

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Abu Dhabi Commercial Bank PJSC
22 August 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association's (ICMA) Green Bond Principles (06.2021)
Scope of verification	<ul style="list-style-type: none">• ADCB Green Bond Framework (as of 19.08.2022)• ADCB selection criteria (as of 19.08.2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework

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SCOPE OF WORK

Abu Dhabi Commercial Bank PJSC (“the Issuer” or “ADCB”) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. ADCB’s Green Bond Framework (19.08.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Eligibility Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Green Bonds link to ADCB’s sustainability strategy – drawing on ADCB’s overall sustainability profile and issuance-specific use of proceeds categories.

ADCB BUSINESS OVERVIEW

Abu Dhabi Commercial Bank PJSC operates as a financial institution. It is classified in the Commercial Banks and Capital Markets industry, as per ISS ESG’s sector classification.

The company, together with its subsidiaries, provides consumer banking, wholesale banking, and treasury and investments services in the United Arab Emirates and internationally. The company operates in five segments: Retail Banking, Private Banking and Wealth Management, Wholesale Banking, Investments and Treasury, and Property Management. It offers current and savings, call savings, fixed deposit, custody and cash settlement, and e-business accounts; credit and debit cards; loans and mortgages that include personal, car, mortgage, and educational loans; and home, rental, travel, and salary advance financing services. The company also provides securities brokerage services; investment solutions; protection and saving plans; and asset management services. In addition, it offers term deposits; unsecured, commercial asset and equipment, POS receivables, commercial real estate, and working capital financing; and letters of credit, as well as corporate banking, government banking, financial institution, investment banking, Islamic financing, infrastructure and asset finance, and government and public enterprises financing. Further, the company provides real estate management and engineering services, as well as Internet, mobile, phone, and SMS banking services. It serves customers through a network of 54 branches in the United Arab Emirates. The company was incorporated in 1985 and is headquartered in Abu Dhabi, the United Arab Emirates. Abu Dhabi Commercial Bank PJSC is a subsidiary of Mubadala (As at June 30, 2022, Mubadala Investment Company holds 60.20% (December 31, 2021 – 60.20%) of the Bank’s issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the selection criteria</p>	<p>The Green Bonds will (re-)finance eligible asset categories which include: green buildings, renewable energy, clean transportation, pollution prevention and control, energy efficiency, environmentally sustainable management of living natural resources and land, sustainable water and wastewater treatment.</p> <p>The use of proceeds categories have a significant contribution to SDG 7 'Affordable and clean energy', SDG 11 'Sustainable cities and communities', SDG 6 'Clean water and sanitation' and SDG 13 'Climate action', SDG 15 'Life on land' and a limited contribution to SDG 1 'No poverty'.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Green Bonds link to issuer's sustainability strategy</p>	<p>The use of proceeds financed through these Green Bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>

¹ ISS ESG's evaluation is based on the ADCB's Green Bond Framework (19.08.2022 version) and on the ISS ESG Corporate Rating updated on the 12.02.2022 and applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section describes ISS ESG's assessment of the alignment of the ADCB's Green Bond Framework (dated 03.08.2022) with the Green Bond Principles.

GREEN BOND PRINCIPLES	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	<p>ISS ESG considers the use of proceeds description provided by ADCB's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the Green Bond Principles. Criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified.</p>
2. Process for Project Evaluation and Selection	✓	<p>ISS ESG considers the Process for Project Evaluation and Selection description provided by ADCB's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. The issuer has started implementing an ESRM system which will be approved in August 2022. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>Different stakeholders are involved in the process and information on responsibilities and accountability is given, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>ISS ESG finds that the Management of Proceeds proposed by ADCB's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and segregated by earmarking, and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p>

		<p>The disclosure of unallocated proceeds is considered to be best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by ADCB's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. ADCB explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the net proceeds have been fully allocated or the green bond has matured.</p> <p>The issuer also provides details on the level, information, frequency and duration of the impact reporting in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

1. Products and services

The assessment of UoP categories for (re)financing / invested in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing / invested in specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bonds' use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings <i>New and existing residential, commercial or mixed use buildings that meet the minimum external green building certification level of either:</i></p> <ul style="list-style-type: none"> • <i>Estidama, Pearl Building Rating System in the Emirate of Abu Dhabi '2 Pearl Rating'</i> • <i>GSAS, Global Sustainability Assessment System '4 Star'</i> • <i>LEED, Leadership in Energy and Environment Design 'Gold'</i> • <i>BREEAM, Building Research Establishment Environmental Assessment Method 'Very good'</i> • <i>Al Sa'fat, Dubai Green Building System in the Emirate of Dubai 'Golden Sa'fa'</i> 	<p>Significant Contribution</p>	

Green Buildings

New and existing residential, commercial or mixed use buildings that meet the minimum external green building certification level of either:

- *EDGE, Green Buildings Certification ‘Good’*
- *Other equivalent² recognised green building certification*

Limited Contribution



Green Buildings

New and existing buildings that are within the top 15% most energy efficient buildings in their respective region, as determined through, for instance, a specialist green building consultant study - when proxied with Al Sa’fat Green Building System (Gold or better) or Estidama – Pearl Rating System (Two Pearl or better)

Significant Contribution



Green Buildings

New and existing buildings that are within the top 15% most energy efficient buildings in their respective region, as determined through, for instance, a specialist green building consultant study – when based on building year of construction³

Limited Contribution



Renewable Energy

Wind: Onshore and offshore
Solar: Photovoltaic solar power, concentrated solar power (CSP) and solar thermal

Significant Contribution



Renewable Energy

Small sized hydro power <10MW⁴

Significant Contribution



² ISS ESG review is limited to certifications spelled out in the framework.

³ Whenever the building certification rating is not available, the year of construction of the building (2017 or newer in Abu Dhabi, and 2019 or newer for buildings in Dubai and 2020 or newer for villas in Dubai) will be used as a proxy, in line with the local applicable law (The "Executive Council Order of May 2010" for Abu Dhabi and "Dubai Green Building System replacement in October 2020"). This methodology has been developed by the green building consultant (Drees & Sommer) to ensure that buildings following those criteria are part of the top 15% most energy efficient buildings in their respective region.

⁴ One of the following requirements are met: The electricity generation facility is a run of river plant and does not have an artificial reservoir. The power density of the electricity generation facility is above 5W/m². The lifecycle emissions from the generation of the electricity from hydropower are lower than 100g CO₂e/kW.

<p>Renewable Energy Medium sized hydro power >10MW up to 1000MW⁵</p>	<p>Significant Contribution⁶</p>	
<p>Renewable Energy Bioenergy: Projects that produce electricity exclusively from certified biomass, second generation biomass and biogas with recognized certifications such as FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification) and SBP (Sustainable Biomass Program)</p>	<p>Limited Contribution</p>	
<p>Renewable Energy Geothermal: Projects with an emission intensity of less than 100g CO₂e/kWh</p>	<p>Significant Contribution</p>	
<p>Renewable Energy Storage and refueling infrastructure for green hydrogen</p>	<p>Significant Contribution</p>	
<p>Renewable Energy Green Hydrogen fuel production by electrolysis</p>	<p>Significant Contribution</p>	
<p>Pollution Prevention Control Waste to energy Energy generation based on biogas and landfill gas, including from anaerobic digestion plants</p>	<p>Limited Contribution</p>	
<p>Pollution Prevention Control Waste to energy Municipal waste⁷</p>	<p>No Net Impact</p>	
<p>Renewable Energy Infrastructure to support renewable energy:</p>	<p>Significant Contribution</p>	

⁵ One of the following requirements are met: The electricity generation facility is a run of river plant and does not have an artificial reservoir. The power density of the electricity generation facility is above 5W/m². The lifecycle emissions from the generation of the electricity from hydropower are lower than 100g CO₂e/kWh.

⁶ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an Issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Assets compliance with EU taxonomy is not evaluated under the SPO.

⁷ ADCB confirms that while municipal waste is incinerated, emission levels will comply with the European Union's (EU) environmental standards.

Projects related to energy transmission infrastructure

<p>Clean Transportation</p> <ul style="list-style-type: none"> Fully electric or hydrogen vehicles for public, passenger and freight purposes. Including cars, buses, ferries and trains Infrastructure to support electric vehicles including charging stations and electrified railways for electric vehicles 	<p>Limited Contribution</p>	
<p>Energy Efficiency <i>Battery storage facilities</i></p>	<p>Significant Contribution</p>	
<p>Energy Efficiency <i>District cooling systems⁸: Energy efficient air-conditioning systems</i></p>	<p>No Net Impact</p>	
<p>Energy Efficiency <i>Smart energy grids and management systems</i></p>	<p>Limited Contribution</p>	
<p>Energy Efficiency <i>Smart meters</i></p>	<p>Significant Contribution</p>	
<p>Sustainable Water & Wastewater Treatment <i>Waste water treatment and water recycling facilities</i></p>	<p>Significant Contribution</p>	
<p>Sustainable Water & Wastewater Treatment <i>Sustainable Urban Drainage Systems (SUDS) that increase water use efficiency through modern drainage systems with natural water processes</i></p>	<p>Significant Contribution</p>	

⁸ ADCB confirms that the projects are achieving energy efficiency benefits of more than 30% compared to the baseline.

<p>Environmentally Sustainable Management of Living Natural Resources and Land <i>Organic certified farming, EU organic, USDA organic, and labels accredited by IFOAM (International Federation of Organic Agriculture Movements)</i></p>	<p>Significant Contribution</p>	
<p>Environmentally Sustainable Management of Living Natural Resources and Land <i>Fairtrade certified farming</i></p>	<p>Limited Contribution</p>	
<p>Environmentally Sustainable Management of Living Natural Resources and Land <i>Hydroponic farming or vertical farming</i></p>	<p>No Net Impact</p>	

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

ASSESSMENT AGAINST ISS ESG KPI

ESG guidelines into lending and investing process

ADCB implemented a ESRM Policy and Scorecard (ESRM Framework) in August 2022, with sector specific guidelines and checklists. This framework have three sectors covered: Renewable Energy, Green Buildings and Energy Efficiency. This framework considers international standards such as IFC, Equator Principles and UAE guidelines, describing the assessment and due diligence processes from an environmental and social risk perspective.

Until 2022, the company had a policy for defense equipment financing and restricted lending practices for small exposures under certain sectors. ESG assessment was also part of their credit assessment and approval process for high amounts and material exposures. The conception of the ESRM Framework was leveraged on these existing materials with the aim of designing a more thorough overarching framework that will allow the management of the sustainable finance activity of the issuer.

ESG Risk assessment and due diligence process consists in four components: exclusion sector list screening, restricted sector list screening, ESG risk assessment and scoring, enhanced due diligence (depending on ESG score) and ESG risk mitigation and covenants. ESG risk mitigation measures and controls are applied at portfolio level and counterparty level by establishing a risk mitigation action plan. Failure to do so may, subject to management review and approval, result in the withdrawal of the financing within a restricted sector or where the outcome of the ESG risk assessment is High/Severe. This process is applicable to Investment Banking, Wholesale Banking, Commercial Banking, Retail Banking (Mortgages), Private Banking, Trade Finance and Treasury (Payments and settlements). The issuer is also involved in the agricultural sector (0.1% of current business activity) that presents additional risks, for which the issuer adopts its general ESG Risk assessment and doesn't have specific measures to manage such risks.

Health & Safety and Labour standards

- ✓ Health and safety standards are considered as part of the issuer's draft ESG risk assessment process - both in the ESG Scorecard and sector specific addendums. Other standards are considered, such as the IFC Performance Standard 2: Labor and Working Conditions, UAE Labour Law and Occupational Health and Safety Management System National Standard, ISO 45001 and the International Labour Standards on Occupational Health and Safety issued by the International Labour Organisation.

Biodiversity

- ✓ The Bank considers the impact on biodiversity by projects financed by it during the ESG risk assessment process and considers the national strategy and action plans issued by UAE's Ministry of Climate Change and Environment and IFC 2012 Performance Standard 6, both in the ESG Scorecard as well as in the sector specific addendums. Should any high

risk category be identified, an enhanced due diligence process is triggered, which may result in a third party assessment (eg. EIA) on a case by case basis.

Community dialogue



The Bank considers the impact on communities of projects financed by it and stakeholder engagement during the ESG risk assessment process both in the draft ESG Scorecard as well as in the draft sector specific checklists. IFC Performance Standard 4 is also a criteria, including dialogue with borrowers and assessment of its action plans related with IFC 4. Finally, the assessment of social aspects of projects and borrowers' practices also considers local standards/guidelines, eg. Principles for Integrating ESG Risk Management within UAE Banks, E&S Disclosure Guidance for Listed Companies and E&S Reporting Guide.

Responsible treatment of customers with debt repayment problems



Following the issuer's Policy on Credit Risk Management, stipulating the need to assess the primary and secondary sources of repayment of debt as well as a requirement to ensure that facility terms and conditions cover minimum acceptable covenants. Credit history is checked and a dynamic monitoring of credit portfolio is carried by the bank, allowing to pick up early warning signals, triggering a separate Policy on Management of Deteriorating Assets, specifying the measures needed for timely corrective action.

Data protection and information security



Dedicated department handles data security, ensuring appropriate and sufficient safeguards and security controls are in place. Annual audits are conducted by internal and external parties. There are several policies covering this topic: data privacy, data quality risk management, data classification, cloud services risk management, data retention & destruction, data protection, data breach, vendor privacy risk management and consent withdrawal policy.

Exclusion criteria

A list of excluded sectors has been included in the ESRM Policy and is a core component of the ESG Risk Assessment process. Additionally the policy also considers a restricted sector list, projects within such sectors may be exceptionally approved by relevant staff/committee as per delegated lending authorities of the Bank. Governance of this policy is headed by the Board Risk Committee.

PART III: GREEN BONDS LINK TO ADCB'S SUSTAINABILITY STRATEGY

A. ADCB'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY

Sustainability impact of lending and other financial services/products

Customer and product responsibility

Sustainable investment criteria

Labour standards and working conditions

Business ethics

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of ADCB's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs."

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: failure to mitigate climate change impacts, failure to prevent money laundering and failure to prevent deforestation/illegal logging.

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

B. CONSISTENCY OF GREEN BONDS WITH ADCB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

ADCB is an established bank with a strong presence in UAE, supporting its growth and diversification of the economy. The UAE have pledged to achieve net zero by 2050. UAE committed to invest AED 600 bn in clean and renewable energy to mitigate climate risk and ensure sustainable economic growth.

In light of the UAE's strategy, a new sustainability governance framework has been established in the Group, to foster the development of sustainability-linked initiatives, enhancing coordination and accountability on the topic.

In the five year strategy set out in 2021, sustainability is one of the 5 pillars, resulting in a new sustainability strategy with Board oversight and executive management accountability. In line with this strategy, ADCB is committed to invest AED 35bn in green finance by 2030, supporting clients in their transition to a net zero economy.

ADCB is also looking to improve the sustainability of its own operations, with a set of KPIs having been defined to guide its progress in the upcoming years:

- Environment: GHG emissions and water intensity measurement, investment commitments to green finance
- Social: digital transformation, community investments, gender equity, employee diversity
- Governance: ESG ratings, anti-corruption measurement and cyber security and data privacy

Rationale for issuance

In line with UAE's sustainability commitments, ADCB developed a strategy that follows its intentions. As a result, the issuance of the Green Bond is considered the step 2 of its climate strategy, after committing AED 35bn to green financing by 2030, to support customers in their decarbonization journey.

ADCB aims to develop a more sustainable economy and support UAE 'net zero by 2050' strategic initiative, with the bank working with its stakeholders to reduce carbon emissions, following successful case studies within the portfolio of the bank with investments in solar power or waste-to-energy plants.

Limiting global warming to 1.5 degrees Celsius will require deep emission reductions across all sectors and vast amounts of capital. With this Green Bond Framework, ADCB aims to support the transition to net zero through the mobilisation of debt capital to sustainable and environmentally beneficial purposes.

Contribution of use of proceeds categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the use of proceeds categories financed under this Green Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets industry. Key

ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each use of proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Pollution Prevention and Control	✓	✓	Contribution to a material objective
Environmentally Sustainable Management of Living Natural Resources and Land	✓	✓	Contribution to a material objective
Sustainable Water & Wastewater Treatment	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the use of proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Bonds is clearly described by the issuer.

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of ADCB’s Green Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

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

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

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which ADCB’s Green Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

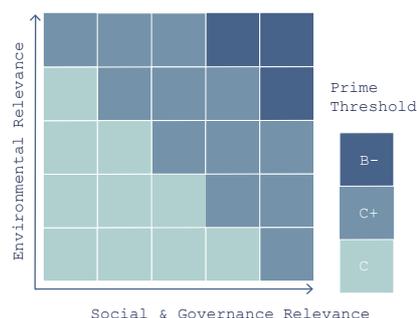
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

ADCB commissioned ISS ESG to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA's Green Bond Principles and to assess the sustainability credentials of its Green Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

ADCB's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bonds to be issued by ADCB based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with ADCB took place during July and August 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

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

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Bonds SPO, please contact: SPOOperations@iss-esg.com

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