

Second-Party Opinion

Jordan Kuwait Bank Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Jordan Kuwait Bank Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to generate positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9 and 11.



PROJECT EVALUATION AND SELECTION Jordan Kuwait Bank's Sustainable Development Committee will be responsible for evaluating and selecting eligible projects. The committee comprises representatives from the Treasury, Corporate Business Development, Risk and Sustainability departments. Jordan Kuwait Bank has in place an internal environmental and social risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management systems in place to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Jordan Kuwait Bank's Sustainable Development Committee will be responsible for the management of proceeds and will track the proceeds using an internal tracking system. Jordan Kuwait Bank intends to achieve a full allocation of net proceeds within 36 months of issuance and will use a portfolio approach for the management of proceeds. Jordan Kuwait Bank will temporarily hold unallocated proceeds in cash and short-term liquid instruments in accordance with its treasury management policy. Sustainalytics considers this to be in line with market practice.



REPORTING Jordan Kuwait Bank intends to report on the allocation of proceeds and corresponding impact through a separate allocation and impact report, which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated to each category and the balance of unallocated proceeds. Sustainalytics views Jordan Kuwait Bank's allocation and impact reporting commitments as aligned with market practice.

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Issuer Location	Amman, Jordan

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Introduction

Jordan Kuwait Bank (“JKB” or the “Bank”) is a financial services company headquartered in Amman, Jordan. Established in 1976, the Bank caters to retail, business and private banking clients, and offers investment advice, legal services, financial engineering, insurance and brokerage services. As of December 2022, JKB has operations in Jordan, Kuwait and Palestine through a network of nearly 64 branches, and employs more than 1,470 staff.¹

JKB has developed the Jordan Kuwait Bank Green Finance Framework dated March 2023 (the “Framework”), under which it intends to issue green covered bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to deliver positive environmental impacts in Jordan. The Framework defines eligibility criteria in five green categories:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Sustainable Water and Wastewater Management

JKB engaged Sustainalytics to review the Jordan Kuwait Bank Green Finance Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of JKB’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. JKB representatives have confirmed that: (1) they understand it is the sole responsibility of JKB to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

¹ Information shared with Sustainalytics on a confidential basis.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Jordan Kuwait Bank Green Finance Framework is available at: <https://www.jkb.com/en/financial-non-financial-reports>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. JKB is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Jordan Kuwait Bank Green Finance Framework

Sustainalytics is of the opinion that the Jordan Kuwait Bank Green Finance Framework is credible, impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Sustainable Water and Wastewater Management – are aligned with those recognized by the GBP. The Bank has confirmed to Sustainalytics that it will direct the proceeds towards projects and assets located in Jordan.
 - Sustainalytics notes that refinancing under the Framework will be limited to capital expenditures with a one-year look-back period.
 - Under the Green Buildings category, JKB may finance or refinance loans for the acquisition, construction and refurbishment of commercial buildings and energy-efficient infrastructure in accordance with the following criteria:
 - The acquisition, construction and refurbishment⁵ of new and existing commercial buildings that have achieved one of the following certifications: LEED Building Design and Construction or LEED Building Operations and Maintenance Gold or above;⁶ BREEAM Very good or above;⁷ EDGE;⁸ or other equivalent locally or nationally recognized green building certifications.
 - Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages the Bank to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category.
 - Sustainalytics notes that the Bank may also finance logistics buildings under the Framework. Sustainalytics notes that existing logistics buildings face additional challenges to achieve higher performance levels, such as Excellent or above, mainly due to a lack of data availability for operational buildings. Therefore, Sustainalytics considers the use of BREEAM Very Good to be aligned with market expectations for existing logistics buildings and encourages the Bank to strive for higher levels, where feasible.
 - Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications, and encourages JKB to report on any specific schemes and certifications it intends to use.
 - Energy-efficiency improvements in industrial, residential and commercial buildings, including the construction of energy management centres and energy-efficient

⁵ JKB has confirmed to Sustainalytics that JKB will limit financing under the Framework to refurbishment costs.

⁶ LEED: www.usgbc.org/LEED

⁷ BREEAM: <https://bregroup.com/products/breeam/>

⁸ EDGE: <https://edgebuildings.com/certify/certification/>

- infrastructure, such as energy-efficient systems, lighting and building envelopes.^{9,10} Sustainalytics notes that the industrial projects will exclude improvements in facilities designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels and facilities in hard-to-abate industries. Sustainalytics considers these expenditures to be in line with market practice.
- Under the Renewable Energy category, JKB may finance or refinance loans for: the development of solar power generation projects (equal to or less than 1 MW). Solar-power projects will include the construction or installation of solar photovoltaic panels, solar thermal plants and concentrated solar power projects in which at least 85% of the electricity generated is derived from solar energy sources. Sustainalytics considers these expenditures to be in line with market practice.
 - Under the Energy Efficiency category, JKB may finance or refinance loans for the purchase and installation of energy-efficient equipment and technologies in accordance with the following criteria:
 - Purchase, replacement, redesign or renewal of household appliances and energy-efficient equipment, including LED lighting, that belong to the two highest populated classes of the EU Energy Label and achieve 15% of energy savings compared to similar products.^{11,12,13} Sustainalytics views positively the inclusion of a defined energy-efficiency threshold for the installation of energy-efficient systems, equipment and technologies.
 - JKB has confirmed to Sustainalytics that energy-efficiency equipment and technologies that are designed or intended for processes that are inherently carbon-intensive or are powered by fossil fuels will not be financed under the Framework.
 - Sustainalytics considers these expenditures to be in line with market practice.
 - Under the Clean Transportation category, JKB may finance or refinance loans for the following types of vehicles and associated infrastructure:
 - Purchase, rental, leasing and operation of zero direct emission and hybrid vehicles. Sustainalytics notes that JKB has defined the following carbon intensity thresholds for hybrid vehicles: i) 75 gCO₂e/km for passenger vehicles; ii) 50 gCO₂e/pkm for buses; and iii) 75 gCO₂e/pkm for light commercial vehicles. Sustainalytics notes that the Bank has not communicated which test procedure will be used to ensure that vehicles comply with the thresholds listed above. Different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intend to replicate real-driving conditions (such as WLTP) or are based on theoretical driving profiles (such as NEDC). Hence, Sustainalytics further encourages, where feasible, to report on the test procedure used to determine the emissions intensity of the vehicles to be financed. JKB may also finance associated infrastructure, such as electric charging stations.¹⁴
 - Purchase, rental, leasing and operation of electrified buses and taxis.
 - Purchase, rental, leasing and operation of trucks with an emission threshold of 25 gCO₂e/tkm. JKB has communicated to Sustainalytics the exclusion of freight trucks that are primarily designed or used for the transportation of fossil fuels.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
 - Under the Sustainable Water and Wastewater Management category, JKB may finance or refinance the research and development, construction, purchase, acquisition, upgrade and maintenance of: i) equipment and technologies to improve water quality, such as water quality management systems and remote sensing systems; and ii) wastewater treatment facilities. JKB may also finance or refinance technologies such as low-water-use systems and sensor water-saving devices that increase water use efficiency, water recycling and reuse systems, and water metering equipment that result in water savings of up to 20%. JKB has confirmed to Sustainalytics the exclusion of: i) facilities that may provide water to fossil fuel operations, fracking, nuclear or mining; ii) treatment of

⁹ JKB has confirmed to Sustainalytics that the expenditures towards building envelope will be limited to one-off improvements such as energy efficient windows and doors.

¹⁰ JKB has confirmed to Sustainalytics that renovation/refurbishment of buildings will not be financed using this criteria under the Framework.

¹¹ JKB has informed Sustainalytics that the 15% energy savings in comparison with similar products will be calculated in co-ordination with the relative authority in Jordan.

¹² European Commission, "About the energy label and ecodesign", at: https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/about_en

¹³ Sustainalytics notes that while JKB is not located in the EU, its reliance on EU energy labels to define eligibility in this category is consistent with the EU Taxonomy Climate Delegated Act.

¹⁴ JKB has communicated to Sustainalytics that parking facilities will not be financed under the Framework.

wastewater from fossil fuel operations; iii) fossil fuel-reliant technologies. ; and iv) technologies that may provide water for new recreational projects, such as hotels or waterparks. Sustainalytics considers investments in this category to be aligned with market practice.

- Sustainalytics notes that the Framework excludes financing of projects associated with the production or trade of: i) activities deemed illegal under Jordan's laws and regulations, as well as international conventions and agreements, or subject to international bans;¹⁵ ii) weapons and munitions; iii) alcoholic beverages (excluding beer and wine); iv) tobacco, gambling, casinos and equivalent enterprises; v) radioactive materials;¹⁶ vi) unbonded asbestos fibres;¹⁷ vii) drift net fishing in the marine environment using nets more than 2.5 km in length; viii) harmful or exploitative forms of forced labour or harmful child labour; ix) commercial logging operations for use in primary tropical moist forests; and x) wood or other forestry products other than from sustainably managed forests.
- Project Evaluation and Selection:
 - JKB's Sustainable Development Committee (the "Committee") is responsible for evaluating and selecting eligible assets in line with the eligibility criteria in the Framework. The Committee consists of representatives from the Bank's Treasury, Corporate Business Development, Risk and Sustainability departments. In addition, the Bank's Environmental and Social Officer and the Credit Committees will support the project approval process.
 - JKB has implemented an environmental and social management system to identify potential environmental and social risks in the portfolio. The system consists of screening, categorizing and assessing risks and potential impacts by applying JKB's exclusionary criteria, the Bank's Environmental and Social Aspects Screening Checklist and the Climate Assessment for Financial Institutions tool.¹⁸ This management system is applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
 - Based on the cross-functional oversight for project evaluation and selection, and the presence of environmental and social risk management systems, Sustainalytics considers this process to be in line with market expectations.
- Management of Proceeds:
 - The Committee will be responsible for the management and allocation of proceeds using an internal information system through a portfolio approach.
 - JKB intends to allocate all proceeds to eligible assets within 36 months of issuance. Pending allocation, proceeds will be temporarily invested in cash, cash equivalents or short-term liquid instruments.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - JKB intends to report on the allocation of proceeds and corresponding environmental impact in a standalone report on its website on an annual basis.
 - Allocation reporting will include the total volume of green bonds issued; the total amount and number of eligible loans; the amount of unallocated proceeds; the total amount of proceeds allocated to each eligible green assets category; a breakdown by eligible categories; and the balance of unallocated proceeds, if any. JKB will also include project examples, where appropriate.
 - Impact reporting will include metrics such as annual energy savings, annual GHG emissions reduced or avoided (measured in tCO₂e) and wastewater treatment capacity (m³/day). For a complete list of impact metrics, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.
 - Based on the intention to report on the allocation and impact of projects financed, Sustainalytics considers this process to be in line with market practice.

¹⁵ Also excluded are banned items, such as pharmaceuticals, pesticides and herbicides, ozone-depleting substances, PCBs, wildlife or products regulated under CITES. The Washington Convention, commonly known as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), is a multilateral agreement to safeguard endangered species from the dangers of global trade.

CITES, "What is CITES?", at: <https://cites.org/eng/disc/what.php>

¹⁶ The purchase of medical equipment, quality control or measurement equipment and any equipment where IFC considers the radioactive source to be trivial and adequately shielded will not be excluded.

¹⁷ The purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20% will not be excluded.

¹⁸ IFC, "Climate Assessment for Financial Institutions", at:

https://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Financial+Institutions/Priorities/Climate_Finance_SA/CAFI_SA/

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Jordan Kuwait Bank Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of JKB

Contribution to Jordan Kuwait Bank 's sustainability strategy

Sustainalytics is of the opinion that the Framework is aligned with JKB's aim to promote sustainability through a focus on: i) financing companies and projects that have a positive environmental impact; ii) investing in community projects in Jordan with a potential to deliver positive social impact; and iii) improving the Bank's own operational sustainability performance.

JKB became a signatory of the UN Global Compact in August 2022. Additionally, JKB offers products and services in accordance with its ESG criteria, which align with the UN Principles of Responsible Banking. In 2021, the Bank invested approximately JOD 58 million (USD 81.7 million) in green assets, including renewable energy, energy efficiency, energy-efficient buildings, sustainable waste management, clean transportation, sustainable water management, climate change adaptation and decarbonizing technologies. Since 2017, JKB has invested JOD 71 million (USD 100 million) in renewable energy projects. The Bank also invested JOD 555,771 (USD 782,675) in 86 local communities in 2021, including investments in environmental conservation, orphanages and youth participation in sports.¹⁹

Regarding the environmental impact of its operations, JKB reduced its scope 1 and 2 emissions by more than 90% between 2018 and 2021 by installing more than 8,700 solar panels, improving air conditioning scheduling and setting up motion sensors for lighting in public areas in its buildings. JKB intends to further reduce its emissions through internal initiatives, such as reducing transportation-related emissions by reducing business travel. In 2021, it launched an incentive programme for electric vehicle purchases for employees and customers.²⁰

Based on the above, Sustainalytics recognizes JKB's overall sustainability performance and notes that the Jordan Kuwait Bank Green Finance Framework is expected to further the Bank's action in key environmental and social priorities. Sustainalytics further notes that JKB is in the process of developing an ESG framework and encourages the Bank to establish quantifiable and time-bound targets for its climate-related goals (including scope 3 emissions) and to publicly disclose its progress.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the bonds issued under the Framework are intended to be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving emissions, effluents and waste generated in construction projects; loss of biodiversity from land use for large-scale infrastructure development; occupational health and safety; human rights; community relations and stakeholder participation; and business ethics.

Sustainalytics is of the opinion that JKB is able to manage and mitigate potential risks through the implementation of the following:

- The Bank has in place an Environmental and Social Management System (ESMS), which is applicable to all allocation decisions made under the Framework. It outlines an environmental and social due diligence process in accordance with the IFC Exclusion List,²¹ IFC Performance Standards²² and applicable national laws. The ESMS allows the Bank to classify potential transactions into three categories based on their environmental and social (E&S) risk level: i) Category A – High Risk, ii) Category B – Medium Risk, and iii) Category C – Low Risk. The respective category is determined by identifying: i) the industry; ii) the purpose and amount of the loan; iii) the type and tenor of the loan; and iv) potentially irreversible impacts. Based on the category identified, JKB carries out a due diligence process that addresses E&S risks based on the IFC Performance Standards, including:

¹⁹ Jordan Kuwait Bank, "2021 Sustainability Report", at: <https://www.jkb.com/uploads/2022/12/20222705-en-jkb-sustainability-report-finalcompressed.pdf>

²⁰ Ibid.

²¹ IFC, "IFC Exclusion List", (2007), at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

²² IFC, "Performance Standards on Environmental and Social Sustainability", (2012), at: https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h

- i) assessment and management of E&S risks and impacts; ii) labour and working conditions; iii) resource efficiency and pollution prevention; iv) community health, safety and security; v) land acquisition and involuntary resettlement; vi) biodiversity conservation and sustainable management of living natural resources; vii) Indigenous peoples; and viii) cultural heritage. In addition, if a company or project identifies as Category A, the Bank or the customer will hire an E&S consultant to conduct the due diligence. In case the project does not comply with the standards mentioned above, the Bank sets a corrective action plan, including periodic reporting and monitoring within a reasonable timeframe as a condition for disbursement in a loan agreement. Under the Framework, the Bank will monitor its customers' E&S performance at least on annual basis and prepare an Annual Environmental and Social Performance Report, which will be shared with IFC.
- Regarding loss of biodiversity from land use for large-scale infrastructure, the Bank implements Jordan's EIA regulation in all medium- and high-impact projects to assess the E&S impact throughout the project's phases.²³ For all new construction and renewable energy projects, JKB also engages with an external E&S consultant to conduct E&S due diligence and assess compliance with IFC Standard requirements.
 - JKB intends to finance projects in Jordan, where the Labour Code (1996) governs the responsibilities and risks regarding workers' health and safety.²⁴ The code requires employers to ensure a safe working environment, including by providing their employees with protective equipment, first-aid and training. It also establishes employees' right to unionize, fair contracting and working hours. JKB's Sexual Harassment Procedure outlines the Bank's internal management system, including reporting, complaining channels and resolution procedures, in cases of sexual harassment.²⁵ In addition, JKB's Anti-Human Trafficking policy prohibits its employees, subsidiaries, contractors, subcontractors, vendors, suppliers and partners of involvement of any activity that shows evidence of human rights violations, human trafficking, slavery or the use of child labour or forced labour.²⁶
 - JKB assesses projects' impacts on neighbouring communities based on the IFC Performance Standards which include guidelines to manage community relations and stakeholder participation.²⁷
 - Regarding business ethics, JKB follows Jordan's Integrity and Anti-Corruption Law of 2016, which creates a national integrity and anti-corruption regulation system.²⁸ Additionally, the Bank has established the following policies: i) the Ethical Code of Conduct,²⁹ which guides its employees on relevant topics, including conflict of interest, money laundering, client relations and confidentiality, ii) an Anti-Bribery and Corruption Policy,³⁰ which establishes corruption and bribery prevention, reporting and response systems for the Bank's employees, subsidiaries and external contractors within the limits of their connection with the Bank, and iii) Accepting Gifts and Hospitality Policy,³¹ which guides the Bank's employees on gifts, rewards, benefits or other incentives that may influence business decision-making. In addition, to address any breaches of the aforementioned policies, the Bank has a Whistle-Blowing Policy and Procedures in place that set safe reporting mechanisms, including an anonymous hotline and email, and procedures to protect the rights of the reporting-party.³²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that JKB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on one category below where the impact is specifically relevant in the local context.

Impact of financing water management and wastewater treatment projects in Jordan

²³ Government of Jordan, "Regulations no. 37. of 2005", at: https://www.commissiener.nl/docs/mer/diversen/jordan_-_complete_eia_regulation_no._37_-_2005_with_annex_1-5.pdf

²⁴ Government of Jordan, "Labour Code, Law No. 8 of 1996", at: <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/45676/65048/E96JOR01.htm>

²⁵ Jordan Kuwait Bank shared Sexual Harassment Procedure with Sustainalytics confidentially.

²⁶ Jordan Kuwait Bank shared Anti-Human-Trafficking Policy with Sustainalytics confidentially.

²⁷ IFC, "Performance Standards on Environmental and Social Sustainability", (2012), at: https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h

²⁸ Government of Jordan, "Integrity and Anti-Corruption law No. (13) of 2016", (2016), at: https://jiacc.gov.jo/EBV4.0/Root_Storage/EN/EB_Blog/integrity_and_anti_corruption_law_of_2016.pdf

²⁹ Jordan Kuwait Bank shared Ethical Code of Conduct with Sustainalytics confidentially.

³⁰ Jordan Kuwait Bank shared Anti-Bribery & Corruption Policy with Sustainalytics confidentially.

³¹ Jordan Kuwait Bank shared Accepting Gifts & Hospitality Policy with Sustainalytics confidentially.

³² Jordan Kuwait Bank shared Whistle-Blowing Policy & Procedures with Sustainalytics confidentially.

Jordan is the world's second most water-scarce country.³³ The yearly renewable water availability per person in Jordan is less than 100 m³, which is significantly below the 500 m³ threshold of absolute water scarcity.^{34,35} Without comprehensive reforms, water stress levels in Jordan are projected to rise at an annual average rate of 1-1.5% until the year 2100, which is estimated to put more than 90% of Jordan's low-income families at risk of severe water vulnerability.^{36,37} Additionally, water use in homes, agriculture and the industrial sector is not adequately managed, which further magnifies the situation.³⁸ For instance, agriculture accounts for approximately 5% of the Jordan's GDP, but the sector uses more than 50% of Jordan's freshwater supplies.³⁹ In addition, Jordan loses roughly half of its piped water supply due to water leakages, theft and other management issues.⁴⁰ According to UNICEF, the installation of smart metering devices and renovation of public water networks may help to enhance water use efficiency in Jordan.⁴¹ The Government of Jordan has identified sustainable management of water resources and the development of water-efficient strategies as high in priority and key to the optimum utilization of the country's depleting ground-water resources.⁴² Jordan has developed a National Water Strategy, under which it aims to reduce its non-revenue water by 25% by 2025, which could result in an increased water availability for almost 2 million people.^{43,44}

As freshwater resources in Jordan become increasingly scarce, there is a growing need for investment in wastewater treatment facilities to reuse treated water for agricultural and industrial purposes.⁴⁵ More than 85% of the water used in Jordan's industrial sector comes from underground sources, and wastewater treatment facilities account for only approximately 14% of the country's total water supply.⁴⁶ In 2022, Jordan had only 26 wastewater treatment plants, and 64% of the Jordanian population had access to sewage systems.⁴⁷ By 2025, under its National Water Strategy, Jordan aims to provide wastewater collection and treatment facilities to all its major cities and towns covering nearly 80% of its population.⁴⁸ As reported by UNICEF, wastewater recycling could considerably improve water availability in Jordan and reduce the demand-supply gap.⁴⁹

Based on the above, Sustainalytics is of the opinion that JKB's financing of water management and water treatment projects is expected to help reduce water scarcity in the country and support Jordan's water and wastewater management plans.

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.
	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

³³ UNICEF, "Water, sanitation and hygiene", at: <https://www.unicef.org/jordan/water-sanitation-and-hygiene>

³⁴ Ibid.

³⁵ Global Water Forum, "Understanding water scarcity: Definitions and measurements", (2012), at:

<https://globalwaterforum.org/2012/05/07/understanding-water-scarcity-definitions-and-measurements/#:~:text=If%20the%20amount%20of%20renewable,3%2C%20absolute%20water%20scarcity1>

³⁶ UNICEF, "Tapped out: The cost of water stress in Jordan", (2022), at: <https://www.unicef.org/jordan/reports/water-stress-jordan-report>

³⁷ Yoon, J. et al, (2021), "A coupled human-natural system analysis of freshwater security under climate and population change", PNAS, at: <https://www.pnas.org/content/118/14/e2020431118>

³⁸ Radaideh, J.A., (2022), "Status of Groundwater Resources in Jordan", American Journal of Water Resources, at:

<http://article.journalofwaterresources.com/pdf/ajwr-10-2-4.pdf>

³⁹ US International Trade Administration, "Jordan - Environment and Water Sector", at: <https://www.trade.gov/country-commercial-guides/jordan-environment-and-water-sector#:~:text=Recent%20studies%20in%20the%20agriculture,of%20the%20country's%20freshwater%20resources.>

⁴⁰ Tetra Tech, "Jordan Water Management Initiative", at: <https://www.tetrattech.com/en/projects/jordan-water-management-initiative>

⁴¹ UNICEF, "Tapped out: The cost of water stress in Jordan", (2022), at: <https://www.unicef.org/jordan/reports/water-stress-jordan-report>

⁴² GIZ, "Wastewater Treatment, Reuse and Water Supply", at: <https://www.giz.de/en/downloads/giz2022-en-jordan-wastewater-treatment.pdf>

⁴³ Non-revenue water is generated water that is lost before it reaches the consumers.

⁴⁴ USAID, "Jordan: Water for the World Country Plan", (2017), at: https://www.globalwaters.org/sites/default/files/wfw_jordan_country_plan.pdf

⁴⁵ UNICEF, "Tapped out: The cost of water stress in Jordan", (2022), at: <https://www.unicef.org/jordan/reports/water-stress-jordan-report>

⁴⁶ Ibid.

⁴⁷ The Borgen Project, "7 facts about water scarcity in Jordan", (2022), at: <https://borgenproject.org/water-scarcity-in-jordan/>

⁴⁸ Government of Jordan, "National Water Strategy of Jordan, 2016-2025", (2016), at: <https://faolex.fao.org/docs/pdf/jor156264E.pdf>

⁴⁹ UNICEF, "Tapped out: The cost of water stress in Jordan", (2022), at: <https://www.unicef.org/jordan/reports/water-stress-jordan-report>

Renewable Energy	9. Industry, innovation and infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency.
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
		6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.
		6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
		6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations

Conclusion

Jordan Kuwait Bank has developed the Jordan Kuwait Bank Green Finance Framework, under which it may issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects in eligible green categories (Green Buildings; Renewable Energy; Energy Efficiency; Clean Transportation; and Sustainable Water and Wastewater Management). Sustainalytics considers that the projects funded by the green bond proceeds are expected to deliver positive environmental impacts in Jordan.

The Jordan Kuwait Bank Green Finance Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the Jordan Kuwait Bank Green Finance Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9 and 11. Additionally, Sustainalytics is of the opinion that JKB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Jordan Kuwait Bank is well positioned to issue green bonds and that the Jordan Kuwait Bank Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Jordan Kuwait Bank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Jordan Kuwait Bank Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 6, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds - Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Sustainable Water and Wastewater Management - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to generate positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Jordan Kuwait Bank's Sustainable Development Committee will be responsible for evaluating and selecting eligible projects. The committee comprises of representatives from Treasury, Corporate Business Development, Risk and Sustainability departments. Jordan Kuwait Bank has in place an internal environmental and social risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management systems in place to be adequate and the project evaluation and selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Jordan Kuwait Bank's Sustainable Development Committee will be responsible for the management of proceeds and will track the proceeds using an internal tracking system. Jordan Kuwait Bank intends to achieve full allocation of net proceeds within 36 months of issuance and will use a portfolio approach for the management of proceeds. Jordan Kuwait Bank will temporarily hold unallocated proceeds in cash and short-term liquid instruments in accordance with Jordan Kuwait Bank's treasury management policy. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Jordan Kuwait Bank intends to report on the allocation of proceeds and corresponding impact through an allocation and impact report which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated to each category and the balance of unallocated proceeds. Sustainalytics views Jordan Kuwait Bank's allocation and impact reporting commitments as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (*please specify*): The total amount of proceeds allocated to each Eligible Green Assets category and the amount of unallocated proceeds.

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*): the amount of unallocated proceeds.

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify):

Green Building	<ul style="list-style-type: none"> • Number of financed projects with internationally recognized Green Building certification. • Annual energy savings
Renewable Energy	<ul style="list-style-type: none"> • CO₂ (or other GHG) avoided (tonnes) equivalent. • Installed renewable energy capacity (MW)
Energy Efficiency	<ul style="list-style-type: none"> • CO₂ (or other GHG) avoided (tonnes) equivalent. • Annual energy saving.
Clean Transportation	<ul style="list-style-type: none"> • Number of clean transportation infrastructure financed. • Number of financed electric vehicles. • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent.
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Wastewater treatment capacity (m³/day) • Annual reduction in water use in %.

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|---|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): CBI letter | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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