

Transition Finance Framework 2023



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The Oil and Gas Holding Company B.S.C (Closed)

Transition Finance Framework

December 2023

1. Introduction

The Oil and Gas Holding Company B.S.C.(Closed) (“Bapco Energies” or the “Company”, formally known as “nogaholding”) is the hydrocarbon and energy investment and business development arm of the Kingdom of Bahrain (“the Kingdom” or “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 decarbonize 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.

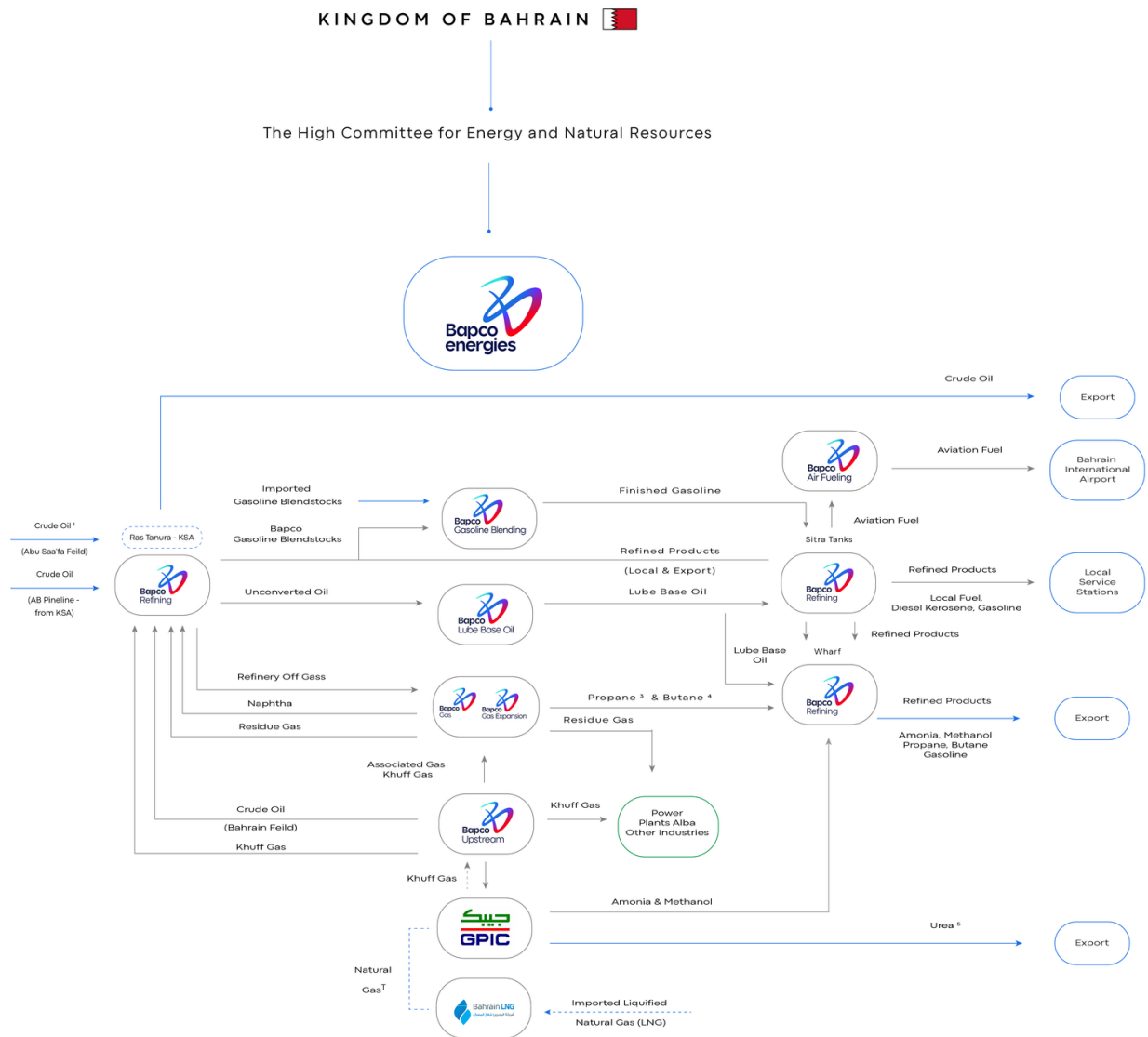
1.1. Bapco Energies’ Portfolio

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 Commitments

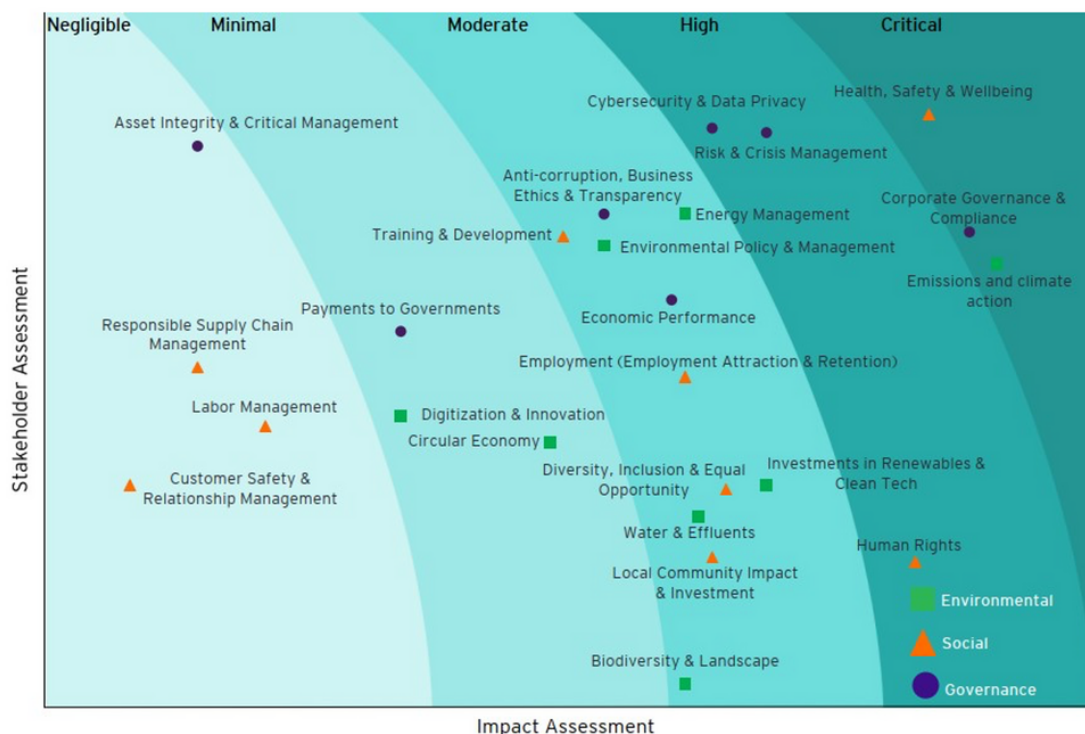
The oil and gas market is going through an irreversible transformation as sustainability and climate change take center stage. It is not possible for oil and gas companies to continue operating as before and assume that there will always be a market for any type of oil. Bapco Energies has a delicate 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 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.

Bapco Energies is committed to supporting the Kingdom’s sustainability efforts and has undertaken a materiality assessment to understand where we can best focus our actions and contribute to the United Nation’s Sustainability Development Goals (“UN SDGs”):

Additionally, we classify between Top-Down topics which are those that are reported at a Corporate level, and Bottom-Up topics which are recommended to be reported at the OpCo level and consolidated at the Corporate level.





Material topic ¹	Description	Dimension	UN SDG linkage
Environment			
Emissions and climate change	This refers to the actions and initiatives taken towards the management and reduction of greenhouse gas (GHG) and air emissions, setting targets for achieving net zero carbon output and taking actions towards addressing climate change.	Bottom-up, Critical materiality	SDG 13: Climate action
Energy management	This pertains to the actions and initiatives that are linked to the consumption and management of various forms of energy of the Company and its operating companies, such as fuel, electricity, heating, cooling, or steam.	Bottom-up, High materiality	SDG 12: Responsible consumption and production SDG 7: Affordable and clean energy
Water and effluents	This entails the management of impacts related to water withdrawal and consumption as well as the management of the quality of water discharged by the Company and its operating companies.	Bottom-up, Moderate materiality	SDG 6: Clean water and sanitation
Biodiversity and landscape	This comprises actions and initiatives related to minimising the negative impacts on biodiversity including avoidance of negative impacts,	Bottom-up, Moderate materiality	SDG 15: Life on land

¹ GRI 3-2 List of material topics



	preventive measures or implementing remediation measures such as rehabilitation or restoration of biodiversity. After all other actions, the Company will also apply offsetting measures on residual impacts.		
Environmental policy and management	This comprises the actions and initiatives that encompass the Company’s commitment to the environment through continual improvement in environmental performance management.	Top-down, Moderate materiality	—
Investments in renewables and clean tech	This refers to the actions and initiatives aimed at meeting decarbonization and net zero emissions targets, by improving the Company’s ESG performance. These include renewable energy initiatives, clean fuel and low carbon technologies, clean tech innovation capacity, strategic development initiatives, and revenue generated from clean technologies.	Top-down, Moderate materiality	SDG 13: Climate action SDG 9: Industry, innovation, and infrastructure SDG 7: Affordable and clean energy
Social			
Health, safety, and wellbeing	This entails addressing the management of various work-related hazards that arise from daily activities of the Company, including efforts to manage and prevent all physical and mental harm, promote employee well-being and uphold aspects related to process safety for employees and workers at Bapco Energies and its operating companies.	Bottom-up, Critical materiality	SDG 3: Good health and wellbeing
Human rights	This deals with the management practices and procedures towards preventing cases of human rights violation (including child labour,	Bottom-up, High materiality	SDG 10: Reduced inequalities

	forced labour and modern slavery), whether directly, through its actions and operations, or indirectly, through its interactions and relationships with others, including local communities, and suppliers, and its investments.		
Employment	This indicates the Company’s approach to job creation regarding employment, benefits and working conditions for the workers.	Top-down, Moderate materiality	SDG 8: Decent work and economic growth
Diversity, inclusion and equal opportunity	This refers to the Company’s diversity management and promotion policy, focusing on eliminating gender bias and supporting equal opportunity.	Top-down, Moderate materiality	SDG 5: Gender equality SDG 10: Reduced inequalities
Training and development	This indicates the Company’s approach to training and upgrading employee skills and undertaking performance and career development reviews.	Top-down, Moderate materiality	SDG 8: Decent work and economic growth
Local community impact and investment	This refers to the Company’s goal to address socioeconomic, cultural, health, and human rights impacts on local communities comprising individuals living or working in areas that are affected or that could be affected by the Company or the activities of the operating companies.	Bottom-up, Moderate materiality	SDG 8: Decent work and economic growth
Governance			
Corporate governance and compliance	This entails the Company’s governance structure, composition, nomination process and independence. Additionally, it encompasses the Board’s competency, knowledge, roles, and capacity to manage risks.	Top-down, Critical materiality	SDG 10: Reduced inequalities SDG 16: Peace, justice, and strong institutions

Risk and crisis management	This comprises the implementing internal control processes to comply with existing regulations and proactively developing control mechanisms.	Top-down, High materiality	SDG 16: Peace, Justice, and Strong Institutions
Cybersecurity and data privacy	This refers to the appropriate activities and steps undertaken to ensure data security, integrity, and confidentiality.	Top-down, High materiality	SDG 9: Industry, innovation, and infrastructure
Anti-corruption, business ethics and transparency	This comprises the Company's business policies and practices including approach to anti-corruption, business ethics, transparency, and anti-competitive behaviors.	Top-down, Moderate materiality	SDG 16: Peace, justice, and strong institutions
Economic performance	This pertains to the actions and initiatives undertaken by the Company to consolidate wealth creation and distribution.	Top-down, Moderate materiality	SDG 8: Decent work and economic growth

Additionally, in line with the Kingdom's own commitments, Bapco Energies has committed to achieving net zero by 2060 and is in the process of an ambitious transformation to evolve from an oil and gas holding company into an integrated energy company. The Company published its Sustainability-Linked Finance Framework² which recognizes 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.

In light of this, 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.

² [Sustainability Linked Finance Framework \(bapcoenergies.com\)](https://www.bapcoenergies.com)

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.

Further information on the targets that Bapco Energies have committed to, including historic performance and peer / industry benchmarking, can be found in our published Sustainability-Linked Finance Framework and corresponding Second Party Opinion³.

1.3 Bapco Energies' Transition Drivers to Transition

Bapco Energies' sustainability agenda is therefore driven through a multi-pronged approach:

- 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 Bapco Modernization Programme (detailed in Section 1.4.).
 - b. Leveraging the groups unique interconnectedness to reduce emissions across the value chain.

³ [Quality-of-the-Issuer-and-Sustainability-Linked-Finance-Framework.pdf \(bapcoenergies.com\)](#)

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.

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

- a. Feasibility studies of a CO₂ 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 CO₂ at source from these emitters' processes and transport and store the captured CO₂ 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.

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 H₂ and green H₂.

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, 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 tCO₂e in new annual emissions by 2035, and a further reduction of 9 Mn tCO₂e 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 its transition agenda and sustainability-linked financing. In this regard, Bapco Energies is expected to reduce 2.8 Mn tCO₂e by 2035 from its operations, leveraging on the following main abatement levers:

- Low-carbon power;
- Fuel switch & electrification;
- Process improvement;
- Equipment upgrade;
- CCUS;
- Flaring abatement;
- Materials recycling and circularity;
- Offsetting Measures.

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' Key Initiatives to Reduce Environmental Impact

Bapco Modernization Program ("BMP")⁴

The BMP is the key driver for Bapco Energies' decarbonization agenda given that Bapco Refining is the largest producer of emissions out of all of its 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

⁴ For further details: [Bapco Modernization Plan](#)

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 CO₂ 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; and
- Bapco Refining has embarked on a refinery gas desulphurization 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 CO₂ 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 KNM³/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 CO₂e/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 CO₂e/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.

Given the main abatement levers and initiatives undertaken by Bapco Energies, the company has established the following categories as aligning with the company's Transition Agenda:

- Renewable Energy
- Low / No Emissions Fuels
- Clean Transportation
- Pollution Prevention & Control

- Sustainable Water & Wastewater Management, and
- Environmentally Sustainable Management of Living Natural Resources
- CCS

1.5. Bapco Energies' Approach to Carbon Offsetting

Bapco Energies recognizes 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 decarbonization 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 30% reduction target for Scope 1 and 2 by 2035 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 Report⁵, 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 ICVCM⁶. 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.

1.6. Bapco Energies' Commitment to Social Responsibility

As a fully owned entity of the Government of the Kingdom of Bahrain, Bapco Energies plays a vital role in shaping the social fabric of the Kingdom of Bahrain. By investing in a range of initiatives in the impact areas mentioned below, Bapco Energies actively contributes to building a brighter future for the people of the Kingdom of Bahrain.

⁵ [Taskforce on Scaling Voluntary Carbon Markets Phase 1 Final Report](#)

⁶ [Core Carbon Principles 2023](#)



We are currently focusing our efforts and manage our local community support efforts, in the following focus areas:

- Health
- Youth & Sports
- Women & Equal Opportunities
- Environment
- Culture

Bapco Energies continuously assesses all our operational impact on the environment and society we operate in. One approach the Company takes in evaluating this is through the Group's Environmental and Social Impact Assessment ("ESIA") which is undertaken for all major projects.

As such, we are committed to supporting the community and therefore support 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 clean-up 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 program.
- 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 m², 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.

1.7. Bapco Energies' Transition & Sustainability Governance

The Company is committed to meeting the Kingdom's energy demands sustainably. As such the Company has developed an ESG Policy which aims to ensure a structured approach to meeting its ESG and transition commitments and creating value for its stakeholders.

This includes, but is not limited to, maximizing returns on investments in an environmentally conscious manner, diversifying the power mix, and directing investments to sustainable technologies to reduce carbon emissions.

The responsibilities at multiple levels have been outlined below:

- **Board:** The Board will provide strategic oversight on the implementation of this Policy. The Board will be updated on a quarterly basis on ESG and transition performance by the Group CEO and Head of ESG.
- **Strategic:** Strategic decisions and management related to this Policy will be governed by the Group CEO, and directly after, the Head of ESG. This level is expected to drive the ESG and transition strategy, manage all related initiatives and compliance by the OpCos. Additionally, the Head of ESG is responsible for reporting key insights on the ESG and transition performance of Bapco Energies and the OpCos to the executive management and Board on a quarterly basis.
- **Operational:** The ESG team will also be responsible for leading the monitoring and collection of ESG and transition performance data. ESG KPIs, targets and initiatives will be mapped against relevant departments by the ESG team. The designated department is expected to take ownership for their assigned KPI(s), implement the programs and document required data for internal and external reporting.
- **Bapco Energies ESG working group:** A working group is formed for leading and coordinating ESG and transition reporting across the Company's portfolio. The group includes the ESG leads/point of contact from each company.

As part of the Company's commitment to transparency and accountability, the Company will be publishing its consolidated ESG performance through an annual ESG report. The report will be developed in accordance with the latest GRI Universal Standards and will include performance data on the Company's material topics. Performance data for the OpCos will be included for the material topics that have a bottom-up KPIs approach.

2. Transition Finance Framework

Bapco Energies has created this Transition Finance Framework as the basis to issue Transition Bonds, Sukuk, Loans and other debt instruments. Issuances take the form of Transition Use of Proceeds Financing Instruments (“Transition Financing Instruments”).

Transition Financing Instruments will fund Eligible Transition Projects as defined in the Company’s Transition Use of Proceeds Finance Framework below.

The Transition Finance Framework has implemented the four key elements of ICMA’s Climate Transition Finance Handbook (“CTFH”)⁷, namely:

- a. Issuer’s Climate Transition Strategy and Governance
- b. Business Model Environmental Materiality
- c. Climate Transition Strategy to be Science Based
- d. Implementation Transparency

Bonds, Loans or Sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such Bonds, Loans and Sukuks entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

2.1. Transition Use of Proceeds Finance Framework

The Company’s Transition Use of Proceeds Finance Framework (“TFF”) is presented through the four core components of the International Capital Market Association Green Bond Principles (“GBPs”) and the Loan Market Association Green Loan Principles (“GLPs”)⁸ as well as their recommendation for external review:

- a. Use of Proceeds
- b. Process for Project Evaluation and Selection
- c. Management of Proceeds
- d. Reporting

⁷ ICMA Climate Transition Finance Handbook 2023, [Climate Transition Finance Handbook » ICMA \(icmagroup.org\)](https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/).

⁸ In the absence of any globally accepted Transition Finance Principles, the framework has been aligned to the core pillars of the ICMA’s Green Bond Principles, June 2021 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>) and the LMA’s Green Loan Principles, Feb 2023 (<https://www.lsta.org/content/green-loan-principles/>)

2.1.1. Use of Proceeds

For avoidance of doubt, eligible Use of Proceeds are defined as adhering to at least one of the below:

- a. Capital expenditures and selected operating expenditures (such as maintenance costs that either increase the lifetime or the value of the Assets) of Physical Assets meeting the Eligibility Criteria described below;
- b. Research and development (“R&D”) expenditures aiming at developing new products and solutions as per the Eligibility Criteria specified below.

Bapco Energies will not classify activities which involve fossil fuel exploration as eligible for financing under this TFF.

Bapco Energies will allocate an amount at least equivalent to the net proceeds of the Transition Financing Instruments issued under this TFF towards financing and/or refinancing, in whole or in part, new and/or existing eligible businesses and as described below.

A maximum 3-year look-back period would apply for refinanced projects and Bapco Energies expects each issuance under this framework to be fully allocated within 2 years from the date of issuance.

Eligible Transition Projects

Category	Eligibility Criteria	Environmental Objectives
Renewable Energy	<p>Investments and expenditure in the production, transmission, and storage of energy from renewable sources, including:</p> <ul style="list-style-type: none"> • Solar: <ul style="list-style-type: none"> o Utility-scale solar o Floating solar o Rooftop solar • Offshore wind • Onshore wind • Tidal power • Green Hydrogen (refer to No / Low Emission Fuels criteria) • Geothermal (direct emissions intensity threshold <100g CO₂/kWh) 	<ul style="list-style-type: none"> • Climate Change Mitigation • Natural Resource Conservation • Pollution Prevention & Control



	<ul style="list-style-type: none"> • Hydroelectric <ul style="list-style-type: none"> (i) For new facilities: Lifecycle carbon intensity below 50gCO₂ /kWh or run-of-river without artificial reservoir or low storage capacity or power density is greater than 10W/m² (ii) For facilities that became operational before 2022: Lifecycle carbon intensity below 100gCO₂ /kWh or run-of-river without artificial reservoir or low storage. <p>Investments and expenditure in Components for Renewable Energy Technology:</p> <ul style="list-style-type: none"> • Renewable energy technologies and associated assets wholly dedicated and used for the purpose of supporting renewable energy generation facilities, including equipment for renewable energy generation and energy storage. Examples could be wind turbines, solar panels, battery storage connected to renewables, wind turbines installation vessels. 	
<p>No / Low Emissions Fuels</p>	<ul style="list-style-type: none"> • Production of Hydrogen and/or Hydrogen-Related Fuels: <ul style="list-style-type: none"> o Green Hydrogen (100% renewables OR under a GHG emissions threshold of 3tCO₂e/tH₂⁹). • The use of biofuels and biogas from waste resources (forestry and agriculture residues, palm kernels shells only where these are RSPO certified). 	<ul style="list-style-type: none"> • Climate Change Mitigation • Pollution Prevention & Control

⁹ Bapco Energies will align with Section 3.2, 5.11, and 5.12 of the [EU Taxonomy's Technical Screening Criteria](#) for the Manufacture of Hydrogen and for the Safe Transportation and Storage of CO₂, where the GHG emissions threshold is being used as the qualifying criteria.



	<ul style="list-style-type: none"> • Production of biofuels from non-waste sources¹⁰ (including Sustainable Aviation Fuel) provided the biofuel production 1) achieves substantial life-cycle emissions reduction of at least 65% lower¹¹ than fossil-fuel baseline and 2) feedstocks are certified by a credible source¹². 	
Clean Transportation	<p>Development, construction, and installation of projects contributing directly or indirectly to a reduction of CO2 emissions or energy consumption per km-passenger:</p> <ul style="list-style-type: none"> • Infrastructure: electric charging points, station network and hydrogen fueling stations. • EV mobility for road transportations (cars). • Green hydrogen for road transportation (buses, trucks). • The production of Sustainable Aviation Fuel (refer to No / Low Emission Fuels criteria). • The production of U/VLSFO fuel for the maritime sector. 	<ul style="list-style-type: none"> • Climate Change Mitigation • Natural Resource Conservation • Pollution Prevention & Control
Energy Efficiency	<p>Energy efficiency improvements delivering a 30% improvement gain, with activities including residual heat recovery, steam consumption optimization, furnace modifications, and process optimization:</p> <ul style="list-style-type: none"> • Industrial/utility improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery. This includes the installation of renewable-powered cogeneration plants ¹³. 	<ul style="list-style-type: none"> • Climate Change Mitigation • Pollution Prevention & Control

¹⁰ That achieves each of the following: 1) does not take place on land with high-biodiversity, 2) land with high amount of carbon has not been converted for biofuel feedstock production and 3) does not compete with food sources.

¹¹ Pre-2021 installations: 60% reduction below baseline and pre-2015 installations: 50% reduction below baseline.

¹² Known credible certification schemes for crops to be used for biofuel production include the Roundtable on Sustainable Biomaterials (RSB), ISCC Plus, Bonsucro (for sources from agricultural waste) and RTRS (for sources from agricultural waste). The Transition Finance Governance Committee may consider additional certification schemes so long as such schemes are evaluated to be equivalent, internationally-recognised certification schemes.

¹³ Cogeneration plants are limited to those powered by CSP/solar thermal or biomass waste, OR geothermal energy/bioenergy with emissions below 100gCO2/kWh(e)



	<ul style="list-style-type: none"> • Investments in equipment upgrades such as heat recovery from flue gases or implementation of variable speed motors. • Improvements in operation criteria such as implementation of control strategies or maintenance standards. • New units or process scheme modification, for example cogeneration powered by renewables and captured methane from landfills, and green hydrogen production meeting the criteria in 'No / Low Emission Fuels'. • New process schemes devoted to energy efficiency improvements or high-performance internals in fractionation columns. • Network optimization e.g., stream networks. 	
<p>Pollution Prevention and Control</p>	<ul style="list-style-type: none"> • Investments in waste prevention, reduction, recycling, and sorting projects. • Investments in technology or processes that mitigate methane emissions associated with gas production plants and gas pipeline in existing facilities. • Investments in technology or processes that reduce flaring or venting, including vapor recovery units and leak detection and repair in existing facilities. • Investments in Waste to Energy from Municipal Solid Waste, only where bottom ash recovery and removal of all recyclables and hazardous materials prior to incineration is ensured¹⁴. 	<ul style="list-style-type: none"> • Pollution Prevention & Control • Natural Resource Conservation

¹⁴ Bapco Energies will align with the [CBI's Waste Management Criteria](#) for facilities producing electric and/or heat via the combustion of Municipal Solid Waste.



<p>Sustainable Water and Wastewater Management</p>	<p>Activities that result in an improvement in water quality, including:</p> <ul style="list-style-type: none"> • Water treatment facilities. • Upgrades to wastewater treatment plants to remove nutrients. • Wastewater discharge infrastructure. <p>Activities that increase water-use efficiency, such as:</p> <ul style="list-style-type: none"> • Water recycling and reuse. • Water saving systems, technologies, and water metering. • Development of artificial treatment systems that use natural processes from vegetation to improve water quality. 	<ul style="list-style-type: none"> • Pollution Prevention & Control • Natural Resource Conservation • Biodiversity • Climate Change Adaptation
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<ul style="list-style-type: none"> • Afforestation and reforestation¹⁵, mangrove conservation and replanting. 	<ul style="list-style-type: none"> • Natural Resource Conservation • Biodiversity • Climate Change Adaptation • Climate Change Mitigation
<p>Carbon Capture and Storage</p>	<ul style="list-style-type: none"> • Development, construction, installation, and maintenance of projects that capture and store of CO₂. • Direct air capture and storage (“DACCS”). <p>Note: Carbon capture utilization where carbon is intended for enhanced oil recovery will be excluded.</p>	<ul style="list-style-type: none"> • Climate Change Mitigation • Pollution Prevention & Control

¹⁵ Afforestation and reforestation activities to use tree species well adapted to site conditions and have a sustainable management plan in place (e.g. certified to FSC or PEFC).

2.1.2. Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Transition Financing Instrument are allocated to finance or refinance Eligible Transition Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

Bapco Energies will be responsible for governing and implementing the initiatives set out in the TFF. Potential projects will need to be approved by Bapco Energies' Finance, Investments, Strategy, and Legal departments. As required, management personnel from the OpCos may be invited for closer evaluation of eligible projects or projects they have carried out.

Bapco Energies will:

- Ratify Eligible Transition Projects, which are initially proposed by the constituent team members on a case-by-case basis.
- Ensure that all Eligible Transition Projects have been assessed from an environmental and social perspective.
- Undertake regular monitoring of the asset pool to ensure the eligibility of Transition Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Transition Projects with new eligible Transition Projects.
- Facilitate regular reporting on any Transition Financing in alignment with our Reporting commitments.
- Manage any future updates to this TFF.
- Ensure that the approval of Eligible Transition Projects will follow the Company's existing investment approval processes.

Bapco Energies will also ensure that all projects go through a rigorous Environmental and Social Risk Assessment. The Company follows the IFC Performance Standards to assess major projects for environmental and social risks. All projects associated with this TFF will be reviewed against the IFC Performance Standards.

To avoid double counting, the TFF will ensure that assets allocated to any of its Transition Finance Instruments have not been allocated to similar instruments issued by any OpCos, if they are to also create Transition Finance Frameworks, or similar.

2.1.3. Management of Proceeds

The proceeds of each Bapco Energies' Transition Financing Instrument will be deposited in Bapco Energies' general funding accounts and earmarked for allocation towards the Eligible Transition Projects using the Transition Finance Register. The proceeds collected will be equal to the amount allocated to the Eligible Transition Projects and will be managed on an aggregated basis, taking a portfolio approach.

The Transition Finance Register will contain the following information:

1. Transition Financing Instrument details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc. as applicable.
1. Allocation of Proceeds:
 - a. The Eligible Transition Projects List, including for each Eligible Transition Project, the Eligible Transition Project category, project description, project location, Company's ownership percentage, total project cost, amount allocated, settled currency, etc.
 - b. Amount of unallocated proceeds.

Any proceeds temporarily unallocated will be invested according to the Company's standard liquidity policy into money market and other liquid instruments.

2.1.4. Reporting

On an annual basis, Bapco Energies will provide an allocation report on its Eligible Transition Projects, as detailed below. This reporting will be made publicly available if the Company issues in the Bond Market. The reporting will be updated annually until full allocation of the net proceeds of any Transition Financing Instrument issued, or until the Transition Financing Instrument is no longer outstanding.

Allocation Reporting

- a. List of eligible Transition projects.
- b. The amount of proceeds allocated to each Eligible Transition Project category.
- c. When possible, descriptions of the Eligible Transition Projects financed, such as project locations, amount allocated, etc.
- d. Selected examples of projects financed.
- e. Amount of unallocated proceeds.
- f. Percentage share of refinancing vs. new financing.

Impact Reporting

Additionally, the Company will publicly report on the impact of the Eligible Transition Projects by category from an environmental perspective on an annual basis, in line with the indicators suggested in the ICMA Harmonized Framework for Impact Reporting, subject to the availability of information and baseline data and based on methodologies that will be publicly available (e.g., from the Partnership for Carbon Accounting Financials (PCAF)).



Eligible Transition Project Categories	Impact Reporting Metrics
<p>Renewable Energy</p>	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW. • Capacity of energy from renewable sources stored in MWh. • Annual renewable energy generation in MWh / GWh (electricity) and GJ / TJ (other energy). • Annual GHG emissions reduced / avoided in tCO₂e.
<p>No / Low Emissions Fuels</p>	<ul style="list-style-type: none"> • Capacity of hydrogen constructed in MWh. • Biofuels production (t/y). • Biofuels production capacity (t). • Annual GHG emissions reduced / avoided in tCO₂e.
<p>Clean Transportation</p>	<ul style="list-style-type: none"> • Passenger-kilometers (i.e., the transport of one passenger over one kilometer) and/or passengers; or tonne-kilometers (i.e. the transport of one tonne over one kilometer) and/or tonnes. • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs). • Annual GHG emissions reduced / avoided in tCO₂e.
<p>Energy Efficiency</p>	<ul style="list-style-type: none"> • Annual GHG emissions reduced / avoided in tCO₂e. • Annual energy savings in MWh (electricity) and GJ / TJ (other energy savings).
<p>Pollution Prevention and Control</p>	<ul style="list-style-type: none"> • Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and / or in absolute amount in tonnes p.a. • Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy).



	<ul style="list-style-type: none"> • Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of net energy generated p.a. (where supporting fuel is added to facilitate the waste combustion, the energy from this fuel should be subtracted). • GHG emissions from waste management before and after the project in tCO2e p.a. • Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste). • Annual GHG emissions reduced / avoided in tCO2e.
<p>Sustainable Water and Wastewater Management</p>	<ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m3/a, reduction in water use in %. • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m3/a and p.e./a and as %.
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<ul style="list-style-type: none"> • Increase of area under certified land management in km2 or m2 and in %. • Avoided and / or sequestered GHG emissions in tCO2e p.a.
<p>Carbon Capture and Storage</p>	<ul style="list-style-type: none"> • Annual GHG emissions reduced / avoided in tCO2e.

2.1.5. External Review

Second Party Opinion

Bapco Energies has appointed ISS to assess this TFF and its alignment with the CTFH, GBPs, and GLPs and issue a Second Party Opinion accordingly.

Post Issuance External Verification

In order to provide timely and transparent information about the reporting of the funds from Transition Financing Instruments issued under this TFF, the Company intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation and impact of funds with the TFF's criteria.



Amendments to this Framework

The Transition Finance Working Group (TFWG) 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. 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.