

Sustainable Finance Framework

April 2022



1. Introduction

1.1 Introduction to Masraf Al Rayan

Masraf Al Rayan (QPSC), incorporated in 2006, is a full-fledged Sharia-compliant bank, offering a comprehensive range of products and services - in corporate and personal banking, asset management, trade finance, and Treasury & Financial Institutions. The Bank has expanded its operations in United Kingdom, France and UAE through its subsidiaries Al Rayan Bank PLC and Al Khaliji France S.A. The effort to provide specialized services and build lasting relationships continue to win over new customers, including individuals, institutions, companies and governments across all operations.

On December 1st 2021, Masraf Al Rayan and Al Khalij Commercial Bank (al khaliji) QPSC achieved the first merger of publicly listed banks in Qatar, creating one of the largest Shari'ah compliant banks in the region with over QAR174 billion in total assets. With a robust capital position, and strong liquidity, the bank is in a prime position to accelerate Qatar's journey towards Vision 2030 by leveraging its increased scale, compelling product offering and excellent talent base.

1.2 Masraf Al Rayan's commitment to Qatar's National Vision 2030¹

Masraf Al Rayan is proudly committed to become a key sustainability leader that will bring innovative and impactful financing to fully support Qatar in its transition story, as outlined in the Qatar's National Vision 2030. In line with Qatar's National Vision, Masraf Al Rayan has been contributing to build an advanced society capable of sustaining its development and providing a high standard of living for its people. Masraf Al Rayan is positioning itself as a strong contributor to the achievements of Qatar National Vision's long-term goals for the country.

Masraf Al Rayan's contribution to the four pillars of Qatar National Vision

The four pillars included in Qatar's National Vision 2030 are focused on key environmental and social issues that Masraf Al Rayan is committed to address as part of its sustainability strategy and as outlined in the present Framework:

Qatar's National Vision 2030 Pillars	Masraf Al Rayan's contribution via our lending program to help achieve these objectives
Human development	Masraf Al Rayan is committed to help Qatar establishing advanced educational and health systems as well as a capable and motivated workforce. Masraf Al Rayan is also committed to participate to enhance social care and protection in the country.
Social development	Masraf Al Rayan is committed to enable the private sector to play an essential role in achieving sustainable development, through its historic support to small and medium businesses.
Economic development	The Framework allows us to finance projects in line with this commitment, under the Small and Medium Enterprises (SME) financing project category. Masraf Al Rayan is committed to preserving and protecting the environment, including air, land, water and biological diversity.
Environmental development	In line with this commitment, this Sustainable Finance Framework (the "Framework") allows us to finance dedicated projects such as green buildings and renewable energy.

¹<https://www.gco.gov.qa/en/about-qatar/national-vision2030/>

1. Introduction

1.3 Masraf Al Rayan's commitment to Qatar's National Environment and Climate Change Strategy (QNE) and National Climate Change Action Plan (NCCAP)²

In October 2021, Qatar launched the Qatar's National Environment and Climate Change Strategy (QNE), which provides a robust policy framework to safeguard Qatar's environment for future generations. In September 2021, Qatar's Council of Ministers approved the historic National Climate Change Action Plan (NCCAP), a strategic framework reflecting Qatar's long-term sustainability ambitions and the urgent need to respond effectively to the climate crisis. An integral part of Qatar National Vision 2030 and in line with the UN Sustainable Development Goals, the plan sets out Qatar's commitment to tackle climate change by diversifying the economy, building capabilities, and optimising the use of natural resources. It establishes national climate targets to enhance climate resilience through more than 35 measures and over 300 adaptation initiatives focused on mitigation. Masraf Al Rayan is committed to address Qatar's national environmental priorities through its activity. In particular, Masraf Al Rayan is committed to increase the necessary financing to different economic sectors that will help Qatar contribute to climate change mitigation and reach their GHG emissions reduction objectives.

1.4 Masraf Al Rayan's SME strategy

Masraf Al Rayan has developed an innovative and impactful SME strategy, in alignment with the aforementioned objectives of Qatar National Vision. Masraf Al Rayan articulates the SME strategy around the below focal points:

- Financing Small and Medium Enterprises
- Entrepreneurs and talented Individuals
- Business innovations
- Future job Skills
- Start-ups aligned to UN SDGs
- Support social impact initiatives
- Projects articulated around Youth innovations and Youth development programs
- Women entrepreneurs and women empowerment in the society
- Businesses working on future skills programs

In particular, Masraf Al Rayan is committed to be working closely with Qatar Development bank on programs supporting local SMEs and new initiatives, as well as programs that support financially these businesses during crisis (e.g.: COVID-19 support measures)

1.5 Sustainability Governance

The Masraf Al Rayan Board, through its Corporate Governance, Nominations and Remunerations Committee ("CGNRC") oversees Masraf Al Rayan's overall Corporate Governance system including development and approval of ESG-related frameworks and policies. An ESG Governance Committee ("Committee") at senior management level is set up to monitor implementation of the Framework. The Committee reports directly to the Group CEO. The Group CEO reports regularly to CGNRC on implementation of the Framework. The CGNRC updates the full Board on ESG including necessary actions and recommendations.



² <https://www.gco.gov.qa/en/focus/environment-and-sustainability/>

2. Sustainable Finance Framework

Masraf Al Rayan is proud to become part of the sustainable finance universe, as it will help us to deliver on our commitments to Qatar's National Vision 2030 and QNE, as outlined above. Bringing impactful environmental and social financing through the capital markets is the first step of a journey that we are undertaking for a more sustainable future.

In order to meet Masraf Al Rayan's mission, and finance projects that will deliver benefits to support Masraf Al Rayan's business strategy and vision, Masraf Al Rayan has elected to create a Sustainable Finance Framework (the "Framework"), under which it can issue Green Bond(s)/Sukuk/Loan(s)/Financing(s) or Social Bond(s)/ Sukuk/Loan(s)/Financing(s) or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s). This Framework is in accordance with the ICMA Green Bond Principles³ (GBP) 2021, Social Bond Principles (SBP) 2021⁴, Sustainability Bond Guidelines⁵ (SBG) 2021, LMA Green Loan Principles (GLP) 2021⁶ and Social Loan Principles (SLP) 2021⁷. This Framework is also aligned with the Qatar Financial Centre (QFC) Sustainable Sukuk and Bonds Framework⁸, which was published in March 2022. It is the first in the GCC or Gulf Cooperation Council region, aimed at further developing the local debt market in the country.

The QFC's Sustainable Sukuk and Bonds Framework integrates local requirements and features with ICMA's globally accepted principles to create a harmonised financial market ecosystem locally, based on international standards.

- (i) Green Bond(s)/Sukuk/Loan(s)/Financing(s) – Bonds/Sukuk/Loans/Financings where proceeds are used to finance 'Eligible green projects' as defined in section 2.1 'Use of Proceeds' or to finance or re-finance pure play companies⁹
- (ii) Social Bond(s)/Sukuk/Loan(s)/Financing(s) – bonds/sukuk/Loans/Financings where bonds are used to finance 'Eligible social projects' as defined in section 2.1 'Use of Proceeds' or to finance or re-finance pure play companies
- (iii) Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) – Bonds/Sukuk/Loans/Financings where proceeds are used to finance 'Eligible green projects' and 'Eligible Social Projects' as defined in section 2.1 'Use of Proceeds' or to finance or re-finance pure play companies

In alignment with these Principles, for each Green, Social or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) issued, Masraf Al Rayan asserts that it will adopt the following, as set out in this Framework:

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

³ Green Bond Principles (GBP) 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁴ Social Bond Principles (SBP) 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

⁵ Sustainability Bond Guidelines 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁶ Green Loan Principles 2021 - <https://www.lsta.org/content/green-loan-principles/>

⁷ Social Loan Principles 2021 - <https://www.lsta.org/content/social-loan-principles-slp/>

⁸ QFC Sustainable Sukuk and Bonds Framework - <https://qfc-cdn.azureedge.net/-/media/project/qfc/qfcwebsite/documentfiles/publications/research-insights-2022/qfc-sustainable-sukuk-and-bonds-frame-work.pdf>



⁹ General corporate Loans/Financings will qualify as eligible green or social project if at least 90% of the loan recipient's revenue is derived from sources that meet the relevant eligibility criteria

2. Sustainable Finance Framework

2.1 Use of Proceeds

An amount equivalent to the net proceeds raised from any Masraf Al Rayan's Green, Social or Sustainability Bond/Sukuk/Loan/Financing issued under this Sustainable Finance Framework will be allocated, in part or in full, to finance or refinance sustainable projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories ("Eligible Sustainable Projects"), as defined as below.

1) Eligible Green Project Categories:



Alignment with GBP	Alignment with the UN SDGs ¹⁰	Eligibility Criteria
Green Buildings	 <p>11.c - Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials</p>	<ul style="list-style-type: none"> Projects related to acquisition, development, construction and refurbishment of buildings that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including: <ul style="list-style-type: none"> LEED "Gold" or above BREEAM "Excellent" or above Global Sustainability Assessment System (GSAS) "4 star"
Renewable energy	 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p>	<ul style="list-style-type: none"> Investment in the development, construction, installation of renewable energy generation facilities and associated technologies Eligible renewable energy sources include wind and solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources) Investment in energy transmission, distribution projects and smart metering systems, with the purpose of connecting renewable energy production units

¹⁰ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

2. Sustainable Finance Framework

2.1 Use of Proceeds (Continued)

2) Eligible Social Project Categories:

Alignment with SBP	Alignment with the UN SDGs ¹¹	Eligibility Criteria	Target Population
SME financing / employment generation	 <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>  <p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p>	<ul style="list-style-type: none"> Financing for the small and medium enterprises (SMEs) Projects to support the launch of new businesses and start-ups to reduce unemployment, including projects under the Al-Dhameen initiative ¹² 	<ul style="list-style-type: none"> SMEs ¹³ Unemployed Businesses owned by people with special needs Women-owned and Women focused MSMEs ¹⁴

Exclusions: Any Masraf Al Rayan Green, Social or Sustainability Bond/Sukuk/Loan/Financing proceeds will not be used in cases where the main purpose of the project is related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining, and/or oil & gas

¹¹ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

¹² Al Dhameen: Al-Dhameen is a Qatar Development Bank initiative encouraging banks to offer financing to startups and SMEs that are unable to provide the necessary financing guarantees or collaterals. <https://www.qdcb.qa/en/Pages/al-dhameen.aspx>

¹³ As defined by QCB Circular 107/2015: https://www.qdcb.qa/en/Documents/SME%20DEFINITION%20FLYER_En.pdf

¹⁴ Women-owned and women-focused business are defined as at least 51% women ownership

2. Sustainable Finance Framework

2.2 Project Evaluation and Selection Process

The eligible green and social projects will be subject to the following due diligence, which ensures that they meet the criteria set out above in section 2.1 ('Use of Proceeds').

Masraf Al Rayan has set up an ESG Governance Committee, which is made up of representatives from the below departments:

- Treasury
- Finance and Investor Relations
- Wholesale Banking
- Corporate Affairs
- GCEO Office- Strategy and Development
- Corporate Governance- Company Secretary
- Compliance
- Risk

Additional relevant departments may be added to the committee depending on the projects selected.

The ESG Governance Committee ("ESGC") will be chaired by Group Chief Financial Officer (GCFO) and will meet on a semi-annual basis. The missions of the ESGC are the following:

- To review the eligible project list and assesses project eligibility for sustainable financing in accordance with the pre-determined Eligibility Criteria set out in '2.1 Use of Proceeds' of this Framework;
- To oversee the arrangements established to ensure the Green, Social or Sustainability Bond(s) /Loan(s)/Financing(s) remain in alignment with the GBP/ SBP/ SBG/ GLP/ SLP
- To review and monitor the allocation of the proceeds of any Green, Social or Sustainability Bond(s)/Sukuk /Loan(s)/Financing(s) for the lifetime of any bond(s)/Sukuk/Loan(s)/Financing(s)
- To replace any eligible green or social project which is no longer eligible with another eligible green or social project, on a best effort basis
- To oversee the arrangements established to ensure Green, Social or Sustainability Bond(s) /Sukuk/ Loan(s)/Financing(s) proceeds are utilised in accordance with the uses specified in the Framework; and,
- To oversee the introduction and operation of arrangements to generate the information required to produce periodic Green, Social or Sustainability Bond/Sukuk/Loan/Financing Reports, in accordance with the Framework and the GBP/ SBP/ SBG/ GLP/ SLP
- To monitor and treat potential environmental or social controversies associated with eligible green or social projects, until any Green, Social or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) is outstanding. Any project associated with such controversy will be excluded from the eligible project list and Masraf Al Rayan commit to substitute it with another eligible green or social project on a best effort basis
- To review, and if required, update the Sustainable Finance Framework (see section 4 below);
- To review and recommend for Board or Board relevant committee approval Masraf Al Rayan Green, Social or Sustainability Bond(s)/Sukuk Annual Report
- The remit and responsibilities of the Committee to be extended to cover all ESG commitments not only those related to green bonds (i.e. facilities commitments, broader community and social commitments etc.)

Masraf Al Rayan is committed to implement processes that will lead to ensure that eligible projects comply with applicable official environmental standards, such as Qatar's Environmental Protection Law¹⁵, which specifically outlines environmental impact assessment provisions related to public or private development projects. Additionally, Masraf Al Rayan will seek to implement social risk assessment procedures in order to manage potential social risks linked to eligible projects. The ESGC will ensure that the necessary infrastructure is in place to review any project being financed under this Framework comply with the official standards stated above.

¹⁵ Qatar's Environmental Protection Law: <https://www.iea.org/policies/12010-law-no-30-of-2002-environmental-protection-law>

2. Sustainable Finance Framework

2.3 Management of Proceeds

The equivalent of the net proceeds of each Masraf Al Rayan Green, Social or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) will be earmarked towards eligible green and/or social projects as stated in section 2.1 Use of Proceeds of this Framework, using Masraf Al Rayan's Sustainable Financing Register. The Sustainable Financing Register will manage the allocation of proceeds of all Green, Social or Sustainable Bond(s)/Sukuk/Loan(s)/Financing(s) and will track at least the following information:

- Type of Sustainable Financing Transaction: principal amount of proceeds, transaction date, maturity date and repayment or amortisation profile.
- Allocation of Use of Proceeds: name and description of allocated and unallocated eligible green and/or social projects, the allocated amount per green and/or social project, Masraf Al Rayan's share of financing, maturity dates, and the remaining balance of unallocated proceeds, if any.

Any eligible green or social projects will be added to the Sustainable Financing Register to the extent required to ensure that the net proceeds from any outstanding Green, Social or Sustainable Bond(s)/Loan(s)/Financing(s) are allocated to eligible green and/or social projects. If, for any reason, during the term of any Green, Social or Sustainable Bond/Sukuk/Loan/Financing any eligible green or social project is found to be no longer eligible the Sustainable Financing Register will be updated to include only eligible projects and any Green, Social or Sustainable Bond/Sukuk/Loan/Financing proceeds allocated to projects that are no longer eligible would be re-allocated to another eligible green or social project.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in cash or short-term marketable securities until allocation to eligible green/social Projects. It is Masraf Al Rayan's intention to maintain an aggregate amount of eligible green and/or social projects that is at least equal to the aggregate net proceeds of all Masraf Al Rayan Green/Social/Sustainable Bond(s)/Sukuk/Loan(s)/Financing(s) issuances that are outstanding under this Framework.

Masraf Al Rayan intends to allocate the proceeds of a given Green, Social or Sustainability Bond/Sukuk/Loan/Financing issuance to Eligible Green and/or Social Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

¹⁵ Qatar's Environmental Protection Law: <https://www.iea.org/policies/12010-law-no-30-of-2002-environmental-protection-law>

2. Sustainable Finance Framework

2.4 Reporting

On an annual basis, Masraf Al Rayan will publish an allocation report and an impact report on its Green, Social or Sustainable Bond/Sukuk/Loan/Financing issued, as detailed below. The first reporting will be published as part of the first Annual Report of the Bank, within one year from the date of issuance.

This reporting will be updated annually as part of the subsequent Annual Report of the Bank until full allocation of the net proceeds of any Green, Social or Sustainable Bond/Sukuk/Loan/Financing issued.

2.4.1 Allocation Reporting

Masraf Al Rayan will provide information on the Eligible Green and/or Social Projects Portfolio on the Masraf Al Rayan's website and/or in its Annual Report. The information will contain at least the following details:

- I. The total amount of proceeds allocated to the Eligible Green and/or Social Projects
- II. Breakdown of allocation by eligible project category
- III. Breakdown of allocation by project location
- IV. Refinancing versus new financing
- V. The balance of unallocated proceeds

2.4.2 Impact Reporting

Where feasible, Masraf Al Rayan will provide reporting on relevant potential impact metrics for Eligible Green and Social projects including:

- Green Buildings
 - o Level of certification
 - o Estimated annual energy consumption (in kWh/m²)
 - o Estimated annual CO₂ emissions avoided (tCO₂e)
- Renewable Energy:
 - o Amount of renewable energy generated or used (MWh)
 - o Amount of energy saved (MWh)
 - o Amount of CO₂ emissions avoided / reduced (tCO₂e)
- SME financing / employment generation
 - o Number of SMEs financed, breakdown by target population
 - o Amount of Loans/Financings granted to SMEs, breakdown by target population
 - o Number of jobs created / preserved

3. External Review

3.1 Second-Party Opinion

Masraf Al Rayan has appointed S&P to provide an external review on the Masraf Al Rayan Sustainable Finance Framework, and confirm its alignment with the ICMA GBP, SBP, SBG & GLP. This Second Party Opinion document will be made available on Masraf Al Rayan's website.

3.2 Post issuance external verification

Masraf Al Rayan's annual reporting will also be subject to external verification by an external reviewer. The external reviewer will verify:

- The compliance of assets financed by the Green, Social or Sustainability Bond/Sukuk/Loan/Financing proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Green and/or Social projects financed by the Green, Social or Sustainability Bond/Sukuk/Loan/Financing proceeds
- The management of proceeds and unallocated proceeds amount

The external reviewer's report will be published on Masraf Al Rayan's website.

4. Amendments to this Framework

The Treasury team will review this Framework on a regular basis, and recommend to ESGC and Board or Board's CGNRC the necessary updates including its alignment to updated versions of the GBP/SBP/SBG/GLP/SLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Masraf Al Rayan and will also lead to Masraf Al Rayan getting a new Second Party Opinion on the updated Framework. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on Masraf Al Rayan website and/or in its Annual Report and will replace this Framework.