



## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Emirates NBD Bank (P.J.S.C.)  
28 August 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>▪ Sustainable Finance Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>▪ Green Bond Principles (as of June 2021 with June 2022 Appendix 1), Social Bond Principles (as of June 2023), Sustainability Bond Guidelines (as of June 2021), as administered by the ICMA</li><li>▪ Green Loan Principles and Social Loan Principles (as of February 2023), as administered by the LMA</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>▪ Emirates NBD Sustainable Finance Framework (as of August 24, 2023)</li><li>▪ Emirates NBD Eligibility Criteria (as of August 24, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>▪ Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>▪ Valid as long as the cited Framework remains unchanged</li></ul>

## CONTENTS

SCOPE OF WORK .....	3
EMIRATES NBD BUSINESS OVERVIEW .....	3
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, SUSTAINABILITY BOND GUIDELINES, GREEN LOAN PRINCIPLE AND SOCIAL LOAN PRINCIPLES .....	6
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA .....	9
A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE UN SDGs .....	9
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	16
PART III: LINKING THE TRANSACTION(S) TO EMIRATES NBD’S ESG PROFILE.....	19
A. CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH EMIRATES NBD’S SUSTAINABILITY STRATEGY .....	19
B. EMIRATES NBD’S BUSINESS EXPOSURE TO ESG RISKS.....	21
ANNEX 1: Methodology .....	24
ANNEX 2: ISS ESG Corporate Rating Methodology .....	25
ANNEX 3: Quality management processes .....	26
About this SPO .....	27

## SCOPE OF WORK

Emirates NBD Bank (P.J.S.C) ('the Issuer') commissioned ISS Corporate Solutions (ICS) to assist with its Sustainable Finance Instruments<sup>1</sup> by assessing three core elements to determine the sustainability quality of the instruments:



1. Emirates NBD's Sustainable Finance Framework (as of August 24, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), the Loan Market Association's (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP)
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Emirates NBD's overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## EMIRATES NBD BUSINESS OVERVIEW

Emirates NBD Bank (P.J.S.C.), together with its subsidiaries, provides corporate, consumer, and Islamic banking services. The company offers current accounts, savings accounts, gold investment accounts, value accounts, Islamic accounts, fixed deposits, and call deposits. It also provides personal, commercial vehicle, construction equipment, and home and office mortgage loans; overdrafts; and loans against property and gold, as well as project, Islamic, and trade and supply chain finance products. In addition, the company offers wealth investment plans; portfolio management; general and life insurance products; succession and liquidity planning; trust services; asset and fund management, and brokerage services; loan syndication; equity capital markets and advisory; call centre management; consumer finance; nominee and shared services; cash management, trade and corporate finance, and treasury products; debt origination, structuring, and syndication services; real estate advisory; safe deposit lockers; and foreign exchange products, as well as credit solutions against cash, investments, real estate, and IPO financing. Further, it provides credit, debit, prepaid, and commercial cards; and online, mobile, and phone banking services, as well as engages in the medium term borrowing and money market transactions. The company operates approximately 874 branches and 4,144 ATMs/SDMs in the United Arab Emirates, Egypt, India, Turkey, the Kingdom of Saudi Arabia, Singapore, the United Kingdom, Austria, Germany, Russia and Bahrain. The company was founded in 1963 and is headquartered in Dubai, the United Arab Emirates. Emirates NBD Bank (P.J.S.C.) operates as a subsidiary of Investment Corporation of Dubai.

<sup>1</sup> Including Green, Social, and Sustainable Finance Instruments

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP/SBP/SBG /GLP/SLP</b></p>	<p>The Issuer has defined a formal concept for its Sustainable Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), the Loan Market Association's (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Sustainable Finance Instruments will (re)finance eligible asset categories which include:</p> <p>Green categories: Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Sustainable Water and Wastewater Management.</p> <p>Social categories: Access to Essential Services, Affordable Housing, Employment Generation.</p> <p>Product and/or service-related use of proceeds categories<sup>3</sup> individually contribute to one or more of the following SDGs:</p>  <p>Other use of proceed categories<sup>4</sup> improve the operational impacts of Emirates NBD's borrower(s) and mitigate potential negative externalities of its sector on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p><b>Positive</b></p>

<sup>2</sup> The evaluation is based on the Emirates NBD's Sustainable Finance Framework (August 24, 2023 version), and on the ISS ESG Corporate Rating updated on November 22, 2022, and applicable on the SPO delivery date.

<sup>3</sup> Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Sustainable Water and Wastewater Management, Access to Essential Services, Affordable Housing, Employment Generation

<sup>4</sup> Green Buildings, Sustainable Water and Waste-Water Management

<p><b>Part 3:</b> <b>Linking the transaction(s) to Emirates NBD's ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Sustainable Finance Instruments are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no controversies have been identified.</p>	<p><b>Consistent with the Issuer's sustainability strategy</b></p>
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## SPO ASSESSMENT

### PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, SUSTAINABILITY BOND GUIDELINES, GREEN LOAN PRINCIPLE AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the Emirates NBD’s Sustainable Finance Framework (as of August 24, 2023) with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles.

GBP, SBP, SBG AND GLP, SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Emirates NBD’s Sustainable Finance Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, the Green Loan Principles and Social Loan Principles.</p> <p>The Issuer’s green/social categories align with the project categories as proposed by the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles. Eligibility Criteria are defined in a clear and transparent manner<sup>5</sup>.</p> <p>Description of estimated proceeds allocation per project category will be provided with the annual reporting following issuance. Environmental/social benefits are described. The Issuer defines sector and project exclusion criteria. The Issuer has defined an expected allocation period of 24 months, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Emirates NBD’s Sustainable Finance Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, the Green Loan Principles and Social Loan Principles. Emirates NBD has defined target population for each social project categories, and defined the impact reporting indicators it will report on to track the progress of the projects.</p>

<sup>5</sup> Under the Framework, eligible assets may be for specific assets and projects that align with the eligibility criteria or to ‘pure play’ companies, defined as enterprises that are expected to derive ≥90% of their turnover from assets aligned with the eligibility criteria defined in the Framework. For such enterprises, the entire loan/financing by Emirates NBD to such a borrower/Obligor is 100% eligible as a use of proceeds for a Sustainable Finance Instrument.

		<p>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 Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, which is in line with best market practice.” “The Issuer involves various stakeholders in this process, in line with best market practice.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Emirates NBD’s Sustainable Finance Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, the Green Loan Principles and Social Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are moved to a sub-portfolio and attested in a formal internal process. The net proceeds are managed on an aggregated basis (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. The expected allocation period is defined in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Emirates NBD’s Sustainable Finance Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, the Green Loan Principles and Social Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Emirates NBD explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the Sustainable Finance Instruments mature.</p>

		The Issuer provides a list of potential output and impact indicators at category level in line with market practice.
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## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE UN SDGs<sup>6</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed/invested in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

The assessment of UoP 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 UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Sustainable Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

### GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Financing or refinancing the acquisition, development, construction and refurbishment of buildings which meet at least one of the eligibility criteria. New and existing residential, commercial, or mixed-use buildings certified with:</i></p> <ul style="list-style-type: none"> <li>▪ <i>HQE – Excellent</i></li> <li>▪ <i>CASBEE – A</i></li> <li>▪ <i>Al Sa'fat, Dubai Green Building System in the Emirate of Dubai 'Golden'</i></li> <li>▪ <i>Green Star – 4 Star</i></li> <li>▪ <i>BREEAM, Building Research Establishment Environmental Assessment Method 'Very good'</i></li> </ul>	<b>Contribution</b>	

<sup>6</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

- *GSAS, Global Sustainability Assessment System '4 Star'*
- *LEED, Leadership in Energy and Environment Design 'Silver'*
- *Mostadam – Silver*
- *Estidama, Pearl Building Rating System in the Emirate of Abu Dhabi '2 Pearl Rating'*
- *EDGE, Green Buildings Certification 'Certified'*

**Green Buildings**

*Financing or refinancing the acquisition, development, construction, and refurbishment of buildings that meet at least one of the eligibility criteria. New and existing residential, commercial, or mixed-use buildings certified with:*

- *WELL – Certified<sup>7</sup>*
- *Fitwell – One Star<sup>8</sup>*

**Contribution**



**Green Buildings**

*Financing or refinancing the acquisition, development, construction, and refurbishment of buildings which are within the top 15% most energy efficient buildings.<sup>9</sup>*

**Contribution**



**Renewable Energy**

*Financing or refinancing of renewable energy generation sources:*

- *Solar: Photovoltaic solar power (PV), concentrated solar power (CSP) and solar thermal*
- *Wind: Onshore and offshore*
- *Green hydrogen: Storage and refueling infrastructure and fuel production by electrolysis 100% powered by renewable energy sources*
- *Geothermal: Projects with an emissions intensity of less than 100gCO<sub>2</sub>e/kWh*
- *Hydroelectric: Run of river plants with a capacity of less than 1GW and either generating no more than 5W/m<sup>2</sup> or having*

**Contribution**



<sup>7</sup> The certifications WELL, and Fitwell- One Star could provide both positive environmental and social benefits. Emirate NBD decided to classify those as environmental categories.

<sup>8</sup> Ibid

<sup>9</sup> Emirates NBD has appointed external consultant to identify the buildings that meet the top 15% threshold. The Issuer is currently in process with the consultant to select the top 15% buildings in the region from its portfolio.

*emissions intensity of less than  
100gCO<sub>2</sub>e/kWh<sup>10</sup>*

**Renewable Energy**

*Financing or refinancing of renewable energy generation sources:*

*Bioenergy: Projects that produce electricity exclusively from second-generation bioenergy aligned with the Technical Screening Criteria for Climate Change Mitigation of EU Taxonomy of activity 4.8*

**Contribution**



**Renewable Energy**

*Financing or refinancing of energy transmission infrastructure<sup>11</sup> for renewable energy.*

**Contribution**



**Energy Efficiency**

*Financing or refinancing of smart energy grids that promote energy efficiency and battery storage facilities that are connected to renewable energy sources*

**Contribution**



**Energy Efficiency**

*Financing or refinancing of energy meters, management systems that promote energy efficiency and are connected to renewable energy sources*

**Contribution**



**Energy Efficiency**

*Financing or refinancing of district cooling systems and energy efficient air-conditioning systems powered by at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat<sup>12</sup>*

**Contribution**



**Clean Transportation**

*Financing or refinancing of zero tailpipe emission vehicles (hydrogen, fuel cell and electric)*

**Contribution**



**Clean Transportation**

**Contribution**



<sup>10</sup> Hydroelectric plant >1000MW are excluded from this Framework

<sup>11</sup> The transmission infrastructure would be eligible under this framework only if it is used to connect one or more of the renewable technologies defined within this project category.

<sup>12</sup> The eligibility criterion mentioned under this category is aligned with Technical Screening Criteria of activity 4.15 of the E.U. Taxonomy. The district cooling systems and energy efficient air-conditioning systems are eligible under this framework only when respecting this criterion.

*Financing or refinancing of infrastructure for electric vehicles (electrified railways and charging stations for electric vehicles)*

**Pollution Prevention and Control**

*Financing or refinancing for:*

- *Collection, transport, and transfer of non-hazardous waste, including municipal solid waste and commercial and industrial waste linked to recycling projects.*
- *Development, construction, installation and/or maintenance of waste sorting and processing (and related infrastructure) linked to recycling projects.*
- *Waste prevention, waste reduction, and waste recycling. Including the development, operation, and upgrade of recycling plants and recycling activities for metals, plastic, and paper*

**Contribution**



**Pollution Prevention and Control**

*Waste to energy: Municipality waste incineration*

**Contribution**



**Pollution Prevention and Control**

*Waste to energy: Energy generation<sup>13</sup> based on biogas*

**Contribution**



**Pollution Prevention and Control**

*Waste to energy: energy generation defined based on landfill gas, including from anaerobic digestion*

**Contribution**



**Sustainable Water and Waste-Water Management**

*Financing or refinancing of:*

*Waste-water treatment (agricultural wastewater treatment plants) and water recycling facilities*

**Contribution**



<sup>13</sup> The carbon footprint of the energy produced is lower than 100gCO<sub>2</sub>e/kWh (lifecycle emissions), waste used as a source does not compete with food production and is sourced from sustainable sources, and the waste is managed in accordance with the waste hierarchy.

**Sustainable Water and Waste-Water Management**

*Financing or refinancing water desalination projects running on reverse osmosis technology with a carbon intensity of less than 100gCO<sub>2</sub>e/kWh over the residual asset life<sup>14</sup>*

**Contribution**



<sup>14</sup> The asset may be fully or partially powered by renewables as long as it meets the 100gCO<sub>2</sub>e/kWh threshold.

**SOCIAL CATEGORIES**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Access to Essential Services</b></p> <p><i>Financing of construction of healthcare facilities (hospital, and primary care facilities)</i></p>	<p><b>Contribution</b></p>	
<p><b>Access to Essential Services</b></p> <p><i>Financing the operation of healthcare facilities (hospital, and primary care facilities)</i></p>		 
<p><b>Affordable Housing</b></p> <p><i>Financing dedicated to government schemes <sup>15</sup> for affordable housing and construction of homes for low-income individuals</i></p>		
<p><b>Employment Generation, and Socioeconomic advancement and empowerment</b></p> <p><i>Financing dedicated to MSMEs<sup>16</sup></i></p>		
<p><b>Employment Generation, and Socioeconomic advancement and empowerment</b></p> <p><i>Financing dedicated to emergency response to a crisis (health crisis, natural disasters and emergency situations<sup>17</sup>) to alleviate unemployment and/or provide financial support MSMEs</i></p>		

<sup>15</sup> Populations meeting the criteria for government-supported affordable housing mortgage financing schemes (Government-supported and subsidized initiatives in the UAE, such as the Mohamed bin Rashid Housing Establishment and the Sheikh Zayed Housing Programme. Financing under such programs includes profit-free financing by Emirates NBD with an upfront subsidy received from the relevant government ministry by Emirates NBD) and with income in line with UAE's social welfare program definition (UAE's social welfare program classifies citizens/families as low-income when total household income is less than AED 25,000 per month (see here). Emirates NBD will exclude renovation projects under such programs.

<sup>16</sup> The definition of SME and microfinance organizations is determined by each country in line with local standards

<sup>17</sup> Emergency situations as defined by World Health Organization (see [here](#))

**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 UoP 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 of the Issuer’s clients.

Emirates NBD finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

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.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>18</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Refurbished buildings that achieve a minimum 30% improvement in energy use or carbon emissions</i></p>	<p>✓</p>	
<p><b>Sustainable Water and Waste-Water Management</b></p> <p><i>Financing or refinancing of: Improvements to water infrastructure that increase water use efficiency (replacements and upgrading of inefficient systems)</i></p>	<p>✓</p>	

<sup>18</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance specific KPIs. Assets financed under Emirates NBD Sustainable Finance Framework will be located exclusively in the United Arab Emirates.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into financing/lending process

As of today, Emirates NBD has not integrated ESG consideration into its financing and lending processes.

However, Emirates NBD is in the process of implementing an Environmental and Social Risk Policy (ESRP) framework. The ESRP framework will aim to guide decision-making and to align with the Issuer goal of advancing environmental and social enhancements, while avoiding business dealings that fail to meet the standards set out in the ESRP framework. This ESRP framework will be published in September 2023 and will be applicable across the Group. Thus, all borrowers-investees/lending-investing products under this Sustainable Financing Framework will also be subject to these policies. As part of its ESRP, the Bank will detail its Governance and Operating Model, including the Sustainable Finance Committee responsibilities and the Enterprise Risk Management Framework. The Committee will review every transaction from an ESG perspective before credit approval, the process of approval will extensively be detailed in the ESRP Framework.

#### Labour standards, Health and Safety



The Issuer does not ensure that labor rights and Health and Safety standards as defined by ILO Core Conventions are respected across its borrowers. However, Emirates NBD states in their ESRP Framework to adhere to internationally recognized standards on human rights, such as the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. The ESRP Framework will also establish a due diligence mechanism covering the topic of human rights and modern slavery.

#### Biodiversity



Under the upcoming ESRP, Emirates NBD commits to incorporate biodiversity considerations in its risk assessment process. As well, the Issuer has confirmed that they will require all projects to undergo Environmental Impact Assessment that will determine potential harm to biodiversity. They also commit not to finance any initiative that poses a significant threat to high-value biodiversity areas. However, this is a forward-looking commitment and there is currently no further information about the methodology or the scope of the Environmental Impact Assessment.

#### Community dialogue



- As of today, there is no overarching policy in place for ensuring that the projects financed under the Sustainable Finance Framework feature community dialogue as part of the planning process

#### **Inclusion**

- The current nationality requirements on the financial product dedicated to affordable housing hinder achieving the financial inclusion objective. However, the Issuer ensures that borrowers are not discriminated on the basis of their religion, nationality, gender, age, income level and marital status on all the other products.
- ✓ The Issuer has confirmed that provision of healthcare insurance is mandatory in the UAE. The entire population, irrespective of income, will have access to the healthcare facilities financed under the Framework.

#### **Data protection and information security**

- ✓ The Issuer has set internal policy to systematically ensure to maintain customer confidentiality as well as the integrity of customer data. They implemented an IT Security Management System including risk assessment, audits, trainings, and awareness raising. These data protection and security requirements are also across the supply chain ecosystem including to third party and outsourcing,

#### **Responsible treatment of customers with debt repayment problems**

- ✓ The Issuer established processes to responsibly treat customers with debt repayment problems. They first take pre-emptive actions including covenants, control of certain matrix, detection of early warning signs depending on the type of client, nature of loan and sector. They also made available on their website content to help customers navigate through various kind of financial challenges.
- ✓ In terms of debt restructuring, Emirates NBD confirms to offer repayment holiday, reduced repayment amounts over an extended timeframe, debt consolidation, lowering of the effective interest rate and interest/principal forgiveness. They also confirm that these remedial solutions are offered with no additional fee charged for the proposed solutions.
- ✓ For retail mortgages, Emirates NBD explains that all options are examined before taking foreclosures as a last resort through UAE courts. They also confirm that the Bank's Collections unit is staffed by trained professional who carry out the role of debt counselling and helping distressed customers explore remedial actions under mutually acceptable terms.

#### **Sales practices**



However, Emirates NBD confirms the include ethical considerations to the commission's payments, sales target, or bonus payment. Additionally, Emirates NBD abides by the Consumer Protection Standards of the U.A.E to embed responsible sales practice, properly train its Staff and address gaps in Staff competencies. Also, the Issuer confirms to conduct regular mystery shopping and sites visits of locations where the Bank's business is carried out. This monitoring includes collection and analysis of customer complaints. Also, the Issuer confirms to run regular screening and review of the client risk profile.

### Responsible marketing



The Issuer is committed to respect the Consumer Protection Standards of the U.A.E Central Bank which states that the bank must act with integrity and in a fair, honest, transparent manner considering the best interests of consumers in their sales and financial promotional activities. As well, the Bank should be transparent regarding product risks and refrain from using misleading or small-print information The Bank also commit to inform clients about the reasons leading to the rejection of loans.

### Exclusion criteria

The proceeds from the instruments under the Sustainable Finance Framework will not be used to finance loans linked to generation or transportation of fossil energy, nuclear energy generation, weapons and defense, mining, gambling, tobacco, or livestock. In case Emirates NBD issues a Sukuk instrument, it will also need to comply with the principles of the Sharia'h. In addition, Emirates NBD has developed Group Compliance Policies to ensure the exclusion of entities and individuals found to have engaged in prohibited conduct. This includes, but are not limited to, the Group Sanctions Compliance Policy, the Anti-Money Laundering ("AML") & Counter Terrorist Financing ("CTF") Compliance Policy, the Group Compliance Conflicts of Interest Policy, the Personal Account Dealing Policy and the Group Compliance Breaches Policy.

## PART III: LINKING THE TRANSACTION(S) TO EMIRATES NBD'S ESG PROFILE

### A. CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH EMIRATES NBD'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

Emirates NBD ties its sustainability strategy to the UAE's main development<sup>19</sup> and community initiatives<sup>20</sup> and aligns with the UAE government's strategies.

Emirates NBD is committed to UAE's Net Zero 2050 target, as well as reducing carbon emissions by 30% by 2030. To achieve the target, ENDB focuses on environmental management in its operation and making operational changes. Emirates NBD holds an ISO 14001:2015 certification for its environmental management systems, which covers 100% of its operations in the UAE. As part of its operation change, Emirates NBD has developed retail bank branches that have been awarded LEED certification, with the most recent branches being awarded Platinum Status. For its offices in Meydan (Dubai), Emirates NBD has invested in solar energy generation to increase the usage of renewable energy. It also tracks its CO<sub>2</sub> emissions from its operation each year to create plans to reduce emissions. Furthermore, Emirates NBD has also supported a paperless drive, in its own operations by converting counter transactions to online collections through the Smart Transaction platform.

Emirates NBD also focuses on diversity, equality, and inclusion in its sustainability strategy. Emirates NBD has allocated Women In Leadership targets across its departments, which the progress is published on Emirates NBD's website<sup>21</sup> annually in its ESG report. The Issuer also has training programs to help women progress in their careers. For instance, the "See Her Empowered"<sup>22</sup> program is a recruitment initiative targeting mothers who are trying to return to the workforce. Aside from training programs for women, the Issuer also has programs for people with disabilities. The "#TogetherLimitless Careers Network"<sup>23</sup> is an initiative to connect people with disabilities to employers.

To monitor the implementation of the ESG strategy, Emirates NBD has appointed a Group Head of ESG in 2022. The Group Head of ESG is a senior member of management committees within Emirates NBD and is a member of the Group Executive Committee. Regular updates on ESG will be provided to the Board of Directors, as well as the Group Executive Committee. The Issuer also confirms that it is in the process of designing a climate risk policy which will be integrated within the existing risk management framework. Emirates NBD publishes its ESG report in alignment with the GRI standards.

The asset management division of Emirates NBD, Emirates NBD Asset Management Limited, is a signatory to the United Nations Principles for Responsible Investment (UN PRI)<sup>24</sup>. The Issuer confirms that it has formally sent its commitment letter to SBTi and is awaiting confirmation. The Issuer also

<sup>19</sup> The United Arab Emirates, June 2023, The UAE's Response to Climate Change, <https://u.ae/en/information-and-services/environment-and-energy/climate-change/theuaeresponsetoclimatechange>

<sup>20</sup> The United Arab Emirates, May 2023, Employment of People of Determination, <https://u.ae/en/information-and-services/jobs/employment-of-people-with-special-needs>

<sup>21</sup> Emirates NBD, Investor Relations, <https://www.emiratesnbd.com/en/investor-relations>

<sup>22</sup> Emirates NBD, ESG Report 2022, [https://www.emiratesnbd.com/-/media/enbd/files/investor-relations/integrated-reports/esg\\_report\\_2022.pdf](https://www.emiratesnbd.com/-/media/enbd/files/investor-relations/integrated-reports/esg_report_2022.pdf)

<sup>23</sup> Emirates NBD, #TogetherLimitless Careers Network, <https://www.emiratesnbd.com/en/corporate-social-responsibility/career-network>

<sup>24</sup> United Nations Principles for Responsible Investment, Signatory Directory, <https://www.unpri.org/signatory-directory/emirates-nbd-asset-management/8505.article>

confirms that it is releasing its Task Force on Climate-related Financial Disclosures (TCFD) Report by the end of Q4-2023. Additionally, Emirates NBD will join the Net-Zero Banking Alliance and become a signatory to the Principles for Responsible Banking by the end of October. These participations will happen on a group level.

### *Rationale for issuance*

Corresponding to its sustainability strategy, Emirate NBD established the Sustainable Finance Framework. Through the Framework, the Group commits to issue Sustainable Finance Instruments to finance and refinance projects which enable the transition to a low carbon and climate resilient economy, and/or provide positive societal impact and to mitigate social problems.

Emirates NBD has issued Sustainability Linked Instruments before. In addition, it has participated in sustainable finance as bookrunner, lead arranger, as well as coordinator in instruments issued by other financial institutions.

By issuing this Sustainable Finance Framework, Emirates NBD aims to provide additional transparency around funded projects and assets that carry environmental and social benefits.

This Sustainable Finance Framework forms the basis for future Sustainable Finance Instruments issuance of Emirates NBD and contributes to climate change mitigation.

**Opinion:** *The key sustainability objectives and the rationale for issuing Sustainable Finance Instruments are clearly described by the Issuer. Project categories financed are in line with the sustainability objectives of the Issuer.*

## B. EMIRATES NBD'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 assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Commercial Banks & Capital Markets industry, 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
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labor standards and working conditions
Business ethics

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer'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 the Issuer's sustainability strategy is further detailed in Part III. A of the report.

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

Using a proprietary methodology, ISS ESG assessed the contribution of Emirates NDB 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.

ISS ESG 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 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 three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Failure to mitigate climate change impacts, financial market irregularities and Failure to prevent money laundering.

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

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## ANNEX 1: Methodology

### Green/Social KPIs

The Green/Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Emirates NBD’s Sustainable Finance Instruments.

It comprises firstly the definition of the use of proceeds category 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 of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets 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.

### Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g., wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfill the requirements of the Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Emirates NBD (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

### Assessment of the contribution and association to the SDG

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 Emirates NBD’s Sustainable Finance Instruments contribute to related SDGs has been identified.



## ANNEX 2: 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-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

Emirates NBD commissioned ICS to compile a Sustainable Finance Instruments 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, Green Loan Principles and Social Loan Principles and to assess the sustainability credentials of its Sustainable Finance Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, as administered by ICMA
- Green Loan Principles and Social Loan Principles as administered by LMA

### ISSUER'S RESPONSIBILITY

Emirates NBD's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

### ISS ESG's 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.

This independent Second Party Opinion of the Sustainable Finance Instruments to be issued by Emirates NBD has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, Green Loan Principles, and Social Loan Principles.

The engagement with Emirates NBD took place from July to August 2023.

### ISS' 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 behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

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.

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 SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

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

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Sustainable Finance Instruments SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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