

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Dubai Islamic Bank

15 October 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green, Social, and Sustainability Sukuk
- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)

Relevant standards

- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)
- Social Loan Principles (SLP), as administered by the Loan Market Association (LMA) (as of February 2023)
- Guidance on Green, Social, and Sustainability (GSS) Sukuk, as administered by the International Capital Market Association (ICMA) (as of April 2024)

Scope of verification

- Dubai Islamic Bank Sustainable Finance Framework (as of Oct. 15, 2024)
- Dubai Islamic Bank Eligibility Criteria (as of Oct. 15, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Dubai Islamic Bank (“the Issuer,” “the Bank,” or “DIB”) commissioned ISS-Corporate to assist with its green, social, and sustainability sukuk by assessing three core elements to determine the sustainability quality of the instruments:

- Dubai Islamic Bank’s Sustainable Finance Framework (as of Oct. 15, 2024), benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and Guidelines on Green, Social, and Sustainability Sukuk, and against the Loan Market Association (LMA)’s Green Loan Principles (GLP) and Social Loan Principles (SLP).
- The Eligibility Criteria - whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
- Consistency of Green, Social, and Sustainability Sukuk with Dubai Islamic Bank’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

DUBAI ISLAMIC BANK OVERVIEW

Dubai Islamic Bank PJSC engages in the provision of banking and financial services. It operates through the following segments: Consumer Banking, Corporate Banking, Real Estate Development, Treasury, and Other. The Consumer Banking segment focuses on small and medium businesses and individual customers' deposits and provides consumer and commercial Murabahas, Salam, Ijarah, credit cards and funds transfer facilities as well as and trade finance facilities. The Corporate Banking segment handles financing and other credit facilities and deposit and current accounts for corporate and institutional customers. The Real Estate Development segment includes property development and other real estate investments by subsidiaries. The Treasury segment manages overall liquidity and market risk and provides treasury services to customers. The Other segment encompasses functions other than the other core lines of businesses including investment banking services. The company was founded on March 12, 1975 and is headquartered in Dubai, United Arab Emirates.

ESG risks associated with the Issuer Industry

DUBAI ISLAMIC BANK is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are sustainability impacts of lending and other financial services/products, customers and product responsibility, sustainable investment criteria, labor standards and working conditions, and business ethics.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

¹ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG's Corporate Rating methodology.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP, SBP, SBG, GLP, SLP, and Guidance on GSS Sukuk</p>	<p>The Issuer has defined a formal concept for its Green, Social, and Sustainability Sukuk regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, SBG, GLP, SLP, and Guidance on Green, Social, and Sustainability Sukuk.</p> <p><i>* Sub-categories within the categories Energy efficiency,³ and Sustainable water and wastewater management,⁴ are assessed as providing no clear environmental benefits according to our methodology (see Part II of this report).</i></p> <p><i>Moreover, specific sub-categories within the categories Clean transportation,⁵ Green buildings,⁶ Pollution prevention and control,⁷ and Sustainable digitalization⁸ are also assessed as providing no clear environmental and/or social benefits according to our methodology (see Part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, those categories might be considered as eligible green or social categories by investors.</i></p>	<p>Aligned with exceptions*</p>

² The evaluation is based on the DIB's Sustainable Finance Framework (Oct. 15, 2024 version), on the analysed Selection Criteria as received on Oct. 15, 2024.

³ District cooling systems.

⁴ Water desalination.

⁵ Clean transportation infrastructure and supporting services: Projects supporting transfer to emissions-free fuels and transport (e.g., new technologies, products and services).

⁶ Communities classified as "Green" or "Sustainable" by local authorities.

⁷ Waste to energy plants.

⁸ Projects relating to sustainable digitalization based on leading sectoral practices and impact assessment, or digital solutions reducing emissions, or digital solutions using green coding (documented decrease of energy use), or secure digital solutions.

Part II:
Sustainability quality of the Eligibility Criteria

The Green, Social, and Sustainability Sukuk will (re)finance the following eligible asset categories:

Green categories: Clean Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Biodiversity, Circular Economy, Sustainable Industries, Climate Change Adaptation.

Social categories: Employment Generation, Affordable and Social Housing, Essential Infrastructure, Essential Services, Empowered Society, Food Security, Sustainable Digitalization.

Product and service-related use of proceeds categories individually contribute to one or more of the following SDGs:



Positive

Process-related use of proceeds categories individually (i) improve the Issuer's/Borrower's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs:



For certain criteria of categories Energy efficiency,⁹ Sustainable water and wastewater management,¹⁰

⁹ District cooling systems.

¹⁰ Water desalination.

	<p>Clean transportation,¹¹ Green buildings,¹² Pollution prevention and control,¹³ and Sustainable digitalization¹⁴ there is no evidence of an environmental or social contribution or of an improvement on the Issuer and/or end users' potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories and the financial institution are managed.</p>	
<p>Part III:</p> <p>Consistency of Green, Social, and Sustainability Sukuk with Dubai Islamic Bank's sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing green, social, and sustainability sukuk are clearly described by the Issuer. The majority of the project categories considered are in line with the Issuer's sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

¹¹ Clean transportation infrastructure and supporting services: Projects supporting transfer to emissions-free fuels and transport (e.g., new technologies, products and services).

¹² Communities classified as "Green" or "Sustainable" by local authorities.

¹³ Waste to energy plants.

¹⁴ Projects relating to sustainable digitalization based on leading sectoral practices and impact assessment, or digital solutions reducing emissions, or digital solutions using green coding (documented decrease of energy use), or secure digital solutions.

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GBP, SBP, SBG, GLP, SLP, and Guidance on GSS Sukuk

This section evaluates the alignment of the Dubai Islamic Bank’s Sustainable Finance Framework (as of Oct. 15, 2024) with the GBP, SBP, SBG, GLP, SLP, and Guidance on GSS Sukuk.

GBP, SBP, SBG, GLP, SLP, AND GUIDANCE ON GSS SUKUK	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Dubai Islamic Bank’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, SLP, and Guidance on GSS Sukuk</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the GBP, SBP, SBG, GLP, and SLP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided, and environmental and social benefits are described.</p> <p>The Issuer defines a look-back period of 3 years, in line with best market practice.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Dubai Islamic Bank’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</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 appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines exclusion criteria for harmful projects categories.</p>

		<p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, involving various stakeholders in this process.</p> <p>DIB identifies the alignment of their Sustainable Finance Framework and their green projects with official or market-wide taxonomies (EUT and CBI) and references any green standards or certifications used, in line with best market practice.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Dubai Islamic Bank’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The net proceeds collected equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple sukuk (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Borrower commits to ring-fence the proceeds and directly manage them as a temporary measure.</p> <p>The Issuer has defined an expected allocation period of 24 months, in line with best market practice.</p> <p>Sukuk issued by DIB comply with the Shari’ah standards set out by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Dubai Islamic Bank’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with</p>

		<p>appropriate frequency. The reporting will be publicly available on the Issuer's website. Dubai Islamic Bank has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported and further defines the frequency of the impact reporting, discloses the location and link of the report(s).</p> <p>DIB commits to get the allocation report audited by an external party, in line with best market practices.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN, SOCIAL, AND SUSTAINABILITY SUKUK TO THE U.N. SDGs¹⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- Specific products/services
- Improvements of operational performance

1. Products and services

The assessment of UoP categories for financing 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 SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for financing specific products and services is displayed on a three-point scale:



Each of the Sukuk's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

¹⁵ The impact of the UoP categories on the SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES) ¹⁶	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS	
<p>Clean Energy</p> <p>Solar photovoltaic energy, concentrated solar power (including floating) and solar heating:</p> <ul style="list-style-type: none"> With minimum 85% of power generation derived from solar sources <p>Green hydrogen (incl. green ammonia):</p> <ul style="list-style-type: none"> Production of hydrogen, hydrogen-based synthetic fuels, or ammonia through electrolysis powered by renewable energy sources 	<p>Contribution</p>	 	
<p>Clean Energy</p> <p>Green hydrogen (incl. green ammonia):</p> <ul style="list-style-type: none"> Ammonia recovery from wastewater, from non-fossil fuel operations 		<p>Contribution</p>	
<p>Clean Energy</p> <p>Wind energy:</p> <p>Onshore and offshore</p>			<p>Contribution</p>
<p>Clean Energy</p> <p>Bioenergy:</p> <p>Only second-generation biofuels (i.e., raw materials are residues from other processes)</p> <ul style="list-style-type: none"> Wood-based raw materials must come from certified sources (Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PFEC)) <p>Biofuels (incl. biogas and biomass):</p> <ul style="list-style-type: none"> Only second-generation biofuels (i.e., raw materials are residues from other processes), e.g. used 		<p>Contribution</p>	

¹⁶ ISS assessment is limited to the activities listed in the Framework.

cooking oil. Raw materials: are residues from other processes (e.g., agricultural and forestry residues), and do not compete with food production, and do not deplete carbon pools Wood-based raw materials must come from certified sources (Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PFEC))

Clean Energy

Geothermal energy:

- *Direct emissions / emissions intensity is below 100g CO₂e / kwh.*

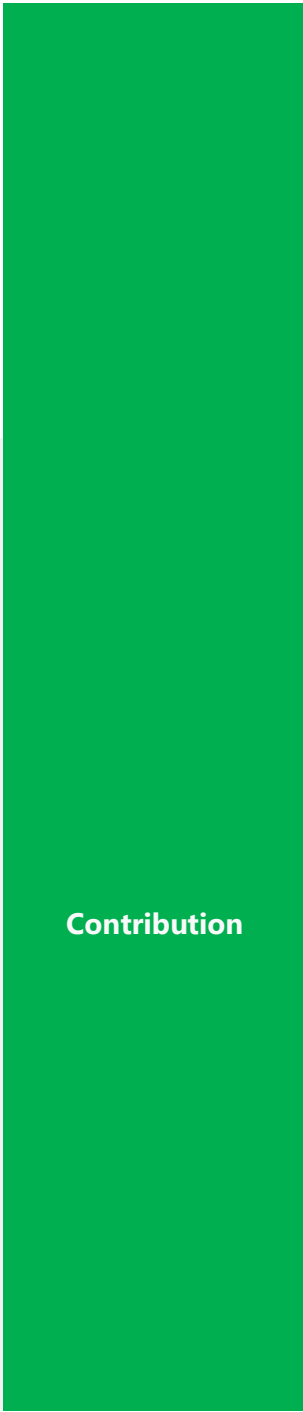
Hydroelectric energy¹⁷:

- *Run-of-river plants with a capacity of less than 1000MW, and*
- *No artificial reservoirs, or*
- *Life-cycle emissions below 50g CO₂e/kWh, or*
- *Power density greater than 10 W/m², or*
- *Refurbishments which do not increase the reservoir size*

Hydro-wave

Hydro – tidal thermal energy conversion

Hydro – ocean thermal energy conversion



Contribution



¹⁷ The Issuer confirms that no hydropower projects with capacity higher than 1000 MW will be financed.

Clean Energy

Nuclear:

- *Membership of the International Atomic Energy Agency (IAEA) by the country in which the project is located, and*
- *Ratification of major nuclear safety conventions such as the Convention on Nuclear Safety and the Convention on the Physical Protection of Nuclear Materials, and*
- *Ratification of major nuclear waste management conventions such as the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, and*
- *Ratification of the Non-Proliferation Treaty (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism, and*
- *National safety agency (NSA) for nuclear activities that follows the recommendations of the IAEA.*

Contribution



Obstruction¹⁸



Energy Efficiency





Energy storage:

- *Storage for energy produced from renewable sources, or*
- *Storage for energy-efficient district cooling systems that are powered*

Contribution



¹⁸ The 'nuclear power generation' category is assessed according to ISS ESG's methodology applying to any nuclear power generation projects to date. The obstruction reflects uncertainties regarding the negative externalities of nuclear on water and biodiversity, in addition to its dependence on uranium which is a non-renewable resource of which mining is linked to many salient risks from an environmental and social perspective.

<p><i>by: minimum 50% renewable / waste heat, or minimum 75% co-generated heat, or minimum 50% combination renewable / waste energy and co-generated heat¹⁹</i></p>		
<p>Energy Efficiency</p> <p>District cooling systems:</p> <ul style="list-style-type: none"> Reduction of energy consumption by at least 20% compared to the average of national energy consumption 	<p>No Net Impact</p>	
<p>Energy Efficiency</p> <p>Electric heat pumps:</p> <ul style="list-style-type: none"> Refrigerant threshold: Global Warming Potential (GWP) value does not exceed 675 	<p>Contribution</p>	
<p>Energy Efficiency</p> <p>Upgrade in grid infrastructure to improve electricity transmission efficiency and reduce transmission losses:</p> <ul style="list-style-type: none"> With system grids, 67% of newly connected generation capacity is below 100g CO₂e / kWh, or the average system grid emissions factor is below 100g CO₂e/kWh (rolling five-year period)²⁰ 	<p>Contribution</p>	
<p>Energy Efficiency</p> <p>Investment in smart energy grids, energy meters and energy management systems</p>	<p>Contribution</p>	
<p>Energy Efficiency</p> <p>LED and other energy efficient lighting:</p>	<p>Contribution</p>	

¹⁹ This activity is aligned with the Technical Screening Criteria (with respective footnotes) of the EU Taxonomy Activity 4.15. "District heating/cooling distribution".

²⁰ This category is aligned with CBI criteria "Electrical Grid and Storage Criteria under the Climate Bond Standard", Criteria Document Version 1, March 2022.

- *Reduction of energy consumption by at least 20% compared to the average of national energy consumption*

Clean Transportation

Zero tailpipe emission vehicles (e.g., electric, hydrogen, fuel cell).

All zero tailpipe emission vehicles are eligible:

- *aircrafts²¹ (private aircrafts are excluded)*

Clean Transportation

Zero tailpipe emission vehicles (e.g., electric, hydrogen, fuel cell).

All zero tailpipe emission vehicles are eligible:

- *Examples include vehicles such as bicycles and motorbikes; passenger cars, buses and light commercial vehicles; trucks, forklifts and cranes*

Clean Transportation

Rail and freight transportation:

- *Until 2030, all low-emission rail transportation emitting less than 50g CO₂/passenger-km*

For freight transportation²²

- *Under 21g CO₂ / tonne-km up till 2030*
- *Under 18g CO₂ / tonne-km from 2030 up till 2050*

Clean Transportation





Clean transportation infrastructure and supporting services:

- *Train, metro and tram networks including station upgrades*



²¹ This activity is aligned with the Technical Screening Criteria of the EUT Activity 3.21 "Manufacturing of aircraft".

²² This category is aligned with CBI criteria "Low Carbon Transport Criteria under the Climate Bond Standard", Criteria Document of April 2023.

<p><i>necessary to achieve and maintain clean transportation, etc.</i></p> <p>Clean Transportation</p> <p>Clean transportation infrastructure and supporting services:</p> <ul style="list-style-type: none"> Charging infrastructure and related repair & spare parts) 	<p>Contribution</p>	
<p>Clean Transportation</p> <p>Clean transportation infrastructure and supporting services:</p> <ul style="list-style-type: none"> Projects supporting upgrades to emissions-free fuels and transport 	<p>No Net Impact</p>	
<p>Clean Transportation</p> <p>Walking and bicycle infrastructure and supporting services:</p> <ul style="list-style-type: none"> Upgrades and expansion of walking and cycle paths 	<p>Contribution</p>	
<p>Clean Transportation</p> <p>Water transportation:</p> <ul style="list-style-type: none"> All emissions-free watercraft (e.g., solar, electric, hydrogen, ammonia, motorless) 	<p>Contribution</p>	
<p>Green Buildings</p> <p>Energy efficient buildings:</p> <ul style="list-style-type: none"> Top 15% energy efficient buildings from the national or regional building stock expressed as operational Primary Energy Demand (PED)²³ 	<p>Contribution</p>	

²³ This activity is aligned with the Technical Screening Criteria (with respective footnotes) of the EU Taxonomy activity 7.7 "Acquisition and ownership of buildings".

Green Buildings

LEED

- All certification levels

BREEAM

- All certification levels

Estidama Pearl Building Rating System

- 2 Pearls and above

Global Sustainability Assessment System (GSAS)

- "4 star" and above

Al Sa'fat

- Golden and Platinum

EDGE

- All certification levels



Green Buildings

WELL

- Golden and Platinum



Green Buildings

Communities classified as 'Green' or 'Sustainable' by local authorities:

- Other local or regional certification by authorities and global certifications assessed on a case by case basis



Green Buildings

Renovation, refurbishment and retrofit:

- At least 30% energy reduction in annual Primary Energy Demand (PED) aligned with the EU Taxonomy²⁴

Pollution Prevention and Control

Waste collection and storage for recycling, material recovery and / or waste minimizing purposes:



²⁴ This activity is aligned with the Technical Screening Criteria of the EU Taxonomy activity 7.2 "Renovation of existing buildings".

- Conversion ratios exceed 50%, and
- Landfill and incineration are excluded

Pollution Prevention and Control

Biological treatment facilities (including anaerobic digestion and composting facilities):

- Anaerobic produce is used for energy / fuel production

Contribution



Pollution Prevention and Control

Biological treatment facilities (including anaerobic digestion and composting facilities):

- Anaerobic produce is used as fertilizer
- Compost produced is used as fertilizer / soil improver

Contribution



Pollution Prevention and Control

Waste to energy plants:

- Recyclables are sorted, and
- Bottom ash produced in combustion process is recovered and managed

No Net Impact

Pollution Prevention and Control

CO₂ capturing technologies:

- CO₂ must be permanently and safely stored, and
- Must be climate neutral (more CO₂ captured than generated)

Contribution



Sustainable water and wastewater²⁵

Contribution



²⁵ DIB will assess projects under climate change adaptation with a case-by-case approach to identify whether climate related risks and vulnerabilities have been investigated for the project, to define the contribution of the proposed investment on climate risks and to evaluate the alignment of the project with local, regional, national strategies and climate adaptation plans.

Sustainable infrastructure and supply for clean and/or drinking water, and for wastewater treatment:

- Nature-based Solutions addressing protection, restoration, and extension of water resources management by accredited body (e.g., UNEP & IUCN), or
- Sustainable infrastructure, management and distribution of water may include treatment, drainage systems, river training, gravity fed canal systems, pumped canal, water distribution systems

Sustainable water and wastewater

Sustainable infrastructure and supply for clean and/or drinking water, and for wastewater treatment:

- Other relevant projects may include: Rainwater harvesting and other water recycling systems²⁶

Sustainable water and wastewater

Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents (infrastructure only):

- Water-use efficiency increases by at least 20%

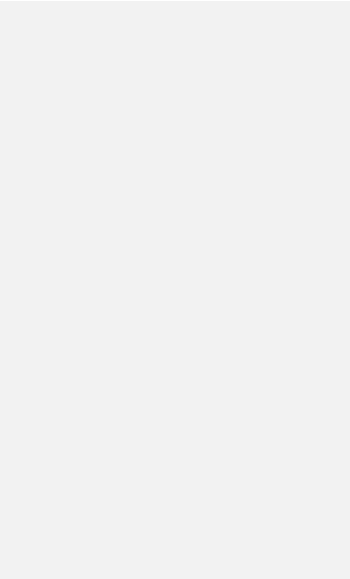
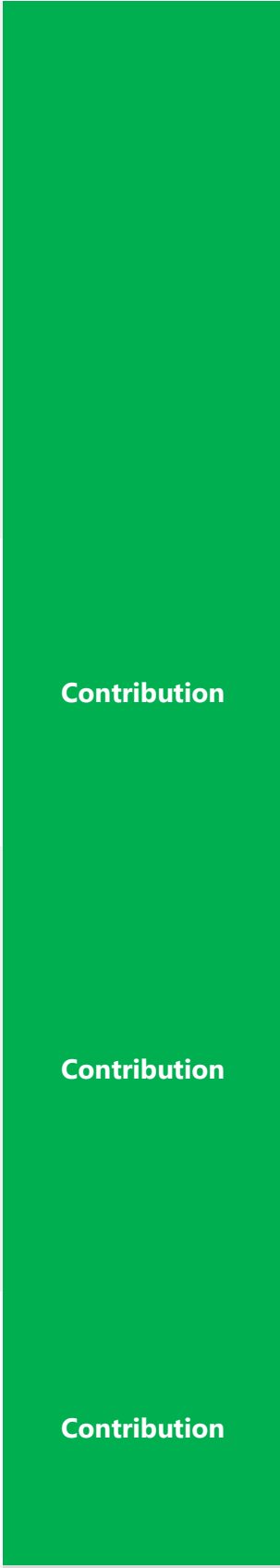
Sewer systems, pumping stations and water saving products:

- Water-use efficiency increases by at least 20%

Sustainable water and wastewater

Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents (services only, for corporates):

- Water-use efficiency increases by at least 20%



²⁶ The assessment is limited to the examples of projects listed in the Issuer's Framework.

<p>Sustainable water and wastewater</p> <p>Water desalination:</p> <ul style="list-style-type: none"> ▪ <i>Waste management plan is in place, and</i> ▪ <i>Carbon intensity of less than 100g CO_{2e} / kWh over the residual asset life - the asset may be partially powered by renewables or use waste heat</i> 	<p>No Net Impact</p>	
<p>Biodiversity</p> <p>Afforestation and reforestation:</p> <ul style="list-style-type: none"> ▪ <i>Certified forests by recognized bodies such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PFEC), and</i> ▪ <i>Detrimental activity is not caused by the borrower, and</i> ▪ <i>Forests are not used for wood production</i> 	<p>Contribution</p>	
<p>Biodiversity</p> <p>Conservation & restoration of natural habitats:</p> <ul style="list-style-type: none"> ▪ <i>Detrimental impacts being remediated are not caused by the borrower, and</i> ▪ <i>Conservation and restoration of natural landscapes, biodiverse lands, high conservation value forests and marine areas and systems, or</i> ▪ <i>Conservation and restoration of biodiversity in urban areas such as parks and green rooftops, or</i> ▪ <i>Soil remediation or remediating contaminated soil / land</i> 		
<p>Biodiversity</p> <p>Marine resources:</p> <ul style="list-style-type: none"> ▪ <i>Detrimental impacts being</i> 		

remediated are not caused by the borrower, and

- *Conservation and restoration of coastal and marine areas*

Circular economy

Circular business models²⁷, tools and services:

- *Product-as-a-service business models (e.g., rental, leasing, repurchase of bicycles and electric vehicles), or*
- *Business models based on circularity (second-hand sales²⁸), or*
- *Fossil fuel-based circular business models are not eligible (e.g. petrol and diesel car leasing / used car sales)*

Sustainable industries

Sustainable industrial processes in high emitting sectors such as cement

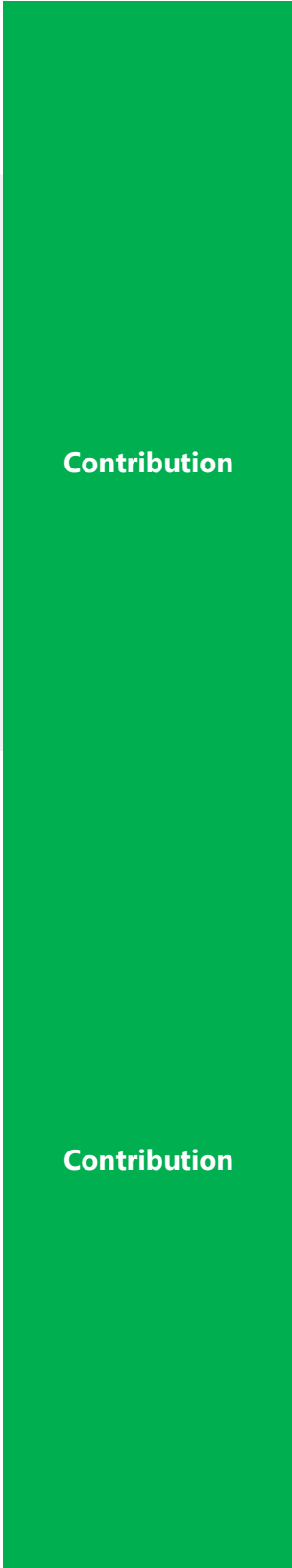
The activity is aligned with one of the following:

- *Technical screening criteria (with respective footnotes) of the EU taxonomy activity “3.7 Manufacture of cement”*
- *Cement Criteria Document by the CBI (April 2023)*

Sustainable industrial processes in high emitting sectors such as iron and steel

The activity is aligned with one of the following:

- *Technical screening criteria (with respective footnotes) of the EU*



²⁷ Eligible circular business models are the design and introduction of reusable, and refurbished materials, components and products, or circular tools and services, or and/or certified eco-efficient products.

²⁸ Eligible only if the business derives its net sales from the second-hand products (not from the provision of a platform or other related activities).

*taxonomy activity "3.9
Manufacture of iron and steel"*

- *Steel Criteria Document by the CBI (February 2024)*

Sustainable industrial processes in high emitting sectors such as chemicals

The activity is aligned with one of the following:

- *Technical screening criteria (with respective footnotes) of the EU taxonomy activity "3.14 Manufacture of organic basic chemicals"*
- *Basic Chemicals Criteria Document by the CBI (April 2023)*

Sustainable industrial processes in high emitting sectors such as plastic

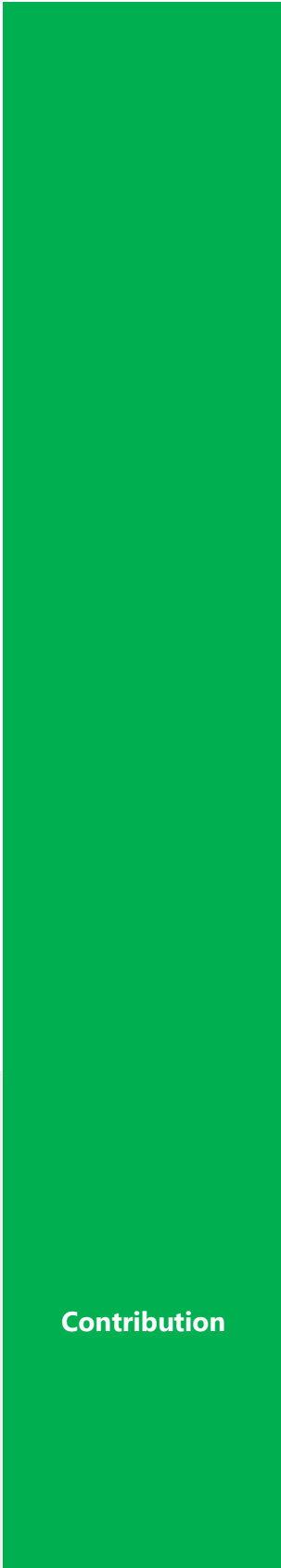
The activity is aligned with:

- *The technical screening criteria (with respective footnotes) of the EU taxonomy activity "3.17 Manufacture of plastics in primary form"*

Climate Change Adaptation²⁹

Increasing the resilience of ecosystems

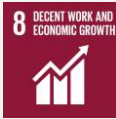
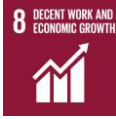


- *Climate observation and early warning systems, or*
- *Resilient infrastructure (water, power, transport, and communication) ensuring ease of repairs and reliability of service, or*
- *Reducing or avoiding weather-related damage (e.g. flood management with focus on Nature-based Solutions), bridges to*



²⁹ DIB will assess projects under climate change adaptation with a case-by-case approach to identify whether climate related risks and vulnerabilities have been investigated for the project, to define the contribution of the proposed investment on climate risks and to evaluate the alignment of the project with local, regional, national strategies and climate adaptation plans.

<p>address higher levels of flooding, systems infrastructure for extreme climate hazards), or</p> <ul style="list-style-type: none"> Projects across sectors supporting the resilience of ecosystems (e.g., in agriculture, seed varieties tolerating heat and drought) 		
--	--	--

SOCIAL CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Employment Generation</p> <p>Micro, Small and Medium Enterprises:</p> <ul style="list-style-type: none"> Micro, Small and Medium Enterprises³⁰ financing as per national definition <p>SMEs whose economic activities have been affected by pandemics and natural disasters:</p> <ul style="list-style-type: none"> Micro, Small and Medium Enterprises financing as per national definition 	<p>Contribution</p>	
<p>Employment Generation</p> <p>Women-owned businesses:</p> <ul style="list-style-type: none"> Women-owned SMEs (at least 51% owned by one or more women) 	<p>Contribution</p>	 
<p>Affordable and Social Housing</p> <p>Government-supported affordable Sharia compliant house financing schemes</p> <ul style="list-style-type: none"> UAE nationals meeting the criteria for government-supported affordable house financing schemes³¹ 	<p>Contribution</p>	

³⁰ MSMEs as defined by per the national definition laid out in UAE Central Bank Circular No. 1/2021 dated 26/02/2021 under Article 1, point a. & b. definition of SME.

³¹ Examples include Sheikh Zayed Housing Program and Mohammed bin Rashid Housing Establishment.

Affordable and Social Housing

Social housing

- *Social housing or provision of financing to social housing institutions that provide housing with reduced rates.*
- *Target groups include elderly, disabled, people with intellectual or development disabilities, young students, people with a higher risk of poverty, social exclusion, discrimination, and violence*

Essential Infrastructure

Basic Infrastructure for rural, excluded, marginalized, under- served or vulnerable groups:

- *Water: Clean water production and storage project ^{32 33}*

Essential Infrastructure

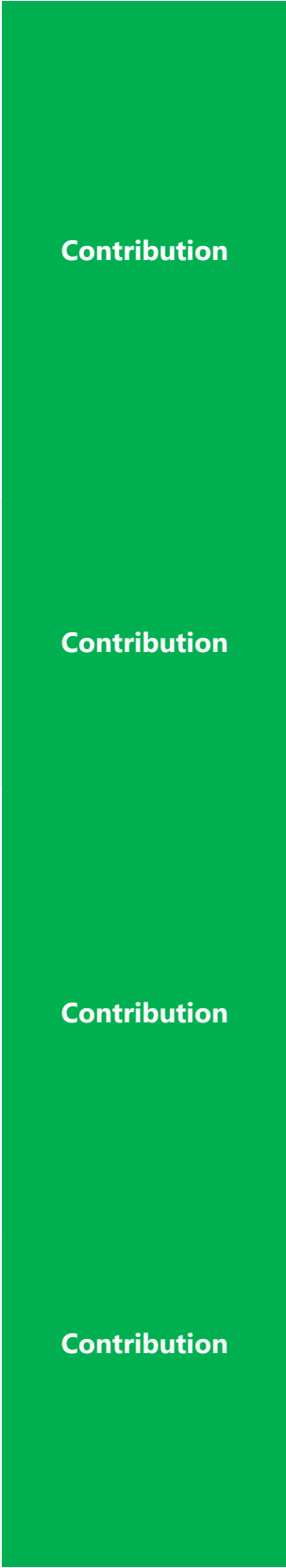
Basic Infrastructure for rural, excluded, marginalized, under- served or vulnerable groups:

- *Energy: Access to renewable energy (regions with a power connection rate below 50%)*
- *Telecommunications: Access to telecommunications (e.g., broadband, internet coverage or mobile phones)*

Essential Services

Education, vocational / professional training:

Education (public, not-for-profit or private with the majority of students with subsidized education or training):



³² For infrastructure projects under this category, ISS-Corporate considers that the most direct impact is linked to environmental topics. However, the activities might generate other environmental and/or social impacts. DIB decides to classify this as a social category.

³³ Water desalination projects are excluded.

- Construction and operation of schools, universities, university campuses, vocational training facilities and other educational purpose facilities
- Vocational training
- Other educational activities (e.g., sports, culture, art, languages, etc.)

Essential Services

Education, vocational / professional training:

- School/curriculum/education program towards people with disabilities

Contribution



Essential Services

Student interest free loans, student and adult education interest free loans or Sharia compliant financings:

- Student interest free loans or Sharia compliant financing, or
- Student education interest free loans for mid-income parents, or
- Interest free loans for reskilling and upskilling of adults

Contribution



Essential Services

Student interest free loans, student and adult education interest free loans or Sharia compliant financings:

- Student education interest free loans for low-income parents

Contribution



Essential Services

Health care and elderly care:

- Enabling access to health care (remote)

Contribution



Essential Services

Health care and elderly care:

- *Provision of health care services (e.g., health care machinery and equipment, prevention and treatment of diseases and epidemics for the above)*

Essential Services

Health care and elderly care (Operation):

- *Health care: Hospitals and health care centers (public, not-for-profit or private with the majority of patients with free or subsidized health care services)*
- *Elderly care: Elderly homes and nurseries (public, not-for-profit or private with the majority of customers with free or subsidized elderly care services)*

Essential Services

Health care and elderly care (Construction):

- *Health care: Hospitals and health care centers (public, not-for-profit or private with the majority of patients with free or subsidized health care services)*
- *Elderly care: Elderly homes and nurseries (public, not-for-profit or private with the majority of customers with free or subsidized elderly care services)*

Emergency services:

- *Emergency services such as fire firefighting, or*
- *Enabling access to emergency services, or*
- *Provision of emergency services (e.g., fire fighting equipment)*

Contribution



Contribution



Contribution



Empowered society

Advancement of International Human Rights (including Labor Rights and Children’s Rights):

- Organizations and non-governmental organizations (NGOs) which are non-for-profit: projects focusing on the advancement of International Human Rights (including Labor Rights and Children’s Rights) provided they are not in conflict with the principles of Sharia.

Empowered society

Reduction of inequalities:

Projects relating to the reduction of inequalities, e.g.:

- Developing products and services tailored for low-income customers (e.g., mobile based money transfer services for unbanked consumers).
- Organizations and non-governmental organizations (NGOs) which are non-for-profit: projects on reduction of inequalities

Empowered society

Reduction of inequalities:

Projects relating to the reduction of inequalities, e.g.:

- enabling disabled people to access and use products and services (removing architectural barriers with ramps, steps, tactile indicators etc.)

Empowered society

Reduction of inequalities:

- Life support to people with disabilities

Contribution



Contribution





Contribution



Contribution



<p>Food security</p> <p>Agricultural structures and practices:</p> <ul style="list-style-type: none"> Hydroponics and aeroponics³⁴ in food production Organic agriculture (International Federation of Organic Agriculture Movements IFOAM certifications) 	<p>Contribution</p>	
<p>Food security</p> <p>Aquaculture:³⁵</p> <ul style="list-style-type: none"> Certified aquaculture (e.g., Friend of the Sea certification, Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP), Marine Stewardship Council) 		
<p>Sustainable digitalization</p> <ul style="list-style-type: none"> Projects relating to Sustainable Digitalization based on leading sectoral practices and impact assessment, or Digital solutions reducing emissions, or Digital solutions using green coding (documented decrease of energy use), or Secure digital solutions 	<p>No Net Impact</p>	

³⁴ For hydroponic and aeroponic projects under this category, ISS-Corporate considers that the most direct impact is linked to environmental topics. However, the activities might generate other environmental and/or social impacts. DIB decides to classify this as a social category.

³⁵ For aquaculture projects under this category, ISS-Corporate considers that the most direct impact is linked to environmental topics. However, the activities might generate other environmental and/or social impacts. DIB decides to classify this as a social category.

2. Improvements of operational performance (processes)

The below assessment qualifies the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related SDGs impacted. The assessment displays how the UoP categories mitigate the exposure to the negative externalities relevant to the Issuer’s business model and sector.

Dubai Islamic Bank finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.”

The table below displays the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ³⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency</p> <p><i>Upgrade in grid infrastructure to improve electricity transmission efficiency and reduce transmission losses:</i></p> <ul style="list-style-type: none"> <i>Energy efficiency improvement of at least 20%, or</i> <i>Transmission to the system grid makes use of electricity produced by renewable sources</i> 		
<p>Sustainable Water and Wastewater</p> <p><i>Water leakage prevention:</i></p> <ul style="list-style-type: none"> <i>Operational improvement projects that decrease leakage by at least 20% based on Infrastructure Leakage Index (ILI) with the target ILI of 1.5</i> 		
<p>Energy Efficiency</p> <p><i>Operational improvements:</i></p>		

³⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

- *Reduction of energy consumption by at least 20%*

Energy Efficiency

Operational improvements:

- *Water recycling resulting in at least 20% reduction in water use*



Sustainable water and wastewater

Irrigation:

- *Existing irrigation networks/systems are modernized from flood to sprinkler or drip irrigation systems, and*
- *Irrigation water is not drinking water, and*
- *Irrigation is renewable energy-powered*



B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets is and will be located in the UAE, Oman, Qatar, Bahrain, Turkey, Saudi Arabia and Kuwait.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

DIB recently established an ESG scorecard as the primary tool used to identify, manage and monitor client-level and project-level ESG risk. This tool drives the assessment for wholesale business clients. The tool is also accompanied by a list of questions, which are used in the financing appraisal process. For MSME clients, DIB is currently in the process of preparing a simplified ESG mapping, based on which a dedicated scorecard will be developed.

The ESG scorecard is used during the underwriting process and takes the client's sector and geography into account. During the assessment, operational officers of DIB collect information about the client's sustainability strategy, sustainability commitments, governance, relevant policies, information on their implementation, monitoring and reporting. The ESG scorecard tool is comprised of a detailed questionnaire divided into four main areas: 1) client information, 2) environment, 3) social and 4) governance. Areas 2 to 4 deliver an individual score per area. A fifth component of the ESG scorecard is ESG final score (of 1-5 from lowest to highest) assessment and manual adjustment (only possible if accompanied by specific reasoning). The financing proposal, together with the ESG score, is then submitted for credit decision. The ESG score alone does not have a direct consequence for the credit decision as DIB has not yet defined an ESG risk appetite. Additionally, DIB does not define binding monitoring and/or mitigation plans for the risks identified. DIB's approach to ESG integration in credit decisions is currently undergoing further development and further measures in this sense may be implemented in the future.

The ESG risks identified as the output of the ESG scorecard are used to define key ESG metrics and performance indicators for further monitoring and reporting. Additionally, the output is considered for the pricing of the financing offered to the client.

As the ESG scorecard was introduced in 2023, DIB currently seeks to retrospectively rate the clients and financings that have not undergone the rating process during origination. Once the data on the outstanding portfolio is complete, DIB will perform an overall ESG risk evaluation for its portfolio. This evaluation will inform further measures and developments in terms of ESG risk management.

ESG guidelines into financing process for most sensitive sectors³⁷ financed under the Framework

DIB's ESG scorecard was designed to capture specificities of different sections in the questions asked to the client and rating methodology. Additionally, DIB's operational officers may escalate matters related to ESG risks to the sustainability department for further guidance when filling out the ESG scorecard.

ESG guidelines into financing process for agriculture (including with animals)/aquaculture

DIB's Sustainable Finance Framework foresees financing agriculture and aquaculture. These sectors are part of the regular ESG scorecard. As an additional layer of scrutiny, any financing in these sectors requires additional assessment by the sustainability department.

Labor, health and safety

The assets financed will be located mainly in the UAE, but DIB plans future expansion of financing also to Oman, Qatar, Bahrain, Turkey, Saudi Arabia and Kuwait. The Issuer does not have a distinct policy in place but relies on the labor regulation applicable in each country. DIB's ESG scorecard includes questions meant to assess whether the clients comply with the local regulations and best practices.



In terms of health and safety, DIB relies on an internally designed questionnaire and collects any relevant written policies from clients as part of its usual due diligence process. Questions target division of responsibilities, types of systems in place (including availability of certifications such as ISO 45001 or OHSAS 18001), operational coverage of these systems, as well as statistics such as the time lost due to injury and overtime records.

Additionally, the GCC countries relevant for this Framework are in different stages regarding the ratification of ILO fundamental conventions. For the conventions that are not ratified, DIB compensates through taking its own measures as part of its due diligence process. For example, DIB requires businesses to provide data about the gender pay gap for a five-year period in locations where the ILO's Equal Remuneration Convention is not ratified (i.e., in Qatar, Kuwait and Bahrain).

Nevertheless, ISS-Corporate assesses that the measures in place are not sufficient. DIB has not yet defined acceptance criteria/thresholds for these verifications. Additionally, MSMEs are not subject to the same level of scrutiny;

³⁷ The categorization of a sector as "most sensitive" follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

while strict legal requirements are assessed, additional aspects such as additional health and safety measures are assessed on a case-by-case basis (not systematically). We conclude that these additional measures compensate only partially, but not fully for the lack of measures at the country level.

Biodiversity

As part of its due diligence process, DIB relies on the local regulation in the countries it operates regarding biodiversity protection. The local regulation in the relevant countries define aspects such as the endangered and critically endangered species, and measures are in place to protect them and biodiversity areas. In addition, infrastructure projects go through a centralized permitting process and in some cases an environmental impact assessment (EIA) is required. However, due to lack of precise information on the scope of the EIA assessments in each of the countries, ISS-Corporate is unable to provide an opinion on whether the local measures ensure that high standards are being followed. Additionally, DIB does not adhere to IFC Performance Standards and is also not a member of the Equator Principles.

According to DIB, in the UAE, the projects financed will be subject to local regulations, including the [Law Concerning the Protection and Development of the Environment](#), the National Biodiversity Strategy³⁸ and the measures in the [UAE National Invasive Species Strategy and Action Plan 2022 – 2026](#). Measures at the state level ensure that, for example, construction in areas classed as “sensitive” is not permitted.

In 2001, all GCC countries signed the [Convention on the Conservation of Wildlife and their Natural Habitats in the Countries of the Gulf Cooperation Council](#), which defined the flora and fauna species that require protection and the animal species threatened by extinction. The countries committed to enact laws and regulations and to take measures to protect these. All GCC countries have regulations in place for environmental protection, including a definition of protected areas and of cases in which environmental impact assessments are considered mandatory. Further measures are being taken through national plans on biodiversity in [Turkey](#), [Qatar](#) and [Oman](#).

DIB’s due diligence process goes beyond compliance with local regulation. Its ESG scorecard includes questions dedicated to natural capital, which assesses clients’ dependencies on natural capital as well as clients’ impact on biodiversity. Official commitments made by clients and audit reports are also

³⁸ This [document](#) is only available in Arabic.

considered. DIB also plans to establish criteria within its ESG scorecard to identify financing requests that will be subject to an EIA as part of the financing conditions.

Community dialogue

- All assets financed will be located in the UAE, Oman, Qatar, Bahrain, Turkey, Saudi Arabia and Kuwait. Whenever required by local legislation, DIB requires an EIA, including an assessment of impact on the affected community. In Dubai and Turkey, community engagement is part of the EIA. However, it is not clear whether community dialogue is part of the scope of the EIA in other municipalities within the UAE (apart from Dubai) and in Bahrain, Oman, Qatar, Saudi Arabia and Kuwait. Additionally, DIB does not adhere to IFC Performance Standards and is also not a member of the Equator Principles.

As part of the due diligence process, DIB officers collect any policy on local social and economic development for the communities impacted that may be available. Clients' audits are also requested and used to inform the evaluation.

Inclusion

- ✓ The Issuer states that the activities financed under the category Access to Essential Services that target the general population (i.e., vocational/professional training, healthcare, elderly care and emergency services) will be either public (with free access for vulnerable population, including non-UAE nationals) or private (with free or subsidised access for vulnerable population, including non-UAE nationals). DIB confirms that borrowers will be required to present evidence in this sense. Student interest free loans and adult education interest free loans will be provided by DIB at subsidized rates for vulnerable groups.

DIB has a Code of Fair Treatment that promotes fair access to applicable products and services, irrespective of age, gender, ethnicity, background, identity, financial status or any other personal characteristics. Furthermore, DIB monitors its portfolio to ensure representation of various groups (e.g., by age, nationality, education, family status and gender).

- However, the current nationality requirements on the financial product dedicated to affordable housing hinder achieving the financial inclusion objective.

Data protection and information security

The Issuer has established an internal IT security management system that is ISO 27001 certified. The system includes the following components:

Information security objectives are defined within the Information Security Framework, providing a clear roadmap for securing its IT infrastructure.

Relevant parties involved in DIB's information security landscape are meticulously identified. The internal capabilities of the InfoSec team are documented in the Information Security Framework.

DIB meticulously documents its Information Security Annual Plan in alignment with the identified objectives. This comprehensive plan encompasses various elements such as reviews, audits, risk assessment schedules and information security projects, providing a strategic framework.

DIB Information Security Program is strategically designed for training its employees and implemented based on a thorough evaluation of external and internal factors influencing information security objectives. This proactive approach ensures that DIB's information security solutions align with industry best practices and standards.



Security metrics (KPIs) are in place to quantitatively measure performance of the IT security system. Regular communication of these metrics to senior management via the Information Security Management Committee and Risk Management Committee ensures transparency and accountability.

DIB's management adopts a continuous and proactive stance toward managing information security risks. Through the design, implementation and maintenance of an effective Information Security Program, DIB strives to maintain information security risks at an acceptable level, demonstrating a commitment to industry best practices and standards.

Regarding outsourcing of IT services, DIB engages in a meticulous and documented due diligence process of prospective suppliers. Contracts with IT service providers include explicit prerequisites, encompassing, among others, minimum security program standards, stipulations for handling security incidents and responding to data breaches, mandates for data encryption, and unequivocal commitments to data disposal. Any further outsourcing by IT providers requires written consent by DIB, as a measure to control for sixth-party risks. DIB has a monitoring system in place to regularly review suppliers' conformity with the contractual requirements.

Responsible treatment of customers with debt repayment problems



The Issuer has implemented various measures to responsibly deal with clients having debt repayment problems. For retail clients, the Debt Relief Policy applies; through this policy, customers facing financial difficulties may seek

support from any of the Bank's branches or through the [solutions hub](#). For corporate clients, covenants are built in the Facility Agreement Letter to limit indebtedness.

Customers with repayment problems may seek support from any of the Bank's branches or solutions hub. Rescheduling requests are reviewed by a dedicated team and appropriate solutions are offered in cooperation with the customer. For corporate clients, the responsible relationship officer maintains regular contact with the client throughout the tenure of financing and offers debt counseling when appropriate. Rescheduling solutions provided to all consumers have no increase in profit as the profit rate remains the same:

Credit cards: the outstanding principal is converted into equal installments at zero profit rate

Murabaha contracts: the outstanding principal is rescheduled and no additional profit is charged

Ijara contracts: the outstanding principal is rescheduled at the current profit rate with no increase in rate

For corporates facing cash flow issues, restructuring solutions may include reducing the profit rate or increasing the tenure, which creates a better condition for the client. Only in rare cases (e.g., when the cost of funds for DIB has increased) will the total cost of debt be higher after the debt restructuring process.

DIB confirms that all alternative options are examined before undertaking foreclosure as a last resort. Mortgage sale and foreclosure is executed through the competent courts.

Sales practices



The Issuer states that the reward system for sales personnel is adequate, as customer satisfaction and grievances are linked to any bonus payments to sales employees. Monitoring is in place through marketplace surveys, customer surveys focusing on their post-sale understanding of products and services, mystery shopping and complaint monitoring. Additionally, sales personnel receive regular training on responsible sales practices, which includes transparency about products, their costs and risks.

Responsible marketing



Responsible marketing and sales practices are regulated through [the Consumer Protection Regulation](#) issued by the Central Bank of the UAE. As such, DIB

implements the regulatory requirement through various policies procedures and internal controls.

DIB's Consumer Protection Regulation Policy & Product Development Document have guidelines in place on clear and correct pricing and no hidden costs. All charges and fees are disclosed in Key Fact Statements, Terms & Conditions, Contracts, and Standard Operating Procedures.

Sales personnel are required to provide clients with information on product risk by providing and explaining to customers the [Key Fact Statements](#) and warning statements.

Also, through the Consumer Protection Regulation Policy, Bank employees are required to inform customers about the reasons leading to a rejection of a financing application. The applicant receives a written notification about the outcome, including the reasons for rejection if that is the case.

Exclusion criteria

As an Islamic financial institution, DIB is subject to the regulatory requirements imposed through the [Higher Shari'ah Authority](#). As such, DIB has a rigorous governance structure in place to ensure Sharia compliance. DIB strictly excludes the finance of non-Sharia compliant sectors and activities, including but not limited to alcohol, adult entertainment, gambling, tobacco and interest-based loans.

PART III: CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY SUKUK WITH DUBAI ISLAMIC BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer focuses on the following topics:</p> <ul style="list-style-type: none"> ▪ Embrace diversity and inclusion ▪ Enhance employee well-being ▪ Drive transparency and disclosure ▪ Reduce operational footprint ▪ Champion business ethics and customer privacy ▪ Propel sustainable finance ▪ Promote financial inclusion ▪ Embed sustainability in decision-making <p>These sustainability pillars have been defined through a materiality analysis carried out in line with Global Reporting Initiative (GRI) Standard 3. The materiality matrix is published in the Sustainability Report.</p>
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, the Issuer has set the following goals for 2030:</p> <ul style="list-style-type: none"> ▪ Be the most diverse Islamic financial institution in our markets of operation ▪ Position ourselves as an employer of choice in the banking sector ▪ Disclose our financial and non-financial performance in line with best-in-class standards ▪ Achieve net zero within operations and significantly reduce our footprint across water, waste and energy ▪ Be recognized as a trusted institution to our customers and business partners ▪ Significantly step up the share of our funding activities toward sustainable projects

	<ul style="list-style-type: none"> ▪ Be the preeminent banking partner to the underrepresented segments of society ▪ Fully integrate ESG risk assessment and mitigation into all our financing decisions <p>The goals are public and the progress is monitored yearly in the Sustainability Report.</p>
<p>Action plan</p>	<p>For each strategic ESG topic, the Issuer has a list of initiatives to support the achievement of the 2030 goals. The initiatives are not publicly disclosed but the Issuer has listed 32 environmental and social objectives.</p>
<p>Climate transition strategy</p>	<p>The Issuer, following the policies developed by the United Arab Emirates Ministry of Climate Change and Environment’s UAE Sustainable Finance Framework 2021 – 2031 and according to its ESG strategy, has set the following climate targets:</p> <ul style="list-style-type: none"> ▪ Sustainable finance to represent 15% of the portfolio by 2030 ▪ Net zero Scope 1 and 2 emissions by 2030 <p>DIB is also in the process of analyzing portfolio decarbonization target setting and other portfolio-level sustainable finance targets to align with the UAE’s Net Zero 2050 plan, which builds on the Paris Agreement, which was ratified by UAE. Finally, DIB has become a signatory of the U.N. Global Compact.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry³⁹</p>	<p>Financial market irregularities, layoffs, and failure to mitigate climate change impacts.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability reporting</p>	<p>The Issuer reports on its ESG performance and initiatives annually. The report is prepared in line with the GRI.</p>

³⁹ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the commercial banks and capital markets industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

<p>Industry associations, collective commitments</p>	<p>The Issuer has joined the following regional partnerships:</p> <ul style="list-style-type: none"> ▪ UAE Bank Federation: DIB works with industry peers to establish best practices and promote sustainable finance initiatives ▪ Emirates Institute for Banking and Financial Studies: Partnership dedicated to enhancing knowledge and expertise of the employees in sustainable finance within the banking sector ▪ Dubai Sustainable Finance Working Group: DIB is an active member of the group.
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>In November 2022, DIB issued its first sustainable sukuk with a volume of USD 750 million. In February 2023, the second issuance occurred with a volume of USD 1 billion, followed by another issuance of USD 1 billion in January 2024. The Sustainable Finance Framework was verified by ISS-Corporate.</p>

Rationale for issuance

Dubai Islamic Bank’s green, social and sustainability sukuk issuance builds on previous issuances and aims at supporting the Bank’s ESG goals. DIB has issued sustainable sukuk for a volume of USD 2.75 billion since 2022. DIB believes that the sukuk issued under this Framework will advance environmental and social objectives in line with the United Arab Emirates Ministry of Climate Change and Environment’s UAE Sustainable Finance Framework 2021 – 2031.

Opinion: *The key sustainability objectives and the rationale for issuing green, social, and sustainability sukuk are clearly described by the Issuer. The majority of the project categories financed are in line with the Issuer’s sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate, a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary methodology. For more information, please visit ISS-Corporate's official methodology [summary](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Dubai Islamic Bank commissioned ISS-Corporate to compile a green, social, and sustainability sukuk SPO. The second-party opinion process includes verifying whether the Sustainable Finance Framework aligns with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and Guidelines on Green, Social, and Sustainability Sukuk and assessing the sustainability credentials of its green, social, and sustainability sukuk, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)
- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)
- Social Loan Principles (SLP), as administered by the Loan Market Association (LMA) (as of February 2023)
- Guidance on Green, Social, and Sustainability Sukuk, as administered by the International Capital Market Association (ICMA) (as of April 2024)

ISSUER'S RESPONSIBILITY

Dubai Islamic Bank's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- Selection criteria
- Documentation of ESG risks management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, 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.

This independent second-party opinion of the green, social, and sustainability sukuk to be issued by Dubai Islamic Bank has been conducted based on proprietary methodology and in line with the ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and Guidelines on Green, Social, and Sustainability Sukuk.

The engagement with Dubai Islamic Bank took place from August to October 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

SECOND PARTY OPINION

Sustainability Quality of the Issuer
And Sustainable Finance Framework

ISS-CORPORATE 

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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/sukuk from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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