

# Sustainability Linked Finance Framework



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## The Oil and Gas Holding Company B.S.C.(Closed) Sustainability Linked Finance Framework

### 01 Introduction

The Oil and Gas Holding Company B.S.C.(Closed) (“Bapco Energies” or the “Company”) is the hydrocarbon and energy investment and business development arm of the Kingdom of Bahrain, incorporated by Royal Decree No. 77 for the year 2007 on 10th August 2007. Bapco Energies plays a key role in the implementation of the Kingdom’s strategies in the oil and gas sector and is responsible for the management of the Government of the Kingdom of Bahrain’s shareholdings in upstream and downstream oil and gas, and petrochemical assets. The Company is responsible for 70% of Bahrain’s emissions across all Scopes (Scope 1, 2 and 3), and in order for Bahrain to decarbonise its national economy successfully, collaboration between all major industries and sectors is crucial.

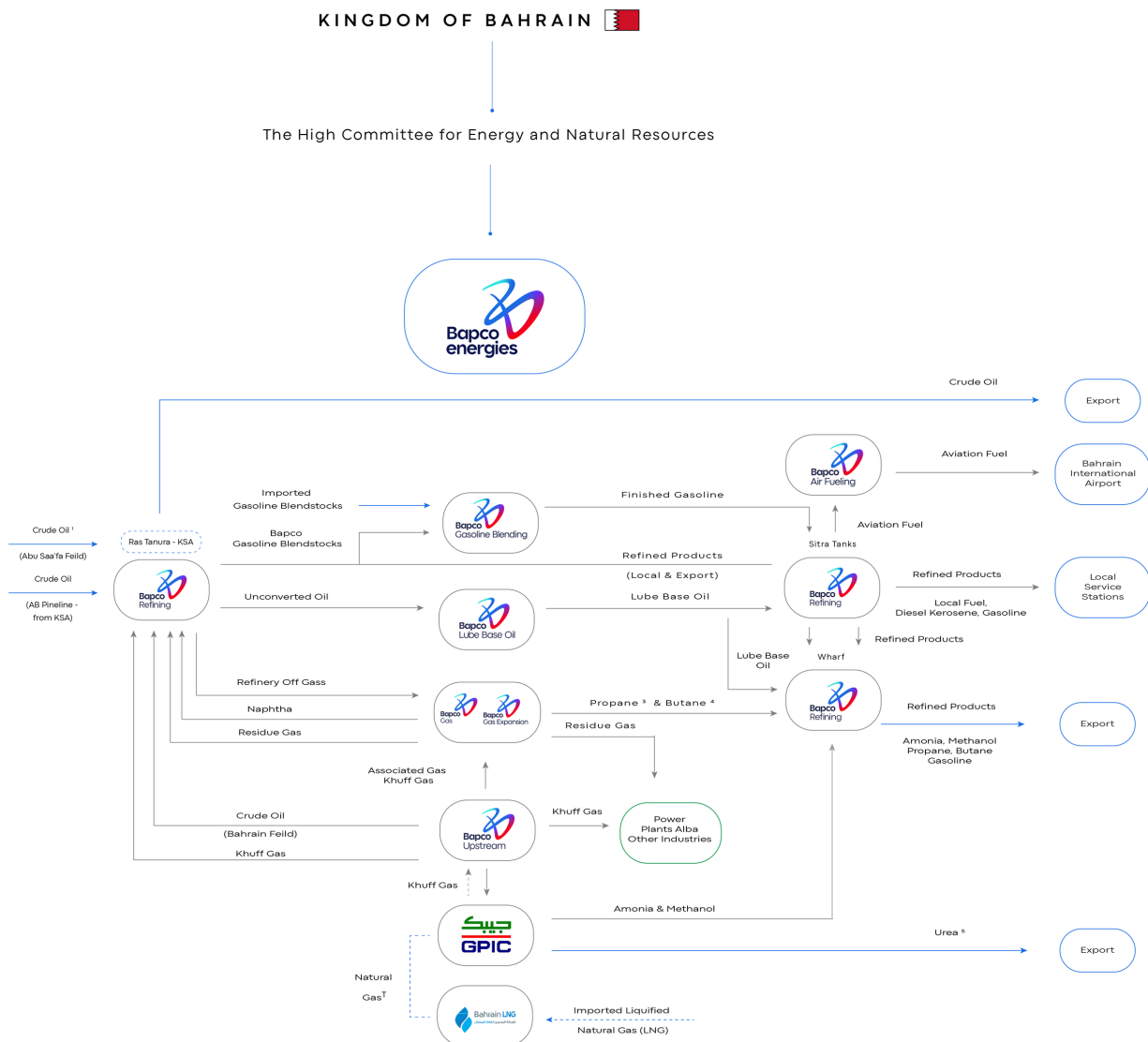
Bapco Energies sets standards of performance that are world class in all subsidiaries and plays a vital role in promoting best practice and encouraging operational excellence in its portfolio of operating companies (“OpCos”). Bapco Energies supports the Kingdom’s 2030 vision and long-term goals by implementing the strategic policy objectives set by the government of the Kingdom of Bahrain, through the Higher Committee for Energy and Natural Resources, and based on national targets and priorities, into more detailed sub-objectives and targets for its OpCos.

#### 1.1 Bapco Energies’ Portfolio

Bapco Energies’ portfolio companies sit at the heart of Bahrain’s hydrocarbon and energy ecosystem and enjoy a number of advantages stemming from the interdependencies between them, resulting in fully integrated operations across the value chain. These interdependencies are crucial to Bapco Energies being able to achieve efficiency gains and emissions reductions, as well as minimizing environmental and social impact. The Portfolio consists of 15 OpCos with different degrees of ownership: Bapco Refining (100%); Bapco Upstream(100%); Bapco Gas (75%); Bapco Gas Expansion (100%); Gulf Petrochemical Industries Company, “GPIC” (33%); Bapco Tazweed (100%); Bahrain Jet Fuel Company, “BJFCO” (50%); “Asry” (37%); Bapco Air Fueling (60%); Bahrain LNG, “BLNG” (30%); Bapco Lube Based Oil, (100%); Bapco Gasoline Blending (85%); Saudi Bahrain Pipeline



Company, "SBPC" (100%); Trident Logistics Bahrain, "Trident Logistics" (49%); and the Aromatics Petchem Company (100%, currently on hold). The primary OpCos are: Bapco Refining, which is engaged in refining, sales, marketing and distribution of petroleum refined products, as well as sales agent for the Government share of Abu Saafa field crude oil; Bapco Upstream, which is responsible for the exploration, production, upstream development and the execution of all activities related to the petroleum operations in Bahrain Field; Bapco Gas and Bapco Gas Expansion, which operate gas processing plant facilities to extract liquefied petroleum gas ("LPG") and Naphtha; and GPIC, which operates a petrochemical plant using natural gas as feedstock for the production of urea and methanol.





## 1.2 Bapco Energies' Energy Transition Agenda

The oil and gas market is going through an irreversible transformation as sustainability and climate change take center stage. It is not possible for oil and gas companies to continue operating as before and assume that there will always be a market for any type of oil. Bapco Energies has a delicate task of recognizing this shifting landscape and balancing the requirement to use Bahrain's natural resources to generate shareholder value to the government and deliver prosperity to its citizens. To drive this transition, the Kingdom has the following general ESG Policy for the petroleum sector in the country: "Joining international efforts to combat the impact of Climate Change and attain the goals of Paris Agreement through adopting the Circular Carbon Economy Framework & 4th Industrial Revolution tools to accelerate low carbon transition and achieve carbon neutrality by 2060". As such, Bapco Energies is in the process of an ambitious transformation to evolve from an oil and gas holding company into an integrated energy company.

Bapco Energies' sustainability agenda is therefore driven through a multi-pronged approach. First, modernization and energy efficiency gains throughout all OpCos to ensure that all oil and gas products have the lowest possible carbon intensity and energy efficiency in the production process, an ambition helped by the Company's unique interconnectedness across the entire hydrocarbon value chain in Bahrain. Second, to ensure responsible resource consumption, by minimizing environmental impact, supporting investment into the protection and rehabilitation of the natural world, and maximizing the utility of all hydrocarbon resources, for example by minimizing non-routine flaring to the greatest extent possible supported through daily flare monitoring satellites. Third, investment into novel technology to take advantage of all available tools to support the energy transition in the hydrocarbon industry, such as using carbon capture, utilization and storage technology. Fourth, explore opportunities in alternative energy such as solar and hydrogen in order to secure Bahrain's energy future beyond oil and gas and look for Bapco Energies to be a sustainable energy company.



Bapco Energies is also committed to and fully aligned to delivering on the environmental and climate ambitions of the Kingdom of Bahrain. As a signatory to the Paris Agreement, Bahrain is committed to pursuing efforts to limit the increase in global temperatures to 1.5°C, which is underpinned by the Kingdom's commitment to reach net zero carbon emissions by 2060. This requires all national companies to contribute to the country's efforts and align their business models to the Paris Agreement. The Kingdom is also a signatory to the Global Methane Pledge to cut methane emissions by 30% by 2030 compared to 2020 levels. As such, Bapco Energies has committed to achieving net zero by 2060.

Recognising that while setting long term emissions targets in line with the Paris Agreement is crucial, there is also a need to set nearer term interim targets, Bapco Energies has committed to the following targets for greenhouse gases (carbon dioxide, methane and nitrous oxide) from its own operations:

- By 2025, reducing net Scope 1 and 2 emissions intensity by 15% from 2017 levels;
- By 2030, reducing net Scope 1 and 2 emissions intensity by 25% from 2017 levels;
- By 2040, reducing net Scope 1 and 2 emissions intensity by 50% from 2017 levels;
- By 2050, reducing net Scope 1 and 2 emissions intensity by 75% from 2017 levels; and
- By 2060, reaching net zero Scope 1 and 2 emissions.

Bapco Energies is also committed to reducing absolute Scope 1 and 2 emissions by 30% from 2017 levels by 2035.

The Company also recognizes that Scope 3 emissions are a critical issue. Given the interlinkages between OpCos within Bapco Energies, there are areas of overlap and potential double counting since products generated by one OpCo are frequently feedstock for another. As a result, the Company considers Scope 3 emissions in terms of products sold to unrelated entities and distinguishes between products sold in the international market and those sold domestically within the Kingdom of Bahrain. Bapco Energies has set the following targets for its domestic Scope 3 greenhouse gas emissions intensity:

- By 2035, reducing absolute Scope 3 emissions by 30% from 2017 levels; and
- By 2060, reaching net zero Scope 3 emissions.



While Bapco Energies recognizes the importance of reducing all of its Scope 3 emissions, given Bapco Energies' relatively small size in the global energy market, the Company is prioritizing its efforts towards supporting its customer base in their decarbonization plans where it has the greatest platform to be able to influence and work in partnership to drive the innovative solutions that are needed. As a result, Bapco energies has set decarbonization targets for its Scope 3 emissions that are within the Kingdom of Bahrain, which comprise approximately 40% of its total emissions. The Company is already leveraging its sphere of influence in the Kingdom by collaborating with other Bahraini companies to develop solutions such as CCUS clusters that would support all parties in their decarbonization efforts and is exploring how its growth into alternative energy sources will be able to accelerate the switch that these companies make into such solutions. However, the Company will continue to work with its global customers to support them in their own decarbonization journeys and will assess the feasibility of setting global Scope 3 emissions reduction targets.

These targets have been benchmarked against other National Oil Companies to ensure suitable ambition. The Company has chosen the 2017 baseline to allow for comparison against other oil and gas companies, given it is the baseline of choice for the Oil and Gas Climate Initiative.

### 1.3 Drivers to Achieve Bapco Energies' Targets

Bapco Energies' sustainability plan is driven through the following:

1. Increase efficiency to ensure that all oil and gas products have the lowest possible carbon intensity.
  - a. Modernization of existing units and investment in new technology to further improve efficiency gains, e.g. the BMP
  - b. Leveraging the groups unique interconnectedness to reduce emissions across the value chain.
  
2. Ensure responsible resource consumption, by minimizing environmental impact, supporting investment into the protection and rehabilitation of the natural world, and maximizing the utility of all hydrocarbon resources



**a.** Reduction of non-routine flaring via usage of emissions surveillance satellites. In addition to methane leakage detection via surveillance satellites and reduction by 30% by 2030 compared to 2020 levels as per the Kingdom's commitment to the Global Methane Pledge

**b.** Launch of Project Mangrove which aims to promote the local mangrove system by planting seedlings annually through Bapco Refining's mangrove nursery.

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**3.** Investment into novel technology to take advantage of all available tools to support the energy transition

**a.** Feasibility studies of a CO<sub>2</sub> Cluster / CCUS scheme:

Bapco Energies has done preliminary feasibility on large scale industrial size CCS project within the Kingdom of Bahrain focusing on the large industrial emitters which contribute more than 80% of Bahrain total emissions. The target is to capture CO<sub>2</sub> at source from these emitters' processes and transport and store the captured CO<sub>2</sub> in the available depleted reservoirs. The aim is to capture and store 20%-25% of domestic emissions. The company is working with technical consultants on the way forward and the project is expected to be implemented from 2025-2030.

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**4.** Explore opportunities in alternative energy

**a.** Potential large scale solar projects

As Bapco Energies is transitioning into a sustainable energy company the Company is considering sustainable sources of energy supply used for electricity for Bahrain, and solar energy is considered as a primary option for transitioning to sustainable energy in order to meet Bahrain's projected energy demand. The target is to consider large scale utility size solar energy project with regional partners to supplement Bahrain's energy and decarbonize Bahrain's electricity grid by 20%. The project will be set up in phases to be completed by 2030.

**b.** Feasibility studies into the development of alternative energy sources such as blue H<sub>2</sub> and green H<sub>2</sub>



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## 5. Development of the National Energy Strategy:

In 2022, Bapco Energies, on behalf of the government, led the development of the National Energy Strategy with the support of its consultants Boston Consulting Group (“BCG”) who also worked on developing an operating model for the company to meet its future objectives.

Hence, Bapco Energies will play a leading role in the execution of the newly developed National Energy Strategy: firstly, securing that its operating model is fit-for-purpose; secondly, driving the required nationwide efforts with the support of relevant ministries and government entities, Operating Companies (OpCos), as well as key stakeholders and members of society. By working together, Bahrain can achieve its energy objectives which will benefit the Kingdom both economically and environmentally.

The new National Energy Strategy of Bahrain has been developed with the objective of identifying the optimized energy demand-supply scenario to deliver a diversified and affordable energy transition for the Kingdom, while contributing to realize a low-carbon future. The approved changes to the energy mix, including energy efficiency measures and renewable power sources, will avoid 19 Mn tCO<sub>2</sub>e in new annual emissions by 2035, and a further reduction of 9 Mn tCO<sub>2</sub>e will be achieved across all sectors through specific decarbonization options such as operational improvement, carbon capture and storage, fuel switch, and circularity.

Bapco Energies is committed to helping Bahrain comply with its national target, and in parallel ensure that emission reduction goals are met given ESG ambition and sustainability-linked financing. In this regard, Bapco Energies is expected to reduce 2.8 Mn tCO<sub>2</sub>e by 2035 from its operations, leveraging on the following main abatement levers: process improvement, equipment upgrade, CCUS, flaring abatement, materials recycling and offsetting initiatives. The total capital expenditure is expected to be in excess of \$2 Bn over the period until 2035.

Bapco Energies' sustainability agenda is shaped targeting higher climate-resilience and carbon neutrality. The strategy towards net zero will be supported and enabled by an unprecedented transformation of the operating model, allowing the holding company to enhance and synergize its portfolio of operating businesses whilst strengthening the overall financial structure.

## 1.4 Bapco Energies' Approach to Carbon Offsetting

Bapco Energies recognises that carbon offsetting has an important complementary role to play in the achievement of its net zero commitments in line with the goals of the Kingdom of Bahrain. However, the Company is also cognisant that carbon offsetting will only deliver positively if used as part of a robust decarbonisation strategy that places absolute reductions at its heart and where offsetting is only used to compensate for unavoidable emissions. As such, Bapco Energies has included an interim absolute reduction target for Scope 1 and 2 to signal its commitment to delivering on absolute emissions reductions as part of its net zero commitment. Where Bapco Energies does use carbon credits, the Company will follow the recommendations laid out by the Taskforce on Scaling Voluntary Carbon Markets in its Phase 1 Final Report<sup>[1]</sup>, which have been continued to be encouraged in the ongoing work of the Integrity Council for the Voluntary Carbon Market ("ICVCM"). Following this guidance, Bapco Energies may use carbon credits to compensate for unavoidable or unabated emissions on its transition pathway to reaching net zero. Any carbon credits purchased will follow the Core Carbon Principles of the ICVCM. In addition, in reporting of net emissions numbers, Bapco Energies will disclose details around the component attributed, if any, to the purchase of carbon credits, including details of those credits, in order to promote transparency. To date, Bapco Energies has not purchased any carbon credits and therefore any baseline emissions data is not net of any offsetting.

## 1.5 Bapco Energies' Key Initiatives to Reduce Environmental Impact

### BAPCO Modernisation Plan ("BMP")

The BMP is the key driver for Bapco Energies' decarbonization agenda given that Bapco Refining is the largest producer of emissions of all the OpCos. The objectives of the BMP are to increase refining capacity, enhance the product slate, improve energy efficiency and become one of the most competitive and environmentally compliant refineries in the region. The Refinery's Energy Efficiency Index will improve by at least 28% as a result of the BMP through the combination of more efficient units and the decommissioning of older units. This will thus minimize the Refinery's CO<sub>2</sub> generation per barrel of crude processed post BMP. The steps taken at the BMP design stage of new process units and other facilities are listed below:



- The heaters and boilers in BMP have been specified to achieve high efficiency. As a result, the convection section in the BMP heaters/boilers are installed with BFW preheating/steam generation and steam superheating coils;
- Some of the high duty heater e.g. 7CDU/VDU and 2HCU fractionator feed heater will be installed with Air-Preheaters for the first time within BAPCO in process heaters, which improves heater efficiency;
- Hydrogen reformers, which are the biggest heaters in BMP, have been specified to achieve maximum possible high efficiency;
- The heat exchanger train in 7CDU/VDU has been integrated to achieve maximum heat recovery, thus optimizing the heater duties and minimizing CO2 emissions from the heaters;
- The incinerators in the Sulphur Plant have been installed with steam generation facilities to improve overall energy efficiency;
- A flare gas recovery system which will recover the flare purge gases from the new BMP flare and reroute them as flare purge will be installed, which will minimize CO2 generation.
- Air coolers have been specified with variable speed control wherever possible to avoid waste of electrical power;
- Reciprocating compressors have been specified with step control to optimize power consumption in case of low load operation; and,
- The BMP will only use clean natural gas (i.e. BMP will sweeten all the Khuff Gas it consumes) exclusively as its fuel source, meaning no liquid fuels are used within the project.

#### **Other Bapco Refining Environmental Initiatives**

- Bapco Refining has undertaken a mangrove nursery project aimed at promoting local mangrove ecosystems by planting over 4,000 seedlings per season at Ras Sanad
- Bapco Refining has participated in a project aimed at creating the first sustainable garden in Bahrain powered by solar energy. It is expected that the garden will include features such as solar panels capable of producing 8.8KW of energy
- Bapco Refining and the Ministry of Oil have been involved in a solar energy pilot project involving the installation of over 20,000 solar panels within Bahrain
- Bapco Refining has also commissioned a carbon dioxide recovery project with Middle East Carbon Dioxide by providing a waste carbon dioxide-rich off-gas stream as feedstock to a carbon dioxide recovery facility
- Bapco Refining has embarked on a refinery gas desulphurisation project to reduce the environmental impact on air



### Other OpCo Environmental Initiatives

- GPIC has continued to operate a carbon dioxide recovery unit (“CDR”) since 2009, which has captured more than 1.4 million tons of CO<sub>2</sub> from the methanol reformer flue gas
- GPIC has modified the Carbon Dioxide Recovery Unit boiler to use excess Low-pressure Saturated steam generated in the urea plant instead of natural gas, reducing raw hydrocarbon inputs. It has also modified four auxiliary boilers to use BFW headers to further reduce natural gas. These initiatives will save 2770 KNM<sup>3</sup>/year
- GPIC has installed 7223 LEDs since 2013 both in process and non-process areas resulting in an energy savings of 1554.3 MWH/year and a GHG emission reduction by 780T CO<sub>2</sub>e/year. In 2020 alone 619 LEDs were installed with an energy saving of 67.95 MWH/year and a GHG reduction by 39.19 TONS CO<sub>2</sub>e/year
- Bapco Upstream has installed two solar plants, respectively with a capacity of 1MW and 3MW, covering approximately 5.1% of the company’s annual power demand
- Bapco Upstream is also re-injecting Khuff and associated gas back into the reservoir to act as an enhanced oil recovery method, reducing the amount of new resources needed for production. This reduces possible emissions from fugitive gases that would have been flared or vented, for example using zero pressure skids installation, therefore reducing carbon and methane emissions, the latter making up the majority of gas used for enhanced oil recovery
- Bapco Upstream has also exploring the construction of a Wetland Treatment Facility. This project is designed to treat produced water from the Awali oil field by removing residual contamination in a more sustainable way, by replacing existing mechanical and chemical processes to treat the water which are resource and energy intensive. The treated effluent can be reused as industrial process water or for irrigation and the project has also created a valuable habitat for migratory and resident birds, among other wildlife.

## 1.6 Bapco Energies’ Commitment to Social Responsibility

As a fully owned entity of the Government of the Kingdom of Bahrain, Bapco Energies is committed to supporting the community and therefore supports the Government in a number of its key social initiatives under Bahrain Vision 2030. Examples of community and social initiatives undertaken by OpCos include:



- Bapco Refining participated in the Green School Award which aims to encourage resource conservation projects in schools, and raise environmental awareness amongst students
- Bapco Gas and Bapco Gas Expansion contribute to training and development opportunities for students from the local community
- Bapco Refining hosts a range of socially motivated events, such as EHS Week which aims to raise awareness on environment, health and safety amongst employees and their families, as well as the local community
- Bapco Refining hosts an annual shoreline cleanup day
- Bapco Refining has participated in a carbon and gas leak campaign raising public awareness about electrical and gas hazards, the need for regular inspection of gas and electrical appliances, fire hazards and the procedures for safe evacuation
- 456 members of Bapco Refining staff have volunteered their free time to mentor young people in support of the INJAZ Bahrain life coaching programme
- Bapco Refining has a number of CSR activities centered around the Awali township in order to support the local community including the Awali library, Princess Sabeeka Park which has some 51,000 plants, 560 palms, and 342 fruit and ornamental trees over an area of 43,000 m<sup>2</sup>, supply of energy from 6,625 solar panels in Awali as part of the Bahrain Distributed Solar Energy Pilot Project, operation of waste collection and recycling activities, as well as a number of events focused on healthy living such as a Walk and Talk family day and a Protect Your Heart awareness campaign.

## 02 Sustainability Linked Finance Framework

Bapco Energies has created this Sustainability Linked Finance Framework as the basis to issue Sustainability Linked Bonds, Sukuk, Loans and other debt instruments (“Sustainability Linked Financing Instruments”).

Sustainability Linked Financing Instruments will be linked to the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability objectives through Key Performance Indicators (“KPIs”) and Sustainability Performance Targets (“SPT”), with no specific dedicated Use of Proceeds.

The Company’s Sustainability Linked Finance Framework (“SLFF”) is presented through the five core components of the International Capital Market Association Sustainability-linked Bond Principles (“SLBPs”) and the Loan Market Association Sustainability-linked Loan Principles (“SLLPs”):



- a) Selection of Key Performance Indicators
- b) Calibration of Sustainability Performance Targets
- c) Bond characteristics
- d) Reporting
- e) Verification

## 2.2.1 Selection of Key Performance Indicators

### KPI 1: Net Scope 1 and 2 Greenhouse Gas Emissions Intensity, gCO<sub>2</sub>e/MJ

Emissions are the key environmental impact that Bapco Energies has on the natural environment and therefore the most important metric to be considered when assessing the same. Bapco Energies has a role in the ecosystem of Bahrain that requires it to continue to provide fossil fuel resources to support the national development and the energy requirements of the country, however, the Company also recognises that it is crucial to do this in the least emissions intensive manner possible to reduce its environmental impact.

<b>Definition</b>	Net Scope 1 and 2 greenhouse gas emissions per unit of energy that Bapco Energies produces
<b>Units</b>	gCO <sub>2</sub> e/MJ
<b>Scope</b>	The KPI covers the emissions derived from exploration & production, refining and chemical processing activities across Bapco Energies' portfolio and the units of energy from the products produced from primary fossil fuels.



<b>Method</b>	<p>Numerator: operational Scope 1 and 2 emissions from exploration &amp; production, refining and chemical processing activities from all OpCos reduced by the amount of any carbon offsetting in line with Bapco Energies' policies for this area. Scope 2 emissions are calculated on a market-based methodology.</p> <p>Denominator: energy from the products obtained from exploration and production, refining, gas processing as well as chemical production from Bapco Refining, Bapco Upstream, GPIC, Bapco Gas and Bapco Gas Expansion.</p>
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#### KPI 2: Scope 1 and 2 Greenhouse Gas Emissions, tCO<sub>2</sub>e

Bapco Energies recognises that reducing the emissions intensity of its operations needs to be coupled with reducing absolute emissions will be crucial to meeting the Kingdom's, and the world's, climate goals.

<b>Definition</b>	Scope 1 and 2 greenhouse gas emissions
<b>Units</b>	tCO <sub>2</sub> e
<b>Scope</b>	The KPI covers the emissions derived from exploration & production, refining and chemical processing activities across Bapco Energies' portfolio. The KPI reflects Bapco Energies' ownership percentage of each OpCo.
<b>Method</b>	Operational Scope 1 and 2 emissions from exploration & production, refining and chemical processing activities from all OpCos. Scope 2 emissions are calculated on a market-based methodology.



### KPI 3: Absolute Scope 3 Greenhouse Gas Emissions, tCO<sub>2</sub>e

Bapco Energies is cognisant that reducing the emissions in terms of both absolute levels and intensity of its operations is only part of the challenge. The emissions associated with the products sold by Bapco Energies OpCos, the Company's Scope 3 emissions, are also key. Bapco Energies defines Scope 3 in terms of the products sold to unrelated entities within the Kingdom of Bahrain.

Historical performance:

<b>Definition</b>	Scope 3 greenhouse gas emissions
<b>Units</b>	tCO <sub>2</sub> e
<b>Scope</b>	The KPI covers the emissions from hydrocarbon and chemical products sold by Bapco Energies to unrelated entities within the Kingdom of Bahrain, specifically a range of refined products sold by Bapco (e.g. kerosene, diesel, jet fuel, liquid petroleum gas), gas sold by Bapco Upstream and Bapco Gas, gasoline sold by Bahrain Gasoline Blending).
<b>Method</b>	To ensure calculation on a consistent basis, Bapco Energies has adopted the following approach for calculating this KPI. On an annual basis, Bapco Energies will calculate the volume of products sold by each of the 5 entities of the Bapco Energies group which sell products outside of Bapco Energies, recording the split of each hydrocarbon product type. Bapco Energies will then use the conversion factors detailed in Appendix 1 of this SLFF to calculate the emissions content of each product sold as well as the units of energy from each product. Bapco Energies will then subtract the amount of abated emissions, for example from CCUS, from each one of these customers, proportionate to the share of fossil fuels supplied by Bapco Energies to each customer in relation to their total purchases, as well as making any further reductions.





## 2.2.2 Calibration of Sustainability Performance Targets

### SPT 1: Net Scope 1 and 2 Greenhouse Gas Emissions Intensity, gCO<sub>2</sub>e/MJ

Emissions intensity reduction must be equal to or greater than the relevant threshold:

- By 2025, reducing net Scope 1 and 2 emissions intensity by 15% from 2017 levels;
- By 2030, reducing net Scope 1 and 2 emissions intensity by 25% from 2017 levels;
- By 2040, reducing net Scope 1 and 2 emissions intensity by 50% from 2017 levels; and,
- By 2050, reducing net Scope 1 and 2 emissions intensity by 75% from 2017 levels.

Observation date: December 31st of the relevant test year

Historical performance:

Year	2017	2018	2019	2020	2021
gCO <sub>2</sub> e/MJ	5.98	5.29	5.25	5.62	5.55
% Change to 2017	0	-11.52%	-12.20%	-6.11%	-7.15%

Key Drivers to achieve the SPT: Operational emissions intensity will primarily be reduced through efficiency improvements in operations, for example the BMP, and by decarbonizing Bapco Energies' own power sources into incorporate renewable energy.

### SPT 2: Absolute Scope 1 and 2 Greenhouse Gas Emissions, tCO<sub>2</sub>e

Emissions reduction must be equal to or greater than 30% from 2017 levels by 2035

Observation date: December 31st of the relevant test year



Historical performance:

Year	2017	2018	2019	2020	2021
tCO2e	5,715,522.32	5,035,319.39	5,502,320.20	5,398,938.85	5,294,592.95
% Change to 2017	0	-11.90%	-3.73%	-5.54%	-7.36%

Key Drivers to achieve the SPT: In addition to efficiency improvements, Bapco Energies also sees the investment into novel technology as a key driver for reducing absolute emissions, particularly carbon capture, utilization and storage which has the potential to have significant emissions reductions from operations.

**SPT 3: Absolute Scope 3 Greenhouse Gas Emissions, tCO2e**

Scope 3 emissions reduction must be equal to or greater than the relevant threshold:

- By 2035, reducing net Scope 3 emissions intensity by 30% from 2017 levels.

Observation date: December 31st of the relevant test year

Historical performance:

Year	2017	2018	2019	2020	2021
tCO2e	28,605,488.04	28,493,364.44	30,943,800.62	30,690,210.65	30,452,481.97
% Change to 2017	0	-0.39%	8.17%	7.29%	6.46%



Key Drivers to achieve the SPT: Bapco Energies' journey towards becoming a sustainable energy company will have a particular role in reducing its scope 3 emissions. This will include the adoption of alternative energy such as hydrogen which does not emit carbon when burnt. In addition, Bapco Energies will work with its customers within Bahrain to jointly develop solutions such as CCUS clusters which would support all entities linked to the clusters in their own decarbonisation efforts. By supporting its customers in their own decarbonization efforts and supplying them with less emitting energy sources, Bapco Energies will be able to reduce scope 3 emissions. Importantly, since Bapco Energies is the sole supplier of hydrocarbon and energy products to many entities within Bahrain, which it has an official mandate to do, this target cannot be achieved by just diverting sales to international customers and must be achieved through genuine reductions such as by increasing the amount of alternative energy sales or providing abatement solutions.

### **2.2.3 Bond Characteristics**

Sustainability Linked Finance Instruments issued under Bapco Energies' SLFF have a sustainability-linked feature that will result in a coupon/margin adjustment, or a premium payment as the case may be, if the KPI's performance does not achieve the stated SPTs.

The relevant KPI, SPT, coupon step-up amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant instrument).

The Company will notify the investors/lenders of the achievement or not of the SPT as soon as possible (as defined in the instrument's documentation). If, for any reason, the KPI cannot be calculated, observed or reported in a timely manner (as defined in the instrument's documentation), the defined bond characteristic change will be triggered as if the target was not met (with effective dates aligned with the original SPT).

The baseline levels during the year 2017 will be recalculated to reflect any significant changes in Bapco Energies' structure (e.g., acquisition, divestiture, mergers). The threshold value for a significant change is a change that impacts the Sustainability Performance Target, in aggregate, by 5 percent or more. Any recalculations of baseline levels will be reported in the annual reporting, as detailed in 2.2.4 below, and will be verified in line with the requirements of 2.2.5 below.

The KPIs and SPTs set out in this framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to Bapco Energies' sustainability strategy. This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. However, any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility will result in a change in baseline. Any new or updated SLFF, in relation with any subsequent SLFI transactions, shall not have any implications on the SLFIs issued under this Framework.

#### **2.2.4 Reporting**

Annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to potential adjustments, such as a coupon step-up or premium payment of an instrument issued under our SLFF, Bapco Energies will publish and keep readily available and easily accessible on its website ([www.bapcoenergies.com](http://www.bapcoenergies.com))

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant
- A verification assurance report ("Limited Assurance") relative to the SPT outlining the performance of the KPI against the SPT, in line with 2.2.5 below; and any other relevant information which may enable investors to monitor the progress of the selected KPI.

Information may also include when feasible and possible:

- A qualitative or quantitative explanation of the contribution of the main factors, the evolution of the performance/KPI on an annual basis;
- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPIs and/or restatement of the SPT and/or adjustments of baselines or KPI scope.

#### **2.2.5 Verification**

Annually, and in any case for any date/ period relevant for assessing the KPI performance against the SPT leading to a potential financial adjustment, such as a step-up coupon or a premium payment on the instrument, until after the KPI trigger event of a bond has been reached, Bapco Energies will seek independent and external verification of the performance level for the stated KPI by the Assurance Provider.



The Assurance Provider means any qualified provider of third-party assurance or attestation services appointed by Bapco Energies, who will provide a verification assurance report in the form of a “Limited Assurance”. The verification of the performance of the KPI, along with the Assurance Provider’s verification report, will be made publicly available on Bapco Energies’ website.

### **03 External Review**

Bapco Energies has appointed ISS ESG to assess this Sustainability Linked Finance Framework, and its alignment with the SLBPs and SLLPs and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on the Company’s official website.

#### **3.1 Amendments to this Framework**

Bapco Energies will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Company and ISS ESG. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

## Appendix 1: Conversion Factors used by Bapco Energies

Product	Conversion Index	Conversion Factor MJ/L
L.P.G	LPG Mix	25.7
JAYYED	Automotive Gasoline	34.2
MUMTAZ		
KEROSENE	Automotive, Turbine, and Power Average	36.9
JET FUEL	Gasoline Aviation	33
DIESEL	Automotive and Industrial Average	39.1
ASPHALT	Bitumen	44
SUPER 98	Automotive Gasoline	34.2
Naphtha	Naphtha	31.4
Fuel Oil	Low and High Sulphur Fuel Oil Average	40.25
Lube Base Oil	Lubricants	38.8
Gasoline	Aviation and automotive gasoline average	33.6
Propane	Propane	25.3



Butane	Butane	27.7
		<b>BTU (TH) to MJ</b>
Fuel Gas (Bapco Upstream)		0.00105435