Bank ABC

Sustainable Finance Framework

Our approach and methodology for Sustainable Finance

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bank-abc.com

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1 Introduction

1. Introduction

1.1 Bank ABC's Sustainability Approach

Bank ABC's purpose is to help business and people prosper across its global network, spanning 15 countries of the Middle East, Africa, Europe, the Americas and Asia. Sustainability is at the heart of the bank's overall strategy, ensuring it can adapt to a rapidly changing world. As one of the leading MENA banks, Bank ABC has a unique ability to provide the green and sustainable finance required to transform the economies it serves and support the transition to a low-carbon economy.

Our approach to sustainability is framed in our Group Sustainability Strategy that sets out how we integrate sustainability throughout the business. It allows Bank ABC to unlock the value by enhancing efficiency, resilience, innovation and business generation with the ultimate aim of empowering our clients, employees and communities to drive the transition to a more inclusive and sustainable low carbon economy. The Sustainable Finance Framework is a key element in allowing the Bank to deliver on this strategy. It defines how Bank ABC uses its expertise, scale and reach to support our clients in their own transition journey and foster social and sustainable development.

1.2 Purpose of Sustainable Finance Framework

1.2.1 Introduction

Bank ABC's Sustainable Finance Framework ("SFF") sets out the methodology for classifying sustainable financial products and services, and specifically how we define Green, Social and Sustainable Finance. In the SFF, the term 'sustainable finance' includes green, social, environmental, sustainability and sustainability-linked finance (see Section 2.3) and includes financing with a specific and general purpose financing. The SFF lays out the underlying eligible green, social and sustainable finance themes and activities in Section 3, which have mapped against the relevant UN Sustainable Development Goals (UN SDGs). In addition, Section 4 outlines the activities that are excluded from the scope of the SFF covering green, social, sustainable and sustainability-linked finance. The purpose of the SFF is to facilitate the tracking and disclosing of our sustainable finance as we commit to transparency.

In developing the SFF, Bank ABC has drawn on the following industry guidelines and principles:

International Capital Market's (ICMA) Green Bond Principles (GBP)

ICMA's Social Bond Principles (SBP)

ICMA's Sustainability Bond Guidelines (SBG)

ICMA's Sustainability-Linked Bonds (SLB)

ICMA's Climate Transition Handbook

Loan Market Association's (LMA) Green Loan Principles (GLP)

LMA's Social Loan Principles (SLP)

LMA's Sustainability-Linked Loan Principles (SLLP)

Climate Bond Initiative (CBI) Taxonomy

Climate Bond Initiative White Paper, Financing Credible Transitions

International Finance Corporation (IFC) Standards.

1.2.2 Scope

The SFF applies to all business units and geographies. ABC Brazil, Bank ABC's Brazilian subsidiary, has its own country specific SFF which is aligned with the Bank ABC Group's SFF and has been independently verified as being fully aligned to UN SDGs and ICMA/LMA sustainability principles.

1. Introduction (Continued)

Bank ABC's SFF covers all financing of the following financial products, investments and services offered by the Bank.

- Lending (e.g. corporate loans, project finance and consumer credit)
- Transaction banking (e.g. trade and supply chain finance)
- Capital markets
- Islamic finance
- Liability and Treasury products

The SFF defines both the sustainable finance asset and liability pool. Bank ABC has the ability to issue sustainable finance liabilities as a means of funding its sustainable finance assets. In terms of sustainable finance liabilities, the Group can issue Green, Social or Sustainable Bonds/Loans/Sukuks/Deposits.

As noted above, financing will not be eligible as sustainable finance, under the scope of the SFF, if the business and activities are involved in the activities outlined in Section 4. The eligible types of sustainable financing, as set out in Section 2 of the SFF, include:

- **Dedicated Purpose Finance** where the use of proceeds satisfies the green or social eligibility criteria set out in Section 3, or in the case of sustainability financing, a combination of green and social criteria.

- **General Purpose Finance** where the business mix of the entity satisfies either the green or social eligibility criteria based on thresholds set out in Section 2.2.

- **Sustainability-linked Finance** which meets the criteria set out in Section 2.3. Note that sustainability-linked finance is not dedicated purpose financing and not required to satisfy either the green or social eligibility criteria set out in Section 3.

Transition finance is excluded from the scope of the SFF. This is finance that supports clients in their structural shift to a low carbon economy but doesn't fit the criteria for green, social, sustainable or sustainability-linked finance. While transition finance is an important part of Bank ABC's commitment to empower its clients to drive the shift to a low carbon economy, it is finance that is largely provided to high emitting industries that, due to technological limitations, may not currently have a clear pathway to net zero. A detailed definition of transition finance, together with a list of eligible activities, are outlined in Appendix 4.

1.2.3 Use of Proceeds

The net proceeds of any green, social or sustainable Bond/Loan/Sukuk/Deposits issued by Bank ABC will be used to fund or refinance, in whole or in part, eligible assets. The Bank will disclose the planned amount of proceeds to be allocated by project category at pre-issuance. The project, asset or activity will not be classified as eligible unless the issuer can provide quantifiable evidence that it will provide clear and relevant environmental and/or social improvements. This assessment and the supporting evidence will be captured before the financing is agreed. Bank ABC's Sustainable Finance Register is used to monitor and manage the details of the issuance and how they are allocated. This is overseen by the Risk department. The Bank will identify assets, from the pool of eligible assets, that will be financed, or refinanced, in whole or in part, with the net proceeds of the issuance. To qualify as an eligible asset for the use of proceeds from a Green, Social or Sustainability Bond/Loan/Sukuk/Deposit they need to:

- Align to the SFF.
- Not relate to a provisioned amount of non-performing loans.

1. Introduction (Continued)

The proceeds collected will be equal to the amount allocated to the eligible green, social or sustainable assets. The amount allocated may include the refinancing of existing eligible assets. The aggregate notional amount of the net proceeds will be assigned to the relevant eligible assets. Details of the assigned assets will be compiled and kept up to date by Risk as part of the Sustainable Finance Register. If during the term, any assigned assets are redeemed, or no longer comply with the eligible criteria under the SFF, such assets will be replaced by other eligible assets to ensure that the net proceeds of the issuance are always fully used to finance and/or refinance eligible assets. In the event that all or a proportion of the proceeds are used for refinancing, Bank ABC will provide an estimate of the share of financing versus refinancing. The look-back period for refinancing eligible projects is 36 months.

The allocation of proceeds will be assigned to eligible assets on a portfolio basis. The pool of these assigned assets and any replacement assets will be recorded in the Sustainable Finance Register and monitored regularly by Risk. If for unexpected reasons the bank is unable to fully replace the assets that are either repaid, or no longer eligible under the SFF, the bank will immediately allocate these unallocated proceeds to temporarily invest an amount equivalent to the difference between the assigned assets and the net proceeds of the issued bond/loan/sukuk in line with Bank ABC's liquidity investment guidelines until they are fully reinvested into eligible assets. Under the Bank's liquidity investment guidelines, any excess liquidity is either held with the New York Federal Reserve on an overnight basis or invested in interbank placements, reverse repos or high quality liquid assets.

1.2.4 Mitigating Greenwashing Risk

Bank ABC mitigates the risk of greenwashing by ensuring that the SFF adheres to the basic principles of transparency, governance and independent verification. Eligible projects go through a multi-step financing approval assessment process.

Transparency & Disclosures

- The Sustainable Finance framework is publicly available and annually reviewed for any necessary updates. The Bank will report annually on the use of sustainable finance proceeds, number of clients and a breakdown of proceeds by geography and eligible activity. The report will include all the sustainable finance transactions under the scope of the SFF, capturing both assets and liabilities. The bank will report on the eligible financing throughout the full term of the issuance period and until it matures. The report will also measure the quantum impacts that the sustainable finance will generate.

Governance

- The Sustainable Finance Forum (SF Forum) provides oversight of the SFF, the sustainable finance products, how assets and liabilities are managed and verified and the review of the Annual Sustainable Finance Report. The SF Forum comprises of executive management from first and second lines of defence. Membership is drawn from Wholesale, Treasury, Islamic, Risk, and Sustainability. The SFF comprises first and second line with membership drawn from Wholesale, Treasury, Islamic, Sustainability and Risk. The SF Forum meets once a quarter and reports into the Sustainability Steering Committee, who in turn report into the Group Risk Committee.

- Group Sustainability maintains the Sustainable Finance Register ("SFR") covering the sustainable assets and liabilities that are managed on a portfolio

1. Introduction (Continued)

basis and share a copy of this SFR with the other stakeholders, including the Risk Team for monitoring purposes and feedback, if any. Group Sustainability also shares with Group Risk, a copy of the eligible assets on a biannual basis, for Group Risk's monitoring purposes and feedback, if any. The portfolio of eligible assets is reviewed on a biannual basis, internally audited on annual basis and annually reviewed by an independent third party. If during the review of the transaction the project is no longer compliant then the transaction will no longer be eligible. All reviews, including any declassification assessments, are conducted by the RMs and validated by Group Sustainability. Prior to any issuance, Group Sustainability ensures that there is an equivalent amount of assets in the SF asset pool that are unencumbered by sustainable liabilities.

- Each transaction is approved on a transaction-by-transaction basis. Our approach requires that each transaction is verified as an eligible activity and has been formally approved. The eligibility and exclusion criteria, defined in Section 3, are implemented during the application process, through the segregation of duties and a governance mechanism to ensure that the products and financing assessed and deemed sustainable meet the defined eligibility criteria. There are three levels of check and review:

  (i) An ESG assessment of each project/activity is undertaken at origination and during its annual assessment. This will be done via an industry risk rating, ESG client questionnaire and an ESG corporate template. The ESG corporate template captures a summary of the ESG qualitative and quantitative assessment of the obligor. The ESG questionnaire and corporate template are completed by the relationship manager. This will evaluate the environmental and social risks facing the obligor and how management are mitigating those risks. The questionnaire includes questions asking whether the company has identified its material environmental and social risks, whether it has a plan to mitigate those risks and if it reports its material ESG KPIs annually. This obligor ESG risk assessment will provide the basis for evaluating whether it is an eligible asset under the SFF. The obligor ESG assessment will be reviewed by the Business Acceptance Committee (BAC), Group Sustainability and Credit. Every obligor ESG risk assessment is reviewed by Group Sustainability. When an environmental and social risk is considered material, the Bank requires borrowers to have a mitigation plan to mitigate the risks and to report these Key Performance Indicators (KPIs) annually. If the review by Group Sustainability results in a high or moderate risk then the transaction will not be classified as eligible.

  (ii) The SFF is embedded into the credit origination process with the relationship managers (RMs) evaluating the financing against environmental and social criteria. This evaluation by the RM, and subsequent verification by Group Sustainability, is captured within the Credit Application Form (CAF). The transaction is classified by the RMs as 'green', 'social', 'sustainable', 'sustainability-linked' or 'not under scope' before it is submitted to Group Sustainability for verification

1. Introduction (Continued)

and approval. The classification by RMs and verification by Group Sustainability is captured within the CAF and submitted to Credit for review and approval.

(iii) The third stage of the overall review process is conducted by Credit as part of the normal CAF approval process. Credit team will not (re) assess the ESG/Sustainability, however the Credit Team need to ensure that the ESG/Sustainability evaluation and assessment were independently assessed/verified by Group Sustainability and are included in the CAF submissions.

(iv) Once verified and approved by Credit, it is then presented to the Head Office Credit Committee (HOCC) or Group Credit Committee (GCC) for final approval.

Verification

- The SFF and annual report on sustainable finance proceeds are required to be externally verified. The SFF will be externally reviewed every time there is a material update. In the absence of any updated the SFF will be externally reviewed every two years. This verification process ensures that we are correctly labelling the right assets, use of proceeds as green, social or sustainable and quantum impacts. It also provides comfort to our external stakeholders.

1.3 Sustainable Finance Impact Reporting

As part of its commitment to transparency the Bank will report annually on the use of sustainable finance proceeds, number of clients and a breakdown of proceeds by geography and eligible activity. The report will also measure the quantum impacts that the sustainable finance will generate. Examples include the amount of GHG emissions avoided, renewable energy provided, number of jobs created and number of beneficiaries to basic infrastructure or affordable housing. The data collection, consolidation, aggregation and reporting will be carried out by Group Sustainability sourced through a combination of company data and external sources such as S&P and Bloomberg. The quantum of impacts will be linked to the UN SDGs' targets that are expected to be achieved. The report will be verified by an external party to ensure proceeds are being correctly classified and reported.

1. Introduction (Continued)

1.4 Roles and Responsibilities

Sustainable Finance Forum

- Provides oversight of the Sustainable Finance Framework, the sustainable finance products, how sustainable assets and liabilities are managed and verified, and the review of the Annual Sustainable Finance Report. The Forum will meet on a quarterly basis.
- The Forum will consist of the Executive members, namely Heads of Group Risk, Treasury, Wholesale, Islamic Finance, Retail and Sustainability.

1st LOD	2nd LOD	3rd LOD

Relationship Managers within Business Units (Wholesale Banking, Islamic Banking, GT&FM)
• RM to define the sustainable finance classification of all financing within the Credit Application Form (CAF).
• Include the ESG/Sustainability evaluation and assessment as part of CAF submission to Credit.
	Group Sustainability
	• Review and verify the sustainable finance classification outlined in the Credit Application Form.
	• Review the declassification of any eligible asset that is no longer compliant and falls out of scope. Share a copy with the Risk Team for feedback, if any.
	• Capture all sustainable assets and liabilities within the ESG database.
	• Maintain the Sustainable Finance Register of sustainable assets and liabilities within the ESG database, updated on a monthly basis and share it with other stakeholders incl.
	  - SF Forum
	  - Risk Team
	• Publish the Annual Sustainable Finance Report.
		Audit
		Annual audit of the portfolio of eligible assets.

	Credit • Not to (re)assess ESG/sustainability/ sustainable finance classification, yet; • Ensure ESG/Sustainability/sustainable finance classification evaluation and assessment were completed and independently assessed/ verified by Group Sustainability and are included in the CAF submission.	
	Risk • Receive copy of the Sustainable Finance Register ("SFR") from Group Sustainability, for monitoring purposes on a monthly basis and feedback, if any. • Receive a copy of the portfolio of eligible assets done by Group Sustainability on a biannual basis for Risk Team's monitoring purposes and feedback, if any.	

2 Defining Sustainable Finance

2. Defining Sustainable Finance

Parameters

The financial instruments, products and services considered within the SFF are defined below. As noted above, Section 3 outlines the activities that are eligible under green, social and sustainable finance.

Each transaction is verified at origination by an in-house specialist team within Wholesale, Islamic Finance and Treasury departments to ensure it complies with LMA/ICMA principles covering all dedicated purpose, general purpose and sustainability-linked financing. Group Sustainability are also involved in the due diligence and verification process.

2.1 Dedicated Purpose Financing

Dedicated purpose financing will be eligible as sustainable financing if the following criteria are met:

- Dedicated purpose financial instruments, products and services where 100% of the proceeds are intended for activities and projects that meet the green &/or social eligibility criteria of the SFF.
- If less than 100% of the funds are directed towards eligible activities, then a pro-rated amount is allocated as green, social or sustainable finance in proportion to the percentage of the funds that are directed towards eligible activities. For example, if 75% of the funds are to eligible activities, then 75% would qualify and 25% would not. The minimum threshold to qualify as an eligible activity is that 50% of the funds require to be allocated to eligible activities. The financing will be tracked to ensure that each disbursement is allocated to the correct project. This will be verified at the initial disbursement stage and monitored annually.
- For financial instruments, products and services that finance:

  (i) Only green activities, these will be known as Green Finance.

  (ii) Only social activities, these will be known as Social Finance.

  (iii) A combination of green and social activities, these will be known as Sustainable Finance.

  Collectively these will be known as Sustainable Finance.
- Green, social and sustainability instruments if they adhere to Loan Market Association's Green or Social Loan Principles and ICMA's Green Bond Principles.

Activities or projects being financed, where the project or activity derives at least 90% of their revenue from SFF-aligned activities will be considered under this classification. The exclusion list in Section 4 of the SFF is applicable to the remaining 10%.

Bank ABC tracks if borrowers and/or issuers are transparent on which component of the project each disbursement relates to at the initial disbursement stage and in the course of periodic monitoring which will be carried out at least annually, if not on a quarterly or biannual basis.

2.2 General Purpose Financing

Financing will also be eligible as sustainable finance under the SFF if the core business of the recipient falls under the eligible green and social criteria.

If the recipient of financing meets one of the following criteria, 100% of the financing is eligible for inclusion:

2. Defining Sustainable Finance (Continued)

- Derives greater than 90% of its revenue from eligible activities listed under the green &/or social criteria; OR
- For power generators only: Derives greater than 90% of its energy generation mix from qualified renewable energy sources; OR
- For pre-revenue entities only: 90% of its capex/R&D expenditure to eligible activities listed under the green or social criteria OR
- Non-profit healthcare providers and public education systems: can qualify based on their registration as state school/ university, charity or non-profit institute as defined by national criteria.

In all of the above cases, the exclusion list in Section 4 of the SFF is applicable to the remaining 10%.

A pro-rated approach is adopted for inclusion as eligible in proportion to the share of eligible activities within the recipient's business mix. In order for financing to be treated on a pro-rata basis, the recipient must meet one of the following criteria:

- Derive between 50% and 90% of its revenue from eligible activities listed under green &/or social criteria; OR
- For power generators only: Derive between 50% and 90% of its energy generation mix from qualified renewable energy sources; OR
- For pre-revenue entities only: between 50% and 90% of its capex/R&D expenditure to eligible activities listed under green or social criteria.

As an example, financing for a business that generates 40% of its business from eligible green activities and 40% from eligible social activities would qualify as pro-rated due to the combined business mix of 80% exceeding the 50% minimum pro-rata threshold but not exceeding the 90% described above. To calculate the business mix or activities listed above, publicly available data is used to determine revenue, power generation mix and capex/R&D. A financing will not qualify if there isn't sufficient publicly available data.

2.3 Sustainability-linked Financing

Sustainability-linked financial instruments are designed to incentivize the borrower to achieve certain pre-determined sustainability performance target. These sustainability performance targets can relate to (i) pre-determined sustainability indicators &/or (ii) ESG ratings. As noted above, sustainability-linked finance is not dedicated purpose financing and not required to satisfy either the green or social eligibility criteria set out in Section 3.

To fit the definition of sustainability-linked finance under the scope of the SFF, the activity being financed needs to:

1. Not be eligible under green, social or sustainable finance.
2. Have a material impact on reducing the environmental and social impact of the core business and value chain. The material impacts are evaluated at deal origination stage with external 3rd parties required to validate any disclosures by borrowers. Material is defined with reference to Bank ABC's industry risk rating that outlines the material environmental and social risks of each industry, including as one of the reference points SASB industry standard and its materiality map.

2. Defining Sustainable Finance (Continued)

3. Do not hamper or crowd out the development of low-carbon alternatives. This is assessed by the RMs at the origination stage and validated by Group Sustainability.

In addition, they should conform to recognized industry principles and guidelines (see Appendix 2 for details) such as ICMA's sustainability-linked bond principles and LMA's sustainability-linked loan principles. Clients are required to have pre-issuance external verifications of their KPIs.

(a) If based on pre-determined sustainability key performance indicators (KPIs):

- The KPIs should be measurable, relevant, core and material to the customer's overall business and the sector's sustainability challenges (see Appendix 3 a list of sample KPIs).

- The sustainability performance targets (SPTs) should be ambitious and consistent with the customer's overall sustainability strategy. This is evaluated by taking into account past performance, pre-defined targets, industry peers and best practice.

(b) If based on ESG ratings:

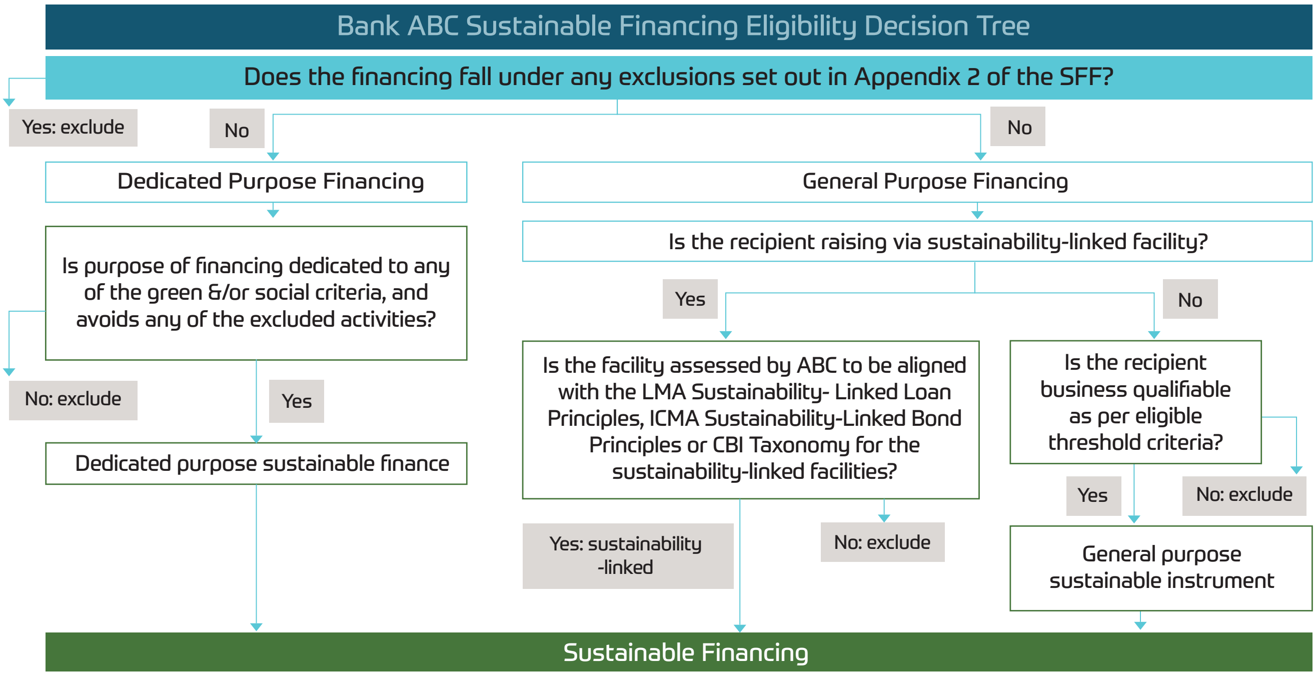
- The rating needs to be provided by a recognized and reputable ESG rating agency. This is conducted on a case-by-case basis.

- Sustainability performance target (SPT) rating level should be ambitious with respect to the baseline rating. SPTs will be compared with industry peers and best practice, taking into account the baseline and timeframe of the SPT.

2.4 Eligibility Criteria: Decision Tree

The decision tree below lays out the approach to identify eligible sustainable financing transactions across Bank ABC. The first step is to identify the use of proceeds of the financing transaction and then to include or exclude transactions using the relevant dedicated or general purpose pathway.

2. Defining Sustainable Finance (Continued)



3 Qualifying Green, Social and Sustainable Activities

3. Qualifying Green, Social and Sustainable Activities

3.1 Green Eligibility Criteria

This section lays out the eligible green activities and any applicable exclusions to a particular activity. It also sets out the applicable Sustainable Development Goals (SDGs) for each activity.

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Renewable energy	Solar energy generation	• Solar photovoltaic systems (including floating). • Concentrated solar heat and power generation, where large majority of electricity (more than 85%) generated from the facility is derived from solar energy sources.	• Application of technology in the fossil fuel industry. • Offshore wind projects supported by fossil fuel-based auxiliary power. • Waste to energy where removal of all recyclables and hazardous material prior to incineration cannot be ensured. • Projects with life cycle GHG emissions >100g CO_2/kWh.	
	Wind energy	• Construction, development, operation and maintenance of offshore and onshore wind power plants.		
	Hydropower plants	• Construction, development, operation and maintenance of small run-of-river hydropower facilities with up to 10MW of installed capacity, including small hydroelectric plants.		
	Biomass power plants	• Waste to energy from Municipal Solid Waste (MSW) where majority of recyclables are segregated before incineration. • Feedstocks are required to be fully certified from sustainable sources or sustainable crops and require to be 2nd generation. • Includes agriculture residues, sugarcane bagasse, cogeneration from sugarcane bagasse, biogas from industrial waste and agriculture and cattle raising waste and projects which don't reduce the carbon stock soil, i.e. not the use of timber from deforestation of native forest.		

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Renewable energy	Biofuels	• Production of biofuels from waste sources (2nd generation forestry and agriculture residues, palm kernels shells only where these are RSPO certified) that do not compete with the production of food and doesn't drain carbon reserves from the soil. • Production of biofuels (including sustainable aviation fuels) from non-waste sources provided the biofuel production: 1. Achieves substantial life-cycle emissions reduction of at least 65% lower than fossil fuel and 2. Feedstocks are certified sustainable by a credible 3rd party and are 2nd generation. • Production of Sustainable Aviation Fuels.		
	Green hydrogen projects	• Production of electrolysis powered by 100% renewable energy where renewable energy is defined by this Framework.		
	Renewable energy	• Retrofit of renewable energy power plants, covering solar, wind, hydropower, biomass, biofuels and green hydrogen as listed above.		
	Transmission	Activities that improve efficiency in transmission and distribution of renewable energy which meet the following criteria: • If the system carries more than 90% electricity from renewable sources, the full financing or project is considered eligible. • If the system carries less than 90% renewables, but the percentage of renewables is expected to increase, a pro-rate approach will be adopted for allocation.		

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Renewable energy	Manufacture of components for renewable energy technology	• Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and storage. Examples could include wind turbines, solar panels, battery storage connected to renewables, wind turbine installation vessels.		
	Energy storage	• Energy storage systems that increase renewable energy storage capacity, including batteries, capacitors, compressed air storage, flywheels and water pumping systems.		7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Green buildings	Commercial, public and residential buildings (existing and new construction)	• Construction or retrofit of residential, industrial and commercial buildings certified to an acceptable level under an internationally recognised green building certificate scheme. See Appendix 1 for the list. • Sustainable retrofits should result in a reduction in primary energy demand (PED), carbon or energy savings of at least 20% post upgrades.	• Buildings directly involved in the exploration, extraction, refining and distribution of fossil fuel. • Cogeneration/CHP plants, powered by fossil fuel.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Energy efficiency	Buildings and other infrastructure (excl. transmission and distribution)	• Development, manufacture and installation of energy-efficient lighting (LED lighting can provide 30-90% energy savings) or equipment to increase operational energy efficiency by a minimum of 20% of utilities and/ or other public services (excluding improvement in buildings). • Improvement by a minimum of 20% in the heat efficiency of non-fossil fuel powered utilities, power plants and other public services which align with the Renewable Energy Criteria above. Example projects could include rehabilitation of electric-powered district heating systems, electric- powered district cooling systems, heat-loss reduction and/or increased recovery of wasted heat.	• Energy efficient technologies designed for processes that are carbon intensive or powered by fossil fuel. • Energy efficiency improvement to transmission lines connected to fossil fuel power.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
	Industrial processes and supply chains	• Upgrades, improvements and installation of technologies and equipment to industrial and manufacturing processes to improve energy efficiency by a minimum of 20%. • Development, manufacture and distribution of equipment and software that are specifically designed to increase the energy efficiency of industrial and manufacturing processes by a minimum of 20%.	• Energy efficient technologies designed for processes that are carbon intensive or powered by fossil fuels, such as: (i) Oil or gas-fired boilers, cogeneration and CHP unit. (ii) Production processes in heavy industries, such as steel, cement and aluminum.	
	Other energy efficiency measures	• Projects that save at least 20% of energy consumption, in comparison with the project's baseline. Examples include installation of smart elevators, which use less energy and can return energy to the building.	• Energy efficient technologies designed for processes that are carbon intensive or powered by fossil fuels, such as: (i) Oil or gas-fired boilers, cogeneration and CHP unit. (ii) Production processes in heavy industries, such as steel, cement and aluminium.	

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Energy efficiency	Energy distribution	• Retrofit of distribution systems, transmission lines or substations to reduce energy use and/or technical losses. Electrical grid maintenance projects will be those systems dedicated to connecting renewables to the power grid or supporting at least 90% renewable electricity. • Transmission lines where more than 90% of energy transmitted through the cables is renewable. • Distribution networks for district heating/cooling where these are primarily (>50%) powered by renewables, waste heat or both.	• Energy efficiency improvement to transmission lines directly connected or dedicated to fossil fuel power.	
Environmentally sustainable management of living natural resources and land use	Sustainable food and agriculture	• Wildlife habitat management (including planting and expanding hedgerows), collection and use of agricultural waste or rehabilitation of degraded lands (including soil health improvements). • Production of organic food and non-food product certified by credible 3rd party certifications see Appendix 1. • Projects certified as sustainable agriculture as per Appendix 1.	• Manufacture, purchase or distribution of inorganic, synthetic fertilisers, pesticides or herbicides. • Equipment that runs directly on fossil fuel such as those powered by diesel. • Genetically modified crops. • Agriculture linked with deforestation or eutrophication.	2 ZERO HUNGER 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND
	Sustainable practices in livestock	• Projects that fall under any of the following cases: - Investment in projects of animal waste treatment projects, including biodigestion and composting of animal waste with energy generation.	• Livestock management projects for industrial-scale meat processors or producers.	

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Environmentally sustainable management of living natural resources and land use	Forestry and restoration	• Sustainable forestry and forest management projects that increase carbon stock in soil or reduce the surrounding negative impact of forestry activities, including: - Forestry in non-deforested areas. - Reforestation in areas previously deforested. - Forest conservation. - Preservation, conservation or recovery of flora on the surroundings of the project. - Forestry projects with certifications as per Appendix 1. - Soil recovery and restoration of degraded areas.		
Clean transportation	Sustainable infrastructure and transportation	• Investments and expenditure in low energy consuming or low emission transportation, including: - Passenger cars (under $50gCO_2$/km up to 2025, and zero tailpipe emissions thereafter) - Public transportation (under $50gCO_2$/p-km up to 2025, and zero tailpipe emissions thereafter. • Development and operation of low-carbon mass transportation systems for land and sea. Buses require zero tailpipe emissions. Low-carbon ships defined as fully-electric, biofuel or hydrogen-powered. • Investments and expenditure into development and production of electric vehicles (EVs), including construction of new dedicated manufacturing of facilities and upgrading and retrofitting of existing facilities for purpose of expanding production, as well as manufacture of specialized parts, such as EV batteries.	• Efficiency improvements involving conventional fossil-fuel combustion engines. • Systems an infrastructure dedicated to the transportation of fossil fuels.	

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Sustainable water and wastewater management	Sustainable water management	• Activities that improve water quality: - Water treatment facilities. - Upgrades to wastewater treatment plants to remove nutrients. - Wastewater discharge infrastructure. - Desalination plants powered by electricity with an average carbon intensity at or below 100gCO_2/kWh or primarily powered by renewable energy. • Activities that increase water-use efficiency: - Water recycling and reuse. - Water saving systems, technologies and water metering.	Treatment of wastewater from fossil fuel operations.	6 CLEAN WATER AND SANITATION 3 GOOD HEALTH AND WELL-BEING
Pollution prevention and control		• Investments in the following infrastructure facilities and activities that contribute to the objectives outlined above: - Development of waste collection facilities and the provision of waste collection services which supports source segregation of waste. - Development of recycling facilities that process (i) recyclable waste into secondary, (ii) mixed residual waste to produce feedstock for waste to energy plants, (iii) food, green, garden, yard waste to produce compost. - Developing processes/systems to reduce GHG emissions in a company's product supply chain. Examples include reducing air emissions through process upgrades, installation of sensors to monitor or test emission control and compliance including investment with third party to find ways to reduce emissions. - Installation of smokestack scrubbers, or process upgrades, sensors to monitor/test emission control or compliance. - Installation of pollutant emission control systems and installation of filters.	This will exclude the following activities: (i) Projects that facilitate the reduction of GHG emissions in fossil fuel product and/or distribution. (ii) Production processes in heavy industries, such as steel, cement and aluminum. (iii) Projects that apply GHG emissions capture in active landfills. (iv) Carbon Capture Utilisation (CCU) where captured carbon is intended for enhanced oil recovery.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Terrestrial and aquatic biodiversity conservation	Conservation of terrestrial and aquatic biodiversity	• Investments that protect the diversity of organisms across coastal, marine and other aquatic ecosystems which do not involve any fishing related activities and are supported by external 3rd party guidance on conservation best practice. For example mangrove swamp conservation project would require the professional guidance of either Mangrove Action Project (MAP) or Center for International Forestry Research (CIFOR). The project won't be instigated by stakeholders that have previously degraded the environment.		14 LIFE BELOW WATER 15 LIFE ON LAND
Eco-efficient and/or circular economy	Designing for the circular economy	• Research and development of products designed for circularity and/or adaptive re-use. Eligible products need to demonstrate significant waste diversion and/or use of waste products. If plastic-related, then production must include 100% recycled plastics and 100% not intended for single use consumer products and all products must be recyclable. • Procurement and sale of 100% recycled waste or waste materials as an input. • Production of low-carbon products that are RSB-certified category I (bio-based) & II (produced with recycled content) products that are 100% residues/ waste biomass.		7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

3. Qualifying Green, Social and Sustainable Activities (Continued)

3.2 Social Eligibility Criteria

This section lays out the eligible social activities and any applicable exclusions to a particular activity that would mean that it isn't eligible. It also sets out the applicable Sustainable Development Goals (SDGs) for each activity.

Definition of target population and target areas

Social financing directly aims to address or mitigate specific social issues and/or seeks to achieve positive social outcomes especially but not exclusively for a target population or a target area. Target population threshold will vary by region and therefore we adhere to local jurisdiction definitions where available. The target populations are defined as follows:

Target population	Definition
Adult learning	Education that specifically targets individuals deemed adults in their society to improve their technical or professional qualifications, develop their skills; enrich their knowledge with the purpose of completing a level of formal education; or to upskill or reskill them.
Excluded &/or marginalized populations and communities	Individuals who are unable to participate in economic, social, political and cultural life on account of their ethnicity, religion or language, as well as the process leading to and sustaining such status.
General public	General population (as long as service is affordable and accessible).
Informal workers	Workers that engage in street vending, home-based work, waste picking, domestic jobs and other short-term contracts.
Low-income	Defined by official government definitions in the relevant country or jurisdiction. In the absence of such definitions, low-income as defined as individuals or families whose income is less than 80% of the average income for the relevant area, region or country; or income below the national median.
Migrants and/or displaced persons	People who have been forced to leave their homes or have voluntarily left their country of origin (including refugees, stateless people and asylum seekers).
Other vulnerable groups, including people who have suffered natural disasters	Any group susceptible to suffering discrimination based on its socio- economic background and status, including: students, sole traders, small business owners, freelancers, start-ups and entrepreneurs, children without families, homeless people.
People with disabilities	People with temporary or permanent disabilities who may experience poor health; have less access to healthcare, education and work opportunities.

3. Qualifying Green, Social and Sustainable Activities (Continued)

Target population	Definition
Senior citizens and vulnerable youth	Ageing populations: senior citizens with difficult or limited access to infrastructure and services. Young people are considered a vulnerable group because of their unstable financial situation.
SMEs & Microfinance	Non-subsidiary, independent firms of reduced size, according to the definition of the relevant national regulation. In the absence of relevant national or international regulations, SMEs and microfinance are defined by the IFC.
Underdeveloped areas or regions	Remote (as defined by relevant national or international authorities) and/or sparsely populated (as defined by relevant national or international authorities) areas or regions that might suffer exclusion from lack of services and access due to remoteness or political exclusion. OR Areas or regions that are in the relevant country's (i) Bottom 40th percentile in terms of GDP per capita and at the same time in (ii) top 40th percentile in terms of unemployment rate.
Undereducated	People who have not completed mandatory education or wish to undertake a higher degree of studies that they previously could not attain.
Underserved who do not have quality access to essential goods and services	People without basic infrastructure (e.g. rural/isolated populations). People who are unbanked (i.e. from households without a current or savings account) or otherwise have limited access to mainstream financial services.
Unemployed	Share of population of working age who were not in employment, carried out activities to seek employment and were available to take up employment.

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Employment generation and programs	Access to affordable and responsible financial products and services to the poor and vulnerable populations	• Financing Microfinance institutions via intermediaries (MFIs) and financing of smaller businesses. • To be eligible the financing needs to be targeted to the defined target populations: SMEs, microenterprises, microentrepreneurs and informal workers that are in underdeveloped areas or regions within the relevant country; areas experiencing depopulations or are affected by natural disasters. • To be identified as a small-medium sized enterprise (SME) microfinance the enterprise needs to fall within relevant national criteria such as those defined by the Egyptian, Jordanian and Tunisia central banks. In the absence of national criteria then the definition set by the International Finance Corporate (IFC) will be applied. To meet the IFC criteria the enterprise is required to meet two of three criteria: (i) Number of employees < 300. (ii) Annual turnover between US$100K to $15m. (iii) Total assets between US$100K to US$15m. If data mentioned above is not available, then the SME average loan size should be between US$10K and US$1m.	Payday loans. Loans to businesses involved in: - Adult entertainment. - Manufacture and production of finished alcoholic beverages. - Fossil fuel exploration and distribution. - Lethal defence goods. - Gambling. - Nuclear power generation. - Non-RSPO- certified palm oil. - Predatory lending. - Manufacture and production of finished tobacco. - Conflict minerals. - Child labour. - Forced labour.	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Employment generation and programs	Access to affordable and responsible financial products and services to the poor and vulnerable populations	• To be identified as microfinance the enterprise needs to fall within relevant national criteria such as those defined by the Egyptian, Jordanian and Tunisian central banks. In the absence of national criteria then the definition set by the International Finance Corporate (IFC) will be applied. To meet the IFC criteria the enterprise is required to meet two of three criteria: (i) Number of employees <10. (ii) Annual turnover < US$100K. (iii) Total assets < US$110K. Target populations: (i) rural populations, (ii) economically excluded individuals, (iii) populations with least, lower and low-middle income, (iv) women.		1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY
Access to essential services **- Health** **- Education**	Healthcare infrastructure	• Financing to construct, equip, operate: (i) Hospitals, clinics and healthcare centres for the provision of public/free/subsidized healthcare services.		3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
	Provision of health-care related products and services	• Research and development (R&D) for, and manufacture of: (i) Basic and generic type pharmaceutical products and preparations (including vaccines). (ii) Medical equipment and other supplies including: radiation, electromedical and electrotherapeutic equipment, medical and dental instruments.		3 GOOD HEALTH AND WELL-BEING

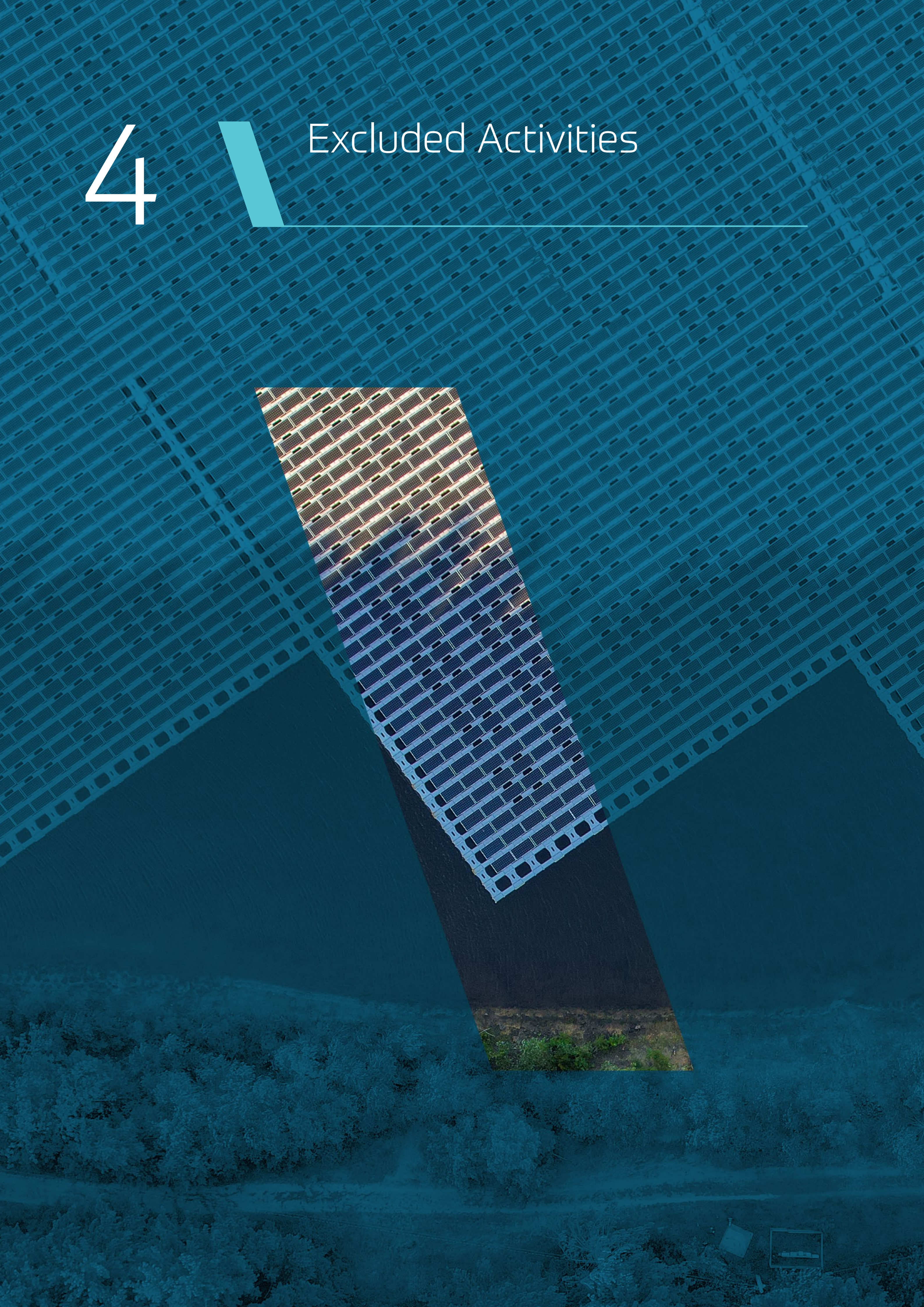
3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Access to essential services **- Health** **- Education**	Primary, secondary, adult and vocational education	• Construction of public/free/ subsidised schools. • Construction of campuses for public schools and universities. • Affordable schools and education providers in least developed, low income and lower-middle income OECD countries. • Construction of student housing for public universities provided the rent is capped below local/ regional average to ensure affordability to all.		
Affordable housing	Affordable/Social housing	• Access to adequate, safe and affordable housing for low- income or marginalized communities. • This is considered a social activity if the loan the bank provides finances disaster relief projects and has preferential financial or payment terms so the housing will remain affordable over time. • The target population would be: (i) People without adequate housing, including the homeless and people in slums and informal settlements. (ii) Income is less than 80% of the average income for the area, region or country, or income below the national median. (iii) Population adversely affected by the disaster.		
Affordable basic infrastructure	Establishing or improving connectivity in low income countries	• Providing finance to companies operating bus transportation services to target populations in least developed, low income and lower middle income of countries OECD countries with substantial lack of access to public transportation. • Telecom/internet connectivity in least developed, low income and lower middle income OECD countries that currently lack access to such infrastructure or is inadequate.	- Development of highways in urban areas. - Upgrade of highways and major roads, including in rural areas. - Privatisation of highways. - Construction of toll booths.	

3. Qualifying Green, Social and Sustainable Activities (Continued)

Category as per GBP	Sub Themes	Eligible Activities	Exclusions	SDG Goal
Affordable basic infrastructure	Establishing or improving connectivity in low income countries	• Development of transmission and distribution infrastructure aimed at improving access to electricity in least developed, low income and lower middle income OECD countries targeting underserved communities.	- Transmission grid connected to a dedicated fossil fuel power plant - Fossil fuel power generation.	
	Activities that expand public access to safe and affordable drinking water and adequate sanitation facilities.	• Activities that expand public access to safe and affordable drinking water, e.g. water monitoring, storage, treatment, distribution, desalination, defences etc. • Activities that expand public access to sanitation.	- Desalination projects without appropriate waste management plan for brine disposal. - Desalination plants with dedicated on-site fossil fuel power.	6 CLEAN WATER AND SANITATION 3 GOOD HEALTH AND WELL-BEING
Food security and sustainable food systems	Activities which enhance food security.	• Food products goods that are Fairtrade certified.		2 ZERO HUNGER 1 NO POVERTY
Development banks, intergovernmental and supranational organisations		• Raising capital for, lending to, co- investing with organisations that have development mandate provided the funds are used for projects that are eligible under the SFF.	Organisations without development mandates.	1 NO POVERTY 2 ZERO HUNGER 10 REDUCED INEQUALITIES 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS

4 Excluded Activities



4. Excluded Activities

The activities listed below would not be classified as green, social, sustainable or sustainability-linked and thereby would fall outside of the scope of the SFF.

(a) Activities that are inconsistent with addressing the challenges of climate change and promote environmental and social sustainability.

- Coal mining or coal-fired power generation and associated facilities.
- Tar sand extraction, fracking & Arctic oil & gas exploration.
- Waste incineration without energy capture.
- Landfill without gas capture.

(b) Any activity that, although consistent with a country's legal and/or regulatory framework, may generate particularly significant adverse impacts on people and/or the environment, such as activities that involve:

- Weapons, ammunitions and other military goods/technology.
- Tobacco, alcohol and gambling.
- Unbonded asbestos fibers or asbestos-containing products.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Animal mistreatment.
- Pornography and/or prostitution.
- Production or commercialization of wood or other forest products that are not produced from sustainable forest management.
- Palm oil, soy and timber that are not certified as sustainable as per the eligible certifications listed in Appendix 1.
- Companies found or suspected to have been involved or are involved in corruption, gross violations of fundamental ethical norms or other ethical business principles.
- Deforestation operations for commercial purposes for use in primary tropical rainforest.

(c) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or bans, such as:

- Production or activities involving harmful or exploitative forms of modern slavery, child labour or forced labour.
- Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Activities that involve sexual exploitation.
- Polychlorinated biphenyl compounds (PCBs).
- Production or activities involving pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.
- Production or activities involving persistent Organic Pollutants (POPs).
- Production or activities involving ozone depleting substances subject to international phase out.
- Any activity, production, use, distribution, business or trade involving destruction of conservation areas.
- Any other illegal activities under host country laws regulations or ratified international conventions and agreements.

5 Appendices

APPENDIX 1

Eligible certifications

The following certifications are acceptable when evaluating whether a project or activity is deemed eligible.

(i) Agriculture

- Rainforest Alliance
- UTZ
- Roundtable on Sustainable Palm Oil (RSPO)
- US Soy Sustainability Assurance Protocol for agriculture purposes
- Round Table for Responsible Soy (RTRS) for responsible soy production
- BONSUCRO
- Global GAP (Good Agriculture Practices)
- Better Cotton Initiative (BCI)

(ii) Aquaculture

- Aquaculture Stewardship Council (ASC)
- Best Aquaculture Practices (BAP) with two stars or higher.

(iii) Forestry

- Forest Stewardship Council (FSC)
- Program for the Endorsement of Forest Certification (PEFC)
- SFI
- Rainforest Alliance
- International Sustainability and Carbon Certification

(iv) Green buildings

- LEED Gold or higher
- 'BRE' Environmental Assessment Method (BREEAM)
- Processo AQUA
- EDGE (IFC)

APPENDIX 2

Sustainability-Linked Finance

Sustainability-Linked finance is any bond or loan instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ESG targets. Hence, there is a commitment by the issuing company to achieve future improvements in sustainability/ ESG objectives within a certain timeline. Those objectives are (i) measured through predefined Key Performance Indicators (KPIs) and (ii) assessed against predefined Sustainability Performance Targets (SPTs). The proceeds are intended to be used for general purposes. Hence, the use of proceeds does not determine its categorization.

Sustainability-Linked Bond Principles (SLBP) have five core principles:

1. Selection of KPIs.

KPIs should be:

- Relevant, core and material to the issuer's overall business, and of high strategic significance to the issuer's current and/or future operations;
- Measurable or quantifiable on a consistent methodological basis;
- Externally verifiable; and
- Able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition.

2. Calibration of SPTs.

The SPTs should be ambitious:

- Represent a material improvement in the respective KPIs and be beyond a 'Business as Usual' trajectory;
- Where possible be compared to a benchmark or an external reference;
- Be consistent with the issuers' overall strategic sustainability/ESG strategy; and
- Be determined on a predefined timeline set before (or concurrently with) the issuance of the bond.

Target setting should be based on a combination of benchmarking approaches:

- Issuer's own performance over time, ideally based on a minimum of 3 years track record of the KPI, and
- Issuer's peers, and/or
- Reference to science-based scenarios or absolute levels.

3. Bond Characteristics

- The variation of the bond financial and/ or structural characteristics should be meaningful to the issuer's original bond characteristics.

4. Reporting

Issuers of SLBs should publish, and keep readily available and easily accessible:

- Up-to-date information on the performance of the selected KPIs, including baselines where relevant;
- A verification assurance report relative to the SPT outlining the performance against the SPTs, and related impact, and timing of such impact, on the bond's financial and/or structural characteristics; and
- Any information enabling investors to monitor the level of ambition of the SPTs.

5. Verification

- Issuers should seek independent and external verification of their performance level against each SPT for each KPI.

APPENDIX 3

KPIs for Sustainability-Linked Finance

Outlined below is a list of sample KPIs that can be used to measure the sustainability performance of the relevant activity, project or business. The list is not exhaustive but provides material KPIs that are typically used to evaluate performance of eligible activities.

Eligible categories	Key Performance Indicators (KPIs)
Renewable energy	• GHG emissions avoided (tCO_2). • Renewable energy generated (MWh). • Renewable energy capacity installed (MWh).
Green buildings	• GHG emissions avoided (tCO_2). • % of water avoided/reduced (m^3). • Reduction in energy consumption (kWh/yr). • Number of certified buildings.
Energy efficiency	• GHG emissions avoided (tCO_2). • Reduction in energy consumption (kWh/yr).
Clean transport	• GHG emissions avoided (tCO_2). • Number of electric/hybrid vehicles provided. • Estimated reduction in fuel consumption. • Distance travelled by mode of transport (km).
Sustainable water and wastewater management	• Water savings (m^3). • Sewage treated (m^3). • Expanded water storage, treatment or distribution capacity (m^3/yr). • Expanded sewage or wastewater treatment capacity (m^3/yr). • Number of people with improved sanitation facilities under the project.
Sustainable management of living natural resources	• GHG emissions avoided (tCO_2). • % of water reduced/avoided. • Reduction in consumption of inputs (Mt). • Reduction in fertilizer consumption (Mt). • Farming area subject to sustainable practices (ha). • Sustainably certified cultivated area (ha). • Soil and pasture area recovered (ha). • Forest area (ha).

APPENDIX 3

KPIs for Sustainability-Linked Finance (Continued)

Eligible categories	Key Performance Indicators (KPIs)
Pollution prevention & control	• GHG avoided (tCO_2). • Treated waste (Mt). • Waste recycled (Mt). • Reduction of input required (Mt). • Space avoided from landfill (Mt).
Terrestrial aquatic biodiversity conservation	• Increase of protected area (km^2/% increase).
Circular economy	• Increase in materials, reusable, recyclable due to project. • % of single use products that are replaced by products designed for reuse. • % of waste that is prevented, reused or recycled after the project. • % of circular material that is used versus total.
Employment generation	• Number of MSMEs financed. • Estimated number of jobs created or maintained.
Access to essential services	• Number of people with access to financial services. • Number of people with increased access to healthcare services.
Affordable housing	• Number of beneficiaries. • Number of residencies financed.
Affordable basic infrastructure	• Number of beneficiaries. • Expanded water storage (m^3/yr).
Food security	• Number of people provided with safe and sufficient food. • Number of people benefitting from agriculture projects and improved technology.

APPENDIX 4

Transition Finance

Transition finance refers to finance that is provided to carbon-intensive companies that are in the process of structurally shifting their business and/or activities to a low carbon trajectory. Bank ABC's approach to transition finance supports its commitment to empower its clients to lead the drive to a low carbon economy and align with the Paris Climate Agreement. It provides a crucial gap between sustainable finance and finance required by those businesses operating within hard-to-abate industries. Setting out a definition and a list of eligible activities provides clarity to the issuer-level disclosures that are required to credibly position the use of proceeds as transition finance. As noted below, some of the activities may not be part of a business that currently has a clear transition pathway to net zero due to a lack of technological advancement (e.g. long-haul aviation) or the activity is an interim solution in the absence of any lower carbon alternative (e.g. energy production from municipal waste). In this respect reference has been given to ICMA Climate Transition Finance Handbook and the CBI Transition Finance White Paper.

Ultimately, to fit the definition of 'transition finance' the proposed activity needs to:

1. Not be eligible within the SFF.
2. Have a material impact on reducing the environmental impact of the core business and value chain where the eligible activity will:
   - (i) Have a transition pathway to net zero (e.g. steel production or shipping), OR
   - (ii) make a substantial contribution to halving emission levels by 2030 and reaching net zero by 2050 but will not have a long-term role to play (e.g. interim solution such as energy production from municipal waste), OR
   - (iii) have a long-term role to play but at present the pathway to net zero is not certain (e.g. long-haul aviation).

The table below lists the sample eligible activities that can be classified as transition finance.

Sector	Sub-sector	Eligible activity
Automotive	Auto supplier	• Systems design related to electric, hydrogen, hybrid or alternative fuel vehicles. • Energy-efficient engines for heavy road transport. • Improved aerodynamics and tyre design for heavy duty vehicles.
Building materials	Cement	• Recycling of un-hydrated cements and re-use of concrete. • New cement chemistries or new concreate chemistries using less cement input. • Decarbonisation technologies (e.g. use of biomass/waste as heat generation, carbon capture & storage, kiln electrification from renewable energy source). • Switch from coal to gas in cement production.

APPENDIX 4

Transition Finance (Continued)

Sector	Sub-sector	Eligible activity
Oil & gas	Oil & gas services	• Electric engines for shipping that are driven either by batteries or hydrogen/ammonia fuel cells. • Use of low GHG or less pollutive fuels. • Improved ship designs, hull and propulsion efficiency.
	Oil & gas producers	• Decarbonisation operations minimizing flaring, tackling methane emissions, integrating renewables and low-carbon electricity into new upstream and LNG developments. • Supply low-carbon liquids and gases (low-carbon hydrogen, biomethane, advanced biofuels). • Carbon capture and storage. • Deployment of advanced technologies to monitor and reduce emissions and develop new mitigation enabling technologies. • Electrification of upstream operations.
Metals & mining	Iron and steel (excl. coal-fired iron or steel plants)	• Decarbonisation technologies (e.g. Electric Arc Furnaces (EAF) using scrap-based (recycled) steel, carbon capture & storage, electroloysis). • Energy efficiency of blast furnace (e.g. coke dry quenching, production gases reuse for power production). • Hydrogen based DRI (Direct Reduced Iron). • Innovative smelting reduction or blast furnace retrofit. • Electrification of ancillary equipment.
	Aluminium	• Thermal efficiency improvement. • Novel anode technologies. • Renewable energy use. • Retrofitting smelters. • Aluminium recycling or production of secondary aluminium.
Chemicals	Petrochemicals	• Alternative feedstocks (e.g. natural gas, shale gas, biofuels and other unconventional feedstocks). • Energy-efficient production/innovation (e.g. catalytic olefin technologies using naptha or use of hydrogen from renewable energy sources to produce ammonia or methanol). • Carbon capture and storage. • Production of biodegradable polymers and composites. • Electric steam crackers for high-vale chemical production.

APPENDIX 4

Transition Finance (Continued)

Sector	Sub-sector	Eligible activity
Chemicals	Agrichemicals	• Energy-efficient product/innovation (e.g. use of hydrogen from renewable energy sources to produce ammonia). • Carbon capture and storage.
	Speciality chemicals	• Alternative feedstocks (e.g. natural gas, shale gas, biofuels and other unconventional feedstocks). • Energy-efficient production/innovation (e.g. catalytic olefin technologies using naptha or use of hydrogen from renewable energy sources to produce ammonia or methanol). • Carbon capture and storage.
Manufacturing	Various	• Companies/activities that are in transition to net zero. (i) Enabling infrastructure, e.g. hydrogen fuelling stations, pipelines). (ii) New hydrogen-based industrial plants. (iii) Hydrogen use in refineries, transportation, power plants and aviation. (iv) Switch to low-carbon hydrogen from blue/grey hydrogen. • Electrification of industrial equipment. • Carbon capture and storage. • Waste reduction, collection and sorting. • Recycling and reuse of plastics and other materials.
Food & agri-business	Primary production	• Avoidance of GHG emissions (e.g. animal management, storage and processing of manure and slurry, and management of permanent grasslands. • More efficient use of nitrogen fertilisers. • Electrification of agricultural machinery.
Power generation	Fossil fuels including oil & gas but excluding coal	• Carbon capture and storage. • Hydrogen use in power plants. • Conversion from coal to gas as part of realistic medium and long-term strategy to continue to transition to net zero. • On pathway of electrification of fossil fuel upstream operations, industrial equipment.

APPENDIX 4

Transition Finance (Continued)

Sector	Sub-sector	Eligible activity
Shipping	Shipping	• Fleet management and voyage plan optimisation. • Use of vessels with electric engines driven either by batteries or hydrogen/ammonia fuel cells. • Use of vessels powered by low GHG fuels (e.g. biofuels, bio-methanol, LNG hydrogen, ammonia). • Use of open-loop & closed-loop scrubbers for treatment of pollutants released from vessel's exhaust.
Aviation	Airlines & leasing companies	• Use of aircraft with electric engines or hydrogen fuel cells. • Use of aircraft powered by low GHG fuels (e.g. biofuels or synthetic fuels).
	Manufacturers	• Energy efficient aircraft design such as thermodynamic efficiency of new engines or improved airframes.
	Airport operators	• Improved infrastructure such as deployment of fixed electrical ground power units. • Better aircraft management such as optimizing routing, air traffic flow management, minimizing flight distances and cutting aircraft waiting times.

Bank ABC