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SECOND PARTY OPINION (SPO) EXTERNAL REVIEW

Sustainability Quality of the Issuer and Sustainable Finance and Product Framework

Qatar National Bank Q.P.S.C.
31 January 2023

VERIFICATION PARAMETERS

PRE-ISSUANCE VERIFICATION	**Type(s) of instruments contemplated**	▪ Green, Social, and Sustainability Bonds and Green and Social Loans
	Relevant standards	▪ Green Bond and Social Bond Principles (GBP and SBP), updated in June 2021, Sustainability Bond Guidelines (SBG), updated in June 2021, as administered by the International Capital Market Association (ICMA), Green and Social Loan Principles (GLP and SLP), as administered by the Loan Market Association (LMA)
	Scope of verification[1]	▪ QNB Sustainable Finance and Product Framework (as of January 24, 2023) ▪ Eligibility Criteria (as of January 24, 2023)
EXTERNAL REVIEW	**Scope of Verification**	▪ QNB Sustainable Finance and Product Framework (as of January 24, 2023) ▪ QNB's sustainable finance classification system ▪ Eligibility Criteria (as of January 24, 2023)
	Validity	As long as there is no material change to the Framework

[1] This SPO applies to the same scope as the Framework, which encompasses QNB Qatar along with selected international branches and subsidiaries in Egypt (QNB ALAHLI), Türkiye (QNB Finansbank), Indonesia (QNB Indonesia), Switzerland (QNB (Suisse) SA) and Tunisia (QNB Tunis). As of the end of September 2022, the in-scope operations accounted for 99%+ of operating income.

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SCOPE OF WORK

Qatar National Bank ('the Issuer', 'the Bank' or 'QNB') commissioned ISS Corporate Solutions ('ICS') to assist with its Green, Social, and Sustainability Bonds and Green and Social Loans issuances by assessing core elements to determine the sustainability quality of the instruments[2] and to assist with its Sustainable Finance and Product Framework ('SFPF' or 'the Framework') to determine the quality of its sustainable financing classification system for sustainable financing activities[3]:

- QNB's Sustainable Finance and Product Framework (January 24, 2023 version) – benchmarked against the International Capital Market Association's (ICMA) Green and Social Bond Principles (GBP and SBP), and Sustainability Bond Guidelines (SBG), and the Loan Market Association's (LMA) Green and Social Loan Principles (GLP and SLP)
- QNB's Sustainable Finance and Product Framework – benchmarked against market practices and guidelines[4] for capital and loan markets contributing to environmental and social sustainability (see Annex 2)
  - QNB's sustainable financing classification system – the soundness of the eligibility parameters to identify eligible sustainable financing activities (see Annex 2)
  - The Eligible Categories – whether the project categories contribute positively to the UN SDGs (see Annex 1)
  - ESG Risk Management – assessment of QNB's overarching risk management procedures considered relevant in the context of the Bank's sustainable financing activities (see Annex 1)
- The Sustainable Finance and Product Framework's link to QNB's overall ESG profile - drawing on the Bank's overall ESG profile, financing activities integrating ESG considerations and issuance-specific Use of Proceeds categories (see Annex 3)

[2] Our evaluation is based on QNB's Sustainable Finance and Product Framework (January 24, 2023 version), on the analyzed eligible criteria as received on January 24, 2023, and on the ISS ESG Corporate Rating updated on October 24, 2022 and applicable at the SPO delivery date.
[3] The methodology of external reviews provided for sustainable financing, lending, and investment strategies has been developed based on our expertise in assessing a range of sustainable finance-related instruments and frameworks. In general, these types of external reviews are not to be treated as a "pass or fail" assessment of the sustainability quality of sustainable financing, lending, or investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching financing framework does not imply a detailed assessment of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products is not in scope of the verification procedures.
[4] The assessment is based on current market practices for sustainable capital markets referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability-Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative Standard Version 3.0 (version December, 2019), Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally-sustainable lending.

QATAR NATIONAL BANK

Qatar National Bank QNB is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG's sector classification.

Qatar National Bank QNB engages in the provision of conventional and Islamic[5] banking activities. It operates through the following business segments: Corporate Banking, Consumer Banking, Asset & Wealth Management, and International Banking. The Corporate Banking segment includes loans, deposits, investment and advisory services, and other products and services with corporate customers and undertaking its funding and centralized risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets, such as short term placements and corporate and government debt securities. The Consumer Banking segment consists of loans, deposits, and other diversified range of products and services to retail customers. The Asset & Wealth Management segment comprises of loans, deposits, assets management, brokerage, and custody services to the high net worth customers. The International Banking segment composed of loans, deposits, and other products and services with corporate and individual customers in the Group's international locations. The Bank was founded on June 6, 1964 and is headquartered in Doha, Qatar.

[5] Islamic Banking activities are conducted through the Group's branches, associates, and subsidiaries

ASSESSMENT SUMMARY

SPO PRE-ISSUANCE VERIFICATION		
SECTION 1	SUMMARY	EVALUATION
Alignment with ICMA GBP, SBP, SBG and LMA GLP and SLP	QNB has defined a formal concept for its Green, Social, and Sustainability Bonds and Green and Social Loans regarding Use of Proceeds, Processes for Project Evaluation and Selection, Management of Proceeds and Reporting. This concept is line with the ICMA GBP, SBP, SBG and LMA GLP and SLP.	**Aligned**

EVALUATION OF QNB'S APPROACH TO SUSTAINABLE FINANCE	
SECTION 2	SUMMARY
Part I: **Review of QNB's Sustainable Finance and Product Framework**	**The Sustainable Finance and Product Framework partially reflects market practices. QNB has set forth a formal methodology for classifying financing as sustainable. QNB has set internal sustainable finance commitments, including intermediate and sectorial targets, and has the intention to publish these commitments in the future, noting that the decision on public disclosure and timing are subject to internal approval. ISS supports the clear definition and publication of such targets to reflect market practice.** **The Framework applies to QNB Qatar along with selected international branches and subsidiaries[6] in Egypt (QNB ALAHLI), Türkiye (QNB Finansbank), Indonesia (QNB Indonesia), Switzerland (QNB (Suisse) SA) and Tunisia (QNB Tunis). As of the end of September 2022, the in-scope operations accounted for 99%+ of operating income.**
	QNB puts forth a definition of the sustainability objectives in line with the wider company strategy. Those objectives are expressed in line with their commitments to national and international guidelines such as the Qatar National Vision 2030 and the United Nations Global Compact. QNB states that its targets for sustainable financing are quantified and are currently internal only, and future publication of such targets is subject to internal approval. Where feasible, the Framework may be further improved with regard to publicly disclosing sustainable finance targets. QNB presents a clear definition including precise parameters of what it considers sustainable financing under Dedicated, General Corporate Purpose Financing, Sustainability-Linked Financing, and Transition Finance (assessed further in Section 2 Part II) and refers to relevant market principles and guidelines contributing to the standardization of Sustainable Finance transactions. The Bank provides an exhaustive list of eligible categories for its Dedicated Purpose Financing (assessed in Section 3) and its Transition Finance activities. Pre-defined Green, Social and Transition-related eligibility criteria are precise and clearly described. Where feasible, the Framework may be further improved with regards to disclosing an estimated target and share of each instrument in the scope of its Framework: 1) On balance sheet financing, 2) Facilitation and 3) investments.

[6] Including their fully-consolidated subsidiaries

	Internal procedures defined for selection and evaluation are considered appropriately documented and transparent. Responsibilities and accountabilities are defined, and duties are segregated. Besides, the Bank has put in place a process to identify and mitigate social and/or environmental risks. QNB's Green, Social, and Sustainability Bond Committee (GSSBC) reviews the Bank's sustainable products/transactions to ensure continued compliance with the respective criteria defined in QNB's Framework. GSSBC's reviews take place on a quarterly basis and ad-hoc as required. If any non-compliance is not addressed, the transaction would no longer be eligible nor labelled as Sustainable (including green and/ or social) or Transition finance. QNB commits to reporting on an annual basis on labeled sustainable transactions and is made publicly available through QNB's Sustainability Report. As data availability in terms of impact reporting improves, further developing tracking of the expected and/or achieved impact of the Banks' sustainable financing activities on environmental and social objectives is encouraged. QNB has sought an external review of the Sustainable Finance and Product Framework at its launch, in line with market practices. The publication of the Framework and associated external review on the Bank's website is positively noted.
Part II: **Assessment of QNB's sustainable finance classification system**	**The Bank's sustainable finance classification system reflects market practice.** QNB has put forth multiple sets of eligibility parameters for its financing activities to be classified as sustainable. QNB also confirms that the eligible instruments need to be in line with relevant market principles. More specifically, for instruments issued under Parameter 1 (Dedicated Purpose Financing) and Parameter 2 (General Purpose Financing) with the Bank commits to alignment with ICMAs GBP, SBG, SBP, or/and LMAs GLP and SLP or CBI certification, for instruments issued under Parameter 3 (Sustainability-Linked Financing) with the Bank commits to alignment with ICMAs SLBP and LMA SLLP, and Parameter 4 (Transition Finance) will be in line with ICMAs Climate Transition Finance Handbook. QNB will ensure alignment with relevant standards through in house due diligence and external sustainability structurers/ coordinators as well as verifiers where applicable. For Green Social and Sustainable (GSS) bonds, an SPO is mandatory in all cases (whether they are issuing or whether they are book running/ facilitating). Where feasible, the Framework may be further improved with regards to the absence of a systematic inclusion of a Second Party Opinion for syndicated lending and the existence of a No Net Impact category to be financed under the dedicated approach. **Parameter 1 (Dedicated Purpose Financing):** We note that more than 98% of the selected eligibility criteria have either a significant or a limited contribution to the Sustainable Development Goals. It is noted however that 1 activity listed is considered to have 'No Net Impact' on the SDGs, limiting the contribution to sustainability objectives for this particular category. **Parameter 2 (General Purpose Financing):** We note that the 90% threshold proposed in the SFPF to be appropriate and in line with market practice of classifying sustainable businesses, specifically in combination with an exclusion list of unsustainable activities.

	Parameter 3 (Sustainability-Linked Financing): We note that by referencing the relevant market standards for Sustainability-Linked Financing, notably the ICMA SLBP and the LMA SLLP, the Bank outlines its commitment to align with relevant market standards. QNB checks internally about KPI materiality and SPT ambition, and this information is reviewed at least annually. In its SFPF, QNB has provided a sample set of relevant KPIs that may be used in the structuring of future SLBs. Despite the list not being exhaustive, we welcome that QNB has presented a sample set of relevant KPIs that may be used in the structuring of future transactions. It is noted, however, that an assessment of the exemplary KPIs has not been done within the scope of this Review. For GSS bonds, a second party opinion is mandatory in all cases, whether the Bank is issuing or book running/ facilitating. Where QNB participates in syndicated lending, specific transaction requirements are determined by the Sustainability Structurer/ Coordinator, and QNB checks alignment with the core components of SLBP/ SLLP. However, it is noted that QNB does not explicitly require second party opinions for syndicated lending to provide an opinion on the materiality of the KPIs nor the ambition of the associated targets. **Parameter 4 (Transition Finance):** QNB has included a sample list of transition activities in the SFPF, which are eligible to receive financing under a 'transition' label, aligned with the ICMA Climate Transition Finance Handbook. QNB will ensure alignment with relevant standards through in-house due diligence. However, there is currently no comprehensive assessment in place that considers whether the client's transition strategy is credible and in line with market guidance. Given that QNB intends to update the SFPF in the future to provide further guidance on the underlying process, it has not currently been possible to thoroughly comment on the inclusion of this element in the sustainable finance classification system. Where feasible, QNB also commits to having Second Party Opinion / external reviews to provide an opinion on the transition finance activities.

ASSESSMENT OF THE ELIGIBLE CATEGORIES' CONTRIBUTION TO THE UN SDG'S		
SECTION 3	SUMMARY	EVALUATION
Sustainability quality of the eligible categories	The proceeds will (re-)finance eligible asset categories which include: Green buildings, Renewable energy, Energy efficiency, Clean transportation, Environmentally sustainable management of living natural resource, land and biodiversity, Sustainable water and wastewater treatment, Pollution prevention and control, Climate change adaptation, Circular economy, Affordable basic infrastructure, Access to essential services, Socio-economic advancement and empowerment, Social housing, Food security and sustainable food systems, and Pandemic response (including COVID-19) . The Use of Proceeds categories have a significant contribution to SDGs 1 'No Poverty', 2 'Zero Hunger', 3 'Good Health & Well-Being', 5 'Gender Equality', 6 'Clean Water and Sanitation', 7 'Affordable and clean energy', 8 'Decent work and Economic Growth', 10 'Reduced Inequalities', 11	**Positive**

	'Sustainable Cities & Communities', 12 'Responsible Consumption', 13 'Climate action', 14 'Life Below Water' and 15 'Life on Land' and a limited contribution to SDG 4 'Quality Education'. Energy efficiency (District heating and cooling systems: Gas Based) Use of Proceeds category has a no net impact to SDGs. The remaining Use of Proceed categories improve the Bank's operational impacts and mitigate potential negative externalities of the Issuer's sector on SDGs 3 'Good Health & Well-Being', 6 'Clean Water and Sanitation'7 'Affordable and clean energy', 11 'Sustainable Cities & Communities', 12 'Responsible Consumption', and 13 'Climate action'.	
ASSESSMENT OF QNB'S ESG RISK MANAGEMENT PROCEDURES		
SECTION 4	SUMMARY	EVALUATION
ESG Risk Management	Based on an assessment of risk management practices for financial institutions, the environmental and social risks associated with the Use of Proceeds categories and the Bank's sustainable financing activities are considered to be well managed.	**Well Managed**
CONSISTENCY WITH THE BANK'S SUSTAINABILITY STRATEGY		
SECTION 5	SUMMARY	EVALUATION
The Sustainable Finance and Products Framework' link to QNB's overall ESG profile	The Sustainable Finance and Product Framework is considered consistent with the Bank's sustainability strategy. The rationale for developing a Sustainable Finance and Product Framework and for issuing Green, Social, and Sustainability Bonds and Green and Social Loans is described by QNB.	**Consistent with the Bank's Sustainability Strategy**

SECTION 1 PRE-ISSUANCE VERIFICATION

ALIGNMENT WITH ICMA'S GREEN, SOCIAL BONDS PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES AND LMA'S GREEN AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of QNB's Sustainable Finance and Product Framework (as of January 24, 2023) Green, Social and Sustainability Bonds and Green and Social Loans issuances with ICMA GBP, SBP, SBG, and LMA GLP and SLP.

ICMA GBP, SBP, AND SBG, LMA GLP AND SLP	ALIGNMENT	OPINION
Use of Proceeds	✓	The 'Use of Proceeds' description provided by QNB's Sustainable Finance and Product Framework is **aligned** with the ICMA GBP, SBP, and SBG, and LMA GLP and SLP. The Green and Social Project categories align with the eligible categories as proposed by ICMA GBP, SBP, and SBG, and LMA GLP and SLP. The eligible criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project categories will be provided at pre-issuance. In addition, the Bank defines exclusion criteria for harmful projects categories. The Bank is committed to provide the share of financing and refinancing in the annual allocation report that will be published on the website, any facilities that have been booked in the past 24 months prior to issuance will be considered as new financing.
Process for Project Evaluation and Selection	✓	The 'Process for Project Evaluation and Selection' description provided by QNB's Sustainable Finance and Product Framework is **aligned** with the ICMA GBP, SBP, and SBG, LMA GLP and SLP. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Bank. The Bank involves various stakeholders in the evaluation and selection process and ensures segregation of duties.

Management of Proceeds	✓	The 'Management of Proceeds' proposed by QNB's Sustainable Finance and Product Framework is **aligned** with the ICMA GBP, SBP and SBG, LMA GLP and SLP. The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions, after full allocation. The Bank commits to track the Sustainable Instrument's proceeds in an appropriate manner following a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green, Social and Sustainability Bonds and Green and Social Loans issuances (portfolio approach). Unallocated proceeds could be temporarily invested in cash or other short term and liquid instruments. QNB commits to inform the investors on the intended types of temporary placement for the balance of unallocated net proceeds, if any.
Reporting	✓	The 'Allocation and Impact Reporting' proposed by QNB's Sustainable Finance and Product Framework is **aligned** with the ICMA GBP, SBP, and SBG, LMA GLP and SLP. The Bank commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. QNB explains the level of expected reporting and the type of information that will be reported. Moreover, the Bank commits to report annually, until the proceeds have been fully allocated. The Bank commits to disclosing the expected environmental and/or social impacts, for projects financed along with the estimates of the expected and/or achieved impacts as quantitative performance indicators/ qualitative performance measures.

SECTION 2 EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF QNB's SUSTAINABLE FINANCE AND PRODUCT FRAMEWORK

Assessment against relevant market standards

In its Sustainable Finance and Product Framework, QNB defines its methodology for classifying financing as sustainable for the purpose of tracking and disclosing its performance.

These processes are reviewed against current market practices for sustainable capital and loan markets derived from market standards and voluntary guidelines. The assessment is therefore based on derived key principles for transparency, disclosure and non-contamination of sustainable labelled-products from the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles and the EU Green Bond Standards usability guide (March 2020).

SECTION	SUMMARY OF SFPF AND OPINION
0. Objectives, Targets & Progress	QNB defined a Sustainable Finance and Product Framework to outline a methodology for classification of its financial products and services as Sustainable or Transition Finance. QNB has set internal sustainable finance commitments, and has intention to publish these commitments in the future, but also note that the decision on public disclosure and precise timing of the disclosure are subject to internal approval. The publication of such targets is suggested to reflect best market practice. As of the end of 2021, QNB's sustainable lending portfolio stood at QR10.3 billion, out of a total lending book of QR763.7 billion.[7] QNB approach to sustainability consists of three pillars: sustainable finance, sustainable operations and beyond banking. Sustainable finance is the integration of ESG criteria into QNB's financing activities. Sustainable operations is the integration of ESG criteria into its business operations and across its supply chain. Beyond banking refers to QNB's Corporate Social Responsibility activities in the communities in which it operates. QNB's SFPF is consistent with the Bank's overall sustainability strategy across the three pillars. In 2021, QNB Group became the first Bank in the region to be awarded "AA" rating by MSCI ESG Research. QNB Group is a signatory to the United Nations Global Compact (UNGC), and a constituent of the FTSE4Good Index, and MSCI QSE 20 ESG Index (traded on the Qatar Stock Exchange (QSE)). QNB also states that it supports Qatar's national commitments to address key ESG issues, and that it is in full alignment with the Qatar National Vision (QNV) 2030 and recently launched National Environment and Climate Change Strategy (QNE).[8]

[7] QNB, 2021, QNB Sustainability Report 2021, https://www.QNB.com/sites/QNB/QNBqatar/document/en/enSustainability2021
[8] Ibid.

	Under the Framework the Bank has also provided a detailed list of exclusion sectors.[9] QNB confirms its alignment with a range of national and international alliances. QNB commits to the United Nations Global Compact (UNGC) and completes annual Communication on Progress (COP) to UNGC. It also commits to aligning its activities to the United Nations Sustainable Development Goals (UNSDGs). [10] In addition, the Bank's major subsidiaries in Turkey and Egypt, have signed up to the United Nations Women Empowerment Principles, the UNEPFI and Principles for Responsible Banking (PRB). These subsidiaries' signing of the above principles and agreements act as pilot for the Bank to analyse and understand if the Bank could sign up to the same principles at the group level. **Opinion**: *The sustainability strategy and objectives defined by QNB for its entire products and services across the whole group are credible and relevant to its sector and business model (as outlined in section 5 of this report). In its Sustainable Finance and Product Framework, QNB puts forth a definition of the sustainability objectives in line with the wider company strategy, but will not be disclosing quantifiable targets for sustainable financing until publication is internally approved. Those objectives are expressed in line with their commitments to national and international guidelines such as the Qatar National Vision 2030 and the United Nations Global Compact. Where feasible, the Framework may be further improved with regards to disclosing clearly defined sustainable finance targets and its associated action plan.*
1. Definition of sustainable finance activities	In the QNB SFPF, 'Sustainable finance' refers to Green and Social Use of Proceeds financing, General-corporate purpose financing, Sustainability Linked Financing and Transition Financing. QNB bases its definition of Sustainable financing on established national and international principals, standards and taxonomies, such as ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles, Qatar National Vision (QNV) 2030 and National Environment and Climate Change Strategy (QNE), Principles for Responsible Banking (PRB) amongst others. **Eligible types of financing** QNB's SFPF sets out types of financing which are eligible as sustainable financing for tracking and disclosing its performance, which include: ▪ **Dedicated purpose financing** where the Use of Proceeds satisfies either the green or social eligibility criteria. ▪ **General-corporate purpose financing** where 90% of turnover/revenue of the entity satisfies either the green or social eligibility criteria defined in Appendix 1 of the Framework.

[9] The activities and sectors listed are automatically excluded from being eligible under the Framework, in alignment with the QNB Group Environmental and Social Risk Management (ESRM) framework. More information is available on: www.qnb.com/sites/qnb/qnbqatar/document/en/enESRM
[10] ibid.

- **Sustainability-linked financing** which meets the internal proprietary screening criteria set out in section 5.3 of the Framework. Note that Sustainability-Linked Financing is not required to satisfy either the green or social eligibility criteria.
- **Transition financing** which meets the internal proprietary screening criteria set out in section 5.4 of the Framework. Note that any activities deemed transition will not be categorised as green and/ or social financing.

In addition to the above requirements, financing will not be eligible as sustainable financing if it is included in QNB's activity and sector exclusions set out in section 6 of the Framework.

Classification of sustainable financing

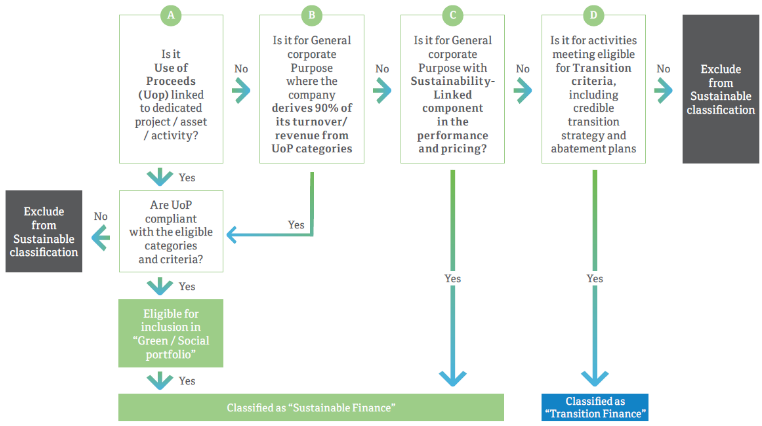

Figure 1 QNB Sustainable Financing Classification System

Product Scope

QNB's Sustainable Finance and Product Framework applies to QNB Group, including QNB Qatar along with selected international branches, and subsidiaries in Egypt (QNB ALAHLI), Turkey (QNB Finansbank), Indonesia (QNB Indonesia), Switzerland (QNB (Suisse) SA) and Tunisia (QNB Tunis). QNB's Sustainable Finance and Product Framework does not apply to QNB's associates or high-risk countries that may be identified during any external review. As of the end of September 2022, the in-scope operations accounted for 99%+ of operating income.

Sustainable finance products, services and product propositions can include financing, facilitation, and investments, under eligibility as defined within this Framework:

- Financing includes any type of loan instrument, or contingent liability, to any client where new finance or refinancing is provided
- Facilitation includes any services in support of clients issuing new debt instruments, e.g. underwriting, bookrunning, etc.

- Investments in sustainable fixed income products

QNB states that currently the majority of its products, services and product propositions falls under financing. It will provide further information in its future sustainability reports to share the latest status of the division between the three elements.

The following products are considered within the scope of QNB's sustainable finance commitment. However, according to the Bank, this is a non-exhaustive list and the Framework remains flexible for the inclusion of other product types:

Product type	Product description	Established guidelines/ standards and frameworks referenced	Alternative guidelines/ standards and frameworks referenced
Debt Capital Markets (DCM)	Green, Social and Sustainability Bonds (including private placements and sukuks)	▪ ICMA Green Bond Principles (GBP) ▪ ICMA Social Bond Principles (SBP) ▪ ICMA Sustainability Bond Guidelines (SBG) ▪ CBI Bond Standard	▪ Borrowers Framework, subject to review by Group Sustainability
	Sustainability-linked Bonds (including private placements and sukuks)	▪ ICMA Sustainability Linked Bond Principles (SLBP)	▪ Borrowers Framework, subject to review by Group Sustainability ▪ QNB SLBP-aligned Framework (to be developed as required)
Loan Capital Markets (LCM)	Green and Social Loans (including syndications)	▪ LMA Green Loan Principles (GLP) ▪ LMA Social Loan Principles (SLP)	▪ Borrowers Framework, subject to review by Group Sustainability
	Sustainability-linked Loans (including syndications)	▪ LMA Sustainability Linked Loan Principles (SLLP)	

Treasury	Certificates of Deposit/ Fixed Deposit	▪ ICMA GBP ▪ ICMA SBP ▪ ICMA SBG	▪ Borrowers Framework, subject to review by Group Sustainability
	Repurchase Agreements	▪ ICMA-ERCC (European Repo and Collateral Council) consultation on the role of repo in green and sustainable finance[11]	▪ ICMA GBP ▪ ICMA SBP ▪ ICMA SBG ▪ LMA GLP ▪ LMA SLP ▪ Borrowers Framework, subject to review by Group Sustainability
Transaction Banking	Supply Chain finance (SCF), Guarantees, Letters of Credit, Trade Loans, Factoring, Invoice Financing and Receivable services	▪ ICC (International Chamber of Commerce) Positioning Paper on Standards for Sustainable Trade & Sustainable Trade Finance[12]	▪ Borrowers Framework, subject to review by Group Sustainability ▪ Use of Proceeds that can be clearly linked to categories aligned with APPENDIX 1
Retail	Consumer products (e.g. green vehicle and green mortgage loans)	▪ Consumer products will comply with established product and regulatory standards, with the incorporation of the internal assessment and verification as defined in APPENDIX 1 ▪ Specific green, social, and sustainability criteria may be applied on a product by product basis	

***Opinion**: QNB presents a clear definition including precise parameters of what it considers sustainable financing under Dedicated, General Corporate Purpose Financing, Sustainability-Linked Financing and Transition Finance (assessed further in Section 2 Part II) and refers to relevant market principles and guidelines contributing to the standardization of Sustainable Finance transactions. The Bank provides an exhaustive list of eligible categories for its Dedicated Purpose Financing (assessed in Section 3) and Transition Finance*

[11] www.icmagroup.org/assets/documents/Regulatory/Repo/ICMA-ERCC-consultation-on-the-role-of-repo-in-green-and-sustainable-finance-summary-report-September-2021-160921.pdf
[12] https://iccwbo.org/publication/icc-standards-for-sustainable-trade-and-sustainable-trade-finance/

	activities. Pre-defined Green, Social and Transition-related eligibility criteria are precise and clearly described. Where feasible, the Framework may be further improved with regards to disclosing an estimated share of each instrument mentioned in its Framework: 1) On balance sheet financing, 2) Facilitation and 3) investments.
2. Evaluation & Selection process	QNB established an Environmental and Social Risk Management ("ESRM") screening process to mitigate E&S risks when considering new term loans and project related financing activities as per the financing materiality threshold.[13] QNB applies its ESRM process to all financing activities, not just for activities that are intended to be considered for sustainable financing. The Group ESRM sets out the Bank's minimum standards and approach to E&S risks, including an exclusion list as well as restricted sectors and prohibited activities. The ESRM was developed in accordance with national and international laws and regulation and references the International Finance Corporation (IFC) Performance Standards and United Nations Guiding Principles for Business and Human Rights. The ESRM screening is first performed by the Business team then reviewed and validated by Credit Risk team (at which stage E&S specialists may be involved). The ESRM process falls under the responsibility of QNB's Group Risk department, and is conducted with support from QNB's other departments, including Sustainability department and Business department. QNB states that its Board has oversight of the ESRM process. More specifically, the Risk Committee of QNB's Group Board has oversight of the identification of risks and action plans to manage these risks. QNB's ESRM process has six steps: 1. First screening against Exclusions List, 2. Second screening against Restricted Sectors, 3. Third screening against Restricted Activities, 4. Activities/ clients that are not excluded during the screening in previous steps are subject to additional E&S due diligence review and risk categorisation, 5. Reporting as applicable, 6. Lessons learnt to enhance ESMS and continuous improvement. Detailed description of each step can be found in the QNB Group Environmental and Social Risk Management Policy Framework.[14] For projects that are categorised as high risk (risk categorisation takes place in Step 4 of ESRM screening, as described above), QNB will take additional measures to manage the risks. These measures include requesting further information from client, engagement of internal or third-party experts to asses/ monitor, put in place mitigation plans or covenants. QNB may also decide to not finance these projects. QNB defines high risk projects as "projects with significant potential adverse social or environmental impacts or risks that are diverse, irreversible or unprecedented". Only projects that pass the ESRM screening process will be considered through the Bank's sustainable finance classification system.

[13] QNB defines this threshold as all new Project Finance (non-recourse) deals with a QNB credit/ loan amount equal to or above USD 10 million (or where total syndicated facility is equal to or above USD 100 million) and a tenor of minimum two years, and all new Term Loans where the total facility is equal to or above USD 25million and a tenor of minimum two years. This information can be found in the QNB Group Environmental and Social Risk Management Policy Framework, https://www.qnb.com/sites/qnb/qnbqatar/document/en/enESRM
[14] QNB Group Environmental and Social Risk Management Policy Framework: https://www.qnb.com/sites/qnb/qnbqatar/document/en/enESRM

	Eligible Sustainable and Transition finance products and/or transactions as defined by this classification system will be reviewed and validated by QNB's Green, Social and Sustainability Bond Committee (GSSBC). Further breakdown of the GSSBC's constituent departments and their responsibilities are shown below: ▪ **Group Corporate and Institutional Banking (GCIB):** Identifies and sources new eligible facilities that qualify for inclusion in the portfolio against the lending requirements for facilities. In addition, GCIB also collects data on eligible GSSB facilities and assists in the preparation of any external reporting requirements. ▪ **Group Financial Control (GFCD)** Validates and reconciles the pipeline of eligible facilities and determines the carrying value of QNB's portfolio on an ongoing basis. GFCD also assists in the preparation of any external reporting and management of external auditors. ▪ **Group Credit (GCR)** Acts as a second line of defence and validates submitted data of eligible facilities that qualify for inclusion in QNB's portfolio. GCR also ensures that eligible facilities are tagged in the Bank's system of record to avoid double utilization. ▪ **Group Risk/ Strategic Risk Management (SRM)** Monitors, tracks and reports on the pipeline of eligible facilities that qualify for inclusion in QNB's portfolio. SRM also develops dashboards and early warning mechanisms (EWS) in order to update the GSSBC on the status of the portfolio, and assists in the preparation of any external reporting requirements. ▪ **Group Treasury (TRS)** Identifies investor appetite for new issuances, manages the investor community for the preparation and issuance of GSS bonds and acts as the lead arranger and book runner for the issuance of green and/ or social bonds for QNB Group. ▪ **Group Strategy/ Sustainability (STR)** Creates awareness, guides the origination team on sustainable lending criteria and ensures pipeline generation meets "ex ante" the green, social and sustainable lending eligibility criteria. STR also owns the GSSBF and updates it accordingly if and when required based on evolving market practices and standards. In addition, STR identifies,

	sources and manages third party providers involved in topics related to the GSSBF, assists in the preparation of reporting requirements, and addresses GSSB related investor relations requests as and when required. - **Group Compliance (COM)** Provide inputs on compliance with regulative and governance obligations and for alignment with QNB's governance framework. ***Opinion**: QNB uses ESRM screening process to mitigate E&S risks when considering new term loans and project-related financing activities as per the financing materiality threshold. Only projects that pass the ESRM screening process will be considered through the Bank's classification system. QNB's Board has oversight of the ESRM screening process on an ongoing basis. The screening steps of the ESRM are also transparently documented in the QNB Group Environmental and Social Risk Management Policy Framework, which is a public document.*
3.Internal Governance and Monitoring	QNB applies risk management measures in its capital allocation decisions, supported by a company-wide planning, reporting and controlling system. During the life of the product or tenor of the transaction, QNB's Green, Social and Sustainability Bond Committee (GSSBC) will review all products/transactions (including facilitation and investments) to ensure continued compliance with the respective criteria defined in QNB's Framework. This review will take place on a quarterly basis, and ad-hoc as required. If any non-compliance is not addressed and resolved, the transaction would no longer be eligible as nor labelled as Sustainable (including green and/ or social) or Transition finance. The GSSBC also undertakes an annual review of the Green, Social and Sustainability Bond Framework. The GSSBC is formed by members of Treasury, Corporate and Institutional Banking, Credit, Risk, Financial Control and Sustainability teams. ***Opinion:** QNB's GSSBC reviews the Bank's sustainable products/transactions to ensure continued compliance with the respective criteria defined in QNB's Framework. GSSBC's reviews take place on a quarterly basis, and ad-hoc as required. If any non-compliance is not addressed and resolved, the transaction would no longer be eligible nor labelled as Sustainable (including green and/ or social) or Transition finance.*
4. Reporting	QNB commits to conducting annual allocation and impact reporting. QNB will align the reporting with the portfolio approach described in the ICMA Harmonized Framework for Impact Reporting. The reporting is based on the eligible transactions (including but not limited to green and social loan portfolio, investments and facilitations) and numbers will be aggregated for all GSSB outstanding. QNB will report to investors within one year from the date of a transaction and annually thereafter, until the proceeds have been fully allocated. All reporting will be publicly available on QNB's website.

	Allocation Reporting The allocation report will provide, on an aggregated basis, on indicators such as: ▪ The size of the identified eligible green and social loan portfolio; ▪ The total amount of proceeds allocated to eligible green and social loan portfolio; ▪ The balance (if any) of unallocated proceeds; and ▪ The amount or the percentage of new financing and refinancing. **Impact Reporting** QNB will report on the qualitative and quantitative E&S impacts of the projects funded with the green, social and sustainability bond proceeds. Where feasible, the methodologies as well the assumptions and baselines used to determine the quantitative indicators will be provided. Example key performance indicators (KPIs) that impact reports may provide are provided in the Appendix 2 within the QNB Framework. In addition to green, social and sustainability bond proceeds, QNB will separately provide reporting on impacts for other sustainable financing fully in line with latest Global Reporting Initiative 2021 standards. QNB has not yet confirmed the timeline of publishing its sustainable finance targets, it states that any publicly disclosed target for sustainable finance will be disclosed on an aggregate basis, and encompass financing, facilitation and investment. ***Opinion**: QNB commits to reporting labeled sustainable transactions, which occurs on an annual basis and is made publicly available through QNB's Sustainability Report. As data availability in terms of impact reporting improves, to further improve tracking of the expected and/or achieved impact of Banks' sustainable financing activities on environmental and social objectives is encouraged.*
5. Verification	Given the rapid evolution and development of the sustainable finance market and ESG standards, QNB aims to engage internal review to adopt and apply internationally recognized best practices, standards, frameworks, and/ or products once established in the market. QNB's sustainability report is annual and independently assured. QNB has appointed ICS to provide a pre-issuance verification and an External Review of the Framework, and its alignment with the Bank's Sustainability strategy. This document will be made available to stakeholders on the Bank's website. QNB is also committed to having a new external review to be sought upon any subsequent update to its SFPF. ***Opinion**: QNB has sought an external review of the Sustainable Finance and Product Framework at its launch, in line with market practices. The publication of the SFPF and associated external review on the Bank's website is positively noted.*

PART II: ASSESSMENT OF QNB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

Assessment of the criteria outlined in QNB's eligibility sustainable finance classification system

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by QNB, we evaluate the prevalence and robustness of the selection parameters, taking into account market practices across sustainable finance asset classes.

QNB has set the following sets of eligibility criteria for its financing activities to be classified as sustainable:

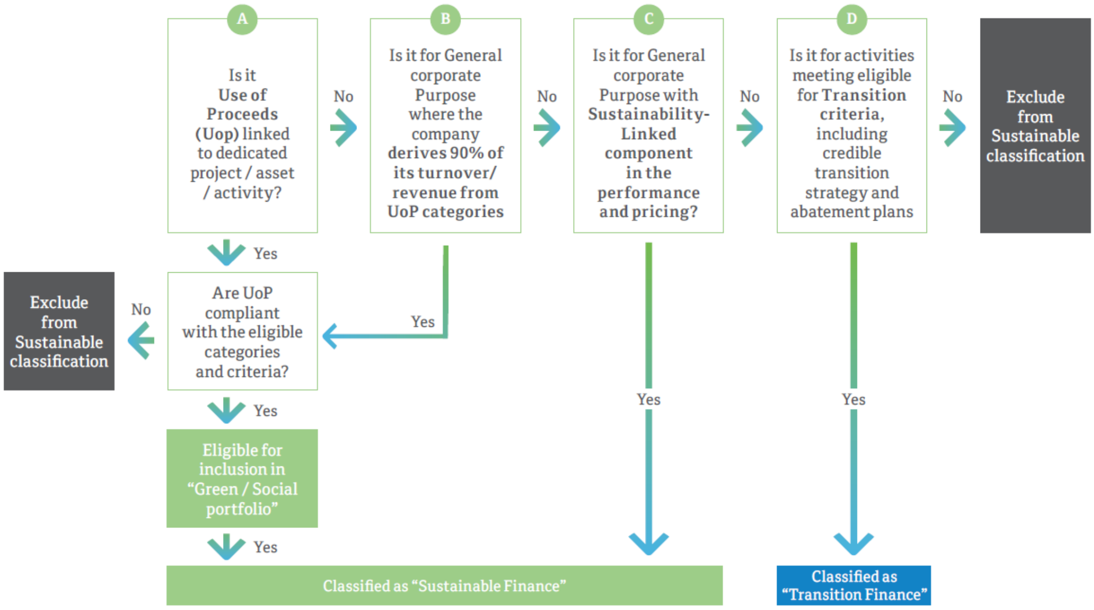

Figure 2 QNB Sustainable finance Classification System

In the below table, each parameter outlined in QNB's Sustainable Finance and Product Framework split into "General-Purpose Financing", "Dedicated Purpose Financing", "Sustainability-Linked

Financing" and "Transition Financing" are assessed. The evaluation is based on criteria, derived from common market practices[15].

PARAMETER	CRITERIA	ASSESSMENT OF QNB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM
Use of Proceeds (Dedicated Purpose Financing)	Dedicated Purpose Financing contributes to sustainability objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria. [16].	A detailed assessment of the impact of the eligible categories outlined in the SFPF can be found in Section 1 Part II. Some of the Use of Proceeds categories have set criteria aligned with CBI certification, and QNB confirms that for CBI-certified Green Bonds it invests in, it will check the CBI report provided by the respective Issuer. **Opinion:** *Based on ISS ESG proprietary SDG Solutions Assessment (SDGA) methodology, 98% of eligibility categories have either a limited or a significant contribution to the Sustainable Development Goals. However, one of the Use of Proceeds category has a no net impact on environmental or social factors, including the following: Energy efficiency - District heating and cooling systems: Gas based.* *The category considered to have 'No Net Impact', limit the contribution to sustainability objectives for these particular categories. Besides, no information is available on the future proportion of QNB's sustainable financing that will be directed towards the eligible category assessed by ISS ESG SDGA proprietary methodology as having 'No Net impact'.*
Company Profile (General Purpose Financing, standard approach)	General-purpose financing contributes to sustainable objectives if the funds are allocated to companies for whom a majority of their revenue/CAPEX or R&D/ OPEX derive from designated eligibility criteria. Generally accepted thresholds in the market are ≥ 90%[17] to designate green or social 'Pure Players' with a defined	According to QNB's Framework, for a transaction to be classified as Sustainable, the financing recipient needs to derive from its core business at least 90% of its revenues or turnover from eligible (green and social) activities listed in the SFPF. **Opinion:** *We consider the 90% threshold proposed to be appropriate and in line with the market practice of classifying sustainable businesses. It is noted that 98% of eligibility criteria are considered to have at least a limited positive impact on environmental or social factors. However, one of the Use of Proceeds category has a no net impact on environmental or social factors, including the following: Energy efficiency - District heating and cooling systems: Gas Based. This may result in the classification of financing as sustainable*

[15] These include, but are not limited to the ICMA GBP, SBP and SBG, the SLBP and the Climate Transition Handbook; the GLP and SLP; the SLBP and SLLP, as administered by the LMA; the UNEP FI PRB and the EBA LOaM guidelines for environmentally sustainable lending.
[16] It is noted that all eligible categories considered under the underlying Framework (i.e. 100% that are classified as sustainable) should contribute positively to the SDGs, in conformity with the ISS ESG SDGA methodology.
[17] Green Bond Principles, Appendix I (June 2022), Note I, and Climate Bonds Initiative Standard Version 3.0 (December, 2019), Green Bond Database Methodology, July 2022

	exclusion list for the remaining share.	*while the underlying business is not positively contributing to environmental and/or social objectives.* *We also note that QNB has defined an exclusion list in its Framework and will not involve activities within the exclusion sectors/ activities.* *It is noted that QNB refers to relevant market standards to define its eligibility criteria.*
Sustainability-Linked Instruments (General Purpose Financing)	Sustainability-linked Financing contributes to sustainable objectives if the associated KPIs[18] are material, core and relevant to the borrower's business model and the associated targets are ambitious. Further, it is considered as best market practice that transactions are subject to an external review, providing verification of the alignment against ICMA/LMA core principles, the aforementioned dimensions, and, in particular, the ambition of the selected SPTs[19].	The Framework draws on the core principles and recommendations for Sustainability-Linked Instruments following key components of the LMA Sustainability-Linked Loan Principles and the ICMA Sustainability-Linked Bond Principles. The Bank provides a list of example KPIs, relevant to the current and future business, and a sample of qualitative/quantitative performance indicators. It should be noted that the KPI list is not exhaustive, but are examples only. With regard to Sustainability-Linked transactions where QNB is the lender, QNB's sustainability team conducts a comprehensive review of the transaction against the five core components outlined in the sustainability linked principles, namely, selection of KPIs, calibration of SPTs, loan characteristics, Reporting and Verification. A key requirement, in line with the Sustainability Linked Loan Principles, would be that the borrowers performance against each SPT for each KPI is externally reviewed at least annually. In cases where QNB is participating in syndicated lending, the Bank would require that any information to support the above is provided by the sustainability coordinators. However, QNB does not require borrower's framework and SPO as mandatory, and, as such QNB checks for this on best efforts/ where feasible for the borrower. **Opinion:** *Despite it not being exhaustive, QNB has sets forth a sample list of KPIs in line with the list proposed by the ICMA, that may be used in the structuring of a Sustainability-Linked Bonds.* *A comprehensive external pre-issuance verification process assesses the alignment with applicable market guidelines and attests the relevance and materiality of the performance indicators and ambition of the*

[18] Key Performance Indicators, which can be external or internal and fit into the sustainability strategy of the borrower should be relevant, measurable, externally verifiable and able to be benchmarked.
[19] Sustainability Performance Targets, which should be ambitious, represent a material improvement in the respective KPIs, where possible be compared to a benchmark, be consistent with the borrowers' overall ESG strategy and be determined on a predefined timeline.

		targets, limiting the risk that General-purpose financing may be granted to entities that have not set adequate Sustainability goals with regard to past performance, peers, or international targets. These assessments are forthcoming for specific transactions. Finally, due to the general fungible nature of financing flows, the general-purpose financing may indirectly benefit financing that are not defined as sustainable. Where QNB participates in syndicated lending, specific transaction requirements are determined by the Sustainability Structurer/ Coordinator. However, it is noted that QNB does not explicitly require second party opinions for syndicated lending to provide an opinion on the materiality of the KPIs nor the ambition of the associated targets. Instead, it assesses this information internally, and checks alignment with the core components of SLBP/ SLLP. In the absence of comprehensive external reviews that assess the ambition of targets, general-purpose financing may be granted to entities that have not set adequate sustainability goals and/or credible action plan to reach sustainability goals. However, QNB requires KPI/SPT baseline and performance to be externally verified, in line with ICMA SLBP and LMA SLLP requirements.
Transition Finance (Dedicated and General Purpose Financing)	The financing of Transition activities should follow clear market guidance[20] in order to be considered credible. Financing should focus on specific transition activities and follow a comprehensive assessment of the transition strategy of the underlying entity, which should be sound and in line with relevant 'Net Zero' scenarios, such as provided by the IEA[21].	QNB has included an exhaustive list of transition activities in the SFPF, which are eligible to receive financing under a 'transition' label, in accordance with ICMA Climate Transition Finance Handbook guidelines. Further, as part of its classification process, the Bank aims to undertake due diligence (inhouse), including an assessment of whether the financed activities may cause potential harm to sustainability objectives. In this process, the Bank will leverage the EU Taxonomy Do No Significant Harm assessment to avoid any negative impact, and ensure that a transparent and measurable implementation plan for the Bank's clients' transition. QNB also confirms through self-declaration that its transition finance is aligned with CBI transition guidelines. Furthermore, QNB also commits to have an SPO/external review wherever feasible for transition financing activities. However, there is currently no comprehensive assessment in place that considers whether the client's transition strategy is credible and in line with market guidance.

[20] Including, for instance, guidance from the CBI White Paper on financing credible transitions.
[21] International Energy Agency

		Opinion: *As such, we are currently not in a position to thoroughly comment on the quality of Transition Finance transactions included in the overarching eligibility classification system. We consider that a credibility assessment of the borrowers' transition strategy is key to the appropriate use of the label.*

SECTION 3 SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGs

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products addressing global sustainability challenges, and by being responsible actors, contributing to minimize negative externalities in their financing along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories selected by the Bank in two different ways, depending on whether the proceeds are used to (re)finance:

- products/services,
- improvements of operational performance.

Products and services

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

The assessment of eligible categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the eligible categories has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Building **New and existing buildings that meet the minimum external green building certification level of either:** ▪ LEED 'Gold', ▪ BREEAM 'Very Good', ▪ GSAS '3-4 star' ▪ HQE 'Very good', ▪ BCA Green Mark 'Gold plus'	Significant Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES
Green Building **New and existing buildings that meet the minimum external green building certification level of either:**	Limited[22] Contribution	3 GOOD HEALTH AND WELL-BEING

[22] This assessment differs from the assessment used in former ISS Corporate Solutions' Second Party Opinions. The updated SDG assessment recognizes health and well-being of tenants/customers as the main objective of WELL Building Standard Certification.

▪ WELL 'Silver'		
Green Building New and existing buildings that meet the minimum external green building certification level of either: ▪ Passive Haus (carbon neutral) or equivalent certifications	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Green Building New and existing buildings that are within the top 15% more energy efficient buildings in their respective region, as determined through, for instance, a specialist study[23]	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy generation, transmission and distribution **Wind** (Onshore/offshore) **Solar** Photovoltaic solar power, concentrated solar power (CSP) and solar thermal **Hydroelectric** Run-of-river and small-scale projects (<10 MW) generating no more than 5W/m^2 or emissions intensity of less than 100gCO_2e/kWh **Geothermal** Projects with an emissions intensity of less than 100gCO2e/kWh **Tidal** Tidal range and stream, wave, ocean current, water-thermal energy production system (WEPS) and ocean thermal energy conversion (OTEC) power facilities **Green hydrogen** Hydrogen produced from electrolysis of water which is fueled by renewable energy.	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[23] For any Green Loans that are marked under this criterion, QNB commits to referencing a separate methodology to verify the top 15% eligibility and to acquire a second opinion on the validity of this methodology. The top 15% methodology could be based on, for instance, the building year, the building code or the building energy labels.

This excludes hydrogen as a by-product of fossil fuel activities		
Renewable energy generation, transmission and distribution **Hydroelectric** Medium scale project between 10 MW and 1000 MW **Bioenergy** Facilities for electricity generation, heating or both (CHP) that use biomass or biofuel from sustainable sources[24] such as: ▪ Forest (certified to Forestry Stewardship Council (FSC), ▪ Programme for the Endorsement of Forest Certified (PEFC), ▪ Sustainable Biomass Partnership, or ▪ Roundtable on Sustainable Biomass ▪ Biogenic waste Emission intensity of less than 100gCO₂e/kWh	**Limited Contribution**	
Renewable energy Infrastructure to support renewable energy Transmission and distribution of renewable energy[25]	**Significant [26] Contribution**	
Clean transportation Low carbon vehicles[27] for public, passenger and freight purposes. Including cars, buses, ferries and trains powered by either: ▪ Electricity ▪ Plug-in hybrid electricity ▪ Green Hydrogen	**Limited Contribution**	
Clean transportation Infrastructure to support low carbon vehicles including charging stations for electric vehicles	**Limited Contribution**	

[24] Feedstocks that that are derived from sources of high-biodiversity, deplete terrestrial carbon pools or compete with food production are excluded.
[25] Includes - construction, upgrading or operation of infrastructure such that it is a dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO2/kWh), located on a system with a grid factor at or below 100g CO2/kWh. The infrastructure is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold; Equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; Grid expansion/ development that transmits a minimum of 90% renewable energy.
[26] The assessment is in line with fulfilling the EU Taxonomy technical screening criteria
[27] Financing and refinancing for hybrid and biofuel powered vehicles will be restricted to those vehicles with direct emissions intensities < 50gCO₂e/km

Energy efficiency District heating and cooling systems: Renewables Based	Limited Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES
Energy efficiency District heating and cooling systems: Gas Based	No Net Impact	
Energy efficiency Energy meters	Significant Contribution	13 CLIMATE ACTION
Energy efficiency Smart energy grids, and management systems	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Energy efficiency Battery storage technology and systems[28]	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Environmentally sustainable management of living natural resources, land and biodiversity **Agriculture** Organic produce (certified by e.g., EU organic, CDC organic, Rainforest Alliance	Significant Contribution	15 LIFE ON LAND
Environmentally sustainable management of living natural resources, land and biodiversity **Agriculture** Hydroponic farming	Limited Contribution	15 LIFE ON LAND
Environmentally sustainable management of living natural resources, land and biodiversity **Forests and forestry** Forest land certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest	Limited Contribution	15 LIFE ON LAND

[28] The battery system should be for: dedicated connection to a power production plant eligible under the Climate Bonds sector; dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO_2/kWh) and exclusively for renewable energy

Certified (PEFC)		
Environmentally sustainable management of living natural resources, land and biodiversity **Forests and forestry** Afforestation or reforestation, and preservation/ restoration of natural landscapes	Significant Contribution	15 LIFE ON LAND
Environmentally sustainable management of living natural resources, land and biodiversity **Terrestrial and aquatic biodiversity** Conservation including the protection of coastal, marine and watershed environments	Significant Contribution	14 LIFE BELOW WATER 15 LIFE ON LAND
Sustainable water and wastewater management Wastewater treatment and recycling facilities	Significant Contribution Limited Contribution	6 CLEAN WATER AND SANITATION 3 GOOD HEALTH AND WELL-BEING
Sustainable water and wastewater management Sustainable Urban Drainage Systems (SUDS)	Significant Contribution	6 CLEAN WATER AND SANITATION
Pollution prevention and control Waste management and recycling companies and facilities of all types of waste[29]	Significant Contribution	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Pollution prevention and control Technologies to reduce emissions to air from infrastructure and industrial sources (e.g., particulate matter, volatile organic compounds (VOCs)).[30]	Limited Contribution	3 GOOD HEALTH AND WELL-BEING

[29] Excludes waste associated with fossil fuel power generation and manufacturing processes
[30] All projects directly related to fossil fuel processes are excluded

Climate change adaptation infrastructure: Carbon sequestration approaches[31]	Limited Contribution	13 CLIMATE ACTION
Circular economy Sharing and repairing models: activities that increase optimise the capacity utilisation of a product or asset during its useful life, or extends its useful life	Significant Contribution	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SOCIAL CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy) Develop quality, reliable, sustainable and resilient public infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	Limited Contribution	10 REDUCED INEQUALITIES
Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy) Vessels, ferries and rail transportation for public use	Limited Contribution	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy) Vessels, ferries and rail transportation for transportation of goods (excluding conventional combustion engines), with focus on low carbon technology, e.g., hybrid/ fully electric and green hydrogen	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[31] For example, in pre-combustion, gas processing, geological storage, mineral storage. Excludes enhanced oil recovery or carbon capture in oceans. In line with the EU CCS directive. For any carbon sequestration projects, we would require, where feasible, 1) clear measures ensuring that the CO2 is permanently and safely stored and 2) efficient CCS process. Both requirements would need to be confirmed by the borrower, with any certification/ verification.

Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy) Projects providing and expanding access to clean water, and sanitation for residential consumers	Limited Contribution	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy) Projects providing and expanding access to energy transmission/ distribution for residential consumers	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to essential services Activities involving the development, expansion or acquisition of buildings, facilities, or equipment relating to: ▪ **Infrastructure for hospitals, clinics, and healthcare** ▪ **Infrastructure for laboratories, childcare and elder care centres**	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services Activities involving the development, expansion or acquisition of buildings, facilities, or equipment relating to: - Infrastructure for the provision of child, youth or adult education and vocational training services	Limited Contribution	4 QUALITY EDUCATION
Socio-economic advancement and empowerment Loans to SMEs with an emphasis on employment creation or employment retention in specific economically underperforming regions[32]	Significant Contribution	8 DECENT WORK AND ECONOMIC GROWTH
	Limited Contribution	1 NO POVERTY
Socio-economic advancement and empowerment Microfinance with an emphasis on employment creation or employment	Significant Contribution	1 NO POVERTY 10 REDUCED INEQUALITIES

[32] Underperforming regions are defined using the United Nations Conference on Trade and Development (UNCTAD) list of developing countries, including Egypt, Indonesia, Qatar, Tunisia and Turkey, as per the development status categorization https://unctadstat.unctad.org/EN/Classifications.html

retention in specific economically underperforming regions[33]		
Socio-economic advancement and empowerment Loans to female led SMEs and female entrepreneur clients	Significant Contribution	5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Social housing Development, improvement, maintenance operation and/or refurbishment of shelters, halfway homes, community, or social housing projects[34]	Significant Contribution	1 NO POVERTY 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Food security and sustainable food systems Fair trade certified farming	Limited Contribution	1 NO POVERTY
Pandemic response (including COVID-19)[35] Research, development and logistical deployment of vaccines to prevent and/or alleviate infection and associated symptoms	Significant Contribution	3 GOOD HEALTH AND WELL-BEING
Pandemic response (including COVID-19)[36] Research, development of tests, and/or other medications to prevent and/or alleviate infection and associated symptoms Logistical deployment of tests, and/or other medications to prevent and/or alleviate infection and associated symptoms (government and affiliate agencies)	Limited Contribution	3 GOOD HEALTH AND WELL-BEING

[33] Underperforming regions are defined using the United Nations Conference on Trade and Development (UNCTAD) list of developing countries, including Egypt, Indonesia, Qatar, Tunisia and Turkey, as per the development status categorization https://unctadstat.unctad.org/EN/Classifications.html
[34] The definition of social housing is determined by each country in line with local standards
[35] Eligibility for Pandemic Response Use of Proceeds is aligned with International Finance Corporation (IFC) Social Bonds Case Studies: Coronavirus: https://www.ifc.org/wps/wcm/connect/3d1ccd21-ad12-4468-b03d-251cd6421bc5/SB-COVID-Case-Study-Final-30Mar2020-310320.pdf?MOD=AJPERES&CVID=n4RsBEk
[36] Eligibility for Pandemic Response Use of Proceeds is aligned with International Finance Corporation (IFC) Social Bonds Case Studies: Coronavirus: https://www.ifc.org/wps/wcm/connect/3d1ccd21-ad12-4468-b03d-251cd6421bc5/SB-COVID-Case-Study-Final-30Mar2020-310320.pdf?MOD=AJPERES&CVID=n4RsBEk

Manufacturing machines to produce health and safety equipment and hygiene supplies	Limited Contribution	
Pandemic response (including COVID-19)[37] Loans to businesses negatively impacted by economic slowdown as a result of disease outbreak		1 NO POVERTY

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or "operational impact improvement") resulting from the operational performance projects (re)financed by the eligible categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector financed by the Bank.

QNB finances operations/processes in a variety of third-Party sectors. For clarity, the exposure to negative externalities linked to the sectors of the operations/processes financed are not displayed.

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

CATEGORY	OPERATIONAL IMPACT [38]	SUSTAINABLE DEVELOPMENT GOALS
Green Building ▪ Refurbished buildings that achieve a minimum 30% improvement in energy use ▪ Refurbished buildings that achieve at least a two-step improvement in EU Energy Performance Certificate (EPC)[39]	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Green Building Refurbished buildings that achieve with GSAS certification[40]	✓	11 SUSTAINABLE CITIES AND COMMUNITIES
Renewable energy **Infrastructure to support renewable energy** Energy capture storage facilities for renewable fuel/ energy produced	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[37] Eligibility for Pandemic Response Use of Proceeds is aligned with International Finance Corporation (IFC) Social Bonds Case Studies: Coronavirus
[38] Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.
[39] Energy Performance Certificate two-step improvement applicable in Europe
[40] GSAS applicable in GCC

Clean transportation Infrastructure to support low carbon vehicles including electrified railways	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy efficiency Improvement to electricity transmission efficiency through efforts to reinforce the grid[41] and reduce transmission losses, such as superconducting materials, area monitoring systems, high-voltage alternating current (HVAC)	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Sustainable water and wastewater management Improvements to water infrastructure that increase water use efficiency through replacements and upgrading of inefficient systems	✓[42]	6 CLEAN WATER AND SANITATION
Pollution prevention and control Waste to energy: Capture of landfill gas (at least 75%) and anaerobic digestion	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Climate change adaptation infrastructure: ▪ Coastal and/or flood defences (supported by third party assessments, such as Vulnerability Assessment) ▪ Early warning systems[43]	✓	13 CLIMATE ACTION
Climate change adaptation infrastructure: Green or living roofs	✓[44]	11 SUSTAINABLE CITIES AND COMMUNITIES

[41] The average system grid emissions factor is below the threshold value of 100 gCO2e/kWh over a five-year average period
[42] Leakage level is either calculated using the Infrastructure Leakage Index (ILI) (205) rating method and the threshold value equals to or is lower than 1.5, or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council (206). That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e., at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs)
[43] Requires borrower assessment and confirmation that projects addresses identified of risks and vulnerabilities, or study to ensure that relevant adaption risks are being addressed. Projects aligned with local/ national adaption plans, e.g., Qatar National Energy and Climate Change Strategy (QNE)
[44] Energy performance of green roofs in summer (cooling effect), and winter (thermal insulation) (BTUs)

Climate change adaptation infrastructure : Carbon sequestration approaches[45]	✓	13 CLIMATE ACTION
Circular economy Waste diversion and/or use of waste material from products and services that go beyond an eco-label. This includes substituting virgin raw materials with secondary (recycled) and/or recovered materials	✓	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Pandemic response (including COVID-19)[46] Modification of existing machines to produce hygiene supplies	✓	3 GOOD HEALTH AND WELL-BEING

[45] For example, in pre-combustion, gas processing, geological storage, mineral storage. Excludes enhanced oil recovery or carbon capture in oceans. In line with the EU CCS directive. For any carbon sequestration projects, we would require, where feasible, 1) clear measures ensuring that the CO2 is permanently and safely stored and 2) efficient CCS process. Both requirements would need to be confirmed by the borrower, with any certification/ verification.

[46] Eligibility for Pandemic Response Use of Proceeds is aligned with International Finance Corporation (IFC) Social Bonds Case Studies: Coronavirus

SECTION 4 ASSESSMENT OF QNB'S ESG RISK MANAGEMENT PROCEDURES

ESG RISK MANAGEMENT

The table below evaluates QNB's ESG-specific risk management measures and policies that are considered relevant in the context of a Bank's sustainable financing activities. The KPIs emphasize specific ESG risks outlined in QNB's Sustainable Finance and Product Framework as well as general sustainability-related risks considered relevant to Banks' operations.

The KPIs are derived leveraging the ISS ESG Corporate Rating to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the task force on Climate-Related Financial Disclosure[47]. The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI.

QNB states that it abides by international sanctions and does not finance projects in sanctioned countries[48]. The locations of the projects it finances are global. Projects financed in the past are located in regions including the UK, France, Qatar, and Kuwait.

ASSESSMENT AGAINST KPIs
ESG investment guidelines for financial institutions
QNB's Environmental and Social Risk Management (ESRM) Policy sets out the Bank's minimum standards and approach to E&S risks, including an exclusion list as well as restricted sectors and prohibited activities. The ESRM was developed in accordance with national and international laws and regulation, and references the International Finance Corporation (IFC) Performance Standards and United Nations Guiding Principles for Business and Human Rights. QNB ensures its ESRM processes and procedures align with these standards by incorporating the details of these standards into its policies and procedures and engages experienced internal experts to check alignment in a stringent manner. QNB's ESRM is a public document.[49] Supporting the ESRM is a comprehensive procedure document which provides additional guidance to business divisions on initial transaction screening against, risk categorization, engagement of E&S specialists, and post monitoring requirements. QNB's Green, Social and Sustainability Bond Committee acts to ensure that E&S considerations are embedded into the financing process, taking care of responsibilities including:

[47] Task force on Climate-related Financial Disclosures, 2022 Status report, https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf

[48]QNB commits to exclude transations in sanctioned or embargoed countries, as classified by the relevant regulator exercising regulatory oversight.

[49] QNB Group Environmental and Social Risk Management Policy Framework, https://www.qnb.com/sites/qnb/qnbqatar/document/en/enESRM

- Evaluate and select eligible loans in portfolio in accordance with eligibility criteria and E&S risk screening
- Monitor allocation of bond net proceeds
- Document compliance with Framework and coordinate external impact reporting
- Undertake an annual review of Framework and eligibility criteria
- Review existing eligible loans to ensure that they continue to meet the eligibility criteria, including consideration of any identified E&S risks

QNB's ESRM procedures includes detailed procedures, from new business proposition to review and monitoring. The procedure includes steps such as screening against exclusions, risk assessments, due diligence including environmental engineers' on-site visits if necessary, credit checks, and documentation and potential covenants. The process is designed to ensure that all E&S risks are properly considered, mitigation measures defined, action plans accepted, and/or risks accepted as part of the financing decision process.

Carbon-related financing	
○	The Bank is transparent about the relative share of carbon-related loans and advances. According to CDP data, carbon-related financing constitute 1-2% of the Bank's total lending at year-end 2021. Loans and advanced currently make up the majority (approximately 67.2% as at end of Q3 2022) of QNB's total assets. However, we note the limitation that QNB's high risk sectors only relate to fossil fuel activities, and does not include CO_2e-intensive sectors such as automotive, metals and mining, agriculture etc.
✓	The Bank has a clear Position Statement on Extractive Industries and Palm Oil, which states that it will engage with clients in the extractive and palm oil industries to ensure they take responsible actions to minimize the environmental impact of their activities[50]. The Group ESRM excludes energy related activities of tar sands exploration/production, artic offshore drilling/exploration, and shale oil and gas mining/exploration. In addition, its subsidiary QNB Finansbank has not financed any new coal power plants since 2015, and committed in 2022 that it will exclude all new thermal coal power plants and new coal mining projects, and will settle all existing coal exposure in the portfolio by 2032.

[50] QNB has a publicly available Position Statement on Extractive Industries and Palm Oil. It states: "We fully support the transition to more sustainable practices in these sectors, whilst supporting economic growth and prosperity. This non-legally binding position statement reflects the recognition that there may be higher exposure to environmental and social risk in such sectors, and that we can have a positive influence through our financing activities. We believe that engagement is a key enabler for long-term, successful transition to a lower carbon economy. We will work with our clients to support, guide, collaborate and/or encourage, as appropriate and where feasible, to adopt responsible business practices that contribute to environmentally sustainable socio-economic development in local communities. Furthermore, we support and encourage clients to use, or transition towards, internationally recognised standards and practices to manage their environmental and social risks and impacts. For palm oil, we require clients to be Roundtable on Sustainable Palm Oil (RSPO) certified, or in the process of becoming a member."

Financed emissions	
○	QNB does not currently measure its financed emissions however it has engaged third party providers to further explore the opportunity to measure financed emissions in accordance with Partnership for Carbon Accounting Financials in the near term. It aims to start disclosing GHG emissions for its clients within 2-3 years.

Health and Safety	
✓	QNB has set a process to ensure that the projects it invests in fulfill either IFC performance standards, ISO 45001 (previously OHSAS 18001), or at a minimum, the Qatar National Policy on Occupational Safety and Health standard[51], and in addition relevant national standards in the countries the projects are set in (QNB only finances projects in countries that are ILO signatory countries). QNB performs due diligence to check that each of the individual projects fulfil relevant health and safety standards. In this due diligence process, it gathers health and safety documentation, organization charts, incident logs, and other relevant information to assess health and safety risks. If risks are assessed as high then a third party may also be appointed to assess and monitor. QNB also published its commitment to combat Modern Slavery.[52]

Labour Standards	
✓	QNB states that it finances projects in countries that are ILO signatory countries. It ensures that the projects it finances adhere to conventions and local labour laws. Furthermore, QNB has made commitments to align business practices against the principles set out in the International Labour Organisation’s (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the UN Guiding Principles on Business and Human Rights (UNGPs). QNB states that it supports the projects it finances to identify and eradicate human rights issues and modern slavery, as is reflected in its Modern Slavery and Human Trafficking Transparency Statement. The statement is in compliance with section 54 of the UK modern Slavery Act 2015. In alignment with Qatar’s Supreme Committee for Delivery and Legacy Worker’s Welfare Standards, QNB developed and launched the Vendor Worker Welfare Self-Assessment (VWWS) to measure and track adherence to best practices, and to form input for ongoing vendor engagement as part of TPRM. Finally, QNB states that it excludes any projects with forced labour and child labour, checked through its ESRM process (through measures such as site visits).

Biodiversity	

[51] Qatar National Policy on Occupational Safety and Health, https://www.ilo.org/beirut/countries/qatar/WCMS_757298/lang--en/index.htm
[52] QNB statement on Modern Slavery, https://www.QNB.com/sites/QNB/QNBunitedkingdom/page/en/enmodernslavery.html

QNB ensures that assets financed under this framework feature the respect of biodiversity as an integral part of the planning process through its ESRM policy which considers restricted sectors and activities including those in relation to Animal welfare, Fisheries, and Protected areas (incl. UNESCO World Heritage sites, and natural habitats registered by International Union for the Conservation of Nature).

✓ For projects that QNB considers having a relatively high level of risk, or are required by local law, an Environmental Impact Assessment (EIA) is undertaken and submitted to respective authority/ ministry for necessary approvals in accordance with national legislations. Such an assessment will determine whether financed activity is in a protected area/ defined sensitive region, its proximity to water, the project exact area, and ensure that the appropriate permits and exemptions are received from respective authorising body.

✓ QNB requires borrowers to adhere to the IFC Performance Standards where applicable, or national standards for biodiversity considerations, such as Qatar National Environment and Climate Change Strategy. Borrowers are assessed and monitored by third party consultants as required. QNB is also currently participating in industry working group with the Qatar's Ministry of Environment and Climate Change to develop and publish sectoral standards including those in relation to biodiversity.

Community Dialogue

✓ QNB confirms that it requires projects to take community engagement considerations into the project planning process and points out this is also ensured by the fact that projects must consider community engagement to obtain relevant government permission/permits. QNB also requires projects (subject to aforementioned ESRM screening) to establish external grievance mechanisms for communities potentially impacted. For high risk projects per QNB's ESRM risk categorization[53], a third party may be appointed as appropriate to undertake assessment, and may take place at each key phase or milestone for long projects.

✓ QNB requires borrowers to adhere to the IFC Performance Standards and respective national legislation (whenever possible) for community engagement considerations, with borrowers obliged to be assessed and monitored by third party consultants. It ensures the execution of this policy through its group ESRM process, which is informed by the IFC Performance Standards.

Inclusion

○ Whilst referenced in the QNB Sustainability Policy and examples of financial inclusion are documented in its annual reporting, QNB does not have specific

[53] QNB defines high risk projects as "Projects with significant potential adverse social or environmental impacts or risks that are diverse, irreversible or unprecedented".

product policies to ensure that vulnerable or disadvantaged populations can have universal access to the basic services financed by QNB. However, QNB states that financial inclusion is a core goal, and that it ensures its practices are in line with the financial inclusion element of the Qatar Central Bank's Second Financial Sector Regulator Strategic Plan. Furthermore, it targets vulnerable or disadvantaged population through the 'Access to essential services' social category, as outlined in its SFPF. It states that eligible social category projects would be free to access or subsidized from local authorities/ government. Relevant questions, checks, and covenants would be tailored to the project and client, involving E&S specialist as required.

Responsible treatment of customers with debt repayment problems	
✓	QNB has established processes to responsibly treat customers with debt repayment problems. Firstly, it takes pre-emptive actions to prevent client debt repayment problems, such as using credit limit structure, exceptions, the identification of key risk, and early warning indicators. It also systematically monitors customer debt level and ensures risks are managed appropriately. Annual reviews for customers are done to check audited financials, tracked payments, insurances, and ensure that obligations are paid on time. QNB is conservative in its lending practices (e.g. with conservative LTV ratios, fixed interest rates, credit limits, etc.) to ensure the credit quality of its book. For example, its NPL ratio was just 2.3% at end of December 2021. Relationship Managers proactive meet with customers on regular basis to understand their position, and if necessary and appropriate help them recapitalize, give customers extended payment terms. Under special circumstances (such as the COVID pandemic), QNB launches special schemes to help customers with repayment challenges. As a participant of a Qatar government scheme to help businesses during the pandemic, QNB charged 0% interest within the first-year grace period for thousands of its clients. For retail mortgages, QNB has a policy to systematically ensure that its customers are well aware of the full risks of their mortgages from the outset and sets maximum debt burden ratio for customers to pre-exempt repayment issues. In the case of debt repayment issues, QNB provides debt counselling to help customers repay their debt.

Sales Practices	
✓	QNB confirms that sales performance assessments are based on the credit worthiness of customers. QNB ensures ongoing monitoring of sales quality, through practices such as mystery shopping and customer satisfaction studies. QNB ensures that its employees are trained on new products before they are launched. It also has polies requiring sales representatives to provide customers with information about charges relating to their products and ensure customers'

	awareness and understanding of the 'Terms and Conditions' on products/services. It also has a policy of training its sales representatives to have adequate knowledge to advise customers on banking products/services.
Marketing	
✓	QNB complies with the Qatar Central Bank regulations for customer and consumer protection, which includes the right to transparent and fair banking information and transactions, and the right to have access to all financial services and products at appropriate cost. It ensures that its customers have access to clear and transparent information on its products, services, and channels and that the Bank is transparent regarding product risks. It commits to responsible lending and commits to sharing the reasons for rejection with customers. Its product and risk governance framework ensures compliance with regulatory requirements in each jurisdiction it operates in, prevents mis-selling, and upholds market quality standards.
Data protection and information security	
✓	QNB has internal policy to systematically ensure that it maintains customer confidentiality and the integrity of customer data. It safeguards customer data through internal controls and gathers explicit consent and informs customers on how their data are collected, stored, protected and used within the Bank. These data protection and information security measures are fully applied to all customer data that is outsourced for processing.

Exclusion Criteria

The Bank has put in place a list of exclusion criteria that applies across its operations. These activities are listed in Section 6. Activity and sector exclusions of the Framework.

The Bank has a policy of excluding projects from "Sanctioned, or Embargoed countries as classified by the relevant regulator exercising regulatory oversight".

SECTION 5 THE SUSTAINABLE FINANCE AND PRODUCTS FRAMEWORK'S LINK TO QNB'S OVERALL ESG PROFILE

PART I QNB'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance and to the Sustainable Finance and product's Framework assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labor standards and working conditions
Sustainable investment criteria
Customer and product responsibility
Sustainability impacts of lending and other financial services/ products

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about QNB's ESG performance can be found on ISS ESG Gateway at: https://www.issgovernance.com/esg/iss-esg-gateway/.

Please note that the consistency between the issuance subject to this report and QNB's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, we assessed the contribution of QNB's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

We determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top four issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Failure to mitigate climate change impacts, failure to prevent money laundering, anti-competitive behaviour, and failure to pay share of taxes.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

PART II CONSISTENCY OF THE SUSTAINABLE FINANCING FRAMEWORK WITH QNB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

QNB defined sustainability as the delivery of long-term value in financial, environmental, social and ethical terms for the benefit of our customers, shareholders, employees, and communities.

QNB Group's Sustainability Framework consists of the following 3 pillars:

1) Sustainable Finance

Sustainable finance is the integration of Environmental, Social and Governance (ESG) criteria into QNB's financing activities to deliver profit with purpose. The group desires to help customers to manage their environment and social risks, lend to businesses that contribute towards sustainable development goals, improve access to finance for small and medium-sized enterprises (SMEs) and underserved groups, and provide responsible customer service. Delivering sustainable finance is the most significant way in which QNB Group can support national and global sustainable development goals.

2) Sustainable Operations

Sustainable operations' theme is the integration of ESG criteria into QNB's business operations and across the supply chain to ensure QNB operate ethically and efficiently. QNB desire to strengthen corporate governance and risk management practices, promote equality throughout the workforce/supply chain and reduce carbon emissions generated by their operations. This approach keeps QNB compliant with increasing ESG-related regulations while helping QNB to be an employer of choice.

3) Beyond banking

Beyond banking refers to QNB Group's corporate social responsibility activities in the communities in which the group operates. The group desire to make a positive contribution towards wider society with an emphasis on education and financial literacy. In addition, QNB support and deliver a range of initiatives within the areas of social and humanitarian, arts and culture, health and environment, economic and international affairs, and sports.

Rationale for establishing the Sustainable Finance and Product Framework

QNB aims at delivering sustainable financial performance through national and international commitments as well as financial, social, and environmental initiatives. This includes reducing ESG risks throughout the value chain and enabling the transition to a greener and more socially equitable economy.

The Sustainable Finance and Product Framework:

- Serves to define the financing and loans eligible to be funded by the proceeds of any Green, Social or Sustainability Bond (GSSB) issued by QNB.
- Sets out the classification approach and methodology for labelling any products, services or transactions as Sustainable or Transition finance aimed at delivering positive impact to society and the environment. This includes eligible qualifying themes, categories, activities, and criteria, in line with international standards and taxonomies.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

We mapped the Use of Proceeds categories financed under this Sustainable Finance and Product Framework with the sustainability objectives defined by the Issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, we derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Use of Proceeds categories			
Green Buildings	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Environmentally sustainable management of living natural resources, land and biodiversity	✓	✓	Contribution to a material objective
Sustainable water and wastewater management	✓	✓	Contribution to a material objective
Pollution prevention and control	✓	✓	Contribution to a material objective
Climate Change Adaptation	✓	✓	Contribution to a material objective

Circular Economy	✓	✓	Contribution to a material objective
Social Use of Proceeds categories			
Affordable basic infrastructure	✓	✓	Contribution to a material objective
Access to essential services	✓	✓	Contribution to a material objective
Socio-economic advancement and empowerment	✓	✓	Contribution to a material objective
Social housing	✓	✓	Contribution to a material objective
Food security and sustainable food systems	✓	✓	Contribution to a material objective
Pandemic response (including COVID-19)	✓	✓	Contribution to a material objective

Opinion: *The Use of Proceeds of the Green, Social, Sustainability Bonds or Green and Social Loans issued under this Framework are consistent with the QNB's sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing Green, Social, and Sustainability Bonds or Green and Social Loans is described by the Bank. Furthermore, we find that the Sustainable Finance and Product Framework is consistent with the Bank's sustainability strategy. The Bank sets clear and credible sustainable financing criteria for its ESG-linked products under the Framework. The Framework's rationale to provide a set of sustainable financing products is embedded within the Bank's overarching sustainability strategy.*

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2. ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells/distributes External Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG's proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS's methodology is available upon request.
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ANNEX 1: Methodology

SECTION 3: ASSESSMENT OF THE CONTRIBUTION TO THE SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Fonterra's Sustainable Finance Instruments contributes to related SDGs has been identified.

SECTION 4: ESG RISK MANAGEMENT KPIs

The ESG Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described. If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of a Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g. Due Diligence procedures).

ANNEX 2: Methodology External Review

SECTION 2: REVIEW OF THE SUSTAINABLE FINANCE AND PRODUCT FRAMEWORK

We consider relevant market guidelines in the assessment of sustainable finance strategies including but not limited to fixed-income transactions. The analysis considers criteria from a set of different market standards, voluntary guidelines and best practices e.g. the International Capital Market Association's Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association's Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable lending. The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

SECTION	ASSESSMENT CRITERIA
0. Objectives, Targets & Progress	For a financing strategy to be classified as sustainable, Banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.
1. Definition of Sustainable Financing Activities	The sustainable financing strategy should define clearly and comprehensively what financing products are deemed as sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold, or impact indicators) while ensuring that other objectives are not harmed.
2. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for sustainable financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrowers should be collected.
3. Governance & Monitoring	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable investment, lending, or financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Monitoring systems and clear accountability should be established. With respect to borrowers and dedicated financing transactions, Banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.

4. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds, as well as the impact and progress of the sustainable financing strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics. Borrowers should make and keep readily available up-to-date information on the Use of Proceeds and a brief description of the projects, and the amounts allocated and their expected impact. Information need only be provided to those institutions participating in the loan. Issuers of Green, Social or Sustainability Bonds should make, and keep, readily available up-to-date information on the Use of Proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact.
5. Verification	It is recommended that the sustainable financing strategy for specific issuances should be reviewed by an external independent third party. The external reviews should be made available to the respective stakeholders involved.

ASSESSMENT OF QNB's SUSTAINABLE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in QNB's sustainable finance classification system and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, we identify the extent to which QNB's eligibility criteria contribute to the UN SDGs and meet the criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021)

SECTION 5 SUSTAINABLE FINANCE FRAMEWORK'S LINK TO QNB's SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance and Product Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the group's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:
https://www.issgovernance.com/file/publications/methodology/Corporate-RatingMethodology.pdf

ANNEX 4: Quality Management Processes

SCOPE

QNB commissioned ISS Corporate Solutions to compile a sustainable financing instrument's SPO. The Second Party Opinion process includes verifying whether the eligibility criteria aligns with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association and to assess the sustainability credentials of its bonds and loans, as well as the Issuer's sustainability strategy.

Further QNB commissioned ISS Corporate Solutions to compile a Sustainable Finance and Product Framework external review. The external review process includes verifying whether the Sustainable Finance and Product Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's classification taxonomy.

CRITERIA

Relevant Standards for this Second Party Opinion and External Review stem from key principles for transparency and non-contamination of sustainable labeled products, including:

- International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles
- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- UNEP-FI PRB
- Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0
- Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally Sustainable lending

ISSUER'S RESPONSIBILITY

QNB's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- Eligibility criteria
- ESG Impact and Risk Management for sustainable financing activities
- Internal governance, monitoring, and control procedures for sustainable financing activities

ISS ESG VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the Sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS Corporate Solutions has conducted this independent Second Party Opinion of the Green, Social, and Sustainability Bonds and Green and Social Loans to be issued by QNB based on ISS ESG methodology and in line with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan

Principles and Social Loan Principles, administered by the Loan Market Association. Further ISS Corporate Solutions has conducted this independent external review of the Bank's Sustainable Finance and Product Framework based on ISS ESG methodology and in line with market practices and relevant guidelines for sustainable financing strategies.

The engagement with QNB took place between September 2022 and January 2023.

ISS ESG BUSINESS PRACTICES

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

About ISS ESG

ISS ESG is one of the world's leading rating agencies in the field of Sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our sustainable (Green & Social) Bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent opinion so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

ISS provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of our client's frameworks.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Sustainable Finance Instrument's SPO and External Review, please contact: SPOOperations@iss-esg.com

Project team

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