

Second-Party Opinion

Commercial Bank Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Commercial Bank Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Employment Generation, Food Security and Sustainable Food Systems, Access to Essential Services and Affordable Basic Infrastructure - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 11 and 12.



PROJECT EVALUATION AND SELECTION Commercial Bank's Sustainable Finance Working Group is responsible for evaluating and selecting projects in line with the eligibility criteria. Commercial Bank has a process in place to evaluate the environmental and social risks associated with eligible projects. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The Sustainable Finance Working Group will be responsible for management and allocation of proceeds and will track proceeds using a Sustainable Finance Register. Commercial Bank intends to allocate proceeds in full within 24 months of issuance. Pending full allocation, proceeds will be invested in cash or cash equivalents. This is in line with market practice.



REPORTING Commercial Bank commits to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, CB intends to report on relevant impact metrics. Sustainalytics views CB's allocation and impact reporting as aligned with market practice.



Evaluation Date	December 7, 2023
Issuer Location	Doha, Qatar

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Introduction

The Commercial Bank (P.S.Q.C.) (the “Bank”) provides wholesale and retail banking services through its domestic network of branches in Qatar, subsidiaries in Turkey and strategic partnerships across the Middle East. Its operating segments are wholesale banking, retail banking, international and strategic investments and others. Over half its revenue comes from the wholesale banking segment, which provides commercial and investment banking services to business enterprises. Headquartered in Doha, Qatar, the Bank employs 2,233 staff as at December 2022.¹

Commercial Bank has developed the Commercial Bank Sustainable Finance Framework dated December 2023 (the “Framework”) under which the Bank intends to issue green, social and sustainability bonds, sukuks, loans and revolving credit facilities,² and use the proceeds to finance and refinance, in whole or in part, existing and future projects expected to generate positive environmental or social impacts for the well-being of the communities in which the Bank operates. The Framework defines eligibility criteria in ten areas:

1. Renewable Energy
2. Clean Transportation
3. Green Buildings
4. Energy Efficiency
5. Sustainable Water and Wastewater Management
6. Pollution Prevention and Control
7. Employment Generation
8. Food Security and Sustainable Food Systems
9. Access to Essential Services
10. Affordable Basic Infrastructure

Commercial Bank engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),³ Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP)⁴. The Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Commercial Bank’s management team to understand the sustainability impact of their business processes and planned use of

¹ Commercial Bank, “Annual Report 2022”, at: <https://www.cbq.qa/EIMG/EML/AGM/AGM2023/CBO%20AR%20English%202022.pdf>

² For revolving credit facilities, Commercial Bank will continue to report until the maturity of such facilities.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The Commercial Bank Sustainability Bond Framework will be available on Commercial Bank’s website at: <https://www.cbq.qa/EN/IR/Pages/default.aspx>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

proceeds, as well as management of proceeds and reporting aspects of the Framework. Commercial Bank representatives have confirmed (1) they understand it is the sole responsibility of Commercial Bank to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Commercial Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Commercial Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Commercial Bank Sustainable Finance Framework

Sustainalytics is of the opinion that the Commercial Bank Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories - Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Employment Generation, Food Security and Sustainable Food Systems, Access to Essential Services, and Affordable Basic Infrastructure - are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - Commercial Bank has established a three-year look-back period for refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Renewable Energy category, the Bank may finance or refinance the production, transmission, distribution and storage of renewable energy as per the following criteria:
 - Solar photovoltaic and concentrated solar power projects where at least 85% of the electricity is generated from solar energy sources.
 - On-shore and off-shore wind energy projects.
 - Hydroelectric power projects with a power density greater than 5 W/m² or life cycle intensity below 100 gCO₂e/kWh. Sustainalytics notes that the Bank has set a power density threshold greater than 5 W/m² and the estimated reservoir emissions intensity threshold at below 100 gCO₂e/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Hence, Sustainalytics encourages the Bank to finance hydropower projects that became operational after 2019, with power density greater than 10 W/m² and life cycle carbon intensity below 50 gCO₂e/kWh.
 - Hydropower projects may also include pumped storage, provided that:

- the storage facility is demonstrably purposefully built in conjunction with intermittent renewables or where the storage facility will contribute to a grid with at least a 20% share of intermittent renewables; or
- the project is committed to increasing the share of renewable energy connected to the grid over the subsequent 10 years; and the project will not be charged with an off-peak grid intensity that is higher than the intensity of the electricity that it will displace when it is discharged.
- Commercial Bank has confirmed that for all new hydropower plants, each project will go through an environmental and social impact assessment by a credible body and that only projects with no significant risk or expected negative impact will be financed. The Bank has further confirmed that projects with significant controversies will not be eligible for financing.
- Bioenergy projects for electricity generation with life cycle emissions intensity below 100 gCO₂e/kWh, which will use sustainably sourced waste feedstock, such as forestry and agricultural residues. These projects may also include financing for sustainable aviation fuel. The Bank will ensure that the production of feedstock for projects under this expenditure:
 - does not take place on land with high biodiversity;
 - does not convert land with high amounts of carbon;
 - does not compete with food resources.
- Hydrogen production, distribution, storage and related R&D. Hydrogen production through electrolysis will have life cycle emissions below 3 tCO₂e/tH₂ or be powered by 100% renewable energy sources.
- Sustainalytics considers these investments to be aligned with market practice. The bank could not confirm.
- Under Clean Transportation, the Bank may finance and refinance projects related to acquisition, operation and maintenance of low-carbon vehicles, as follows:
 - Passenger and public transportation, including buses, trains and rail with emissions under 50 gCO₂/pkm up to 2025 and 0 gCO₂/pkm thereafter.
 - Freight transportation with emissions under 25 gCO₂/tkm up until 2030 and 21 gCO₂/tkm from 2030 up to 2050.
 - Low-carbon transport infrastructure may include charging stations for electric vehicles. The Bank has communicated that financing will exclude investments towards parking facilities.
 - Sustainalytics considers these investments and thresholds as aligned with market practice.
- Under the Green Buildings category, Commercial Bank may finance and refinance assets for the construction, acquisition and refurbishment of residential and commercial buildings in accordance with the following criteria:
 - New and existing buildings that belong to the top 15% energy performing buildings in the respective residential or commercial national building stock,⁷ based on emissions intensity performance or primary energy demand.
 - New and existing buildings that have obtained or are expected to receive one of the following minimum certification levels: LEED Gold,⁸ BREEAM Excellent or above,⁹ Estidama Pearl Building Rating System 4 Pearl and above,¹⁰ Global Sustainability Assessment System (GSAS) 3 or 4 stars.¹¹
 - Sustainalytics notes that the Framework allows for the financing of green buildings that have achieved GSAS 3 or 4 stars. Sustainalytics considers GSAS 4 stars and above to be aligned with market practice, as these levels correspond to a minimum score of

⁷ The list of top energy performing buildings will be determined by specialist studies or the Climate Bond Standard's Low Carbon Buildings Standard, if applicable for the relevant location.

⁸ US Green Building Council, "LEED rating system", at: <https://www.usgbc.org/leed>

⁹ BRE Group, "BREEAM", at: <https://bregroup.com/products/breeam/>

¹⁰ Government of Abu Dhabi, Department of Municipalities and Transport, "Pearl Building Rating System", at: <https://pages.dmt.gov.ae/en/Urban-Planning/Pearl-Building-Rating-System>

¹¹ The Gulf Organisation for Research and Development, "GSAS Overview", at: <https://gsas.gord.qa/gsas-overview/>

- 2 in the energy performance category,¹² which Sustainalytics considers to be the most important. Nevertheless, Sustainalytics encourages the Bank to select buildings that score a minimum of 2 in the energy performance category.
- Data centres with an annual power usage effectiveness (PUE) below 1.5.
 - Additionally, the Bank may also finance mortgage lending for energy-efficient residential buildings that meet the above criteria.
 - The Bank has confirmed that the Framework shall exclude investments towards buildings that are designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.
 - Sustainalytics considers assets under this category to be aligned with market practice.
- Under the Energy Efficiency category, the Bank may finance and refinance projects that reduce energy consumption by at least 20% in relation to the average energy consumption of an equivalent project or technology, including:
- Electric powered district cooling systems and distribution networks.
 - Sustainalytics notes that district cooling distribution network systems primarily powered by renewables are preferred in the market, however, Sustainalytics recognizes the importance of improving energy efficiency of air conditioning systems and encourages the Bank to report on the impact achieved.
 - Smart energy grids, energy meters and energy management systems.
 - The Bank has communicated to Sustainalytics that smart energy grid components may include collector nodes, controllers, distribution and transmission lines and control centres, electric power substations and smart meters.
 - Smart cities
 - The Bank has communicated to Sustainalytics that it may finance the use of digital technologies, such as IOT and AI, for better resource management and emissions reductions, those resulting in more efficient urban transport networks and more efficient ways to light and heat buildings.
 - Sustainalytics encourages the Bank to report on the estimated or achieved energy efficiency gains, where feasible.
 - Energy efficient equipment for buildings including LED lighting, heating, ventilation and air conditioning (HVAC) and supporting infrastructure.
 - Sustainalytics notes that Commercial Bank may finance the installation of energy-efficient mechanical cooling systems. Sustainalytics recommends that the Bank finances loans for cooling systems that rely on low-GWP refrigerants and encourages customers to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at their end of life. Sustainalytics considers these investments to be aligned with market practice. Nonetheless, it encourages the Bank to report on estimated or achieved energy efficiency gains, where feasible.
 - The Framework excludes activities and technologies that may result in a lock-in of fossil fuel.
- Under the Sustainable Water and Wastewater Management category, the Bank may finance and refinance activities that improve water quality, water use efficiency and treat wastewater in accordance with the following criteria:
- Projects associated with construction, upgrades, renovations or improvements for the transportation and treatment of wastewater, such as water and wastewater treatment plants (WWTP), including reuse of WWTP effluent and sewer systems, and pumping stations.
 - Projects related to the increase of water-use efficiency, such as water recycling and reuse projects, water saving systems, technologies and water metering.
 - Desalination plants that are primarily powered by electricity with an average carbon intensity equal to or below 100 gCO₂e/kWh over the residual asset life and which is

¹² A minimum score of 2 in the energy performance category of GSAS corresponds to a 30% improvement in energy efficiency over the baseline which is in line with the Climate Bonds Standard's Green Building standard.

- based on reverse osmosis technology. The Bank has confirmed to Sustainalytics that only desalination plant projects with an appropriate waste management plan in place for brine disposal will be considered eligible for financing under the Framework.
- Sustainalytics considers these investments and thresholds as aligned with market practice.
- Under the Pollution Prevention and Control category, Commercial Bank may finance and refinance projects related to the construction, upgrade and renovation of waste treatment facilities, including: i) waste collection and storage; ii) waste sorting, separation and material recovery; iii) recycling and reuse; iv) biological treatment facilities, including anaerobic digestion and composting facilities; and v) waste-to-energy plants, where recyclables are sorted and there is bottom ash recovery.
 - The Bank has confirmed to Sustainalytics that i) projects under this category will support source segregation of recyclables, including plastic and metal; ii) if recycling activities will include e-waste or waste from electrical and electronic equipment, the Commercial Bank will set in place a robust waste management process to mitigate any associated risks and iii) financing of waste collection vehicles will be excluded.
 - For biological treatment facilities, the Bank intends to use food waste, garden or yard waste; and for waste-to-energy plants, municipal solid waste or residual waste (collected from facilities involved in waste recycling, composting and anaerobic digestion) will be utilized.
 - Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends the Bank to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Sustainalytics considers the activities financed under this category to be aligned with market practice.
 - Under the Employment Generation category, the Bank may finance and refinance loans to MSMEs 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.
 - Commercial Bank has defined the following target populations for financing under this category:
 - i) MSMEs whose economic activities have been affected by pandemics and natural disasters
 - ii) female-owned MSMEs and female entrepreneur companies majority owned or majority managed by females (with more than 50% share).
 - The Bank defines MSMEs according to Qatar's definition.¹³
 - Sustainalytics considers investments under this category to be socially impactful.
 - Under Food Security, the Bank may finance or refinance projects related to enhancing physical, social and economic access to sufficient, safe, nutritious food. These projects include:
 - 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.
 - Investments in equipment and facilities to increase agricultural productivity and resilient agricultural practices that support smallholder farmers.¹⁴
 - While noting that these investments are intended to enhance food security in Qatar owing to the nation's heavy dependence on food imports, Sustainalytics encourages

¹³ QDB, "National Definition of SMEs in Qatar", at: https://www.qdb.qa/en/Documents/SME%20DEFINITION%20FLYER_En.pdf

¹⁴ The Bank has communicated to Sustainalytics that it follows FAO's definition of smallholder farmers. FAO, "Smallholders and Family Farmers", at: <https://www.fao.org/family-farming/detail/en/c/273864/>

- the Bank to finance activities that allow for transparent reporting of the impact of such expenditures.
- Sustainalytics considers investments under this category to be socially impactful.
 - Under the Access to Essential Services category, the Bank may finance and refinance projects related to expanding access to public, not-for-profit, free or subsidized healthcare and education according to the following criteria:
 - Healthcare services may include: i) construction, maintenance and refurbishment of hospitals, clinics and healthcare centres; and ii) infrastructure for emergency medical response and disease control services. Sustainalytics notes that public and private healthcare facilities in Qatar are made accessible to all Qatari nationals and the Qatar New Healthcare Insurance Law mandates all expatriates and visitors to have mandatory medical insurance, ensuring access to basic healthcare services in both government and private facilities.^{15,16} Sustainalytics considers financing of such activities to be socially impactful and aligned with market practice.
 - Education services may include: i) construction, maintenance and refurbishment of schools, universities, kindergartens and vocational training facilities; and ii) development of related education services and programmes. Sustainalytics notes that the Bank intends to finance such expenditures with the aim of enhancing access to education for the general population. Nonetheless, Sustainalytics notes that the Framework does not limit financing of such programmes and services for a specific target group, such as low-income populations and migrants, therefore, it does not guarantee the accessibility of such programmes to these populations. In view of the above, Sustainalytics considers this expenditure to be a deviation from what it considers to be good practice for such expenditures. However, Sustainalytics recognizes the expected benefits of financing such programmes and services for the general population and encourages the Bank to limit financing of such expenditures for a well-defined target group and to report on the affordability and accessibility considerations of such programmes and services when they are financed under the Framework.
 - Under the Affordable Basic Infrastructure category, the Bank may finance and refinance development, construction, operation of the following projects to provide access to clean water and sanitation facilities in the rural and urban areas, including:
 - Facilities to provide clean drinking water.
 - Sanitation infrastructure related to sewerage systems.
 - Sustainalytics considers investments under this category to be socially impactful.
 - Sustainalytics notes that projects and assets related to the following activities and industries are not eligible for financing under the Framework:
 - coal and unabated gas-fired power generation and distribution assets;
 - coal mining and transportation;
 - fossil fuel-related exploration, extraction, production and distribution;
 - conflict minerals;
 - extractive industries and mining;
 - military contracting and weapons;
 - nuclear power generation and distribution assets;
 - activities involving modern slavery or forced labour;
 - payday loans;
 - adult entertainment.
 - Additionally, as part of its Risk Management approach, Commercial Bank excludes the following activities and industries from financing under the Framework:
 - tobacco;
 - alcohol production, distribution or trade;
 - gambling;
 - sanctioned or embargoed countries as classified by the relevant regulator;
 - any other activity that is either illegal or considered socially unacceptable in Qatar;

¹⁵ Hamad Medical Corporation, Health care in Qatar, at: <https://www.hamad.qa/EN/Quick%20Links/Health%20Care%20in%20Qatar/Pages/default.aspx>

¹⁶ US Department of Commerce, "Qatar New Healthcare Insurance Law", at: <https://www.trade.gov/market-intelligence/qatar-new-healthcare-insurance-law>

- production or activities violating human rights, involving harmful or exploitative forms of forced labour or child labour;
 - unbonded asbestos production or trade (this does not apply to the purchase and use of bonded asbestos cement sheeting with an asbestos content smaller than 20%)
 - ozone depleting substances not permitted by international standards (e.g. Montreal Protocol)
 - production or trade in pharmaceuticals, pesticides and herbicides subject to international or local bans.
- Project Evaluation and Selection:
 - Commercial Bank's Sustainable Finance Working Group (the "SFWG") will be responsible for the project evaluation and selection process under the Framework. The SFWG is comprised of representatives from the Risk Management and Strategic Business units, among other units.
 - During the project evaluation stage, Commercial Bank assesses if the potential projects comply with the Bank's ESG Risk Assessment criteria. The Bank has established internal policies and processes to mitigate environmental and social risks commonly associated with the eligible projects. For additional details, please refer to Section 2.
 - Based on the Bank's establishment of the SFWG and its commitment to evaluate the environmental and social risks of eligible projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The SFWG will be responsible for the management and allocation of proceeds and will track the proceeds using a Sustainable Finance Register on a bond-by-bond or portfolio basis. Commercial Bank has communicated to Sustainalytics that the Bank will decide the approach for the management of proceeds at the moment of issuance.
 - The Bank intends to allocate net proceeds to eligible projects or assets in full within two years of issuance. Pending full allocation, the Bank may temporarily invest unallocated proceeds in cash or cash equivalents, according to Commercial Bank's standard liquidity policy.
 - The Framework may include multi-tranche financing instruments. The Bank has confirmed to Sustainalytics that it will only label the tranches of such facilities whose proceeds will be allocated to eligible projects and assets under the Framework.
 - Based on above, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Commercial Bank commits to report on allocation of proceeds and corresponding impact on an annual basis until full allocation. The allocation and impact report will be made publicly available on the Bank's website.
 - Sustainalytics notes that the Bank intends to consider revolving credit facilities under the Framework and has committed to report on the allocation of funds from the revolving credit facilities until their maturity.
 - The allocation reporting will include: i) the amount of proceeds allocated to each eligible sustainable project category; ii) share of financing versus refinancing; and iii) amount of unallocated proceeds.
 - The impact reporting may include metrics such as: renewable energy capacity (in MW), annual emissions avoided (in tCO₂e), number and type of clean transportation infrastructure financed; energy efficiency gains (in MWh); number and amount of loans to microfinance entities; number of people benefited; number of public hospitals, clinics and healthcare centres financed; number of water infrastructure projects built or upgraded.
 - Based on Commercial Bank's commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Commercial Bank Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of Commercial Bank

Contribution to Commercial Bank's sustainability strategy

Sustainalytics is of the opinion that the Framework is aligned with Commercial Bank's sustainability strategy, which focuses on the sustainability topics that are material to the Bank's business and its key stakeholders, including: i) sustainable finance and economic performance, ii) support to SMEs, iii) financial inclusion and accessibility, iv) environmental impact of its operations, and v) community investment.¹⁷ Also the Bank conducts a materiality assessment every two years to identify these key material issues affecting its business and stakeholders, with the most recent assessment concluded in 2021.¹⁸

In line with its commitment to enable customers to reduce their environmental impacts, the Bank offers a green vehicle loan with lower interest rates for the purchase of electric and hybrid vehicles.^{19,20} To assist its customers to invest in mutual funds that prioritize ESG aspects, the Bank identifies mutual funds with better ESG risk scores, with 10 mutual funds listed on the Bank's platform that have an ESG risk score of 70 and above, with 100 indicating minimal ESG risk.²¹

To support SMEs, the Bank contributed approximately 30% share of the initial allocation of QAR 3 billion (USD 0.82 billion) under the Government of Qatar's National Response Guarantee Program, which was launched to provide financial support to the SMEs to recover from the repercussions of the COVID-19 pandemic.^{22,23}

Sustainalytics is of the opinion that the Commercial Bank Sustainable Finance Framework is aligned with the Bank's overall sustainability efforts and initiatives and will further Commercial Bank's action on its key environmental and social priorities. Sustainalytics encourages the Bank to assess and disclose sustainability information that is material to the Bank's investments, such as GHG emissions financed from its portfolio. Sustainalytics further encourages the Bank to set quantified, time-bound sustainability targets and to transparently report on its progress.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving money laundering and terrorism financing, bribery and corruption, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste generated in construction, human and labour rights, and occupational health and safety.

Sustainalytics is of the opinion that Commercial Bank is able to manage or mitigate potential risks by implementing the following:

- Commercial Bank follows a detailed ESG risk management methodology to identify and measure ESG risks associated with its customers while carrying out lending and investment activities.²⁴ This methodology also includes a score that enables the Bank to understand the alignment of the customer with the Bank's internal ESG criteria, as well as relative ranking vis-à-vis the Bank's portfolio of customers. Additionally, as part of its ESG framework, the Bank also assesses how the customers and issuers manage ESG risks.²⁵
- The Bank has a Whistleblowing Policy²⁶ through which employees are encouraged to report fraud and non-fraud cases including issues relevant to public health and safety risks or breaches of the code of conduct. The Bank also has Core Lending Principles as part of its Credit Underwriting Policy to avoid unfair lending practices.²⁷

¹⁷ Commercial Bank, "Sustainability Report" (2022), at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Commercial Bank, "Green Vehicle Loan", at: <https://www.cbq.qa/EN/Personal/Loans/pages/go-eco-friendly-with-green-vehicle-loan.aspx>

²¹ Commercial Bank, "Sustainability Report" (2022), at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

²² Ibid.

²³ United Nations, "National Response Guarantee Program (NRGP)", at: <https://sdgs.un.org/partnerships/national-response-guarantee-program-nrgp>

²⁴ Commercial Bank, "Sustainability Report", at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

²⁵ Ibid.

²⁶ Commercial Bank, "Whistleblowing Policy", at: <https://www.cbq.qa/EIMG/EML/Docs/Whistleblowing%20Policy.pdf>

²⁷ Commercial Bank, "Sustainability Report", at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

- To address risks associated with money laundering and terrorism financing, the Bank has established and implemented control mechanisms in compliance with the Qatar Central Bank, Qatar Financial Markets Authority and Financial Action Task Force.²⁸
- Regarding bribery and corruption, board members, executive management and employees are required to abide by the Bank's Code of Conduct²⁹ and the Bank's Anti Bribery and Corruption Policy.³⁰ In addition, all employees are mandated to complete periodic training on combating bribery, corruption and fraud.³¹
- The Bank adheres to Qatar's Environmental Protection Law,³² which mandates environmental impact assessment procedures for all new developmental projects. In addition, the Bank's ESG Risk Assessment Criteria on Lending & Investment also requires biodiversity and land use considerations to be part of customer due diligence.³³
- Regarding human rights and labour rights, the Bank lists activities violating human rights, involving harmful or exploitative forms of forced labour and child labour as prohibited.³⁴ Additionally, the Bank is a signatory to the United Nations Global Compact and supports the ten principles on human rights, labour, environment and anti-corruption.³⁵ As part of its Supplier Code of Conduct, the Bank further requires its suppliers to comply with Qatar's Supreme Committee workers' welfare standards.³⁶
- Sustainalytics notes that Qatar has been involved in controversies over human rights and labour rights, especially related to large infrastructure projects.³⁷ Sustainalytics acknowledges the co-operation between the International Labour Organization and the government of Qatar in establishing human rights, labour rights and OHS standards.^{38,39}

Based on the above assessment, Sustainalytics is of the opinion that Commercial Bank has adopted sufficient measures to identify, monitor and mitigate various risks associated with the proposed use of proceeds.

²⁸ Ibid.

²⁹ Commercial Bank, "Code of Conduct", at: <https://www.cbq.qa/EIMG/EML/Docs/Code%20of%20Conduct.pdf>

³⁰ Commercial Bank, "Anti-Bribery and Corruption Policy Statement", at:

<https://www.cbq.qa/EIMG/EML/CA/Anti%20Bribery%20and%20Corruption%20Policy%20Statement.pdf>

³¹ Commercial Bank, "Sustainability Report", at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

³² Grantham Research Institute on Climate Change and the Environment, "Environmental Protection Law and Decree no 30 promulgating it", at: https://climate-laws.org/document/environmental-protection-law-and-decree-no-30-promulgating-it_7ec7

³³ Commercial Bank, "Sustainability Report", (Pg 23), at: <https://www.cbq.qa/EIMG/EML/Docs/Sustainability%20Report.pdf>

³⁴ Ibid.

³⁵ United Nations Global Compact, "Ten Principles", at: <https://unglobalcompact.org/what-is-gc/mission/principles>

³⁶ Qatar Supreme Committee for Delivery & Legacy, Workers' Welfare, "Our Standards", at: <https://www.workerswelfare.qa/en/our-legacy/our-standards>

³⁷ Human Rights Watch, "Human Rights Guide for Reporters – 2022 FIFA World Cup in Qatar", (2022), at:

https://www.hrw.org/sites/default/files/media_2022/11/202211mena_qatar_worldcup_reportersguide_2.pdf

³⁸ According to the ILO, labour reforms in Qatar have improved labour migration governance, the enforcement of labour law and access to justice.

International Labour Organization, "Labour reforms in the State of Qatar – Coming together around a shared vision", (2022), at:

https://www.ilo.org/beirut/countries/qatar/WCMS_859843/lang-en/index.htm

³⁹ International Labour Organization, "Progress report on the technical cooperation programme between the Government of Qatar and the ILO", (2022), at:

https://www.ilo.org/beirut/countries/qatar/WCMS_859839/lang-en/index.htm

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing district cooling in Qatar

Qatar’s total GHG emissions are projected to increase by 52% between 2021 and 2030, from 96 MtCO_{2e} in 2021 to an estimated 146 MtCO_{2e} in 2030, following a business-as-usual (BAU) scenario.^{40,41} In the National Climate Change Action Plan 2030, Qatar has set a target to limit its GHG emissions to 110 GtCO_{2e} by 2030.⁴² Achieving the target reportedly requires at least USD 75 billion between 2022 and 2030.⁴³

District cooling systems consolidate cooling production, optimizing operations and minimizing energy usage, more effectively managing cooling demands, reducing environmental impacts and enhancing energy efficiency in infrastructure.^{44,45} The government of Qatar encourages the development and adoption of centralized district cooling systems, offering various incentives for projects to enhance energy efficiency and infrastructure, and reduce consumption. District cooling systems in Qatar leverage treated sewage effluent to provide sustainable cooling solutions, utilizing chilled water transported through underground pipes. This approach significantly reduces energy consumption by almost half and contributes to substantial reductions in GHG emissions.⁴⁶ Approximately 60-70% of Qatar’s total electricity demand is attributed to air conditioning, while district cooling consumes up to 40% less energy than conventional cooling systems.⁴⁷ Additionally, the government of Qatar has introduced upgraded criteria for household and industrial electrical devices, such as air conditioners, aiming to reduce the power usage from buildings.⁴⁸

Based on the above, Sustainalytics is of the opinion that Commercial Bank’s financing of district cooling in Qatar is expected to contribute to the country’s climate-related targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Commercial Bank Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Clean Transportation	7. Affordable and Clean Energy 11. Sustainable Cities and Communities	7.3 By 2030, double the global rate of improvement in energy efficiency. 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.

⁴⁰ Our World in Data, “Qatar: CO₂ Country Profile”, at: <https://ourworldindata.org/co2/country/qatar>

⁴¹ State of Qatar, “Qatar National Climate Change Action Plan 2030”, (2021), at: <https://www.mme.gov.qa/pdocs/cview?siteID=2&docID=23354&year=2021>

⁴² Ibid.

⁴³ Invest Qatar, “Road to ESG investing – Financing Sustainable Growth in Qatar”, at: https://www.invest.qa/storage/1410/629742838011f_ESG_1_6_22.pdf

⁴⁴ IEA, “How can district heating help decarbonise the heat sector by 2024?”, (2019), at: <https://www.iea.org/articles/how-can-district-heating-help-decarbonise-the-heat-sector-by-2024>

⁴⁵ IEA, “The go-to guide for sustainable district cooling”, (2020), at: <https://www.iea.org/articles/the-go-to-guide-for-sustainable-district-cooling>

⁴⁶ The Peninsula, “District cooling to cut Qatar’s carbon emissions”, (2021), at: <https://thepeninsulaqatar.com/article/10/08/2021/District-cooling-to-cut-Qatar%E2%80%99s-carbon-emissions>

⁴⁷ Ibid.

⁴⁸ State of Qatar, “Qatar National Climate Change Action Plan 2030”, (2021), at: <https://www.mme.gov.qa/pdocs/cview?siteID=2&docID=23354&year=2021>

Green Buildings	11. Sustainable Cities and Communities	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.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	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
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Food Security	2. Zero Hunger	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
Access to Essential Services	3. Good Health and Wellbeing 4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all. 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations

Conclusion

Commercial Bank has developed the Commercial Bank Sustainable Finance Framework under which it intends to facilitate the issuance of green, social and sustainability bonds, sukuks, loans and revolving credit facilities, and use the proceeds to finance and refinance, in whole or in part, existing and future projects related to Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Employment Generation, Food Security and Sustainable Food Systems, Access to Essential Services and Affordable Basic Infrastructure. Eligible projects are expected to provide positive environmental and social impacts in Qatar.

The Commercial Bank Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for the Bank to report on allocation and impact. Sustainalytics considers that the Commercial Bank Sustainable Finance Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 11 and 12. Additionally, Sustainalytics is of the opinion that Commercial Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Commercial Bank is well positioned to facilitate the issuance of green, social and sustainability bonds, sukuks, loans and revolving credit facilities, and that the Commercial Bank Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2023), Sustainability Bond Guidelines (2021), Green Loan Principles (2023) and Social Loan Principles (2023).

Appendix

Appendix 1: Sustainable Finance - External Review Form

Section 1. Basic Information

Issuer name:	Commercial Bank
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Commercial Bank Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 7, 2023
Publication date of review publication: Original publication date <i>[please fill this out for updates]:</i>	

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Management of Proceeds
 - Process for Project Evaluation and Selection
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (please specify):
- Certification
- Scoring/Rating

Does the review include a sustainability quality score?

- Of the issuer
- Of the Framework
- Of the project
- Other (please specify):

No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed Review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Employment Generation, Food Security and Sustainable Food Systems, Access to Essential Services, and Affordable Basic Infrastructure are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 11 and 12.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

Commercial Bank's Sustainable Finance Working Group is responsible for evaluating and selecting projects in line with the eligibility criteria. Commercial Bank has a process in place that evaluates the environmental and social risks associated with the eligible projects. Sustainalytics considers the project selection process in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

The Sustainable Finance Working Group will be responsible for the management and allocation of proceeds and will track the proceeds using a Sustainable Finance Register. Commercial Bank intends to allocate the proceeds in full within 24 months of issuance. Pending full allocation, proceeds will be invested in cash or cash equivalents. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?

the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

Commercial Bank commits to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, CB intends to report on relevant impact metrics. Sustainalytics views CB's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP and SBP

- i. Second-Party Opinion: An institution with environmental and social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond or Social Bond Framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles and Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental and social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond and Social Bond proceeds, statement of environmental and social impact or alignment of reporting with the GBP and SBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond/ Social Bond or associated Green Bond/ Social Bond framework or Use of Proceeds certified against a recognized external green or social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green and Social Bond Scoring/Rating: An issuer can have its Green/ Social Bond, associated Green/ Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the GBP, SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental and social risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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For more information, visit www.sustainalytics.com

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