

Bank Leumi

External Review of Green Bond Impact Report 2023

March 6, 2024

This report was produced by S&P using Shades of Green Methodology.

On December 1, 2022, S&P Global acquired Shades of Green from CICERO.

S&P has reviewed Bank Leumi's Green Bond Impact Report 2023 ("Report"). We review against Bank Leumi's Green Bond Framework (dated Jan 2023, the "Framework") criteria, and impact metrics for relevance and transparency.

We consider that the allocations in the Report align with the Framework and that the Report utilizes relevant and sufficiently transparent impact metrics. Moreover, we consider the Report aligns with the core principles and recommendations contained in ICMA's Handbook – Harmonized Framework for Impact Reporting (June 2023)¹.

Project allocation

Bank Leumi has issued one green bond under the Framework, on 9 January 2023. Proceeds from the issuance, some USD 500 million (c. NIS 1.75billion), have been fully allocated.

In respect of allocation, the Report covers the allocation of the Bond. The proceeds of the 2023 Bond have been allocated to investments which Bank Leumi considers eligible green expenditures (i.e. in line with the criteria contained in the Framework). Financed projects align with the list of projects described in the Green Bond Framework 2023, although it is worth mentioning that proceeds have only been allocated to two of the six Eligible Green Categories. For a more detailed review, please see figure 1. In addition to reporting on impacts for projects financed by green bond proceeds, the report includes information on impacts from equity financing of a solar PV company, pro-rated to the bank's share of ownership.

The Framework was deemed aligned with Green Bond Principles in the S&P Global Ratings Second Party Opinion dated 9th January 2023². The Second Party Opinion did not include any information of the expected allocation of proceeds between the different projects categories. Based on the Report, around 52% of proceeds from the 2023 Bonds have been allocated to Renewable Energy projects and 48% to Clean Transportation projects (25% to Electric Vehicles and 23% to Public Transport)

The eligible Renewable Energy projects are solar photovoltaic projects, while the Clean Transportation projects are the purchasing of electric vehicles and investments to enhance public transportation.

¹ [ICMA Handbook](#)

² [Bank Leumi Green UoP SPO Final Report](#)

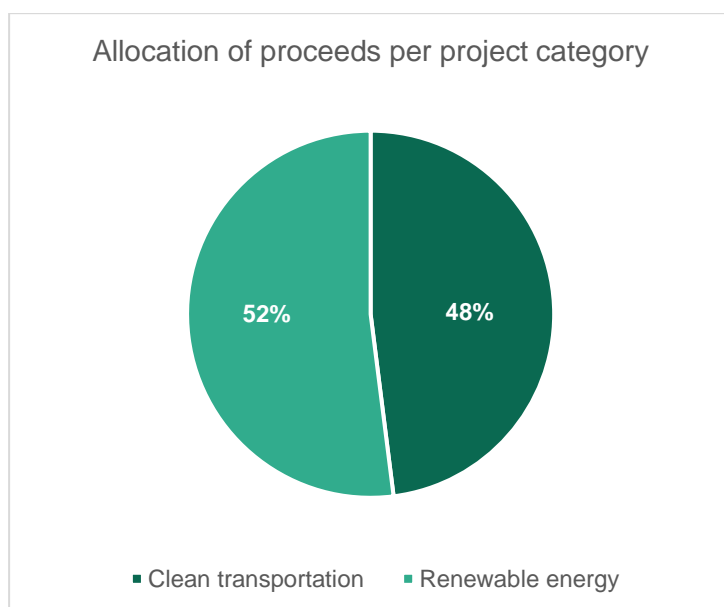


Figure 1: Allocation of 2023 Bond SPO by Bank Leumi. Impact metrics

The Report covers the impacts of the 2023 Bonds. Impacts are set out on a project-level, and include at least one indicator per project category. The Report covers ten impact indicators (five for Renewable energy and five for clean transportation), including core and other sector specific indicators contained in the ICMA Handbook. All impact emissions were calculated ex-ante (prior to project execution). The issuer collaborated with the consulting firm Green Swan Lab to establish the methodologies for impact metrics, including the selection of relevant external sources, such as those needed for baseline calculations and emission factors.

In respect of impacts, S&P considers that the Report is generally transparent, supplementing relevant quantitative impacts with qualitative descriptions and case studies; for a more detailed review, please see Appendix 1.

Terms

S&P Global Ratings provides a review of Bank Leumi's annual reporting based on documentation provided by the issuer and information gathered during teleconferences and e-mail correspondence with Bank Leumi. Bank Leumi is solely responsible for providing accurate information. All financial aspects of the sustainable finance reporting - including the financial performance of the bond and the value of any investments in the bond - are outside of our scope, as are general governance issues such as corruption and misuse of funds. S&P does not validate nor certify the existence of investments and does not validate nor certify the climate effects of investments. Our objective has been to provide an assessment of the extent to which the bond has met the allocation and reporting criteria established in the Framework. The review is intended to inform Bank Leumi, investors and other interested stakeholders in Bank Leumi's green bond and has been made based on the information provided to us. S&P cannot be held liable if estimates, findings, opinions or conclusions are incorrect. Our review does not follow verification or assurance standards and we cannot therefore provide assurance that the information presented does not contain material discrepancies.

Appendix 1 - Detailed Review

Category	Description	Review against framework criteria	Impact Metrics	Relevance of metrics	Transparency considerations
Renewable Energy	<ul style="list-style-type: none"> Financing related to the construction, development, acquisition, maintenance, and operation of renewable energy, including solar PV and wind farms 	<p>No discrepancies identified</p> <ul style="list-style-type: none"> More than 14k households will be powered by renewable energy The issuer invested only in solar PV and not on wind farms. 	<ul style="list-style-type: none"> Clean energy generation (GWh) Total clean installed capacity (MW) Avoided GHG emissions per year (tCO₂eq) Lifetime emissions avoided (tCO₂eq) Number of households powered 	<p>✓ Metrics are relevant and generation, capacity, and avoided emissions are listed as core indicators in the ICMA Handbook – Harmonized Framework for Impact Reporting.</p>	<p>✓ Some information on methodology is included in the Report, regarding expected generation and avoided emissions for this project category. Bank Leumi relies for baseline factor estimate for Israel from IRENA (International Renewable Energy Agency)</p> <p>✓ Lifetime avoided emissions estimated are calculated using avoided emissions over solar PV project lifetime less Scope 1 & 2 production, operation and decommissioning footprint.</p> <p>✓ Bank Leumi has estimated that 117kt CO₂e of avoided emissions (annual) can be attributed to the 2023 Bond.</p>

Clean Transportation	<ul style="list-style-type: none"> Purchasing electric/hydrogen-powered vehicles and establishing supporting infrastructures such as charging Public transportation vehicles and operation of public transportation systems Establishing public transportation infrastructures, such as new railway lines Construction of non-motorized transportation infrastructure, such as bicycle road 	<p>No discrepancies identified</p> <ul style="list-style-type: none"> Operating expenditure under this project category did not include elements related to fossil fuel. The issuer financed electric vehicles through consumer loans, totaling 2.2k EVs and more than 100 public buses (half of which are EVs). 	<ul style="list-style-type: none"> Avoided GHG emissions (tCO₂eq) Clean vehicles deployed Lifetime emissions avoided Gallon of fuel saved per year Public buses financed 	<p>✓ Metrics are relevant and are included in the ICMA Handbook – Harmonized Framework for Impact Reporting as either core or ‘other sustainability indicators’.</p>	<p>✓ For calculating avoided emissions, the baseline used is a conventional transport system, based on data from the Israel Ministry of Transport. 2019 was used as baseline, which the issuer informed us was the most recent available data.</p> <p>Emissions associated with charging of the EVs, were calculated on the basis of an EV database and a grid emission factor for Israel from IRENA.</p> <p>✓ Bank Leumi calculates that 5.8kt CO₂e of avoided emissions can be attributed to the 2023 Bond financing of EVs while 0,297ktCO₂e can be attributed to public transport</p> <p>✓ Lifetime avoided emissions considered the</p>
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production, operations
and decommissioning of
traditional passenger
vehicles vs electric
vehicles.

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