

Qatar National Bank (Q.P.S.C.)

Type of Engagement: Green, Social and Sustainability Bond Pre-Issuance Review

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Introduction

In February 2020, QNB Group (“QNB”) developed the QNB Green, Social and Sustainability Bond¹ under which it may issue bonds aimed at financing and/or refinancing of assets related to (i) green buildings (ii) renewable energy (iii) clean transportation (iv) energy efficiency (v) environmentally sustainable management of living natural resources and land (vi) sustainable water and wastewater management (vii) pollution prevention and control (viii) access to essential services (ix) socio-economic advancement and empowerment and (x) affordable housing. Sustainalytics provided a Second Party Opinion¹ of the Framework.

In February 2020, QNB engaged Sustainalytics to review a sample of the projects (the “Nominated Projects”) that will be funded through the issued green, social and sustainability bonds and provide an assessment as to whether the projects would comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2020 issuance for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the QNB Green, Social and Sustainability Bond and
2. The commitments to select projects, manage proceeds, and report on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

Appendix 1 lists the Use of Proceeds and Eligibility Criteria.

Issuing Entity’s Responsibility

QNB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. QNB is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2020 issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the pre-issuance review. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of QNB that the use of proceeds, processes for project selection, management of proceeds, and reporting for any upcoming green, social and sustainability bond issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by QNB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by QNB.

¹ The QNB Green and Social Bond Framework is available on QNB’s website at:
<https://www.qnb.com/sites/qnb/qnbqatar/page/en/enesgreportsanddisclosures.html>

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, QNB's Nominated Projects are not aligned with their existing the QNB Green, Social and Sustainability Bond Framework.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Framework's Use of Proceeds Eligibility Criteria

In February 2020, QNB has developed the QNB Green, Social and Sustainability Bond Framework under which it may issue multiple green, social or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that meet the defined eligibility criteria in ten categories:

Eligible category	Eligibility criteria
Green buildings	<ul style="list-style-type: none"> • New and existing buildings that meet the minimum external green building certification level of either: <ul style="list-style-type: none"> • LEED³ 'Gold', • GSAS⁴ '4 star' • BREEAM⁵ 'Very Good', • HQE⁶ 'Very good', • BCA Green Mark⁷ 'Gold Plus' • Passive Haus (carbon neutral) or equivalent certifications • New and existing buildings that are within the top 15% more energy efficient buildings in their respective region, as determined through, for instance, a specialist study.⁸ • Refurbished buildings that achieve a minimum 30% improvement in energy use or carbon emissions, or at least a two-step improvement in EU Energy Performance Certificate (EPC)⁹
Renewable energy	<ul style="list-style-type: none"> • Renewable energy generation sources: <ul style="list-style-type: none"> • Wind: Onshore and offshore • Solar: Photovoltaic solar power, concentrated solar power (CSP) and solar thermal • Hydroelectric: Run-of-river and small-scale projects generating less than 25MW. • Bioenergy: Facilities for electricity generation, heating or both (CHP) that use biomass or biofuel from sustainable sources¹⁰ • Geothermal: Projects with an emissions intensity of less than 100gCO₂e/kWh • Tidal: Tidal range and stream, wave, ocean current, water-thermal energy production system (WEPS) and ocean thermal energy conversion (OTEC) power facilities • Infrastructure to support renewable energy <ul style="list-style-type: none"> • Transmission of renewable electricity from its production site to the electricity grid, including increasing grid capacity and connections

³ Leadership in Energy and Environment Design (US/International)

⁴ Global Sustainability Assessment System (Middle East)

⁵ Building Research Establishment Environmental Assessment Method (UK/International)

⁶ Haute Qualite Environnementale (France)

⁷ Building and Construction Authority Green Mark (Singapore/SE Asia)

⁸ For any Green Loans that are marked under this criterion, QNB commits to referencing a separate methodology to verify the top 15 % eligibility and to acquire a second opinion on the validity of this methodology. The top 15 % methodology could be based on, for instance, building year, building code or building energy labels.

⁹ Energy Performance Certificate two-step improvement only applicable in Europe

¹⁰ Feedstocks include forest (certified to Forestry Stewardship Council (FSC), Programme for the Endorsement of Forest Certified (PEFC), Sustainable Biomass Partnership, or Roundtable on Sustainable Biomass), agricultural waste, food waste and marine (e.g. algae). Feedstocks that that are derived from sources of high-biodiversity, deplete terrestrial carbon pools or compete with food production are excluded.

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Clean transportation	<ul style="list-style-type: none"> • Low carbon vehicles¹¹ for public, passenger and freight purposes. Including cars, buses, ferries and trains powered by either: <ul style="list-style-type: none"> • Fully electric • Plug-in hybrid electric • Hydrogen • Infrastructure to support low carbon vehicles including electrified railways and charging stations for electric vehicles
Energy efficiency	<ul style="list-style-type: none"> • District heating and cooling systems • Smart energy grids, energy meters, management systems and battery storage facilities • Improvement to electricity transmission efficiency through efforts to reinforce the grid and reduce transmission losses
Environmentally sustainable management of living natural resources and land	<ul style="list-style-type: none"> • Agriculture: organic or fair-trade certified farming, hydroponic farming or vertical farming • Forests and forestry: Forest land certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC) • Fishery: sustainable fishery certified by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Wastewater treatment and recycling facilities • Sustainable Urban Drainage Systems (SUDS) • Improvements to water infrastructure that increase water use efficiency through replacements and upgrading of inefficient systems
Pollution prevention and control	<ul style="list-style-type: none"> • Waste management and recycling companies and facilities of all types of waste • Waste to energy: Municipality waste incineration¹², the capturing of landfill gas and anaerobic digestion • Technologies to reduce emissions to air from industrial sources (e.g. particulate matter, VOCs).¹³
Access to essential services	<ul style="list-style-type: none"> • Activities involving the development, expansion or acquisition of buildings, facilities, or equipment relating to: <ol style="list-style-type: none"> i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers ii. Infrastructure for the provision of child, youth or adult education and vocational training services

¹¹ Financing and refinancing for hybrid and biofuel powered vehicles will be restricted to those vehicles with direct emissions intensities < 50gCO₂e/km

¹² All qualifying municipality waste incineration plants to have toxic air emission abatement technologies

¹³ All projects directly related to fossil fuel processes are excluded.

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Socio-economic advancement and empowerment	<ul style="list-style-type: none"> Loans to SMEs¹⁴, microfinance and entrepreneur clients with an emphasis on employment creation or employment retention in specific economically underperforming regions¹⁵ Loans to female led SMEs and female entrepreneur clients
Social housing	<ul style="list-style-type: none"> Development, improvement, maintenance operation and/or refurbishment of shelters, halfway homes, community, or social housing projects¹⁶

¹⁴ The definition of SME and microfinance organizations is determined by each country in line with local standards

¹⁵ Underperforming regions are defined using the United Nations Conference on Trade and Development (UNCTAD) list of developing countries, including Egypt, Indonesia, Qatar, Tunisia and Turkey, as per the development status categorization <https://unctadstat.unctad.org/EN/Classifications.html>

¹⁶ The definition of social housing is determined by each country in line with local standards

Appendix 2: Summary of 2020 Green, Social and Sustainability Bond Projects

- Clean Transportation: Construction of Electrified Railway
- Energy Efficiency: Construction of District Cooling Plant
- Green Buildings: GSAS 4* Star Building
- Green Buildings: GSAS 5* Star Building
- Green Buildings: BREEAM Very Good Building
- Green Buildings: BREEAM Excellent Building
- Green Buildings: BREEAM Outstanding Building
- Green Buildings: HQE Très Performant
- Access to Essential Services: Financing Medical Equipment for Public Hospital
- Socio-economic Advancement and Empowerment: Lending towards poor rural sections of society
- Socio-economic Advancement and Empowerment: SME Financing
- Access to Essential Services: Public Hospital, construction of cancer care centre
- Access to Essential services: Public University, construction of student accommodation facility
- Sustainable Water and Wastewater Management: Wastewater treatment and recycling

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of a sample of the projects to be funded by the green, social and sustainability bond issuance in 2020 (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in the QNB's Green, Social and Sustainability Bond Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the projects funded by the green, social and sustainability bond in 2020 to determine if the commitments under processes for project selection and management of proceeds were consistent with the QNB's Green, Social and Sustainability Bond Framework.	QNB has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2020 issuance are consistent with the commitments described in the Framework.	None

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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