الشركة العربية للاستثمارات البترولية
Arab Petroleum Investments Corporation

APICORP Green Bond Report

January 2023

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To Our Green Bond Investors

Thank You for Boosting Our Journey to a More Sustainable Future

Green Bonds have been gaining traction in the past decade; by the end of Q3 2022, the green bond market has surpassed USD 2 trillion and is foreseen to reach USD 5 trillion by 2025[1]. Despite facing growing scrutiny, Green Bonds continue to be seen as a powerful tool to drive climate change initiatives and, more importantly, climate change commitments. The MENA region, in particular, has been taking bigger strides towards green financing, nonetheless, such steps are still considered modest compared to the broader sustainable financing market.

The Arab Petroleum Investments Corporation (APICORP) mandate includes a focus on financing a balanced approach to energy transition within the MENA region. Through issuing in green, APICORP has taken upon itself to cement its commitment towards supporting sustainable energy sources.

We firmly believe that as corporations adopt more sustainable funding solutions, our economies achieve greater strides towards a greener future. Green Bonds provide investors with the capability to track the progress of issuers at the project level, provide transparency on how funds are deployed, and quantify the generated impacts. As a core energy investor, we hope that issuing in green encourages other energy players to undertake similar commitments.

This report is prepared in alignment with The Green Bonds Principles of the International Capital Markets Association (ICMA) and the UN Sustainable Development Goals (SDGs); furthermore, it details APICORP's efforts in expanding its green investments within the MENA region and the estimated positive environmental impact of such projects and investments.

With your support APICORP's inaugural green bond issuance, the MENA region's first issuance by an energy-focused investment institution, was nearly three times oversubscribed, garnered orders from more than 80 institutional and sovereign investors and has won both the Sustainable Finance Award (Middle East) from The Banker as part of the 2022 Deals of the Year and ESG Bond Deal of the Year awarded by the Bonds, Loans & Sukuk Middle East Awards in June 2022 in Dubai.

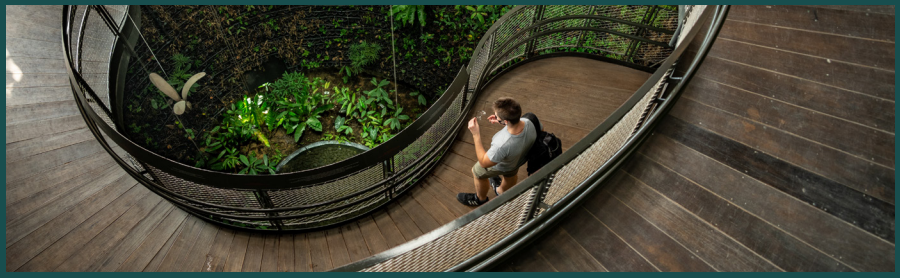
We sincerely thank you, our green partners, for accompanying us on our journey to promote more sustainable financing products with the region, encouraging companies to adopt sustainable frameworks, and helping sponsor the energy transition. It is our pleasure to share with you our first Green Bond Report.

Khalid Al-Ruwaigh

Type	Green Bond
Issuance Date	September 2021
Currency	USD
Amount	750,000,000
Tenor	5 years
ISIN	XS2389123931

The Banker
DEALS OF THE YEAR 2021

Bonds, Loans & Sukuk
MIDDLE EAST AWARDS
6th June 2023 | Madinat Jumeirah, Dubai



[1] Climate Bonds Initiative, https://www.climatebonds.net/resources/reports/5-steps-5trillion-2025

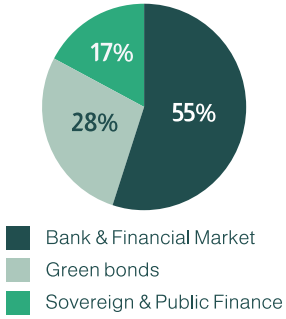
Our Green Bond Impact

Green Bond Fact Sheet

By the end of Oct. 2022, APICORP's green assets (both loans and equity investments) - allocated to APICORP's Green Bond - amounted to USD 335.7Mn. The assets are distributed across 10 projects yet have contractually binding commitments of USD 348.3Mn. Eligible Green projects in the pipeline for the same period amounted to USD 420Mn.

Total Number of Green Projects	10
Total Electricity Generation (MWh/year)	9,439,828
Total Treated Wastewater (m3/year)	73,000,000
Total GHG Emissions Avoided (TCO2e/year)	20,057,118
Total Population Served (Homes)	1,146,100
On Balance Sheet (US$)	335,372,788
Available Commitments (US$)	348,265,785
Average Maturity	18 years

The remaining amount of circa USD 415Mn of unallocated Green Bond proceeds are invested in Green Bond funds or in cash, cash equivalents and/or marketable securities, in accordance with APICORP's cash management policies as follows:



APICORP's Green Bond Portfolio includes three eligible categories: Renewables, Waste Management, Green Buildings. In this section we will display the following:

- The list of Eligible Green Projects where the Green Bond proceeds have been allocated; and
- Specific information concerning selected individual projects, allocated regions/areas and dates of commitment.

We shall also report on the estimated environmental and social impacts from the Eligible Green Projects that the Green Bond proceeds have been allocated to and the GHG emissions avoided annually (in tCO2e) by the Eligible Expenditures. The Impact Reporting will comprise, whenever relevant, the following environmental indicators:

Notes
None of the proceed have been invested in any of the excluded categories as per the Green Bond framework.

No Green Buildings have yet been financed under APICORP's Green Bond.

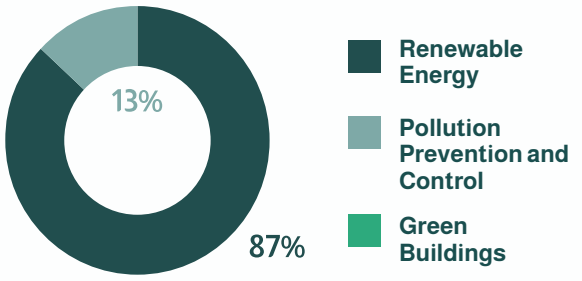
Eligible Green Categories	Indicative Impact Indicator
Renewable Energy	• Annual energy production in MWh • GHG Emissions avoided (tons) • Installed capacity in MW
Pollution Prevention and Control	• % of waste accepted by our sites which is recycled and given a new life • GHG Emissions per waste handled (tCO2e/tons) • kWh renewable energy generated from waste at our operations • Amount of waste reduced and/or diverted from landfills (tons) • Amount of waste recycled (tons) • Amount of waste reused (tons)
Green Buildings	• Building/landscape certification achieved (system & level); • Energy consumption reduction (kWh)

Summary of APICORP's Green Bond Consolidated Impacts

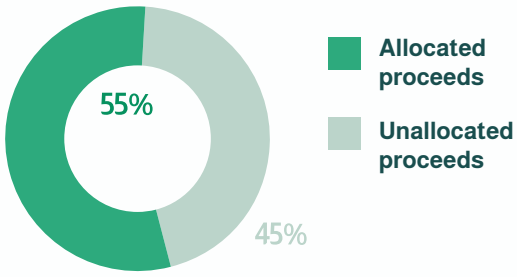
Below is a description of the allocation of the green assets and their expected impacts:

Category	Renewable Energy	Pollution Prevention and Control
Sub-category	Solar plants, Wind farms	Wastewater treatment plant and Waste-to-energy plant
Number of projects	8	2
Regions	KSA, UAE, Jordan, Spain, Egypt	KSA, UAE
Share of allocated proceeds	87%	13%
Output benefit	8,069,828 MWh per year	1,370,000 MWh per year
Impact benefit	20,057,118 tonnes of CO_2 avoided per year	937,588 tonnes of CO_2 avoided per year
Prorated output benefits	562,667 MWh per year	10,374 MWh per year
Prorated impact benefits	1,300,374 tonnes of CO_2 avoided per year	22,231 tonnes of CO_2 avoided per year

Allocated proceeds by category



Allocated proceeds vs Unallocated proceeds



Allocated proceeds by country				
				
Saudi Arabia	United Arab Emirates	Spain	Jordan	Egypt
Allocation: 19%	Allocation: 55%	Allocation: 13%	Allocation: 7%	Allocation: 7%
Number of projects: 2	Number of projects: 5	Number of projects:1	Number of projects: 1	Number of projects: 1

Harmonised Reporting Framework:
Overview of Use of Proceeds and Impact Reporting

In accordance with the Green Bond Principles, APICORP commits to report information on the allocation of proceeds. APICORP adopts the harmonised reporting framework[2], developed by an informal group of eleven international development banks including the World Bank (IBRD), the International Finance Corporation (IFC) and the European Investment Bank (EIB). The harmonized reporting framework provides core principles and recommendations for green bond reporting, and also recommends core indicators for the two sectors renewable energy and energy efficiency.

The following table - based on the harmonized reporting framework - captures the use of proceeds and expected environmental impacts and benefits of APICORP's Green Bond, based on allocated projects as of 31 October 2022. It is important to note that 100% of the mentioned total projects' costs is eligible for the Green Bond financing.

I. Renewable Energy - Wind Farms

Location	Allocated amount (USD) [a]	Financed/ Refinanced	Share of total bond [b]	Share of total portfolio financing [c]	Loan Maturity Period (Years) [d]	Total Impact of Project			APICORP's Share of Impact	
						Annual renewable energy generation (MWh/year) [e]	Annual GHG emissions avoided (Tonnes of CO2/ year) [e]	Other indicators [e]	Annual Renewable energy generation (MWh/year) [f]	Annual GHG emissions avoided (Tonnes of CO2/ year) [f]
Spain	42,857,142	Refinanced	6%	5.42%	5	1,261,440	367,079	Capacity of 720 MW wind energy. Power 94,208 home.	68,433	19,914
Jordan	24,900,000[1]	Refinanced	3%	20%	-	153,738	224,000	Capacity of 117 MW wind energy. Power 15,000 home.	30,748	44,800

[a] This represents the amount of green bond proceeds that has been allocated for disbursements to the project.
[b] This represents the share of the project's financing out of total bond amount.
[c] This represents the share of the total project cost that is financed by APICORP.
[d] This represents the loan tenor of the project.
[e] This represents the total impact benefit of the project. Please refer to the Methodology section for more details on calculations assumptions used.
[f] This represents the pro-rated impact benefit of the project based on APICORP's financing share as of October 31st, 2022, out of the total project cost.

[1] The mentioned amount reflects the original cost of equity investment.

II. Renewable Energy - Solar Plants

Location	Allocated amount (USD) [a]	Financed/ Refinanced	Share of total bond [b]	Share of total portfolio financing [c]	Loan Maturity Period (Years) [d]	Total Impact of Project			APICORP's Share of Impact	
						Annual renewable energy generation (MWh/year) [e]	Annual GHG emissions avoided (Tonnes of CO2/ year) [e]	Other indicators [e]	Annual Renewable energy generation (MWh/year) [f]	Annual GHG emissions avoided (Tonnes of CO2/ year) [f]
UAE	37,504,198[2]	Refinanced	5%	11.48%	5	143,000[3]	49,000	Capacity of 820 MW Solar PV. Power 2,433 home.	16,416	5,625
UAE	10,865,851	Financed	1%	12.07%	12	199,084	119,450	Capacity of 109 MW Solar PV. Power 3,388 home.	24,036	14,421
UAE	64,205,299	Refinanced	9%	6.82%	27	1,461,168	14,000,000	Capacity of 800 MW Solar PV. Power 160,000 home.	99,591	954,219
UAE	61,143,381	Refinanced	8%	10.89%	27	1,643,814	1,180,000	Capacity of 900 MW Solar PV. Power 270,000 home.	178,968	128,471
Saudi Arabia	29,883,491	Financed	4%	3.27%	28	2,824,553	2,900,000	Power 185,000 home.	92,360	94,827
Egypt	21,987,529	Financed	3%	13.61%	4	383,031	280,000	Capacity of 200 MW renewable energy. Power 130,000 home.	52,116	38,097

[a] This represents the amount of green bond proceeds that has been allocated for disbursements to the project.
[b] This represents the share of the project's financing out of total bond amount.
[c] This represents the share of the total project cost that is financed by APICORP.
[d] This represents the loan tenor of the project.
[e] This represents the total impact benefit of the project. Please refer to the Methodology section for more details on calculations assumptions used.
[f] This represents the pro-rated impact benefit of the project based on APICORP's financing share as of October 31st, 2022, out of the total project cost.

[2] Amount includes both the loan outstanding balance and original cost of equity investment amount as of October 31st 2022.

[3] The mentioned figure for renewable energy generation and associated impacts is measured based on the cumulative output of projects deployed by the company as APICORP is an equity owner.

III. Pollution Prevention and Control - Wastewater Treatment and Waste to Energy

Location	Allocated amount (USD) [a]	Financed/ Refinanced	Share of total bond [b]	Share of total portfolio financing [c]	Loan Maturity Period (Years) [d]	Total Impact of Project			APICORP's Share of Impact	
						Annual renewable energy generation (MWh/year) [e]	Annual GHG emissions avoided (Tonnes of CO2/ year) [e]	Other indicators [e]	Annual Renewable energy generation (MWh/year) [f]	Annual GHG emissions avoided (Tonnes of CO2/ year) [f]
Saudi Arabia	33,236,000	Refinanced	4%	13.85%	27	-	115,588	Capacity of 200,000 m3/ day treated water. Treat 73,000,000 m3/year. Serve 166,071 home.	-	16,007
UAE	8,789,897	Financed	1%	0.76%	24	1,370,000	822,000	Capacity of 194 MW waste to energy. Power 120,000 home.	10,374	6,224

[a] This represents the amount of green bond proceeds that has been allocated for disbursements to the project.
[b] This represents the share of the project's financing out of total bond amount.
[c] This represents the share of the total project cost that is financed by APICORP.
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[f] This represents the pro-rated impact benefit of the project based on APICORP's financing share as of October 31st, 2022, out of the total project cost.

Eligible Green Category	Alignment with UNSDG's	
Renewable Energy		SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix SDG 7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology SG 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all SDG 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities SDG 13.3 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Pollution Prevention and Con-trolw		SDG 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management SDG 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Methodology

APICORP reports on the impact data of the green loans financed by green bonds for each green bond category; Renewable Energy and Pollution Prevention and Control. In the absence of client-specific data, APICORP has applied estimates that are relevant considering both the type and the location of the asset. The impact is calculated based on comparisons against relevant baselines specified below. The exact impacts may be subject to uncertainties that cannot be completely eliminated.

Calculation Methodology
Renewable Energy

- Calculation of renewable energy generation: Annual renewable energy generation in megawatt hours is estimated using the output capacity of green projects. Annual renewable energy generation is based on the Power Potential and Wind Capacity Factor in countries where the green project is located, using data from the Global Solar Atlas and Global Wind Atlas by The World Bank. The calculation of renewable energy includes the Solar PV Power Potential in Saudi Arabia (5.159 KWh/KWp/day), United Arab Emirates (5.004 KWh/KWp/day), Egypt (5.247 KWh/KWp/day) and the Wind Capacity Factors in Jordan (15%) and in Spain (20%).
- Calculation of avoided CO2 emissions: Avoided CO2 emissions are estimated using the annual project generation in megawatt hours. Avoided CO2 emissions are based on CO2 emissions for fossil fuel projects in countries where the green project is located, using The Climate Registry (TCR) emissions data. The calculation of avoided CO2 emissions includes the emissions factor in Saudi Arabia (754 gCO2/ KWh), United Arab Emirates (600 gCO2/ KWh), Jordan (637 gCO2/ KWh), and Spain (291 gCO2/ KWh).
- Calculation of households supplied with renewable energy: Number of homes served with electricity from green projects is estimated using the annual project generation in megawatt hours. Number of homes served is based on the average household size and the per capita electricity consumption in countries where the green project is located, using data from The World Bank and ArcGIS by the Environmental Systems Research Institute (ESRI). The calculation of households supplied with renewable energy include the average household size in Saudi Arabia (5.6 people per household), United Arab Emirates (5.3 people per household), Jordan (4.8 people per household) and Spain (2.5 people per household). In addition to the per capita electricity consumption in Saudi Arabia (9.401 MWh), United Arab Emirates (11.088 MWh), Jordan (1.865 MWh) and Spain (5.356 MWh).

Calculation Methodology
Pollution Prevention and Control

- Calculation of waste to energy generation: Annual waste to energy generation in megawatt hours is estimated using the output capacity of the green project. Annual energy generation is based on the Energy Potential of the energy recovery from the combustion of municipal solid waste (MSW), using data from the US Environmental Protection Agency (EPA). The calculation of energy generation includes Energy Potential in the combustion of MSW (550 KWh/Ton).
- Calculation of avoided CO2 emissions for waste to energy generation: Avoided CO2 emissions are estimated using the annual project generation in megawatt hours. Avoided CO2 emissions are based on CO2 emissions for fossil fuel projects in the country where the green project is located, using The Climate Registry (TCR) emissions data. The calculation of avoided CO2 emissions includes the emissions factor in United Arab Emirates (600 gCO2/ KWh).
- Calculation of avoided CO2 emissions for wastewater treatment: Avoided CO2 emissions are estimated using the annual project capacity in cubic meters. Avoided CO2 emissions are based on the Specific Power Consumption of wastewater treatment plants, using the data from Multidisciplinary Digital Publishing Institute for peer-reviewed scientific journals (MDPI), in addition to the CO2 emissions for fossil fuel projects in the country where the green project is located, using The Climate Registry (TCR) emissions data. The calculation of avoided CO2 emissions includes the Specific Power Consumption of wastewater treatment plants (2.1 KWh/m3) and the emissions factor in Saudi Arabia (754 gCO2/ KWh).
- Calculation of households supplied with energy form waste to energy project: Number of homes served with electricity from waste to energy project is estimated using the annual project generation in megawatt hours. Number of homes served is based on the average household size and the per capita electricity consumption in the country where the project is located, using data from The World Bank and ArcGIS by the Environmental Systems Research Institute (ESRI). The calculation of households supplied with energy include the average household size in United Arab Emirates (5.3 people per household), in addition to the per capita electricity consumption in United Arab Emirates (11.088 MWh).

Financing Projects with Clear Environmental and Social Benefits

Solar Plants

Solar power represents a vast resource which could support the world shift to a low-carbon economy. The technology used to generate solar power by converting light to electricity (PV) and converting of light to power via heat (solar thermal) has proven itself over the years. The cost reductions in solar PV over the last ten years now making it often the cheapest form of electricity.[5]

The International Energy Agency (IEA) reported that in 2021, renewable electricity generation rose by almost 7%, a record 522 TWh increase, with wind and solar PV technologies together accounting for almost 90% of this growth [6].

Snapshot of Asset Performance

Asset	Location	Output benefits	Indicative Impact Indicator
Total Solar	United Arab Emirates	• Capacity to generate 50 MW of electricity	• Generate electricity from green sources • Displace around 54 thousand tonnes of CO2e per year • Power 9,132 homes in Dubai • Create employment opportunities

Wastewater Plants

It is estimated that worldwide, one in three people do not have access to safe drinking water and approximately 70 per cent of all water abstracted from rivers, lakes and aquifers is used for irrigation[8]. In poorer urban areas, a large proportion of wastewater is discharged untreated directly into the closest drainage channel or water body. As a result, wastewater treatment has become a main priority around the globe.

The aim of wastewater treatment is to remove as much of the suspended solids as possible before the remaining water, called effluent, is discharged back to the environment[9]. Such an innovative process can be seen as the main drive behind producing safe, potable water to people who previously did not enjoy such a basic human right.

Wastewater management can have a high impact on the sustainability of water supplies, human health, the economy and the environment. In the Arab Region, about half of the Arab population currently lives under extreme water scarcity (less than 500 m3 per capita annually), while 18 of the 22 Arab countries fall below the water poverty line of 1000 m3 per capita per year.

Snapshot of Asset Performance

Asset	Location	Output benefits	Indicative Impact Indicator
Dammam West ISTP	Saudi Arabia	• Capacity to treat an average daily influent of 200,000 m3	• Displace 115,588 tCO2e/year • Serve 166,071 Homes

08 The International Energy Agency - Biomass explained Waste-to-energy

09 US Energy Information Administration

Wind Farms

Wind turbines harness energy from the wind using mechanical power to spin a generator and create electricity. Contrary to popular belief, wind farms take up very little land in proportion to the amount of renewable energy that they can produce. Wind energy's major advantage over conventional energy sources, is that it does not produce greenhouse gases (GHG) or air pollutants during generation[12]. Wind energy projects also impact local communities by providing jobs in rural communities in manufacturing, transportation, and project construction. Wind energy sector employment reached a new high of more than 116,800 full-time workers at the end of 2020[13].

According to the International Energy Agency, wind accounted for about half of 2021's record 522 TWh increase in renewable electricity generation, mostly due to the almost tripling of wind capacity additions in China in 2020 and continuation of strong growth in 2021[14].

Snapshot of Asset Performance

Asset	Location	Output benefits	Indicative Impact Indicator
Tafila Wind Farm	Jordan	• Installed capacity of 117 MW	• Improve access to power for 72,000 individuals annually • Reduce 224,000 tonnes of CO2e per year Provide power to the Jordanian national grid at a price that is 25% lower than the wholesale electricity price in the country.

Waste-to-Energy Plants

Waste-to-Energy is the process of generating energy in the form of electricity and/or steam from the combustion of non-recyclable residual waste. Waste-to-Energy facilities is considered a safe approach of waste disposal that reduces greenhouse gases, generates clean energy and recycles metal. Waste-to-Energy (WTE) can help mitigate climate change. This is because the waste combusted at a WTE facility doesn't generate methane, as it would at a landfill; the metals that would have been sent to the landfill are recovered for recycling instead of being thrown out; and the electricity generated offsets the greenhouse gases that would otherwise have been generated from coal and natural gas plants. WTE plants are able to reduce the volume of waste by about 87%, burning 2,000 pounds of garbage to ash weighing between 300 and 600 pounds[16].

Snapshot of Asset Performance

Asset	Location	Output benefits	Indicative Impact Indicator
Dubai Waste	United Arab Emirates	• Produce 194 MW of green energy	• Total emissions reduction of 64,900kt CO2e over the construction and operation phases of the project.

12 The International Energy Agency - Renewable Electricity
13 The International Energy Agency - Biomass explained Waste-to-energy
14 US Energy Information Administration

Commentary on Deployment of Green Proceeds

After 2021 was another successful year for green bonds in MENA, 2022 has not been as such – particularly in the deployment of proceeds. This has been mainly due to China's resurgence of COVID cases in Q1 and Q2, prompting tight lockdowns in major manufacturing and trade hubs in addition to slowdown in European component manufacturing. As a matter of fact, China's manufacturing capacity utilization rate turned downward from Q3 2021. Manufacturing of machineries only saw an uptick in August 2022, while power generation facilities still saw a year-on-year decline.

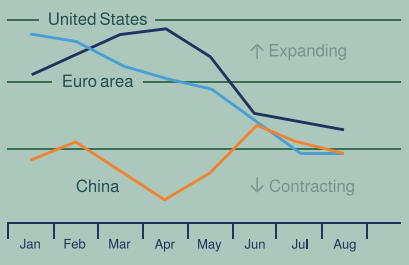
Companies within the MENA region reported delays in renewable projects due to supply chain, logistics and transportation difficulties which have increased in 2022 vs 2021, and some even experienced difficulties in getting supplies of imported raw materials and key components.

An index measuring the delivery time of suppliers dropped to 37.2 from 46.5, suggesting that it's taking much longer for raw materials to reach their manufacturing customer. Inventories of finished goods rose to the highest level in more than a decade, with finished products likely piling up in warehouses due to both the slump in demand and the difficulty of getting goods on to trucks.

Evidence show that China started recovering from widespread lockdowns and industrial stoppages caused by a resurgence in COVID-19 after August when volumes were the third lowest so far in the year despite seeing a month-on-month growth.

Spanner in the works

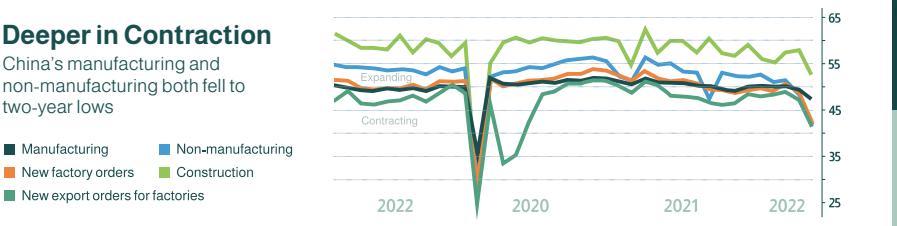
Manufacturing activity, purchasing managers index*



* Based on a survey of purchasing executives
Source: S&P Global Market Intelligence

Deeper in Contraction

China's manufacturing and non-manufacturing both fell to two-year lows

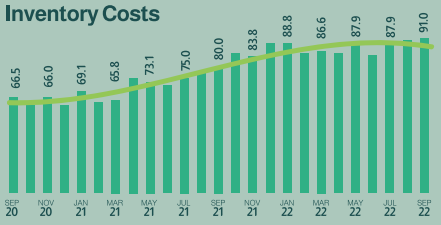


For Europe, the source of some critical high-tech products, the energy crisis is the main reason for the slowdown in manufacturing activity as evidenced by the Europe MSCI index.

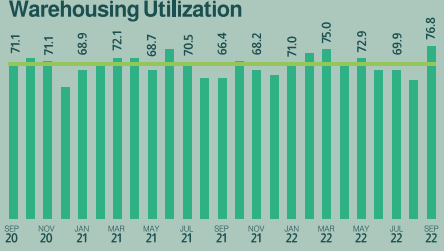
Europe MSCI index:

Shortages also triggered a spike in global storage cost and warehouse utilization rates to three-yr record highs, as evidenced by Logistics Managers Index:

Inventory Costs



Warehousing Utilization



Nevertheless, the situation has been improving in Q4 as China resumes normal manufacturing and export activity and global supply chains continue to readjust.

Other key issues that are hindering the progress of projects in general and utility ones particularly during 2022 is the inflation as well as the interest rate increase. Both are negatively impacting the economics of these utility projects that are very sensitive to cost deviations. It is challenging at this stage to quantify how many projects could be adversely impacted, but one shall expect prolonged discussions between preferred bidders and energy off takers, as well as difficult negotiations on cost overruns during construction periods.

[1] Climate Bonds Initiative, https://www.climatebonds.net/resources/reports/5-steps-5trillion-2025

Sustainability at APICORP

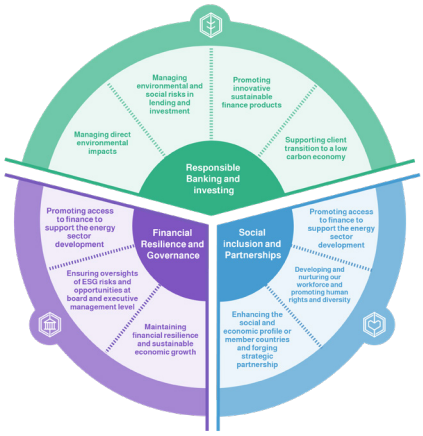
As an energy-focused multilateral financial institution established in 1975 by the ten Arab oil exporting countries, APCIORP was entrusted with the role of supporting the sustainable development of the region's energy sector and related industries through a range of financing and direct equity solutions, as well as energy research and advisory services. Recognizing the importance of its role, impact, and responsibility to tackle environmental and climate change challenges within its member countries and the wider Arab region, APICORP positioned itself on a path to sponsor projects that help achieve the overarching energy transition.

Even before developing a formal ESG policy, APICORP began investing in environmentally friendly projects with the MENA region including district cooling, water desalination, and Solar PV plants.

Late in 2019, APICORP formulated its ESG aspirations as part of its five-year strategy. APICORP took upon itself to embed ESG in its modus operandi through:

- Developing a comprehensive, integrated, and tailored ESG framework.
- Embedding ESG dimensions in new business opportunities assessment and selection (debt & equity).
- Monitoring and measure its ESG impact/ footprint.
- Enhancing thought leadership and drive policy change vis-à-vis energy transition.

By mid-2020, APICORP developed its ESG policy framework which defined its ESG objectives and commitments. APICORP's ESG objectives cover three main pillars supported by 10 initiatives that are aligned with the United Nations Sustainable Development Goals (UNSDG's).



Pillar 1	Responsible Banking and Investing
Pillar 2	Social Inclusion and Partnershaips
Pillar 3	Financial Resilience and Governance

Determined to expedite the energy transition within the MENA and encourage energy companies to adopt sustainable frameworks and sources of funding, APICORP developed its green bond framework and issued its first green bond during 2021.

APICORP continued to set examples within the MENA region when it received the first solicited sustainability rating from Moody's ESG Solutions (previously V.E.) in the MENA region in April 2022. APICORP's 'A2' sustainability rating is based on its capacity and willingness to integrate ESG factors into its strategy, operations, and risk management, which were formalized in its ESG policy framework.

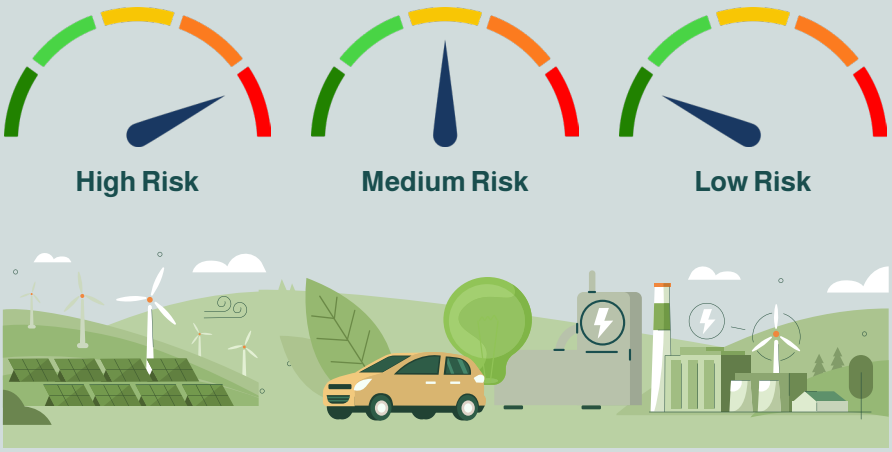
Today APICORP is embarking on another ambitious initiative of assessing the ESG footprint of its lending and investment portfolio.

Credit Review Process

APICORP's credit process follows a rigorous review cycle which passes through several scrutinization and decisioning levels, beginning with the initial Credit and Investment Committee (CIC), a final CIC, and ultimately the Board approval.

Origination → **Appraisal** → **Decisioning** → **Execution** → **Management**

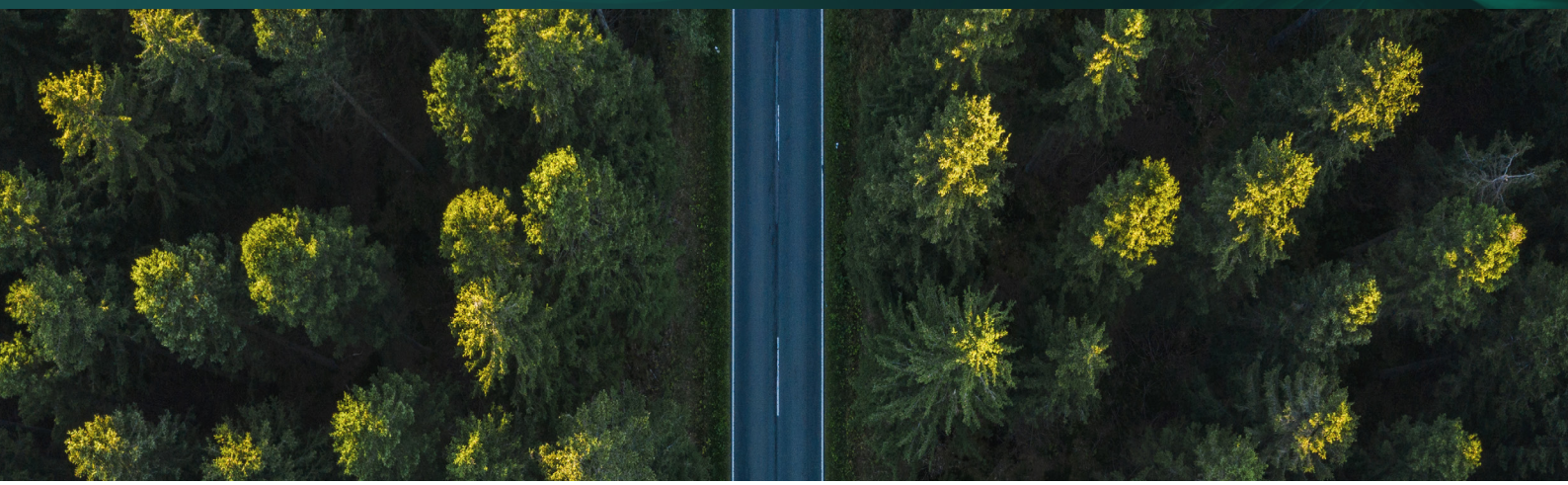
During this process several aspects of each loan or investment are assess including the potential ESG risk of each transaction.



Whenever a transaction is identified as eligible for green financing, the CIC highlights the transaction for the Green Bond Committee (GBC). The GBC accordingly convenes to assess the following:

1. The GBC undertakes a review of the eligibility of potential green assets against the Green Bond Framework.
2. Eligible green projects and clients are screened for any ESG related allegations and controversies.
3. The GBC approves the inclusion of the green asset and documents its decision.

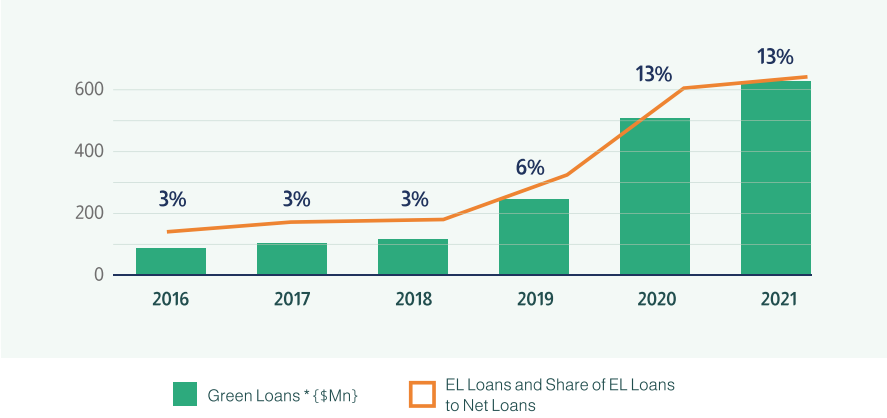
An Overview of APICORP Total Environmentally-Linked Projects* Financed to Date



APICORP financed its first environmentally linked project in the year 2016, a district cooling plant and distribution network on Al Maryah Island, UAE under a 30-year exclusive concession granted by Al Sowwah Square Properties LLC. At the time APICORP contribution was around USD 90 million dollars which constituted 3% of APICORP's total loans.

Today APICORP's environmentally linked loans constitute 13% of its total loan portfolio of which 48% are eligible for green financing as per APICORP's green bond framework. These environmentally linked loans include renewables (solar and wind power), water desalination, waste treatment, and district cooling.

The exponential growth in APCIORP's contribution to such types of projects during the past 6 years demonstrates its commitment to a targeted approach to finance projects with clear environmental benefits.



Objective	Criteria
Total Number of Environmentally-Linked Projects	14
Total Electricity Generation (MWh/year)	10,080,060
Total Treated Wastewater (m3/year)	79,022,500
Total GHG Emissions Avoided (TCO2e/year)	23,395,342
Total Population Served (Homes)	3,944,303
On balance sheet (US$)	663,642,514
Available commitments (US$)	367,498,220
Average Maturity	20 years

* The term "Environmentally linked Projects" includes both eligible green categories and others with clear environmental impact.

Independent Limited Assurance

Report to Arab Petroleum Investments Corporation

We have been engaged by the management of Arab Petroleum Investments Corporation ("the Company") to undertake a limited assurance engagement in respect of certain information disclosed in the Company's Green Bond Report as at 31 October 2022 (the "Report").

Subject Matter Information and Applicable criteria

The scope of our limited assurance engagement, as agreed with management, comprises "Allocation of proceeds to eligible green bond projects" (as presented on page 6, 7 and 8).

The Subject Matter Information, as presented in the Report, is denoted by the symbol ●. We have not performed any procedures with respect to other information included in the Report and, therefore, no conclusion on the Report as a whole is expressed.

There are no mandatory requirements for the preparation, publication or review of sustainability performance information. As such, the Company applies its Green Bond Framework (issued in 2021) and definitions included in the Report.

Management's responsibilities

Management is responsible for the preparation and presentation of the Subject Matter Information, as at the date of our report. Management is also responsible for establishing and maintaining appropriate internal controls from which the reported Subject Matter Information is derived.

The Management is also responsible for preventing and detecting fraud and for identifying and ensuring that Issuer complies with laws and regulations applicable to its activities.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the preparation of the Subject matter information included in the Report, as defined above.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) Assurance Engagements other than Audit or Reviews of Historical Financial Information. ISAE 3000 requires that we plan and perform the engagement to obtain the stated level of assurance in accordance with the applicable criteria.

This assurance report is made solely to Company in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to the Company those matters we have been engaged to state in this assurance report and for no other purpose. Our limited assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Company for any purpose or in any context. Any party other than the Company who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Company for our work, for this independent limited assurance report, or for the conclusions we have reached. We expressly disclaim any liability or co-responsibility for any decision a person or entity would make based on this assurance statement. Our assurance statement is released to the Company on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. By reading this assurance statement, stakeholders acknowledge and agree to the limitations and disclaimers mentioned above.

Independence and Quality control

We have complied with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement was conducted by a team which included professionals with suitable skills and experience on both assurance and the applicable subject matter.

Assurance approach

We planned and performed our work to obtain the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Subject Matter Information and applying analytical and other evidence gathering procedures to the assured information, as appropriate. Our procedures included:

- Inquiries with relevant staff at the corporate level to understand the data collection and reporting processes for the Subject Matter Information;
- Comparing the reported data for the Subject Matter Information to underlying data sources;
- Inquiries of management regarding key assumptions and where relevant the re-performance of calculations; and
- Reviewing Subject Matter Information presented in the Report to determine whether it is consistent with other information included in the Report.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that, as at 31 October 2022, the Subject Matter Information as described above has not been prepared and presented, in all material respects, in accordance with the Company's Green Bond Framework as at the date of our report.

10 January 2023

KPMG Fakhro
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Appendix A

Reference to APICORP's Green Bond Framework

APICORP's Green Bond Framework sets out the guidelines for APICORP's Green Bond issuances in accordance with the International Capital Markets Association ("ICMA") Green Bond Principles:

1. Use of Proceeds
2. Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. Eligible Categories

Objectives	Criteria
Use of Proceeds	The cornerstone of a Green Bond is the utilisation of the bond's proceeds. The proceeds from APICORP's Green Bond will exclusively be used to finance, refinance and/or invest in whole or in part, new or existing projects under development and/or projects in operation from any of the Eligible Green Categories listed in Appendix A. APICORP's eligible categories are based on the categories and definitions found in both the Green Bond Principles and Climate Bond Initiative and are aligned with the UN Sustainable Development Goals (SDGs). APICORP excludes the following activities from its green funding: 1. Nuclear power generation and distribution assets 2. Coal or gas fired power generation and distribution assets Fossil fuel related activities, including underlying investments in research and development Heat or power facilities with emissions intensity above 100g CO2e/kWh Landfill operations and any incineration of any unsorted waste assets or bio-waste 3. Exploration and development of new oil and gas fields 4. Road transportation with emissions intensity above 50g CO2/km 5. Aviation, airline and airport industries
Process for project evaluation and selection	As a first step in project selection, APICORP's debt financing and equity investment review and identify the output benefit of each proposed project and align it with the corresponding green category under the oversight of the Credit and Investments Committee ("CIC"). These projects are then highlighted to the Green Bond Committee ("GBC") to assess their eligibility for green financing or refinancing, in whole or in part, as per the criteria set within the Green Bond Framework. APICORP performs an extra layer of assurance by conducting an additional due diligence analysis for all current and new projects, based on ESG criteria. The evaluation the client's environmental and social performance, and the project's alignment with environmental and social international standards and national legislations. The methodology leverages stringent international standards and recommendations including those of the European Bank for Reconstruction and Development (EBRD), IFC, World Bank, Equator Principles, OECD, International Labour Organisation (ILO), Declaration of Human Rights, and country specific environmental and labour rights regulations. The assessment methodology also quantifies the performance into numerical scores. All eligible projects and clients are screened for any ESG related allegations and controversies. The assessment includes both the severity of the allegation and its impact.
Management of Proceeds	After project review, the bonds proceeds are allocated to the selected green projects. The net proceeds of any Green Bond/Sukuk(s) will be managed by APICORP's Treasury and Capital Markets Department (TCM). During 2022, APICORP has reviewed the impact of all of its portfolio companies out of which 18 eligible green projects were identified and 10 green projects were selected to be allocated to the Green Bond. The projects' activities vary between, Solar plants, Wind farms, Waste to-Energy projects and Wastewater treatment plants and are located in Saudi Arabia the UAE, Jordan and Spain.
Reporting	This is APICORP's first annual Green Bond Report which covers all APICORP's issuance. APICORP will continue to report on the estimated environmental and social impacts from the Eligible Green Projects that the Green Bond proceeds have been allocated to and the GHG emissions avoided annually (in tCO2e) by the Eligible Expenditures funded from each respective outstanding Green Bond (depending on confidentiality, nature of the Eligible Expenditures and availability of information).

Eligible Green Categories	UN SDG Alignment	Eligibility Criteria
Renewable Energy		Generation of energy from renewable sources, namely wind (onshore and offshore) and solar (including rooftop solar projects). This also includes the transmission, distribution, and electrical storage infrastructure related to renewable energy production as well as connection to local grid / direct users along with efficient district heating and cooling system. All energy system considered must have a carbon intensity below 100g CO2e/kWh
Pollution Prevention and Control		Recovery and enhancement of waste including; • Waste collection • Waste treatment (processing and treatment to prevent and control pollution) • Waste recycling • Composting and Anaerobic digestion of bio-waste with enhanced management of methane emissions
Green Buildings		New construction, building developments, and/or renovation of existing buildings (including public service, commercial, residential and recreational) which meet recognized environmental standards such as LEED – gold, BREEAM – very good/excellent, HQE – very good/excellent, CASBEE – A (very good)/S(excellent) or equivalent Buildings belonging to the top 15% of the national or regional building stock in terms of primary energy demand

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