

# ADIB Environmental, Social, and Governance (ESG) Policy Framework

August 18, 2023



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A low-angle, upward-looking photograph of several palm trees. The fronds of the palm trees are spread out, creating a starburst pattern against a clear blue sky. The perspective makes the trees appear to be reaching towards the top of the frame.

## 1. | The foundation of ADIB's ESG ambitions are rooted in Islamic values



# 1. | The foundation of ADIB's ESG ambitions are rooted in Islamic values

Islamic finance is an ethical and socially responsible approach to banking. Environmental, social, and governance (ESG) considerations have become an important part of modern banking practices. In fact, ESG principles are deeply rooted in Islamic finance, which emphasizes sound governance, social justice, and environmental stewardship.

Islamic finance prohibits financing or investing in activities that are considered unethical or harmful to society, such as gambling, tobacco, or alcohol. In addition, companies that prioritize sustainable and socially responsible practices, such as reducing their carbon footprint, promoting diversity and inclusion, and ensuring good governance practices are being consistent with the fundamental values of Islamic finance, which seeks to promote ethical

and socially responsible behavior.

Integrating ESG factors with Islamic finance is therefore consistent with the fundamental principles of Shari'a and can support the banking sector in building a stronger and more resilient portfolio, and generating long-term returns that are sustainable and aligned with Islamic values.

As a Shari'a-compliant financial institution, ADIB believes that integrating ESG factors in financing and investment decisions in alignment with Shari'a principles will support the Bank to identify key ESG related risks and opportunities that may be overlooked under conventional financing and investment analysis.

ADIB recognizes that climate change poses one of the most significant threats to the global economy and is fully committed to considering the potential financial implications of climate change on its operations, financing practices, and investment decisions.

ADIB aims to align its efforts with the UAE's goal of achieving net-zero carbon emissions by 2050. This means that we will take proactive measures to minimize our carbon footprint and actively support initiatives targeted at reducing greenhouse gas emissions. By doing so, the Bank can contribute to the global efforts to mitigate the impacts of climate change and create a more sustainable future.

The transition to a net-zero economy is also expected to create significant investment opportunities in renewable energy, energy efficiency, and alternative low-carbon sectors. By supporting the transition to a net-zero economy, ADIB can potentially access these opportunities and provide financing for clients looking to transition to more sustainable business models. ADIB will also strive to support its clients transition to a low carbon economy through facilitating issuance of green and sustainable sukuk and structuring sustainable financial products and services that contribute to the Sustainable Development Goals (SDGs) and the UAE national goals.

**By integrating ESG considerations across our banking operations, we can contribute to the wider goal of building a more sustainable and equitable world.**





## 2. | Purpose of this ESG Policy Framework



## 2. Purpose of this ESG Policy Framework

ADIB's Environmental, Social, and Governance (ESG) Policy Framework defines the Bank's ambitions and approach to incorporate ESG across its banking operations. It describes the general guiding principles and philosophy that support the Bank in nurturing the overlap between ESG and Shari'a by ensuring that the Bank's financing activities are consistent with sustainable and responsible business practices without breaching Shari'a requirements.

The development of ADIB's ESG Policy Framework was informed by the recommendations of internationally recognized principles such as:

**The Principles for Responsible Banking Framework (UNEP- FI)**

**The World Wildlife Fund (WWF) Framework for Responsible Investment**

**The Net-Zero Standard**

**The Equator Principles**

**The One Planet Sovereign Wealth Fund Framework (OPSWF)**

**Basel Committee on Banking Supervision - Principles for the effective management and supervision of climate-related financial risks**

**The Principles for Responsible Investment (PRI) Policy Guidelines**

**The Task Force on Climate-related Financial Disclosures (TCFD)**

**The Modern Slavery Act**

This ESG Policy Framework applies across all ADIB's operations – in alignment with local laws and regulations and Shari'a principles – and is supported by senior management. It shall be periodically reviewed and updated accordingly based on any material changes related to the Bank's ESG policies and implementation plans.







### 3. | Our commitments



## 3. | Our commitments

As an Islamic bank, ADIB's commitment to Environmental, Social, and Governance (ESG) principles is rooted in our values. Incorporating ESG principles into the Bank's business practices and decision-making is not only a responsible approach.



### 3.1 Environment

#### 3.1.1 Direct environmental impact



The emphasis on environmental issues must begin with addressing the impact of the Bank's own operations. ADIB commits to tackling the key environmental challenges including conserving resources such as energy and water, reducing emissions and reducing paper usage. In addition, ADIB will assess its baseline across several environmental KPIs and has ambitions to set emissions reduction targets in line with the net zero ambition of the UAE.

ADIB strives to continuously monitor and improve its environmental performance through sound management practices covering all activities and services that support the Bank to minimize the environmental impact of its operations.

The Bank's employees are responsible for enforcing its environmental stewardship principles and are expected to comply with applicable environmental laws and regulations.

#### 3.1.2 Indirect environmental impact

Environmental considerations are also considered across ADIB's financing and investment decisions with special considerations applied to climate change and biodiversity risks and opportunities.

ADIB will assess how climate change and biodiversity risks affect its financing and investment portfolio, as well as identify opportunities to contribute positively to these issues. ADIB also aims to facilitate

the issuance of Sustainability related financial products, which refers to the issuance of green Islamic sukuk or green Islamic financing that fund sustainable projects or initiatives. By supporting such projects, ADIB can contribute to the transition towards a low-carbon economy while supporting our clients in addressing key environmental challenges in conformity with the highest ethical Islamic principles.

Overall, the Bank's commitment to environmental considerations in our financing and investment decisions demonstrates our efforts to promote sustainability and make a positive impact on the environment and society. ADIB's approach to integrating ESG in its financing and investment activities are covered in detail in sections five (5) and six (6) of this document.

### 3.2 Social

#### 3.2.1 Diversity and human capital development

ADIB's commitment regarding human capital are in line with the Bank's Human Resources policy. ADIB is committed to maintaining a highly motivated and productive work environment for the Bank's employees. ADIB invests in its people,

and provides training, career development opportunities and performance review to equip employees with the skills they need and to support employees' individual development and performance.





ADIB is an equal opportunity employer and is committed according to its Islamic values to attracting and retaining people from different backgrounds, regardless of age, ethnicity, gender, nationality, ability, or religion.



The Bank's Shari'a compliant culture is based on welcoming, respecting and valuing all team members, and creating an environment where everyone can succeed.

ADIB also encourages employees to raise any concerns that will be treated confidentially and investigated thoroughly by the Bank.



### 3.2.2 Community and local procurement

ADIB seeks to be an active contributor to sustainable development in the UAE. The Bank has designed a corporate social responsibility strategy that supports its objectives, corporate value, and long-term vision of generating positive and sustainable social and economic impact in sectors, areas, and communities of operation through value creation.

ADIB regularly identifies several proactive and responsible programs and initiatives to be carried out both on the corporate level and on an investment project level.

The programs and initiatives are based on the pillars of development, value, and philanthropy. The Bank's areas of focus depend on various factors, primarily the requirements and needs of the community such as promoting economic growth through SME financing, creating job opportunities, enhancing education, youth development, and financial literacy. ADIB works on designing a comprehensive and exclusive development program that is addressed to Emiratis and individuals from different nationalities.

ADIB believes that local procurement can also encourage the development of local businesses and communities. Local procurement can have a wide range of positive social impacts on society such as job creation, and economic growth. The integration of Environmental and Social factors in procurement practices also supports the Bank in identifying suppliers that comply with environmental and labor laws as well as human rights standards. By sourcing goods and services locally, ADIB can also potentially reduce the carbon footprint associated with transportation and logistics within the Bank's supply chain.

### 3.2.3 Health, safety and human rights

ADIB believes in sustaining a healthy and safe work environment for its employees. ADIB recognizes the importance of creating a working environment that ensures the wellbeing of its employees, from supporting them to reduce stress, to adopting healthy habits. ADIB builds and maintains innovative workplaces that allow employees to work

efficiently and collaboratively.

ADIB treats employees with due respect and trust whilst respecting their human rights supported by Shari'a. ADIB takes positive steps in ensuring that it is not at any point in time, through its business operations, financing operation, and investment activities, complicit in human rights or

labor practice violations. ADIB has a Whistleblower Policy which sets out the guiding principles and procedures for reporting any misconduct via a confidential hotline, so that appropriate action can be taken.

### 3.2.4 Data privacy and security

ADIB is committed to maintaining and improving data, information and network security within accepted best practice and minimizing its exposure to risks in order to protect ADIB's assets and stakeholders across all of ADIB's operations. In line with our Data Privacy Policy, ADIB assures that the information technology systems and the data handled by the systems are protected and will follow the guidelines of all applicable privacy and data protection laws, regulations, and is supported with



certifications such as Payment Card Industry (PCI) Data Security Standard (DSS) (PCI DSS) - an international standard to manage information security. Complying with PCI DSS requirements will help the Group in decreasing the risk of security breaches by protecting customer card data and building trust with customers and merchants.

### 3.3 Governance and business ethics

#### 3.3.1 Sound corporate governance practices

Good governance is fundamental in Islamic finance as it guarantees that short-term commercial interests do not affect longer-term shareholder value. Corporate governance and Shari'a governance cover the rights and responsibilities of the management and board of directors, its structures, corporate values, and accountability processes.

ADIB is committed to maintaining the highest levels of fairness,

integrity, and responsibility. Good corporate governance is essential to long-term success and to ensure companies deliver value for all stakeholders, including shareholders and clients. It regulates the relations between the Board of Directors and all the Bank's stakeholders including the senior management and shareholders.

At ADIB, good corporate governance means that the Bank has an

appropriately composed Board, respects ownership and shareholder rights, actively manages the environmental and social aspects of its business and identifies and communicates material issues to shareholders and other stakeholders. It also means the integration of ESG at the board and management level of the Bank.



#### 3.3.2 Risk governance framework

In line with ADIB's Risk Governance Framework, the primary goal of risk management is to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and that there is an appropriate balance between risk and reward to maximize shareholder returns. ADIB's risk governance framework provides the foundation for achieving these goals.

#### 3.3.3 Anti-money laundering and combating the financing of terrorism

In line with ADIB Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy, ADIB is committed to combat money laundering, corruption, and terrorist financing – including adhering to all relevant laws and regulations in line with jurisdictional authorities and the Bank's internal policies. ADIB has rigorous systems in place and holds the Bank accountable for detecting, stopping, and reporting money laundering matters, including the prevention of corruption and terrorism financing. ADIB has a Whistleblower Policy which sets out the guiding principles and procedures for reporting any misconduct via a confidential hotline, so that appropriate action can be taken.



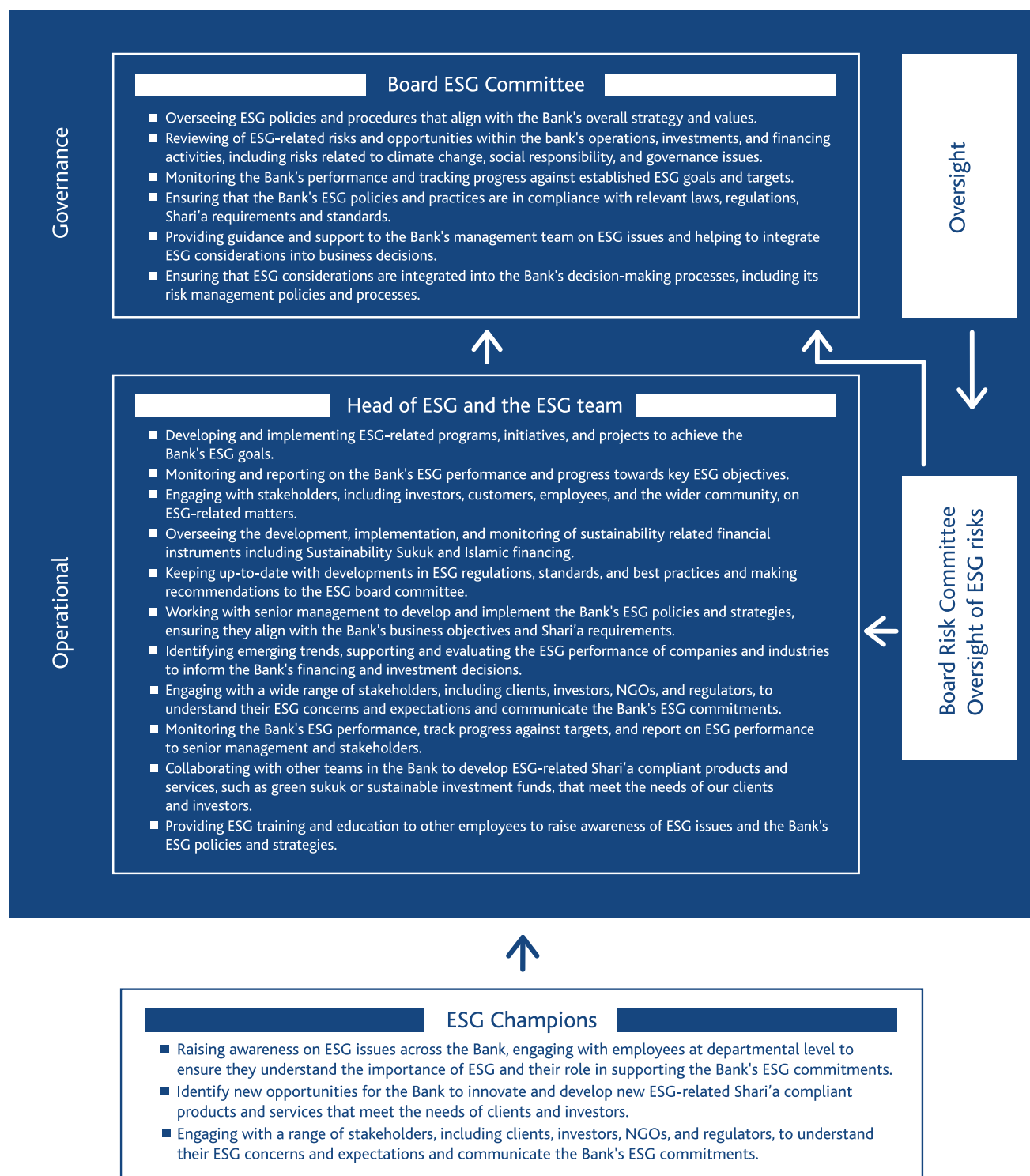
An aerial photograph of a mangrove forest. A winding boardwalk, constructed from reddish-brown wooden planks, meanders through the dense green vegetation. The boardwalk is elevated above the water, which is a light, milky green color. The trees are lush and green, with their shadows cast onto the water. The boardwalk starts in the top left, goes right, then down, then right again, and continues to wind through the forest. There are some small structures or platforms along the boardwalk.

## 4. | ESG governance



## 4. | ESG governance

ADIB is fully committed to effective governance with the objective of protecting the interests of all stakeholders. To help the Board of Directors fulfil its governance responsibilities, management level committees have been established to support the integration of ESG across the Bank's operations.





#### 4.1 Board of directors

The Board ESG Committee is responsible for overseeing ADIB's ESG strategy and policies, monitoring the Bank's ESG performance, and ESG risks including but not limited to business ethics, data privacy and security, and human rights. This Board oversight includes ESG-related commitments, strategies, objectives, progress, performance, and activities, aiming to perform best ESG practices according to highest standards. Their role is to oversee the high-level management of ESG-related issues within the organization.

#### 4.2 ESG Department

##### Strategy

ADIB's ESG department is responsible for developing and implementing the company's ESG strategy and ensuring that it aligns with the organization's mission and values. This includes the development of roadmaps and the tracking of progress on KPIs. The ESG department plays a critical role in supporting the Bank in identifying and managing ESG related risks and opportunities. This includes the development of ESG Policy Frameworks, Bank-wide policies, and systems and procedures to support this. In order to enable the strategy, the department will also promote and embed ESG within ADIB through enhancing internal capabilities and capacity building; through means including but not limited to training and development programs.

##### Reporting

The ESG Department is also responsible for monitoring ESG and reporting performance in the Bank, both in terms of public disclosures and engagement with stakeholders within the scope of ESG activities. This includes the monitoring of the Bank's ESG performance and reporting through the appropriate internal and external channels. As the key department in the Bank's ESG performance, the ESG Department will also advise and report to the Board ESG Committee and GCEO on ESG-related matters when required.

##### Sustainable Finance

The ESG Department is also responsible for supporting in the oversight, development, implementation, and monitoring of sustainability related financial instruments including Sustainability Sukuk and Islamic financing. In addition, to reviewing the use of proceeds of each Sustainable Finance Transaction and approving or rejecting the classification of deals, as sustainable (green, social or both), in alignment with the criteria set out in the Sustainable Finance Framework. In addition, the ESG team will review and approve proposed allocation of proceeds tracked in the Sustainable Finance Register; ensuring compliance with ADIB's Sustainable Finance Framework and review any issues raised by the Committee; and reviewing and approving the annual Sustainable Finance Report. The Department's role in Sustainable Finance also extends to providing advisory support to business lines in line with the ADIB Sustainable Finance Framework.



### 4.3 ESG champions

ESG champions within ADIB are responsible for driving the integration of ESG principles into the Bank's operations, culture, and strategy. They act as advocates for ESG within their respective departments and work to ensure that the Bank is meeting its commitments to sustainability, social responsibility, and good governance.



### 4.4 ESG training

ADIB focuses on increasing the level of ESG learning and awareness for the board, executive management, and staff levels. Employees and executives across the Bank are responsible for implementing the Bank's ESG commitments.

The Bank aims to provide regular ESG training to its employees to raise awareness and understanding of ESG issues and their role in supporting the Bank's ESG commitments. ADIB's ESG training program covers a range of topics, including the relevance of ESG to the banking industry, and varying from how ESG factors can impact financing and investment decision to opportunities in sustainable finance products and services, including green sukuk, sustainable investment funds, and other ESG-related financial products.

Overall, ADIB's ESG training program is designed to provide employees with a comprehensive understanding of ESG principles and their importance in banking, as well as ADIB's ESG commitments and key objectives. By providing ESG training, ADIB aims to ensure that all employees are equipped with the knowledge and skills to support the Bank's ESG goals and contribute to a sustainable future.





## 5. | Approach to ESG risk management in financing and investment activities



## 5. | Approach to ESG risk management in financing and investment activities



### 5.1 Risk governance framework

ADIB employs a robust credit and investment approval system and implements the Basel III Standardised approach for managing credit risk. The bank's objectives are to minimise its risk profile while maintaining a strong performance and to be resilient and self-reliant under unforeseeable adverse events. To that end, the Bank has a suite of internal policies addressing credit risk, investment risk, and defining risk appetite.

Effective risk management is a critical part of the ADIB corporate governance framework. Responsibility for setting ADIB's risk appetite and for the effective management of principal risks rests with the Board. Under the delegated authority of the Board, the Board Risk Committee has oversight responsibilities for monitoring, review for the principal risk types. The BRC also guides senior management on risk appetite across the Group businesses, considering key factors such as customer segments, geographies, technologies, and the regulatory environment.

The Board sets the tone from the top by means of an articulated risk culture, principles, and risk appetite. ADIB's Risk Governance Framework is managed by the Group Chief Risk Officer (GCRO) who has direct access to the Board Risk Committee. He is also a member of the

Enterprise Risk Committee (ERC) and responsible for overseeing risks including Market and Operational risks.

ADIB aims to review its Risk Governance Framework to incorporate ESG risks that can translate into credit risk. Hence, ADIB aims to incorporate ESG risk assessment within the risk management process. In alignment with the Basel committee guidelines on the integration of ESG factors into banking supervision and regulation, ADIB aims to present a clear strategy and governance structure in place to integrate ESG factors into the Bank's Risk Governance Framework; identify, assess, and manage the risks associated with ESG factors in a comprehensive and systematic manner; conduct scenario analysis to assess the potential impact of ESG risks on the Bank's balance sheet and business operations.





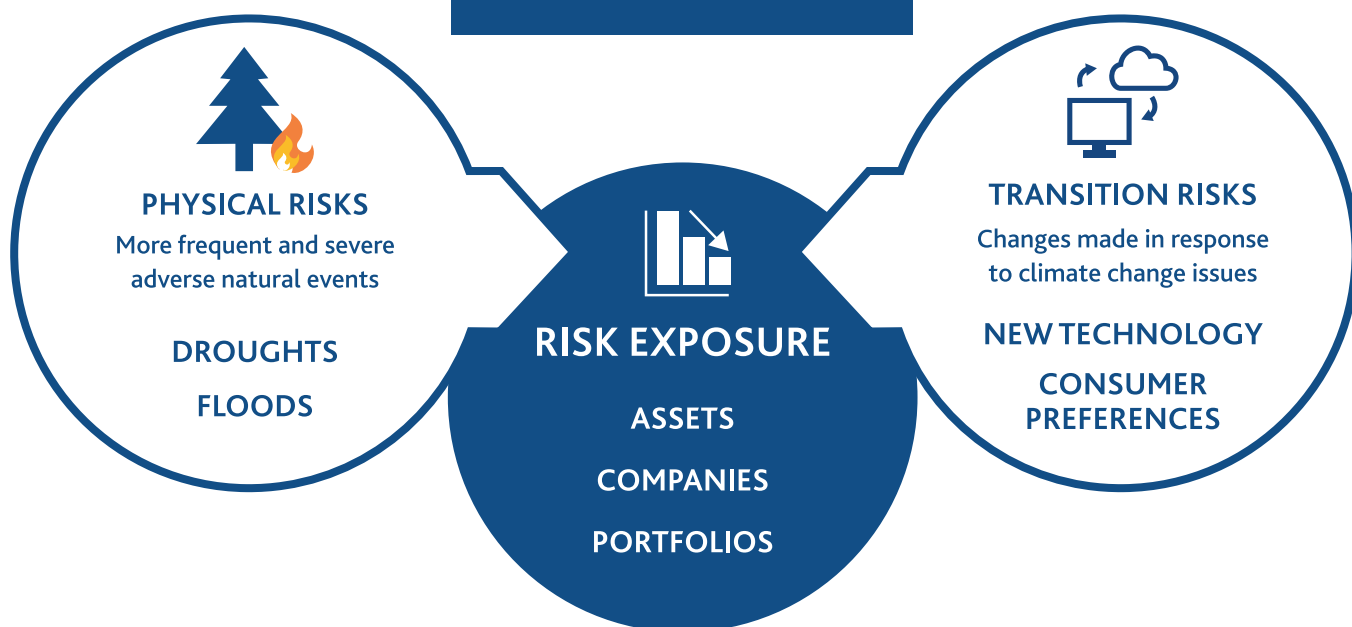
## 5.2 A focus on climate related risks

Climate change and environmental degradation are sources of structural change that affect economic activity, and consequently the financial system. Such risks are understood to potentially impact a bank through degradation of its risk profile in relation to Credit, Market, Liquidity or Operational risk, as well as Reputation or Legal risks. ADIB is exposed to ESG risks, like the rest of the financial services industry, through its transactions with clients and counterparties including corporates, households, sovereigns, and other financial institutions.

**ADIB strives to integrate Climate change risks in the Bank's credit policy and procedures. The principal risk drivers of climate change risks are:**

**Physical risk:** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent event, such as the disruption of supply chains.

**Transition risk:** refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological policies, technological progress or changes in market sentiment and preferences.



## 5.3 Scenario analysis and stress testing

ADIB commits to explore the impacts of climate change and the transition to a low-carbon economy on the Bank's strategy and the resiliency of its business model through identifying relevant climate-related risk; measuring vulnerability to climate-related risks and estimating exposures and potential losses; diagnosing data and methodological limitations in climate risk management; and informing the adequacy of the Bank's Risk Governance Framework, including risk mitigation options. ADIB will review the potential of regularly stress testing the bank's

operations and systems to identify and manage potential ESG risks and shocks including climate change risks. The Bank's commitment to stress testing ESG factors will include conducting assessments of the Bank's ESG risks and vulnerabilities, including climate change, social impact, and governance issues.

ADIB understands that stress testing ESG factors is an ongoing process that requires ongoing commitment and resources. We are committed to integrating ESG considerations into the Bank's business strategy and operations to ensure the long-term success of our business and contribute to a sustainable future for all.





## 6. | Integration of ESG factors in financing and investment activities





## 6. Integration of ESG factors in financing and investment activities

### 6.1 The ESG due diligence process

ESG due diligence is an important process for ADIB to assess and manage ESG risks and opportunities associated with the Bank's financing and investment activities. ESG due diligence involves evaluating the potential impact of a finance or investment on key ESG criteria and is supported with a three line of defense approach to ESG risk management.

The screening process will follow a phased approach, to accommodate for customer adaptation to information requests and the screening process overall. The journey to maturity will extend to 12 months after the awarding of the Second Party Opinion on the Framework. This approach will encompass a phased approach to covering specific and limited portions of the client portfolio, as well as the granularity of data provided by the client and used for the screening process.

Initial ESG Screening -  
(Due Diligence Toolkit)  
ESG Risk Classification



ESG Evaluation



Clearance



Monitoring

- Conduct Initial ESG risk categorization on financing / investment
- Classify deal as high/medium/low ESG risk
- Identify key ESG risks related to the deal
- Identify deals with Environmental or Social Benefits
- Review deal against EP threshold

- Conduct an ESG assessment for client
- Conduct an ESG assessment for projects financed leveraging EP
- Review allegations and controversies
- Review GHG emissions
- Generate ESG due diligence report

- Review ESG Due Diligence Report
- Engage with client or project to access ESG in and/or agree on ESG action plan
- Provide advice on need basis

- Monitor ESG performance, allegations and controversies, progress against action plan and covenants;
- Monitor ESG risk exposure with finding reported to the Management Credit Committee (MCC) and Enterprise Risk Committee (ERC)

**Scope:**  
All WBG, IBG corporates and FI clients

**Key role:**  
Relationship managers

**Supporting role:**  
ESG team

**Scope:**  
All deals classified + All EP applicable deals

**Key role:**  
Relationship managers

**Supporting role:**  
ESG team

**Scope:**  
All deals classified + All EP applicable deals

**Key role:**  
Credit officers

**Assurance role:**  
Group audit

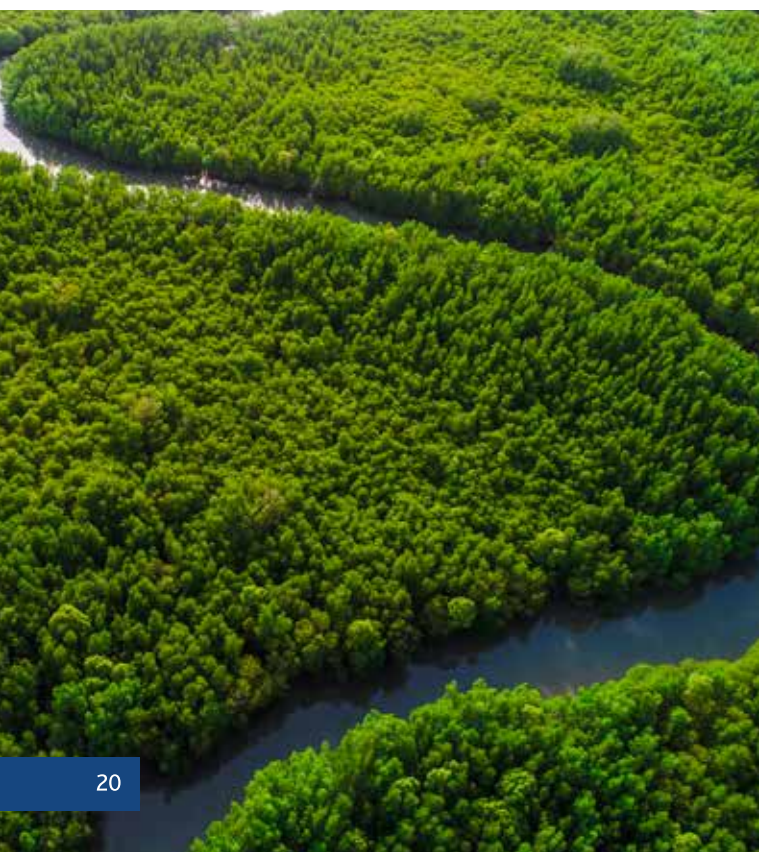
**Scope:**  
Deals that have reached Financial Close

**Key roles:**  
Relationship managers + Credit officers + ESG team + Management Credit Committee (MCC) + Enterprise Risk Committee (ERC)





1. At ADIB, the responsibility for conducting ESG due diligence falls primarily on the Bank's Relationship Managers. ADIB Relationship Managers (RMs) act as the first line of defense and manage customer relationships. RMs have the responsibility to conduct all due diligence, such as reviewing public data, incorporating data proxy and conducting, if required, customer calls and site visits, required to propose and / or monitor credit facilities. They also obtain all business, financial and ESG information required for due diligence to propose and subsequently monitor obligors, credit facilities, collateral and / or guarantors. RMs are responsible for ESG screening and evaluation of the respective deals that meet the Bank's eligibility thresholds.



## 6.2 Responsibilities and lines of defense

The Risk Management department plays a crucial role in defining the bank's Risk Appetite and identifying the risks associated with different business activities. They work in collaboration with other departments to establish risk thresholds and guidelines for the origination of business that align with the bank's ESG Policy Framework.

Consistent with ADIB overall risk management approach, the Bank manages ESG risks by adopting a Three Lines of Defense model.



2. Credit report and approving officers independently review and approve the ESG risk assessments, creating a structure of governance and control and acting as a second line of defense against ESG risks. The Credit Risk team – notably – the Senior Credit Officers at ADIB are responsible for evaluating the creditworthiness of potential customers and managing the Bank's credit risk exposures. As part of this process, the team reviews the ESG risks associated with potential customers, such as their environmental and social impacts, and incorporates these risks into the credit risk evaluation – in addition to compliance with the Bank's policies and procedures, Shari'a rules and relevant Central Bank regulations.



3. The Group Risk Function is responsible for evaluating the banks' risk appetite and ensuring appropriate policies are established. If the result of the ESG risk assessment in the due diligence process finds that the project is above the risk appetite set by the Risk Function, then Group Chief Risk Officer ("GCRO") approval is required.



4. Group Audit provides assurance that this process is effective and complies with regulations and the Bank's internal standards. The role of Group Internal Audit ("GIA"), as the Third Line of Defense, is to protect the Bank by providing risk-based and objective assurance, advice, and insight to senior management, the Audit Committee and the Board. Within GIA, Credit Risk Review ("CRR") is responsible for independent evaluation of credit portfolio quality and associated risk management processes - including ESG risk management.

5. The ESG and Corporate Governance teams also play a role in supporting and conducting ESG due diligence and integrating ESG factors into the Bank's operations and decision-making processes. In this respect, the ESG team acts as an advisory and strategic team throughout this process.

Overall, at ADIB, ESG due diligence is a collaborative effort that involves multiple departments and teams working together to ensure that the Bank's financing and investment activities are aligned with the Bank's ESG commitments and goals.



### 6.3 ESG evaluation toolkit

Today, ADIB is in the process of rolling out a fully-fledged ESG risk due diligence process before approving any credit or investment proposal falling within WBG, IBG or FI. ADIB's ESG due diligence is supported with a purpose-built ESG toolkit derived from international best practices. The toolkit allows the Bank to evaluate the ESG risk level of financing requests in accordance with international standards and conduct an ESG evaluation which results in a quantitative score that can inform our financing or investment decisions. The toolkit also allows ADIB to identify deals with Environmental and Social benefits, and review deals in alignment with the Equator Principles requirements. The ESG evaluation process includes ESG categorization and ESG evaluation.



### 6.3.1 ESG categorisation

The first step in the ESG categorisation process is identifying the deal type. Deal types include project finance, project-related corporate finance, corporate finance, financial institutions finance or investment. It covers all deals under WBG, IBG and FI and includes all EP applicable projects.

ADIB has also developed an ESG risk classification tool that helps our team classify the project deals ESG risk level in alignment with the Equator Principles requirements. This risk categorisation covers the significance of impacts and reversibility of impacts of the project on the Environment and the Communities. This risk classification presents three layers of risks: high, medium, or low – representing the ESG risk levels across ADIB sectors.

Once the deal type is identified, ADIB conducts a client-level and project-level ESG risk classification. Clients and projects within the wholesale, FI, and IBG divisions at ADIB are categorised based on the European Bank for Reconstruction and Development (EBRD) Environmental and Social Risk Categorisation List.



### 6.3.2 ESG assessment

All clients, projects, investments identified as medium or high risk by the ESG risk classification tools will be reviewed through ADIB ESG due diligence toolkit generating an ESG score. ADIB's ESG toolkit assesses a wide range of material ESG qualitative and quantitative KPIs, including environmental management, human rights commitments and measures as supported by Shari'a, anti-corruption conduct, and allegations screening.

#### Environmental :

Environmental Policy  
Environmental Management  
Certifications  
Climate Change  
Biodiversity

#### Social:

Human Rights  
Health and Safety  
Equal Opportunity  
Employee Training and Development

#### Governance:

Compliance  
Executive Pay  
Board Independence  
Bribery and Corruption

Where applicable, the project's ESG score is also calculated. The Project is assessed in alignment with the International Finance Corporation's (IFC) Performance Standards and leverages the recommendations of the Equator Principles.

We may engage with our clients, requesting additional documents relevant to ESG. These documents include Environmental and Social Impact Assessment studies (EIAs), Environmental and Social Action Plans (ESAPs), Environmental Management Plans (EMPs), and evidence of stakeholder engagement.

The ESG ratings are conducted internally by the Relationship Managers and reviewed by the Credit Officers. This process is also supported by ADIB's ESG team.



## 7. | Engagement





## 7. | Engagement

ADIB values the perspectives and insights of its internal and external stakeholders, and regularly engages with stakeholder groups. ADIB discusses environmental, social, and governance issues through meetings and open dialogue with employees, shareholders, investors, clients, and financial institutions.



ADIB publishes an annual sustainability report, which provides information on the Bank's ESG performance and initiatives. The report includes detailed information on the Bank's approach to ESG issues, as well as performance data and case studies.



The Bank conducts regular surveys and focus groups to understand stakeholder expectations and concerns on ESG issues. ADIB has a strong commitment to social responsibility and community outreach. The Bank supports a range of initiatives and programs that promote social and environmental sustainability.



ADIB engages with investors on ESG issues through regular communication and reporting, provides information on its ESG performance and initiatives, as well as responding to specific inquiries from investors.



An aerial photograph of a coastal landscape. A large, sandy area is covered with a grid-like pattern of small, dark, rectangular patches, likely representing a revegetation or erosion control project. The grid is composed of numerous small, dark, rectangular patches arranged in a regular, repeating pattern. The surrounding area is a mix of green vegetation and sandy soil. A body of water is visible in the upper left and lower right corners of the image. A dark, winding path or road runs along the edge of the grid area.

## 8. | Exclusions



## 8. | Exclusions

ADIB believes that considering ESG factors in the financing and investment decisions and in alignment with Islamic principles will support the Bank in hedging ESG related risks. ADIB excludes certain sectors from its portfolio and any industry that is deemed forbidden by the Shari'a rulings and the UAE regulation.

- Alcohol (brewers, distillers & vintners, packagers, transporters, sellers, and resellers)
- Tobacco
- Pork-related products (food products, food retailers & wholesalers, hotels, restaurants & bars)
- Offering conventional financial services (banking, insurance, investment services, insurance brokers, mortgage finance, etc.)
- Weapons and defense (defense industries, manufacturers of weapons, contractors, suppliers of offensive components and systems)
- Entertainment (casinos/gambling, cinema, pornography, music, etc.)

ADIB also excludes the following sectors from its financing and investment activities:

- Coal
- Fracking and unconventional oil and gas - shale oil and gas or coal bed methane, due to concerns about the environmental and health impacts of these extraction methods.
- Tar sand extractions
- Genetically modified organisms
- Genetic cloning
- Deforestation
- Palm oil





An aerial photograph of a coastal wetland area. A winding, light-brown road or path cuts through the landscape, which is a mix of vibrant green fields and brown, sandy or muddy terrain. In the upper right, there are several circular or irregularly shaped bodies of water, some appearing blue and others white, possibly due to salt flats or different water levels. The overall scene suggests a natural environment undergoing some form of management or development.

## 9. | Reporting



## 9. | Reporting

ADIB recognizes that reporting and transparent communication with stakeholders about the Bank's sustainability performance are essential components of its sustainability strategy. By doing so, ADIB can showcase its sustainability efforts, accomplishments, and potential areas for improvement, thereby earning the trust of all its stakeholders. ADIB commits to continually improve and expand its reporting and disclosure practices to ensure that it meets the evolving expectations of its stakeholders. The Bank understands that reporting on sustainability performance is not a one-time event but rather an ongoing process, and as such, it must be approached with a sense of continuous improvement.

ADIB commits to leverage, in a Shari'a compliant manner, leading international standards frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standard Board (SASB). The GRI provides a comprehensive sustainability reporting framework that helps organisations understand and communicate their sustainability performance effectively. SASB standards help companies identify and disclose financially material sustainability information to investors. ADIB also commits to meeting the requirements of the Abu Dhabi Securities Exchange (ADX) ESG disclosure guidance for listed companies to guide the Bank's

reporting practices. The ADX ESG disclosure guidance provides common guidelines for UAE listed companies to report on their environmental, social, and governance (ESG) performance indicators in a transparent and consistent manner.

By using these frameworks, ADIB ensures that its sustainability reporting is comprehensive, transparent, and standardized. This helps to facilitate comparability across reporting periods and between different listed companies, enabling stakeholders to make informed decisions about the Bank's sustainability performance.

ADIB also acknowledges the importance of the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant ESG and sustainability reporting standards. The TCFD provides a framework for companies to disclose climate-related financial risks and opportunities in their mainstream financial filings. By using the TCFD framework, ADIB can identify and manage the physical, transition, and liability risks associated with climate change, ensuring that its financial performance is sustainable in the long term.

Other relevant ESG and sustainability reporting standards that ADIB will explore include the International Integrated Reporting Council (IIRC) framework, which encourages companies to disclose information about their strategy, governance, performance, and prospects in a holistic and integrated way. The United Nations Sustainable Development Goals (SDGs) and the Principles for Responsible Banking (PRB) are also useful frameworks for ADIB to align its sustainability performance with global sustainability targets.

ADIB is also monitoring developments related to the International Financial Reporting Standards (IFRS) sustainability reporting standards. The IFRS sustainability reporting standards provide a comprehensive framework for companies to report on sustainability topics in their financial statements. The IFRS Standards Board is currently developing these standards, which are expected to provide a globally consistent and comparable way to report sustainability performance. By using IFRS sustainability reporting standards, ADIB can integrate

sustainability information into its financial statements, making it easier for stakeholders to understand how sustainability impacts its financial performance. This can help the Bank make informed decisions about its sustainability strategy, investments, and risk management, and can enable stakeholders to assess ADIB's sustainability performance alongside its financial performance. ADIB can ensure that its sustainability reporting is credible, transparent, and consistent, enabling stakeholders to make informed decisions about the Bank's sustainability performance.