanding of the expected social outcomes.



Affordable basic infrastructure

- This UoP aims to support general population through the enhancement of access to basic infrastructure in projects that reduce leakage and ensure accessibility of sufficient clean drinking water and sanitation facilities.

- We expect the UoP to align with the access to essential affordable basic infrastructure categories of the ICMA SBP and SBG, and the LMA, LSTA and APLMA SLP.
• We consider the UoP to have a good social impact, as it supports increasing public access to clean water and to adequate and hygienic sanitation, as well as reducing public exposure to unprocessed wastewater that is harmful to human health.
• The UoP directly contributes to SDG 6.
• As reported by the US Saudi Business Council, in 2022, Saudi Arabia was the largest producer of desalinated water and the third largest per-capita consumer of water globally despite the lack of natural water bodies; therefore, socially positive projects that reduce leakage and ensure sufficient water for the population are key.





- The issuer has identified the general population as the target population; however, targeting specific unconnected, rural areas would improve the impact of the financing, by ensuring it is focusing on those most in need.

Food security and sustainable food systems

- This UoP covers projects related to physical, social, and economic access to sufficient, safe and nutritious food.
- The UoP enables financing access to adequate food and meeting nutrition needs, including investment in infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to reduce food losses; and increasing agricultural productivity and resilient agricultural practices that support smallholder farmers.

- We expect the UoP to align with the food security and sustainable food systems categories of the ICMA SBP and SBG, and of the LMA, LSTA and APLMA SLP.
- We view this UoP to have a good social impact and we consider projects under this UoP to contribute to SDGs 2 (zero hunger) and 13, as they aim to ensure stable access to nutritious food and improve health and well-being, while supporting farmers' livelihoods by improving climate resiliency of farming crops.
- Food security in Saudi Arabia is challenged by its desert climate and limited water resources, leading the country to rely heavily on food imports. As of 2021, Saudi Arabia imported 80% of its food, and climate-induced events may increase the country's reliance on food imports.
- To address this, the government, through initiatives such as the Saudi Vision 2030 and the establishment of the Saudi Agricultural and Livestock Investment Company, is investing in modern agricultural technologies and sustainable practices. According to the Food and Agriculture Organization, diversification of food sources is a critical component of Saudi Arabia's strategy to enhance food security.
- Providing financing for access to adequate food and meeting nutrition needs helps ensure that the population can maintain a balanced diet, which is essential for overall health and well-being. Investment in infrastructure and facilities, such as warehouses, enhances food storage capabilities and improves food conservation, thereby reducing waste and ensuring a more reliable food supply.
- Improving connectivity in the food chain minimises food losses during transportation and distribution, making the entire system more efficient. Additionally, increasing agricultural productivity and promoting resilient agricultural practices support smallholder farmers, enabling them to produce more sustainably and contribute to the local economy.
- We positively considered that the target population includes small-scale farmers; special support to such farmers could potentially result in their higher integration in the country's food supply chain.



Source: SAIB sustainable finance framework (August 2024)

Source: Sustainable Fitch



Use of Proceeds – Other Information

Alignment: Good

Company Material

Sustainable Fitch's View

- SAIB will allocate an amount at least equivalent to its net proceeds from the sustainable financing instruments issued under the framework to finance and/or refinance, in whole or in part, green and/or social projects which meet the eligibility criteria of the eligible sustainable project categories.
- Eligible loans can include financing or refinancing of entities where at least 90% of the financing recipient's revenue is derived from sources that meet the relevant eligibility criteria in one or more of the categories set out in the framework and whose activities do not contradict the exclusion criteria (pure-play entities).
- A maximum three-year lookback period would apply for refinanced projects, and SAIB expects each issuance under this framework to be fully allocated within two years from the date of issuance. The issuer will, where possible, disclose to investors the expected share of financing versus refinancing for any sustainable financing instrument.
- The proceeds of any sustainable financing instruments will not be allocated to projects related to coal- or gas-fired power generation and distribution assets; coal mining and transportation; fossil-fuel-related exploration, distribution and transportation; conflict minerals; extractive industries and mining; military contracting and weapons; nuclear power generation and distribution assets; and activities involving modern slavery or forced labour.
- In addition, there are several excluded projects or sectors as a result of them being non-sharia-compliant activities, including payday loans, gambling, adult entertainment, alcohol and tobacco.

- In line with the ICMA GPB, SBP and SBG, and the LMA, LSTA and APLMA SLP and GLP, SAIB intends to annually report the share of projects that were financed and refinanced using the bond proceeds. The separation allows stakeholders to assess the degree of added value introduced by the new projects under the instrument.
- The lookback period for refinanced projects is a maximum of three years, which is in line with standard market practice.
- The framework includes financing or refinancing of pure-play companies, which derive 90% or more of revenue from activities that are in line with the eligible UoP categories and criteria.
- We recognise the green and social impact of pure-play companies; the framework does define the purpose of finance to pure-play companies, and further clarity on the type of expenditures may benefit the instrument's transparency and would better fit the ICMA recommendations. The ICMA recommends that the types of expenditures that can be financed with the bond proceeds should be specified by issuers in their bond frameworks or documentation.
- Our understanding is that this financing will follow all the ICMA's core components, as the other uses of proceeds do.
- The framework also clarifies that any activities of such pure-play companies will exclude any activities included in the exclusion list. Thus, we assume that 100% of the revenue of the pure-play companies financed would not include any lines of business that contravene the exclusion list.
- The exclusion criteria are clearly defined in the framework and cover environmentally and socially sensitive sectors, such as fossil fuel explorations, coal or gas power generation, nuclear energy, tobacco and weapons. This provides assurance to external stakeholders that the funds will not be used for financing activities that are considered environmentally and socially harmful.

Source: SAIB sustainable finance framework (August 2024)

Source: Sustainable Fitch

Evaluation and Selection

Alignment: Good

Company Material

Sustainable Fitch's View

- SAIB will create a SFWG as the body ultimately responsible for the governing and implementation of the initiatives set up in the framework.
- The SFWG will include personnel from the financial group, risk group, treasury and investment group, marketing unit and corporate banking group.
- The SFWG will meet at least two times each year, endeavoured to be distributed evenly throughout the year. As part of its responsibilities, the SFWG will also ratify eligible sustainable projects, which are initially proposed by the constituent team members; ensure that all eligible sustainable projects have been assessed in accordance with SAIB's credit review process, including managing environmental risks associated with lending and investments; and undertake regular monitoring of the asset pool to ensure the eligibility of sustainable projects, while replacing any ineligible sustainable projects with new eligible sustainable projects.
- In the case of allocation of proceeds to pure-play entities, the SFWG will ensure adherence to the definition of the pure-play entities as defined in the framework. Additionally, it will facilitate regular reporting on any sustainable issuance in alignment with its reporting commitments; manage any future updates to the framework; and ensure that the approval of eligible sustainable projects will follow the issuer's existing loan approval processes.

- The selection and evaluation process and eligibility criteria are clearly defined in the framework and align with the requirements set out in the guidelines of the ICMA and the LMA, LSTA and APLMA.
- It is positive from an ESG perspective that the issuer established a dedicated working group for project selection and evaluation, which will ratify the proposed projects and ensure the projects are in line with the eligibility criteria.
- Currently, the company's checks and balances rely on a single-layered team that is limited to treasury- and finance-related individuals. Market best practices are to use a multi-layered internal control structure in which the final loan approval is made by a credit committee or credit working group that would provide further assurance on effectiveness of the controls and balances.
- The SFWG involves representatives from different departments to ensure there is sufficient challenge and discussion in the group. Having further sustainability expertise in the group, while not a requirement of the ICMA and the LMA, would ensure it has the relevant skills to assess the projects' environmental and social impact and that ESG factors are considered in decision making and asset allocation.

Source: SAIB sustainable finance framework (August 2024)

Source: Sustainable Fitch

Management of Proceeds

Company Material

- The proceeds of each of SAIB's sustainable financing instruments will be deposited in SAIB's general funding accounts and earmarked for allocation towards the eligible sustainable projects using a sustainable finance register.
- The sustainable finance register will contain information including sustainable financing instrument type, details on pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- Additionally, it will include, for the allocation of proceeds, the eligible sustainable projects list, including for each eligible sustainable project: the eligible sustainable project category, project description, project location, total loan amount, the bank's loan amount, amount disbursed, settled currency, etc.; and the amount of unallocated proceeds.
- The framework indicates that any proceeds that are temporarily unallocated will be invested according to the bank's standard liquidity policy into cash and cash equivalents, in line with the exclusion criteria listed in the framework.
- SAIB expects each issuance under this framework to be fully allocated within two years from the date of issuance.

Source: SAIB sustainable finance framework (August 2024)

Alignment: Good

Sustainable Fitch's View

- The proceeds will be deposited in a sustainable finance register in a portfolio manner, which is aligned with the requirements of the ICMA and LMA; however, in our view, a fully segregated bank account could ensure a better segregation of proceeds.
- The unallocated proceeds will be managed in accordance with the bank's standard liquidity policy, in cash and cash equivalents, which aligns with the ICMA and LMA requirements to disclose the intended types of temporary placement for unallocated proceeds; however, investing unallocated proceeds in activities that are compliant with the sustainable financing instrument goals would align with best practices.
- The bank expects net proceeds to be fully allocated within two years from the date of issuance, in line with standard market practice.

Source: Sustainable Fitch

Reporting and Transparency

Company Material

- SAIB will publish, on an annual basis, an allocation and impact report for its eligible sustainable projects. The reporting will be provided until full allocation of the net proceeds or until the sustainable financial instrument is no longer outstanding.
- The allocation report will contain information on the list of eligible sustainable projects; 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.; the share of financing versus refinancing; selected examples of projects financed; and the amount of unallocated proceeds.
- SAIB's framework indicates that it will provide reporting on the environmental and social benefits of the eligible sustainable projects. Subject to data availability and confidentiality, impact reporting may cover the impact reporting metrics such as annual GHG emissions reduced, annual energy savings and number of beneficiaries.
- These impact reporting metrics, where available, will be taking reference from the relevant indicators suggested in the ICMA Harmonised Framework for Impact Reporting (June 2024). In addition, calculation methodologies and key assumptions will be disclosed.
- In order to provide timely and transparent information about the reporting of the funds from sustainable financing instruments issued under the framework, the issuer also intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation of funds with the framework's criteria.

Source: SAIB sustainable finance framework (August 2024)









Alignment: Excellent

Sustainable Fitch's View

- SAIB has fully committed to provide an allocation and impact report on an annual basis until full allocation; and the allocation of proceeds will be reported by financed category, which is aligned to the ICMA and LMA.
- The ICMA and LMA require issuers to include a brief description of the projects financed, which may be included in the bank's allocation report, as indicated in the framework.
- We positively view that the bank will provide its impact report with reference to the ICMA Handbook – Harmonised Framework for Impact Reporting frameworks, which provides investors with quantitative and measurable impact indicators that are relevant for each UoP. This provides transparency and assurance on the reporting quality to investors.
- We also positively view SAIB's commitment to obtain annual external reviews on the allocation reporting until full allocation. Obtaining external reviews on the impact reporting could provide further assurance to the investors.
- However, the reporting commitment does not include the share of proceeds allocated to pure-play companies and when possible, descriptions of pure-play companies, to ensure transparency over proceeds directed to these groups.

Source: Sustainable Fitch

Relevant UN Sustainable Development Goals

<ul style="list-style-type: none"> 1.4 - By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 	 1 NO POVERTY
<ul style="list-style-type: none"> 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality. 	 2 ZERO HUNGER
<ul style="list-style-type: none"> 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services. 	 3 GOOD HEALTH AND WELL-BEING
<ul style="list-style-type: none"> 4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 	 4 QUALITY EDUCATION
<ul style="list-style-type: none"> 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. 	 6 CLEAN WATER AND SANITATION
<ul style="list-style-type: none"> 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3: By 2030, double the global rate of improvement in energy efficiency. 	 7 AFFORDABLE AND CLEAN ENERGY
<ul style="list-style-type: none"> 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead. 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 	 8 DECENT WORK AND ECONOMIC GROWTH
<ul style="list-style-type: none"> 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 11.3: By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries. 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 	 11 SUSTAINABLE CITIES AND COMMUNITIES

Relevant UN Sustainable Development Goals

- **12.2:** By 2030, achieve the sustainable management and efficient use of natural resources.
- **12.4:** 12.4 - By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
- **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2:** Integrate climate change measures into national policies, strategies and planning.



- **14.2:** By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.



Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Sustainability

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

Type of Instrument: Sustainability

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

2) Project Evaluation & Selection

Evaluation & Selection

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

Evaluation & Selection/Responsibility & Accountability

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

3) Management of Proceeds

Tracking of Proceeds

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

Additional Disclosure

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

4) Reporting

UoP Reporting

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

UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability bond-financed share of total investment	Yes
Other	n.a.



Type of Instrument: Sustainability

UoP Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.
Impact Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.
Impact Reporting/Information Reported (exp. ex-post)	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Capacity of renewable energy plant(s) constructed or rehabilitated in MW; number and type of clean transportation infrastructure finance; type of scheme, certification level; tonnes of waste reduced and/or avoided; annual amount of wastewater treated, reused or avoided before and after the project in m ³ /year; increase in area set aside for biodiversity conservation in km ² and %; number of fisheries certified or % increase; number of alternative feeds for aquaculture developed; number of traceability systems for fisheries implemented; number of housing units constructed; number of public hospitals, clinics and healthcare centres financed; number of places and beds; number of schools and universities financed; farmers provided with training (climate-smart training and/or organic, etc.); farmers provided with access to agricultural inputs (financial inputs, equipment, etc.); increased production of fair-trade-certified products; improved yield; reduced wastage; improved soil quality, water efficiency; reduced pesticide use; increased production with organic and/or sustainability standards.
Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.
Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.
Note: n.a. - not applicable. Source: Sustainable Fitch, ICMA	

Appendix B: Definitions

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

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

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

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

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

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

Analytical Process

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

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

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

Scale and Definitions

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

Source: Sustainable Fitch

SOLICITATION STATUS

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

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products include without limitation ESG ratings, ESG scores, ESG second-party opinions and other ESG assessments and data-related products, among other ESG Products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: www.sustainablefitch.com.

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