

SECOND PARTY OPINION

on Etihad Airways' Sustainability-Linked Financing Framework

Vigeo Eiris is of the opinion that Etihad Airways' Sustainability-Linked Financing Framework is **aligned** with the core components of the Sustainability-Linked Bond Principles (SLBP) 2020



Framework

	Weak	Limited	Robust	Advanced
KPIs Relevance	[Full alignment]			
SPTs Ambition	[Full alignment]			
SDG Mapping				

Characteristics

Audit of the data	Yes
Three-year historical data	Yes
Nature of the impacts on the bond/loan's characteristics	Structural
Disclosure of means for achieving the SPTs	Yes

Sustainability Performance Targets (SPTs)

KPI : Carbon emissions per revenue tonnes kilometres

- SPT : 17.8% reduction in emissions intensity in its passenger fleet (gCO₂/RTK PAX only) by 2024, against 2017 baseline, which results in 574 CO₂/RTK for the total fleet.

Baseline	2024*	2025
KPI : 2017	714 (gCO ₂ /RTK PAX only)	692 (gCO ₂ /RTK PAX only)
	574 (total fleet gCO ₂ /RTK)	559 (total fleet gCO ₂ /RTK)

*Trigger event

Of note, whilst the issuer has set a net zero target for 2050, Etihad Airways' 2025 targets for gCO₂/RTK for the total fleet are not in line with the 2°C scenario target set by the Paris Agreement, although they are in line with the sector's currently defined targets.

Issuer

Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology:

- | | | | |
|-----------------------------------------------|------------------------------------------------|---------------------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Civilian firearms | <input checked="" type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Fossil Fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Coal | <input type="checkbox"/> Human Embryonic Stem Cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Tobacco | | | |

Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Keys findings

Vigeo Eiris is of the opinion that Etihad Airways’ Sustainability-Linked Financing Framework is **aligned** with the core components of the Sustainability-Linked Bond Principles (SLBP) 2020.

Selection of Key Performance Indicators (KPIs) –aligned with SLBP and best practices identified by Vigeo Eiris

- The KPI is relevant and material from an environmental standpoint
- The KPI is measurable, externally verifiable and can be benchmarked
- The KPI’s definition, the rationale behind their selection, the calculation methodologies and perimeter of reporting are clearly defined

Calibration of Sustainability Performance Targets (SPTs) –aligned with SLBP

- The SPTs demonstrate a robust level of ambition
- The timeline, baseline and trigger events are clearly disclosed
- The means to achieve the SPTs are clearly disclosed and credible

Bond Characteristics – aligned with SLBP

- The nature of the bond/loan’s characteristics’ variation is clearly disclosed
- The Issuer commits to purchase carbon offsets if the SPTs are not met at the observation date

Reporting—aligned with SLBP and best practices identified by Vigeo Eiris

- The internal control and reporting processes are relevant, transparent and support the provision of reliable data
- The Issuer commits to annual reporting on all relevant information related to the KPIs and its associated SPTs, including results, underlying methodologies and assumptions

Verification—aligned with SLBP and best practices identified by Vigeo Eiris

- The KPIs will be externally verified on an annual basis
- The achievement of the SPTs will be externally verified on an annual basis until the last observation date and the verification assurance reports will be made publicly available

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI(s) reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

Contact

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SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter “Second Party Opinion” or “SPO”) on the integration of one environmental factor to the Sustainability-Linked Instruments¹ (the “Instruments”) issued by Etihad Airways (the “Issuer”) in compliance with the Sustainability-Linked Financing Framework (the “Framework”) created to govern their issuances. The Framework will include the Issuer’s commitment to achieve specific targets (“Sustainability Performance Targets” or “SPTs”) regarding one environmental Key Performance Indicator (hereafter the “KPI”) proposed by the Issuer as part of its sustainability strategy. As opposed to other sustainable financial instruments such as green bonds or other types of green loans, the objective is not to finance sustainable projects or investments. Indeed, such facilities are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond/loan’s financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability performance objectives.

For these so-called Sustainability-Linked Instruments, the selected KPI to be linked to the variation of the bond/loan’s financial and/or structural characteristics is the following:

- **KPI:** Carbon emissions per revenue tonnes kilometres, with the following targets and trigger events:
 - o SPT : 17.8% reduction in emissions intensity in Etihad Airways’ passenger fleet (CO₂/RTK PAX only) by 2024, against 2017 baseline, which results in 574 CO₂/RTK for the total fleet.

Our opinion is established using Vigeo Eiris’ Environmental, Social and Governance (“ESG”) assessment methodology, the Loan Market Association’s Sustainability-Linked Loan Principles (“SLLP”), edited in May 2020 and the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”), voluntary guidelines, published in June 2020. This opinion is strictly limited to the integration of one environmental factor in the Instruments. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), or the labelling of the instruments where the final decision is left to Etihad Airways. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

- 1) **Framework:** we assessed the Framework’s alignment with the core components of the SLLP and SLBP 2020.
- 2) **Issuer:** we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities.²

Our sources of information are multichannel, combining data from (i) information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided by the Issuer.

We carried out our due diligence assessment from October 5th to October 20th, 2020 and consider that we were provided with access to all of the documents we requested. We took reasonable efforts to verify the data accuracy.

¹ The Issuer reports that Instruments will include loans/sukuk/bonds.

² The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

FRAMEWORK

The Issuer has described the main characteristics of the Instruments within a formalised framework which covers the core components of the SLBP 2020 (the last updated version was provided to Vigeo Eiris on October 20th, 2020). The Issuer has committed to make this document publicly accessible on its website before the first issuance date, in line with good market practices.

Alignment with the Sustainability-Linked Bond Principles

Selection of Key Performance Indicators (KPIs)



COHERENCE

Vigeo Eiris considers that the KPI selected is coherent with Etihad Airways' strategy and priorities in terms of sustainability.

In response to the imperative to align to the goals of the Paris Agreement, Etihad Airways formed a dedicated Sustainable Development Committee in November 2019 to define, foster and facilitate sustainability efforts within the organization to ensure social, economic and environmental sustainability.

Etihad Airways has formalized a sustainability strategy through a Sustainability Position Paper³ published in January 2020 in which the company has announced a new target to align to net zero emissions by 2050 and to reduce 2019 net emissions levels by 50% by 2035. In order to meet these targets, Etihad Airways reports to have integrated sustainability into its business activities, and focused efforts on three emission-reduction pathways: (i) sustainable aviation fuels, (ii) voluntary carbon-offsets and (iii) operational efficiencies.

In addition, Etihad Airways is a signatory of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organization (ICAO) as well as of the European Union Emissions Trade Scheme (EU-ETS), which enforces carbon neutral growth for international aviation.

Moreover, in line with the global CORSIA scheme described above, the company reports to be an active supporter of alternatives to fossil fuel, and reports that in 2020 the airline has operated four flights using synthetic fuels, including a flight of the signature 'Greenliner' 787. Indeed, in November 2019, Etihad Airways and Boeing signed a global strategic partnership, centred on the Boeing 787 Dreamliner family of aircraft. Through this partnership, Etihad Airways and Boeing are working together to research and test innovative technologies designed to improve flight efficiencies, cut fuel consumption, introduce more sustainable products and practices and ultimately achieve further reductions in carbon emissions.

³ https://www.etihadaviationgroup.com/content/dam/eag/corporate/etihadaviation/en-ae/desktop2/pdfs/Sustainability_Position_Paper.pdf

SDG CONTRIBUTION

The selected KPI is likely to contribute to two of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 7. Affordable and Clean energy and Goal 13. Climate Action.

KPI	SDG	SDG TARGETS
CARBON EMISSIONS PER REVENUE TONNES KILOMETRES		7.3. By 2030, double the global rate of improvement in energy efficiency
		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

KPI: CARBON EMISSIONS PER REVENUE TONNES KILOMETRES

MATERIALITY

Vigeo Eiris considers that the selected KPI reflects the Issuer’s most material sustainability issue as well as the most material challenge for its sector.

Minimizing environmental impacts from energy use is among the major environmental issues for airlines given that around 95% of carbon emissions from the industry come from the burning of jet fuel contributing directly to climate change. Indeed, aviation is one of the most energy and carbon intensive modes of transport, whether measured per passenger km or per hour travelling. As a consequence, the major concern for the industry is greenhouse gas emissions and their impact on climate change. According to the United Nations Intergovernmental Panel on Climate Change (IPCC), the aviation industry produces around 2-2.5% of the world’s man-made emissions of CO₂. Considering the rapid growth of aviation in recent years, and expected continuous trend, the IPCC forecasts that its share of global man-made CO₂ emissions will increase to around 3% in 2050. The environmental impacts of aircrafts operations also include noise and nuisance, as well as the prevention of water pollution (due to aircraft de-icing and cleaning, and other chemical-heavy aircraft operations). Thus, although aviation can play an important role in local and global economic development and opening isolated rural areas, the aviation industry faces the challenge of meeting strong passenger growth while reducing its environmental impacts.

Through the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organization (ICAO), many nations, including the United Arab Emirates, have pledged that from 2020 their airlines will transition to carbon-neutral operations, and by 2050 their net carbon emissions, particularly from aircraft, will reduce by 50% relative to 2005 levels.

In addition, in 2004, the 35th Session of the ICAO Assembly adopted three major environmental goals, namely:

- to limit or reduce the number of people affected by significant aircraft noise;
- to limit or reduce the impact of aviation emissions on local air quality; and
- to limit or reduce the impact of aviation greenhouse gas emissions on the global climate.

In pursuing these goals, the International Air Transport Association (IATA) has defined environmental targets, namely:

- to improve by 1.5% the annual fuel efficiency by 2020
- to cap net aviation CO₂ emissions from 2020 through carbon-neutral growth
- to reduce by 50% net CO₂ emissions from aviation by 2050 compared to 2005 figures.

Etihad Airways’ medium and long-term commitment to reduce its 2019 net emissions levels by 50% by 2035 in order to reach net zero emissions by 2050 is considered in line with climate pledges.

MEASURABILITY AND VERIFICATION

The selected KPI is externally verifiable and measurable on a consistent methodological basis. The Issuer reports that the KPI has historical externally verified KPI values covering at least the previous 3 years.

The Issuer commits to inform the relevant stakeholders of any changes in the methodology (including changes in perimeter, KPI methodology, SPT calibration etc.)

CLARITY

The definition, perimeter and underlying methodologies for the selected KPI are clearly defined in the Framework. The Issuer has provided the following calculation formula: *Carbon emissions per revenue tonnes kilometres = Equivalent tonnes of carbon dioxide emitted / Revenue tonnes kilometres*, with:

- *Equivalent tonnes of carbon dioxide emitted* = Etihad Airways' total fuel burn (kg) by a standard emissions factor of 3.157 gCO₂/kg fuel.⁴
- *Revenue tonnes kilometres* = utilized/sold capacity for passengers and cargo expressed in metric tonnes x distance flown⁵

The selected KPI is used by the International Energy Agency (IEA) and by the Transition Pathway Initiative, thus allowing its benchmark.

The rationale and process for the selection of the KPI is considered relevant and is disclosed within Etihad Airways' Framework.

EXHAUSTIVENESS

The Issuer reports that the perimeter of reporting for the selected KPI covers Etihad Airways' entire fleet (passenger and freight). The Issuer reports that this perimeter will not be subject to modifications.

AREA FOR IMPROVEMENT

Area for improvement consists in conducting a materiality analysis and publicly disclosing the results to provide transparency to relevant stakeholders on the most material sustainability issues identified internally.

BEST PRACTICES

- ⇒ The KPI has historical externally verified KPI values covering at least the previous 3 years
- ⇒ The KPI's definition relies on external references allowing their benchmark
- ⇒ The rationale and process for the KPI selected is clearly disclosed in the Framework

⁴The Issuer reports that this emissions factor is a chemical constant relating to the mass of CO₂ produced by stoichiometric combustion of a known amount of fuel.

⁵ According to the following paper *Aviation and the Environment: Rating Airlines on Their CO₂ Efficiency*, CO₂/ RTK is the best ratio to express the CO₂ efficiency of airlines, since it takes into account both the aircraft types as well as how aircraft use their aircraft (https://www.researchgate.net/publication/41199055_Aviation_and_the_Environment_Rating_Airlines_on_Their_CO2_Efficiency)

Calibration of Sustainability Performance Targets (SPTs)

Not Aligned Partially Aligned **Aligned** Best Practices

AMBITION

KPI : CARBON EMISSIONS PER REVENUE TONNES KILOMETRES

By using the percentage of CO₂ emissions reduction over the years, the data set should fairly reflect positive or negative KPI's trends of the Issuer's commitment to fight climate change, thus enabling the investors to make an appropriate assessment of the overall environmental performance.

Table 1 – Carbon Emissions per Revenue Tonnes Kilometres (gCO₂/RTK)

	REPORTED DATA				FORECAST					
					OBJECTIVES					
KPI (gCO ₂ /RTK PAX only)	2010	2017 (Baseline)	2018	2019	2020	2021	2022	2023	2024*	2025*
	979	869	847	804	N/A	780	758	736	714	692
Annual variation (%)	N/A	N/A	-2.5%	-5.1%	-0.1%	-2.9%	-2.8%	-2.9%	-3%	-3.1%
Average annual variation (%)	1.6%		-3.7%		-2.7%					
Expected variation (%)					-17.8%					
					-20.4%					
Total fleet CO₂/RTK		682	666	631	636	620	605	590	574	559
Annual variation (%)					-2,3%	-2,5%	-2,4%	-2,5%	-2,7%	-2,6%
Annual average variation (%)					2.5%					

Based on several points of comparison, we consider that Etihad Airways' targets show a robust⁶ level of ambition.

The objective is to reach a 20% reduction in emissions intensity in Etihad Airways' passenger fleet (CO₂/RTK PAX only) by 2025, against 2017 baseline with an intermediary target of almost 18% reduction in 2024. This represents a decrease from 869 gCO₂/RTK PAX only in 2017 to 714 gCO₂/RTK PAX only in 2024, reaching 692.1 gCO₂/RTK PAX only in 2025. This objective is linked to the commitment from the Issuer to not exceed 574 total fleet gCO₂/RTK in 2024 and

⁶ VE scale of assessment: Weak / Limited / Robust / Advanced

559 total fleet gCO₂/RTK in 2025. In addition, Etihad Airways aims to reduce by 50% its net emissions by 2035 against 2019 baselines and to reach Net Zero emissions in 2050.

According to the data provided by the Issuer (both historical and projected performances), the average annual variation between 2017 and 2019 represented -3.7%, which is higher than the -2.7% average annual variation forecasted between 2020 and 2025. Therefore, it seems that the SPTs don't represent an improvement compared to the company's *Business as Usual*. However, the Issuer reports that the 2017-2019 KPI's performance reflects the beginning of the fleet transformation which would explain the significant annual decrease. The Issuer also reports that between 2010 and 2017, it achieved a reduction around 11.2%, which represents approximately a 1.6% annual decrease, which better reflects the KPI's performance over the years. Therefore, we consider that the KPI's forecasted performance goes beyond Etihad Airways' *Business as Usual*.

In order to appropriately assess the targets, set by the Issuer in comparison with sector standards and sector peers and provide a comprehensive analysis of Etihad Airways' strategy, Vigeo Eiris had to rely on complementary data provided by the Issuer, notably its Total Fleet Carbon Emissions per Revenue Tonnes Kilometres (total fleet CO₂/RTK).

According to the Transition Pathway Initiative (TPI), in order to meet International Pledges Scenario, companies' total fleet carbon emission intensity should reach 576 gCO₂/RTK in 2024 and 563 gCO₂/RTK in 2025, to which the Issuer is aligned with a target of 574 total gCO₂/RTK in 2024 and 559 total fleet gCO₂/RTK in 2025. In addition, in order to meet International Pledges Scenario's 2030 target, the Issuer should demonstrate an annual decrease of -2.3%, which is consistent with Etihad Airways' forecasted annual variation between 2020 and 2025 (-2.5%).

However, Etihad Airways' total fleet gCO₂/RTK 2025 targets are not in line with the 2°C scenario target set by Paris Agreement. According to the TPI, companies' carbon emission intensity should reach at least 539 gCO₂/RTK in 2024 and 522 gCO₂/RTK in 2025 to reach 430 gCO₂/RTK by 2030 to be aligned to a 2°C scenario.

It is to be noted that the Issuer's long-term target to reduce its 2019 net emissions levels by 50% by 2035 in order to reach net zero emissions by 2050 is more ambitious than the IATA target to reduce by 50% net CO₂ emissions from aviation by 2050 compared to 2005 figures.

In terms of sector peers comparison, when relying on the Issuer's total fleet gCO₂/RTK 2024 and 2025 targets, Etihad Airways appears to be more ambitious than Turkish Airlines (643 total fleet gCO₂/RTK in 2024 and 640 total fleet gCO₂/RTK in 2025) and consistent with IAG's targets (572 total fleet gCO₂/RTK in 2024 and 562 total fleet gCO₂/RTK in 2025).

MEANS FOR ACHIEVEMENT

The means for achievement of the SPTs are credible and disclosed in the Framework. The Issuer reports that the SPTs will be achieved through three main measures:

- Increase the energy efficiency through the renewal of its fleet and purchase of more energy efficient aircraft to reduce fuel consumption and improve the emissions per available seat
- Improve the efficiency of its operations through efforts in demand side management, to improve traffic management practices and reduce weight of aircraft, and therefore have a material impact on reducing fuel consumption
- Use of sustainable aviation fuels through the support of sustainable aviation fuels and by piloting the use of these fuels and blending them with jet fuel to reduce the carbon intensity of fuel consumption.

In addition, the Issuer reports that the achievement of the SPTs could be disrupted in the case of:

- Natural disasters or pandemics that disrupt business continuity
- M&A activities which significantly change the perimeter of Etihad Airways' business.

BEST PRACTICES

⇒ The means for achieving the SPTs are disclosed as well as any other key factors beyond the issuer's direct control that may affect the achievement of the SPT(s)

Bond Characteristics



As stated by the Issuer, there will be no impact on the financial characteristics of the Instrument. However, depending on whether the issuer achieves certain SPTs, they will potentially purchase carbon offsets. Even if this purchase would not impact directly the investors, it can be considered as an impact on the “structural” characteristics of the Instrument, as presented by the SLBPs.

More specifically, the Issuer reports that if the SPTs are not met at the target observation date (i.e. December 31st, 2024), the Issuer will commit to purchase offsets. The Issuer has transparently disclosed in its Framework the equivalent amount on sukuk notional of offset purchase based on CO₂/RTK ranges.

The Issuer reports that the value of the offset is a determined based on the outstanding principal value of the Instrument, and hence the linkage to the Instrument and that credits will be subject to the criteria set by the CORSIA Technical Advisory Body and only include verified schemes.⁷

In addition, the Issuer reports that if he has met the SPTs through demonstrated reductions in emissions via improvements in the energy efficiency of the fleet, operational efficiencies, and sustainable aviation fuels⁸, the Issuer will benefit from a bonus premium which rescinds the commitment to offset.

⁷ https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/Excerpt_TAB_Report_Jan_2020_final.pdf

⁸ For the avoidance of doubt: this calculation is based on gross fuel consumption over revenue tonne kilometre and does not include any offsets purchased as part of Etihad Airways' commitments under CORSIA.

Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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KPI : CARBON EMISSIONS PER REVENUE TONNES KILOMETRES

REPORTING

The Issuer commits to report on the KPI on an annual basis until the Instruments’ maturity and in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPTs’ calibration.

Etihad Airways has been monitoring on the KPI’s underlying data since 2005 and reporting on the selected KPI since 2020. Calculations methodologies have not evolved.

In terms of reporting process, the Issuer reports that the Fuel Management Information System (FMIS) receives data inputs via automated interfaces from Flight Management System (AIMS), Flight Log (FOL), Flight Plans (LIDO), Load Sheet and actual aircraft data triggered by aircraft systems (Aerobytes). All flights operated and flown by Etihad Airways are tracked and stored in AIMS, thus it is the primary data source of FMIS. Each flight and its essential information (i.e.: departure date, flight number, departure and arrival airport, aircraft type, aircraft registration, etc…) are transferred to FMIS through an automated integration on a daily basis. All other data from different sources (Aerobytes, FOL, Lido, Load Sheet) are linked to AIMS flights within FMIS.

CONTROL

The selected KPI is internally verified through the Issuer’s operational processes.

In addition, Etihad Airways’ carbon emission data are externally verified in the context of annual reports provided to the EU ETS competent authority and for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organization (ICAO).

ACCESSIBILITY OF RESULTS

The reporting will include, at least, the results, the underlying assumptions and calculation methodologies as well as information on the efforts made to improve emissions intensity, and any other relevant information to enable progress on the SPTs.

In addition, the Issuer commits to review the Framework on a regular basis, in case of updated version the LMA’s and/or ICMA’s Principles, or in case of any other material changes.

BEST PRACTICES

⇒ The reporting will be published annually and in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPTs’ calibration

Verification



The performance level against the SPTs will be externally reviewed on an annual basis, until the last observation date and in any case for any date/period relevant for assessing the SPTs' performance leading to a potential adjustment of the bond/loan's structural characteristics.

The verification assurance reports will be made publicly available on Etihad Airways' website.

BEST PRACTICES

- ⇒ The external verification of the performance level against the SPTs will be conducted on an annual basis until the last observation date

ISSUER

Management of ESG Controversies

As of today, the review conducted by Vigeo Eiris did not reveal any ESG controversy faced by Etihad Aviation Group over the last four years.

Involvement in Controversial Activities

Regarding the 17 controversial activities screened under our methodology, Etihad Aviation Group appears to have a minor involvement in Genetic engineering:

- Genetic engineering: Etihad Aviation Group supplies own-branded food products potentially containing GMOs. Etihad Airport Services Catering (EAS) group company is involved in food catering services for the airline company. No information could be found out on a GMO policy. However, since the Company is headquartered in the United Arab Emirates, a country requiring GM foods to be labelled, we have reasonably assumed that the Company follows these regulations.

The Issuer appears to be not involved in any of the other 16 controversial activities screened under our methodology, namely: Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography and Reproductive Medicine.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, Vigeo Eiris' Scientific Council. All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

FRAMEWORK

Alignment with the Sustainability-Linked Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Vigeo Eiris according to the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer overall sustainability strategy, KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the perimeter.

Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, means credibility (including scope and geographical coverage of the means).

Bond characteristics

Disclosure of the bond characteristics' variation, meaningfulness of these variation.

Reporting

Reporting process formalisation and verification, data's accessibility.

Verification

Verification of the performance against the SPTs.

ISSUER

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

DISCLAIMERS

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for Etihad Airways. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Instruments, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Instruments, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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