



# QNB Group Environmental and Social Risk Management Policy Framework

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## 1.0 Our Commitment

QNB is committed to building a better future and being a responsible partner for all our stakeholders. We do this by embedding a culture of sustainability and sustainable practices into our business, to better enable us to manage environmental, social, and governance (“ESG”) factors today, and well into the future. As one of the most pressing topics affecting our society, there is an ever-increasing demand from investors, clients, regulators and our own employees for greater transparency on our approach to ESG issues. We recognise the significant contribution QNB can make to society by adopting business practices to address these, especially through our financing activities. Furthermore, we believe that a proactive approach to sustainability strengthens QNB’s business resilience and supports sustainable financial performance.

A key pillar in QNB’s sustainability framework, sustainable finance is the integration of ESG criteria into QNB’s financing activities to deliver profit with purpose. Our ambition is to help clients manage their environmental and social (“E&S”) risks, and lend to businesses that contribute towards sustainable development goals and the transition to a green economy.

QNB’s commitment to sustainable lending practices recognises that large infrastructure and industrial projects can have adverse impacts on people and on the environment. QNB, as financiers, are therefore committed to work with our clients to identify, assess and manage E&S risks. Such collaboration promotes sustainable performance and can lead to improved financial, environmental and social outcomes.

This **Environmental and Social Risk Management (“ESRM”) policy framework** sets forth QNB Group’s (the “Bank”) overarching minimum standards and approach to E&S matters in its sustainable financing and operations, in alignment with the Bank’s sustainability policy, strategy and ESG commitments.

## 2.0 Purpose of this Policy Framework

This policy framework provides an overview of QNB Group’s approach to E&S in terms of:

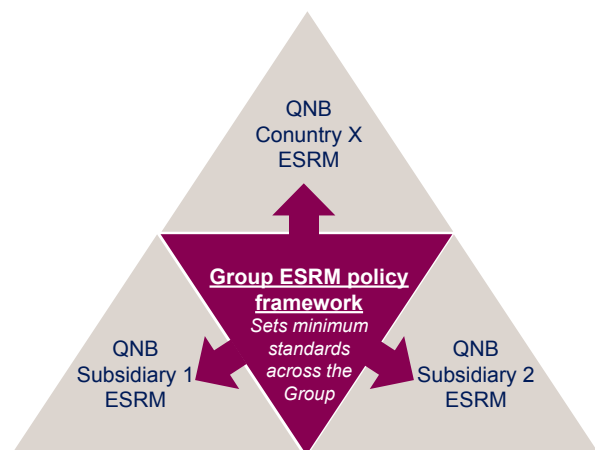
- Commitments
- Impacts of our operations
- Group ESRM minimum standards and risk management activities in sustainable lending

Hence, as required, in addition to relevant internal policies and procedures in effect, this policy framework will be supplemented by country specific ESRMs where applicable, topic-specific guidelines, procedures and training to support effective implementation across QNB Group and all relevant divisions (business, support and control).

## 3.0 Coverage and Target Audience

This policy framework is applicable to the entire Bank, covering Qatar, our international branches, and subsidiaries where we have majority ownership. Implementation of this policy framework within QNB subsidiaries will be in full compliance with all applicable local laws, regulations and standards. All respective divisions are responsible for aligning with the requirements of this policy framework, and to ensure continued compliance with all said applicable laws, regulations and standards.

This document serves as the Group’s minimum requirement for E&S risk due diligence; international branches and subsidiaries may supplement with additional criteria to cater for local specifications as required, whilst maintaining the integrity of this overarching policy framework.



### **QNB Group ESRM policy framework:**

- *Group level policy framework covering Qatar, international branches and major subsidiaries*
- *Subsidiary and country ESRMs developed under this overarching group policy*
- *Additional components can be added over and above the minimum standards to address national and regulatory specificities*

This policy framework is relevant to all employees in the Bank. It is the responsibility of the Bank’s Senior Management to ensure that this policy framework is implemented and complied with where relevant to their respective areas of responsibility. As a minimum, QNB Group will expect and encourage its clients to adopt an approach to comply with the principles laid out herewith.

This document is available publicly as an ongoing commitment to ESG matters and sustainable practices.

## 4.0 Internal and International Standards

This policy framework is aligned and implemented in conjunction with the established QNB Group policies and frameworks listed below.

- QNB Group Sustainability Policy
- QNB Group Wholesale and Institutional Banking Credit Policy
- QNB Green, Social and Sustainability Bond Framework
- QNB Group Code of Ethics and Conduct
- QNB Group Human Capital Policy
- QNB Third Party Risk Assessment Framework
- QNB Group-Wide Policy

Our principles and sustainability approach have been developed in accordance with national and international laws and regulation. In addition, we support and recognise the following conventions, standards and initiatives as part of our responsible framework:

- Qatar National Vision 2030
- United Nations Global Compact
- United Nations Sustainable Development Goals (SDG)
- United Nations Guiding Principles for Business and Human Rights
- International Labour Organisation's (ILO) Declaration of Fundamental Principles of Rights at Work
- World Bank Environment, Health and Safety Guidelines
- Global Reporting Initiative (GRI)
- International Capital Markets Association (ICMA) Green and Social Bond Principles, and Sustainability Bond Guidelines
- International Finance Corporation (IFC) Performance Standards

## 5.0 Main Principles

### 5.1 Environmental and Social Commitments

QNB Group will:

- Ensure that all applicable environmental and social laws and regulations are followed and complied with, within the geographies we operate
- Respect human rights, support diversity and inclusion, abide by applicable labour laws, and ensure that our business activities, operations and financing decisions are not associated with any acts that can be deemed as infringement of such
- Act with the awareness that our operations have direct and indirect impacts on environment and society, and look to put in place measures to address such impacts where feasible. This includes resource consumption and opportunities associated with climate change
- Aim to support sustainable and responsible development through our products, services, financing activities, and through influence in our supply chain
- Not knowingly finance projects or engage in business activities which are illegal, or likely to create adverse, irreversible and detrimental effects on environment and society, as stated in detail in its Exclusion List (section 5.3)
- Guide, collaborate and/or encourage relevant clients and third parties, as appropriate and where feasible, to actively manage their sustainability and E&S related risks to support the transition to a green economy and sustainable business practices
- Build internal capacity and capability to manage our sustainability and E&S related agenda, risks, demands and inquiries, as well as establish ESG related projects and initiatives
- Disclose our environmental, social and sustainability performance within our public reporting activities, and engage with stakeholders to understand their expectations via designated communication channels
- Include E&S and sustainability in employee training programmes and ensure that key principles and any commitments are understood and adopted by employees

### 5.2 Environmental and Social Risk Management Overview

The ESRM screening process and subsequent risk management applies to new term loans and project related financing activities<sup>1</sup> as per the financing materiality threshold.

1. First screening against Exclusions List (see 5.3)
2. Second screening against Restricted Sectors (see 5.4)
3. Third screening against Restricted Activities<sup>1</sup> (see 5.4)
4. Activities/ clients that are not excluded during the screening in previous steps are subject to additional E&S due diligence review and risk categorisation (see 5.5)
5. Reporting as applicable
6. Lessons learnt to enhance ESMS and continuous improvement

<sup>1</sup> All new Project Finance (non-recourse) deals with a QNB credit/ loan amount equal to or above USD 10 million (or where total syndicated facility is equal to or above USD 100 million) and a tenor of minimum two years, and all new Term Loans where the total facility is equal to or above USD 25million and a tenor of minimum two years. See section 10.0 for commitment to extend scope and coverage

### 5.3 Exclusion List

QNB Group will not engage in any financing where there is clear evidence of illegal activities or severe damage to the environment and/or society. The following lists the prohibited activities/ sectors that the Bank will not knowingly finance, directly or indirectly:

- Alcohol beverage production, distribution or trade (principal activity)
- Gambling activities, establishments and equivalent enterprises
- Sanctioned or Embargoed countries as classified by the relevant regulator exercising regulatory oversight
- Any other activity that is either illegal or considered socially unacceptable in its home market
- Production or activities violating human rights, involving harmful or exploitative forms of forced labour/ child labour
- Unbounded asbestos production or trade
- Ozone Depleting Substances not permitted by national regulations (e.g. Montreal Protocol)
- Production or trade in any pharmaceuticals, pesticides/ herbicides subject to international bans and local legislation

### 5.4 Restricted Sectors and Prohibited Activities

All in-scope activities passing the Exclusion List screening and meeting the financing materiality threshold are subject to additional E&S screening through Restricted Sectors and corresponding Prohibited Activities. Screening for Prohibited Activities is an absolute assessment; the Bank will not finance any of the prohibited activities as listed below.

Restricted Sector	Prohibited Activities
<b>Animal welfare</b>	<ul style="list-style-type: none"> <li>• Use of endangered species or non-human primates for testing purposes or experimentation</li> <li>• Trafficking and trade of endangered species for commercial purposes</li> <li>• Live animal testing for non-medical purposes</li> <li>• Operating fur farms</li> <li>• Trading or manufacturing fur products</li> </ul>
<b>Controversial weapons</b>	Production, maintenance or trade of any of the following weapons: <ul style="list-style-type: none"> <li>• Nuclear weapons</li> <li>• Nuclear weapons manufacturing companies domiciled in countries not member of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT)</li> <li>• Depleted uranium ammunition</li> <li>• Biological and chemical weapons</li> <li>• White phosphorous</li> <li>• Anti-personnel landmines</li> <li>• Cluster munitions</li> </ul>
<b>Fisheries</b>	<ul style="list-style-type: none"> <li>• Drift net fishing in the marine environment using nets in excess of 2.5 km in length</li> <li>• The use of explosives or toxins related to the catching of marine and fresh water species and shellfish</li> <li>• Commercial whaling</li> <li>• Shark finning</li> </ul>
<b>Protected areas</b>	<ul style="list-style-type: none"> <li>• Activities posing serious threat and irreparable damage to UNESCO World Heritage sites</li> <li>• Activities posing serious threat and irreparable damage critical natural habitats registered by the International Union for the Conservation of Nature (IUCN) Category I and II</li> </ul>
<b>Energy</b>	Unconventional Oil & Gas Activities: <ul style="list-style-type: none"> <li>• Activities related to Tar sands exploration/production/upgrading</li> <li>• Artic Offshore drilling/exploration</li> <li>• Shale Oil &amp; Gas mining/exploration</li> <li>• Ultra-Deepwater Activities</li> </ul>

<sup>2</sup> This does not apply to purchase and use of bonded asbestos cement sheeting where asbestos content is less than 20%

## Position Statement on Extractive Industries and Palm Oil

We fully support the transition to more sustainable practices in these sectors, whilst supporting economic growth and prosperity. This non-legally binding position statement reflects the recognition that there may be higher exposure to environmental and social risk in such sectors, and that we can have a positive influence through our financing activities.

We believe that engagement is a key enabler for long-term, successful transition to a lower carbon economy. We will work with our clients to support, guide, collaborate and/or encourage, as appropriate and where feasible, to adopt responsible business practices that contribute to environmentally sustainable socio-economic development in local communities.

Furthermore, we support and encourage clients to use, or transition towards, internationally recognised standards and practices to manage their environmental and social risks and impacts.

For palm oil, we require clients to be Roundtable on Sustainable Palm Oil (RSPO) certified, or in the process of becoming a member.

### 5.5 Environmental and Social Risk Categorisation:

Activities/ clients meeting criteria below that are not excluded during the screening in prior steps are subject to additional E&S due diligence review and risk categorisation:

- All new Corporate Project Finance (non-recourse) deals with a QNB credit/ loan amount equal to or above USD 10 million (or where total syndicated facility is equal to or above USD 100 million) and a tenor of minimum two years
- All new Term Loans for corporate customers where the total facility is equal to or above USD 25million and a tenor of minimum two years

Risk Category	Description of Risk
Low Risk (category C)	<ul style="list-style-type: none"><li>• Projects with minimal or no adverse social or environmental impacts or risks</li></ul>
Medium Risk (category B)	<ul style="list-style-type: none"><li>• Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures</li></ul>
High Risk (category A)	<ul style="list-style-type: none"><li>• Projects with significant potential adverse social or environmental impacts or risks that are diverse, irreversible or unprecedented</li></ul>

E&S risk categorisation will continue to follow the guidance and performance standards as laid out by the International Finance Corporation (IFC)

Please note projects will continue to be subject to standard credit screening and associated due diligence as part of the overall approval process.

Furthermore, it should be noted that the transactions falling into the High Risk Category might have to fulfil additional requirements set by the bank in order to manage the environment and social risk, which would be monitored closely.

## 6.0 Implementation

This policy framework is complemented by, and is in conjunction with, the other relevant QNB Group policies, country specific ESRMs (which at a minimum must adhere to the overarching Group ESRM standards), position statements, procedures and, guidelines that have been established to implement sustainable business practices across the Bank.

<sup>4</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/es-categorization](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization)

<sup>5</sup> [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

## 7.0 Reporting, Disclosures and Transparency

Where necessary, QNB Group will disclose and report its E&S performance in accordance with relevant local and global reporting standards, provided that such disclosure and reporting do not contradict with the provisions set out in the regulations in effect.

## 8.0 Dialogue with Stakeholders

In order to receive all-important feedback and understand their priorities, QNB Group will maintain dialogue and consultation channels with its main stakeholders; employees, shareholders, clients, suppliers and regulators.

## 9.0 Governance

Governance and escalation will be aligned with, and integrated within, the QNB Group Wholesale and Institutional Banking Credit Policy and associated procedures.

This policy framework and Exclusion List is approved by the Group Management Risk Committee, and in the event of update or revision, will be subject to their review and approval.

QNB will produce an annual update on the overall execution of the Group's sustainability strategy and performance. The Bank's sustainability performance will be reported in the QNB Annual Report and/or a standalone QNB Sustainability Report, in accordance with the Global Reporting Initiative (GRI) Standards and Qatar Stock Exchange 'Guidance on ESG Reporting'.

## 10.0 Amendments and Evolution

This Group ESRM policy framework and constituent components herewith are subject to update and revision as required, in accordance with market standards, industry changes, and the Bank's risk appetite.

QNB pledges to revisit and evolve the Group ESRM policy framework over time, including assessment of product and sector coverage.

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