

Jordan Kuwait Bank

Green Finance Framework



البنك الأردني الكويتي
JORDAN KUWAIT BANK

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Background

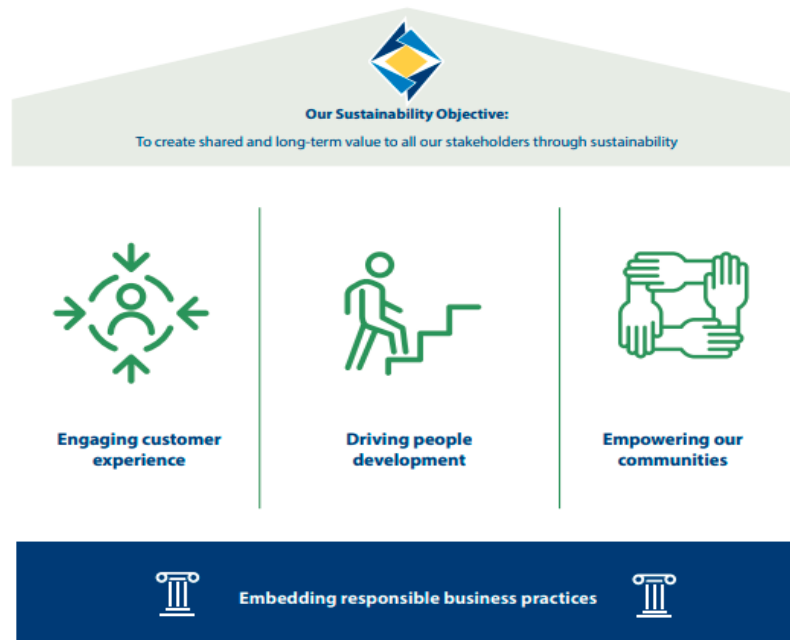
Jordan Kuwait Bank is a Jordanian public shareholding company listed on the Amman Stock Exchange (Ticker: JOKB); founded in 1976 as the country's fifth national commercial bank. The Bank upholds the vision of "The Bright Future of Banking" with a refreshed corporate strategy running through to 2025, we are better placed than ever to Transform, Excel, and Prosper, while operating responsibly to deliver a wider ESG value for all stakeholders. Our approach is designed to contribute to Jordan Vision 2025 and, globally, support capital shifts needed to achieve the 17 United Nations' (UN) Sustainable Development Goals (SDGs).

Jordan Kuwait Bank issued its second annual Sustainability Report for 2021, entitled "Sustainability is more than just a vision", which reviews the Bank's strategy, partnerships, and initiatives in governance, social and environmental responsibility (ESG), prepared in line with the latest (GRI) standards and guidelines and the United Nations Sustainable Development Goals (SDGs). The report also represents the Bank's commitment to recognizing the latest results and impacts of its corporate sustainability strategy and promoting business sustainability within the Bank, as part of its efforts to improve and enhance the disclosure of governance, social and environmental responsibility practices, as well as to engage with various stakeholders on developments related to those practices.

The Sustainability Report includes fundamentals of environment, society and governance in the Bank's activities, management, and operations and highlights the Bank's achievements in the areas of environmental and social reporting and corporate governance and implementation, its contribution towards a more successful tomorrow and a sustainable future, which includes many initiatives and partnerships with local and international organizations, with a focus on supporting NGOs, charitable programs, women empowerment programs, environmental preservation.

How We Approach Sustainability

Our Sustainability Framework guides our ESG impact and reporting activities. It also provides a platform for stakeholders to engage with, and a focus for our sustainability journey:



Focusing on What Matters Most

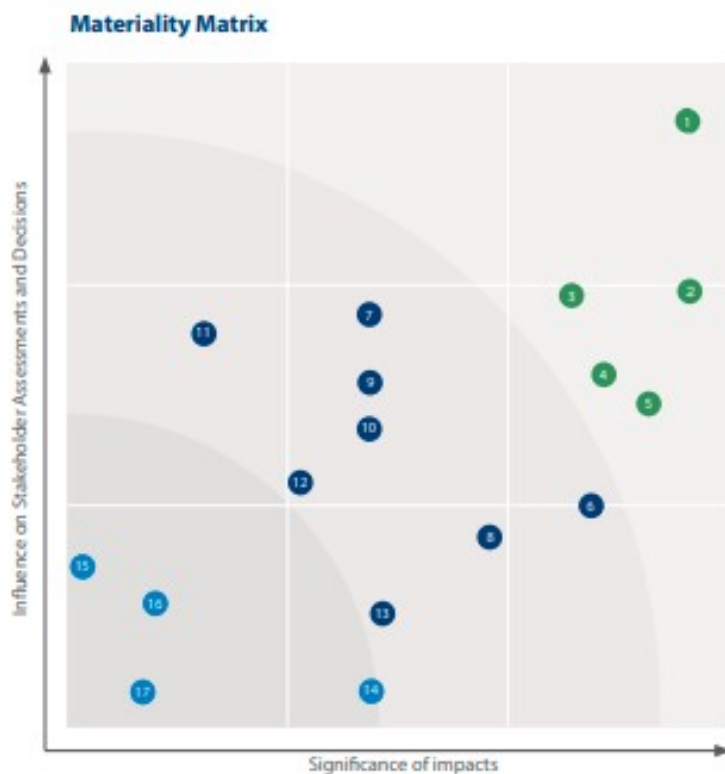
Diligent and regular stakeholder engagement is the underlying reason material issues have been identified. We prioritize such issues through the GRI-based materiality assessment, last conducted formally for our [2021 Sustainability Report](#), and incorporating formal and informal monitoring, dialog with stakeholders and relevant external studies and reports to:

- **Identify** issues by reviewing industry peers, internal stakeholder interviews and international standards such as the GRI, Sustainability Accounting Standards Board (SASB), UN PRB, Jordan Vision 2025, and Amman Stock Exchange Guidance on Sustainability Reporting.
- **Priorities** in terms of perceived importance to internal and external stakeholders.
- **Validate** results to ensure a complete list that reflects all stakeholder perspectives.

In 2022 we refreshed the materiality assessment, adding economic performance and re-evaluating other aspects to align with national and international standards, and to anticipate future trends.

Material Issues Matrix

Most important	
1	Ethical Conduct
2	Customer Satisfaction
3	Compliance
4	Governance, Accountability and Transparency
5	Data Security & Privacy
Very important	
6	Talent Attraction and Retention
7	Risk Management
8	Diversity and Inclusion
9	Responsible Investment and Financing
10	Digital Innovation
11	Financial Inclusion
12	Economic Performance
13	Employee Well-being
Important	
14	Human capital Development
15	Direct Environmental Impact
16	Sustainable Procurement
17	Community Support and Development



Stakeholder Engagement

In addition to the materiality process, we regularly engage with seven key stakeholder groups to better understand their needs and aspirations. Their views, in turn, enable us to reflect on our overall strategy and metrics. We acknowledge that progress can only be achieved by an integrated and inclusive approach, therefore it is important that all stakeholders can express their opinion through diverse channels.



Our Wider Contribution

Our sustainability approach aligns with the Jordan Vision 2025 to build a prosperous and resilient country. We are working towards many of its goals, including those relating to poverty, unemployment, and financial scarcity. Alongside our stakeholders, we are determined to empower the people of Jordan to prosper and realize their full potential.

One of our strategic objectives is to create a social impact. We do so through our CSR programs, including women empowerment and renewable energy initiatives. We align with the SDGs – the world’s shared plan to end extreme poverty, reduce inequality and protect the planet. The specific SDGs our efforts support is found below.

Going forward, we aim to wholly align our sustainability strategy with the Goals, and to review progress for continuous convergence.



Direct Environmental Impact

JKB focused on reducing greenhouse gas (GHG) emissions, working towards ISO 14001 certification for environmental management, and opening the first LEED Gold building in Jordan's banking industry.

Climate and Energy

Our strategic priorities to reduce our GHG emissions include making our buildings more energy-efficient and increasing our use of renewable energy. In addition to our HQ, we improved our air conditioning scheduling across our sites. We are also installing motion sensors for lighting in public areas. With 8,712 solar panels (with a capacity of 2,300 kW) saved more than 90% in electricity consumption of JKB. Electricity production in 2021 was approximately four million Kilowatt hours. We released a new product for e-vehicles (EV), encouraging employees and customers to buy electric cars. We are currently in the process of installing EV charging stations for employees and customers.

Ventilation and fresh air technologies

Solar thermal heater

Reducing the capacity of flushing tanks will save 320,000 liters per year, while grey water recycling will save 50,000 liters per year

Heat-blocking blinds.

Reduced water consumption

Lower energy consumption.

Rainwater harvesting will save 330,000 liters per year

Recycling bins integrated.

400 m2 green wall on the southern façade

Water

While we are not a water-intensive business, we recognize that we operate in a region of water scarcity. In addition to our water harvesting system at HQ, we installed sensors on all water fixtures and further reduced the flow of water from these fixtures. We aim to reduce water consumption by 100,000 liters a year.

Responsible Investment and Financing

Our industry is playing an active role in addressing global issues, such as human rights, environmental protection, and climate change, which are rapidly changing the regulatory and competitive environment.

ESG Risk Management

For certain projects, namely those in economic sectors where the risk of environmental impact is higher, we go beyond government legislation to outsource independent traffic impact surveys and detailed environmental assessment reports. To ensure sound governance practices, our Compliance Department provides feedback on the borrower's shareholder structure and reputation, alongside macroeconomic valuations that are considered in all lending decisions.

Environmental and social risks are mainly considered for green loan portfolios or those in densely populated areas. Here, environment and traffic impact assessments, along with appropriate governmental permits are required according to the type of project and geography. If significant risks are found, the borrower is required to rectify them, or lending may be rejected. If they are significant (assessed on a case-by-case basis), we act according to the risks identified in the environmental impact assessment. Later stage monitoring is based on the borrower maintaining initial environmental requirements set during due diligence.

Green Finance Framework (the "Framework")

JKB has established this Framework to lay out the mechanism which the Bank set forth to raise funds via the issuance of green bonds, to finance and/or refinance¹ project with environmental benefits.

This Framework is aligned with the ICMA Green Bond Principles ("GBP") 2021¹ & the Jordanian Green Bond Guidelines issued by MoEnv in Dec 2021². The GBP are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. In alignment with these, our Framework is based on the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

*External Review.







This Framework will apply to any Green Bonds issued by Jordan Kuwait Bank. It applies to the covered bonds ("Green Covered Bonds"); green buildings, energy efficiency, renewable energy, clean transportation, and sustainable water and wastewater management projects for which the use of proceeds is intended for an Eligible Green Assets Portfolio, compliant with selection criteria ("Eligibility Criteria") defined in accordance with this Framework.

¹ICMA's Green Bond Principles 2021 - <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>




Use of Proceeds

The proceeds from any green bonds issued under this Framework (the “Proceeds”) will be used to finance and/ or refinance loans in assets or projects that fall under the following Eligible Green Assets categories:

Eligible Green Asset Categories

Eligible Green Asset categories	Description	UN Sustainable Development Goals (“UNSDGs”) Alignment
Green Buildings	<ul style="list-style-type: none"> ▪ Projects for industrial ², commercial, and residential and building energy efficiency and energy efficiency improvement, including energy management centers and energy-efficient infrastructure construction projects. ▪ New, existing, or refurbished commercial buildings which received at least one of the following certifications: <ul style="list-style-type: none"> ▪ Leadership in Energy and Environmental Design (LEED) certificate as defined by the U.S. Green Building Council, Gold or above, or ▪ “BRE” Environmental Assessment Method (BREEAM) certificate as defined by the Building Research Establishment, Very Good or above, or ▪ IFC’s Excellence in Design for Greater Efficiencies (EDGE) certificate, ▪ Other equivalent internationally or locally recognized Green Building certification. 	
Renewable Energy	<ul style="list-style-type: none"> ▪ Construction of solar panels, solar heat utilization. ▪ Financing Projects related to installation or construction and investment in fixed assets for producing efficiently using such forms of energy as power, heating, cooling (equal or less than 1MW). 	  
Energy Efficiency	<ul style="list-style-type: none"> ▪ Includes projects related to ‘new investment, replacement, redesign or renewal’ of equipment, systems and/or services to mitigate energy consumption for a product or service unit of an entity. These activities include the use of redundant energy and other measures to improve energy efficiency (or to reduce energy consumption norm). ▪ Energy Efficient Equipment (Appliances, Lighting etc.) in line with EU labeling system or document proving the saving of at least 15% of energy 	 

² Industrial projects exclude improvements in facilities designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels, and facilities in hard-to-abate industries.

<p>Clean Transportation</p>	<ul style="list-style-type: none"> ▪ Finance or refinance Loans related to purchase, rental, leasing, and operation of zero- direct emission vehicles as well as related infrastructure (e.g., electric charging points), including hybrid vehicles. hybrid vehicles will meet the following criteria: <ul style="list-style-type: none"> (1) Hybrid passenger vehicles below 75 gCO₂e/km, (2) buses below 50 gCO₂e/p-km, (3) light commercial vehicles below 75 gCO₂e/p-km, and (4) heavy trucks below 25 gCO₂e/t-km. ▪ Finance or refinance Loans related to electrified transportation;public electric buses, and electric taxis. 	
<p>Sustainable Water and Wastewater Management</p>	<ul style="list-style-type: none"> ▪ Projects related to water treatment facilities, activities and technologies that increase water quality, , ▪ Technologies that increase water-use efficiency, water recycling and reuse, water saving systems and technologies and water metering which save up to 20%. 	 

Exclusionary Criteria

JKB commits that any activities, assets, and technologies related to the below will be excluded from Eligible Green Assets:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife, or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets more than 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor /harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

Process for Project Evaluation and Selection

Sustainable Development Committee

A dedicated Sustainable Development Committee ("Committee") has been established at the level of JKB's issuing entity to ensure Eligible Green Assets evaluation and selection according to the provisions of this Framework.

The Committee is responsible for the content and implementation of this Framework, including Eligibility Criteria definition, selection of Eligible Green Assets Portfolio, management of proceeds, reporting and, where applicable, an external review. The Committee reviews assets' eligibility and confirms allocation of proceeds in accordance with this Framework. The Committee ensures compliance of Green Bonds with best practices on a best effort basis and is responsible for constant monitoring of potential future changes in this area.

The Committee may rely on and/or be supported in its process of eligible project identification and evaluation, including assessment of non-financial impact, by external parties and their relevant data sources. The Committee is also responsible for addressing any remarks obtained from the Second Party Opinion (SPO) provider.

The committee also consists of representatives from each of the following departments and competence areas: Treasury, Corporate Business Development, Risk, Sustainability.

The Sustainable Development Committee for JKB is responsible for selection and management of Eligible Green Assets Portfolio, JKB's SDC is responsible for:

- a. Formal acceptance of the Eligibility Criteria with regards to the assets managed by JKB.
- b. Decision on adding/removing Eligible Assets booked in JKB to/from Eligible Green Assets Portfolio subject to proceeds' allocation, at least on an annual basis.
- c. Monitoring and forecasting proceeds' allocation.
- e. Proposing changes of the Eligibility Criteria to the Committee.

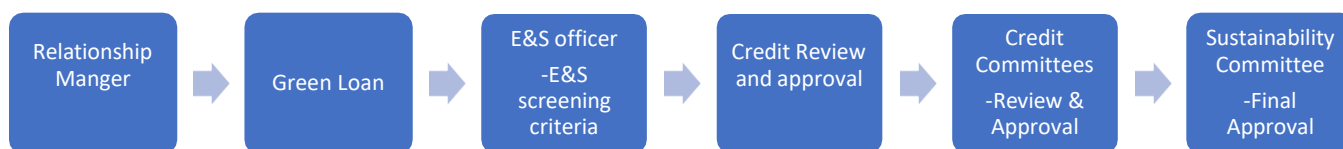
Matters outside the scope of JKB SDC shall be ruled and managed by the Chief Executive Officer "CEO".

Selection Process

Selection of projects and assets is performed according to the Eligibility Criteria, titled "Use of Proceeds & Eligible Green Asset Categories".

The proceeds from Green Bonds will be allocated considering the exclusionary criteria obeyed at JKB, enlisted in "Exclusionary Criteria".

Internal departments shall provide comprehensive information to the Committee to take a decision on including assets into the Eligible Green Assets Portfolio.



Selection Process by Business Units.

Management of Proceeds

Green Bonds issued under this Framework will be managed by JKB in a portfolio approach ("Eligible Green Assets Portfolio"). Green Bonds proceeds will be assigned to the Eligible Green Assets Portfolio based on the Eligibility Criteria and in compliance with the selection and evaluation process described in "Process for Project Evaluation and Selection".

JKB aims to ensure allocation of the Green Bonds' proceeds into the Eligible Green Assets Portfolio to the extent matching or exceeding these proceeds. Assets will be added to/removed from the Eligible Assets Portfolio by decision of the Sustainable Development Committee, based on the Eligibility Criteria. In case a loan/project terminates prior to the maturity of a Green Bond, it will automatically be removed from the Eligible Green Assets Portfolio.

Sustainable Development Committee will monitor the use of net proceeds from Green Bonds with use of its internal information systems.

The proceeds from the issuance of Green Bonds will be allocated to the Eligible Green Assets Portfolio within 36 months after the issuance.

Any net proceeds remaining unallocated to the Eligible Green Assets Portfolio will be invested on a temporary basis at JKB's discretion in line with its treasury guidelines, in cash and/or cash equivalent and/or short-term liquid instruments.

Reporting

On an annual basis until full allocation, and on a timely basis upon material changes in proceeds allocation, JKB commits to publish reporting related to its green bonds (the "Report"), providing information on the allocation and the environmental impacts of the Proceeds as follows:

- Total volume of green bonds issued,
- Total amount and number of Eligible Loans,
- Total amount of proceeds allocated to Eligible Loans,
- Breakdown by Eligible Categories, and
- Balance of unallocated proceeds, if any.

Allocation reporting

JKB will report the allocation of proceeds, including the total amount of Proceeds allocated to Eligible Green Assets Category and the amount of unallocated Proceeds. Subject to confidentiality disclosures, JKB may provide some project examples.

Impact reporting

JKB commits to provide impact reporting on best-effort basis and available information to demonstrate the expected environmental benefits of the Eligible Green Assets financed. The impact indicators, evaluation methods and key assumption will be described in the Report. Some potential impact indicators by Eligible Green Asset Category as below:

Eligible Green Asset Category	Potential environmental impact indicators
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 EV's. - 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 %.

External Review

JKB has appointed Sustainalytics (“**External Reviewer**”) to review this Framework, confirm its alignment with the ICMA GBP 2021 and provide a respective Second Party Opinion.

The relevant external review reports will be made publicly available on JKB’s official website.