

# ABU DHABI ISLAMIC BANK SUSTAINABLE FINANCE FRAMEWORK

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# 1. | Introduction



# 1. Introduction

## 1.1 About ADIB

Abu Dhabi Islamic Bank (thereafter "ADIB" or the "Bank") is a leading bank in the UAE and is the fourth largest Islamic bank in the world with total assets of AED 182 billion. Headquartered and listed in Abu Dhabi, ADIB was incorporated in 1997 to serve as the first Islamic bank in the Emirate of Abu Dhabi.

The Bank currently serves more than 1 million customers through a comprehensive range of Shari'a compliant products and services. The wider ADIB Group provides brokerage, real estate and property management, payment solutions and Takaful insurance Shari'a compliant services.

ADIB has a significant distribution network in the UAE of more than 60 branches and 500 ATMs. Internationally, the Bank has a presence in six

strategic markets – Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Qatar, Sudan and Iraq.

ADIB is committed to being a responsible corporate citizen and to managing its business in a way that creates value for customers, shareholders, employees, and the communities in which it operates. ADIB strives to embed Environmental, Social, and Governance (ESG) principles across the Bank as an Islamic bank. Building a sustainable future is part of the Group-wide strategy with a clear commitment to support the UAE's sustainability agenda.

## 1.2 ADIB's sustainability approach

As one of the major Islamic financial institutions in the UAE offering a wide range of services and a diverse portfolio across different sectors, ADIB recognizes the importance of embedding environmental, social and governance factors into our strategy, operations and systems.

We strongly believe that by integrating ESG risk assessment into the Bank's credit processes, ADIB is able to build a healthy credit book that is sustainable in the long term, capture potential for growth, while supporting both our clients and society meet their financial needs.

ADIB has formulated a sustainability strategy, aligned with Islamic values, the objectives of the UAE national goals, and the United Nations Sustainable Development Goals. With these frameworks as a guide, we have enhanced our consideration of sustainability criteria in our financing and investing activities, continued to support local communities, and take initiatives that reduce our environmental impact. Being an Islamic institution, the Bank also applies the Shari'a principles of environmental stewardship and social inclusion – demonstrating a positive impact on the community.

ADIB has also updated its Credit policy – formalising our approach to ESG integration in financing – supporting the Bank to oversee ESG risks and opportunities that are inherent to our portfolio companies. ADIB has also deployed an ESG evaluation toolkit supporting our teams assess ESG risks and opportunities across our portfolio including climate change risks.

ADIB sustainability strategy has been developed around our sustainability framework which reflects our ESG priorities by focusing on material ESG factors that can impact our business operations as a Bank. Our efforts and commitments towards sustainability are an opportunity to further emphasise the highest Shari'a and ethical principles, while supporting society and the global economy.



## ADIB's sustainability framework

ADIB sustainability framework promotes ethical business practices that align with the values of Shari'a principles including transparency, stewardship, fairness, and social responsibility. By incorporating sustainability into our operations, we can ensure that our business practices are in accordance with Islamic ethics and values.

ADIB sustainability framework consists of six pillars, supporting our goal of sustainable financial performance by capitalizing on new business opportunities while addressing risks. Under each pillar, we have identified key material topics — taking account of their importance to ADIB and to our stakeholders including, investors and our clients. These pillars and their corresponding topics present our strategic priorities to enable sustainable growth and enhance customer satisfaction.

ADIB's strategy aligns with the UN SDGs through multiple initiatives such as financing large scale clean energy and energy efficiency projects; supporting the SME ecosystem within the UAE; enabling opportunities at the grass root level by providing basic infrastructure access, financial literacy and training; actively investing into sustainable finance debt or Sukuk instruments from other issuers that further help support a broad based decarbonisation — all while upholding the core principles of Islamic Shari'a, which on its own has a stringent set of activities that we do not finance. The ESG agenda at ADIB is not considered as a separate layer; ESG pillars are embedded in what we do and as such, our overarching investment and financing strategy accounts for and integrates ESG risk assessment.





### Governance Excellence

ADIB's approach towards governance is guided by Shari'a compliance to ensure deployment of the right governance model. At ADIB, we are committed to the highest governance standards as we believe it is crucial for us to act in a responsible and effective manner. Our corporate governance model is built in a way that ensures transparency, accountability, resilience and alignment with Islamic values and Shari'a governance requirements. ESG agenda at ADIB is not considered as a separate layer; ESG pillars are embedded in what we do.

We are committed to preventing any form of corruption, bribery and fraud, and all forms of financial crime including money laundering. We respect all Human Rights within our premises and throughout our Islamic value chain.

At ADIB, we are focusing on enhancing our governance model by assuring client privacy and data security, which is considered at the top of our priorities. ADIB is committed to safeguarding the privacy and personal data of our clients. We have a robust data protection procedure in place to ensure that data is protected during its full life cycle.



### Maximizing Positive Impacts

ADIB aims to be recognized as a regional Islamic bank leader in sustainable finance. Islamic finance and sustainable or responsible banking have a great deal in common and therefore, we are committed to financing and supporting environmental and sustainable initiatives while strengthening our partnerships with stakeholders and market participants. We aim to take advantage of the overlap between the principles of Shari'a and ESG integration to maximize our positive impacts.

As part of our new ESG strategy, we will be taking into consideration ESG risk assessments in both our financing and investment portfolio. Furthermore, we aim to offer sustainable products, including green and social sukuks, covered cards, and financings. Every day, ADIB provides simple banking that is fueled by innovation focused on the needs of people. At ADIB, we are committed to creating goods, procedures, technologies, and services in a quicker, easier, and more affordable manner.



### Strong Economic Impact

ADIB is a valuable contributor to the economic vitality of the UAE. We aim to sustain our financial growth and attract investment by diversifying our sources of income, maintaining low costs and high operating efficiency. ADIB supports the banking requirements of the retail and wholesale segments of the UAE and regional economy, in Shari'a compliant manner.

Sustainability is addressed within our Procurement Policy. ADIB is dedicated to carefully evaluating how our purchasing decisions may affect the environment, society, culture, and economy, while prioritizing local sourcing.





### Lifelong Partner for Our Customers

In the UAE, ADIB wants to be the Bank with the finest customer service. As a financial service provider, we prioritize our clients' Shari'a compliant needs above anything else. Being accessible to our clients and earning their trust are crucial for our success and longevity.

As a bank, we are aware of our duty to inform the public and our clients about financial matters. Stemming from our belief that better financial decisions lead to successful lives, we provide our customers and community with the financial tools they need. By assisting SMEs and offering financial literacy programs, ADIB is in line with the UAE visions and Sustainable Development Goal number 8: Decent Work & Economic Growth.

In terms of responsible marketing, we seek to acknowledge the larger social and environmental impacts of our product and service offerings in all marketing campaigns.

We aim to be accessible for everyone, everywhere. We place specific focus on the younger generation. In order to increase financial inclusion for the youth and give them the tools they need to make wiser financial decisions, we introduced Amwali, the first digital Islamic bank specifically designed for young people.



### People-centric Organization

ADIB's strength is and will always be our people. That is why we remain focused on attracting and retaining talent, creating enriching experiences that enable growth, continuing to enhance the brand our people represent, and fostering a diverse and inclusive culture in line with the Islamic values. ADIB continues to promote the importance of diversity and inclusion; by building a workforce that reflects the communities in which we work.

At ADIB, we believe that our employees are an integral asset to our success. The sustainability and expansion of our operations depend on our staff receiving state-of-the-art training, including advanced training in Islamic banking, to enhance the skills they need to learn and grow both now and in the future.

Our 2025 Strategy focuses on employee wellbeing and to be an employer of choice. By ensuring employee wellbeing and protection, ADIB aligns, in a Shari'a compliant manner, with the SDGs, particularly with goal number three: Good Health and Wellbeing.



### Lifelong Partner for Our Communities

Our purpose is to be a lifelong partner for community. We ensure that the needs of the community in which we operate are met through our positive contributions.

As part of our Emiratization Strategy, and through specialized talent recruiting and development programs, we actively invest in the professional empowerment of Emirati talent, and aim to have efficient succession planning in place, with priority given to UAE nationals.

Climate change is a pressing issue that affects the entire planet, and in particular, the Gulf region. At ADIB, we recognize these challenges and take responsibility in tackling them by supporting our customers in financing projects that aim to address environmental problems. We aim to invest in renewable energy sources to minimize our carbon footprint.



## 1.3 ESG Governance

ADIB is fully committed to effective governance with the objective to protect the interests of all stakeholders. To help the Board of Directors fulfil its governance responsibilities, an ESG Board Level Committee has been established. To enable and support this, the ESG Team will manage the integration of ESG across the Bank's operations.

## Board ESG Committee

- Overseeing ESG policies and procedures that align with the Bank's overall strategy and values.
- Reviewing of ESG-related risks and opportunities within the bank's operations, investments, and financing activities, including risks related to climate change, social responsibility, and governance issues.
- Monitoring the Bank's performance and tracking progress against established ESG goals and targets.
- Ensuring that the Bank's ESG policies and practices are in compliance with relevant laws, regulations, Shari'a requirements and standards.
- Providing guidance and support to the Bank's management team on ESG issues and helping to integrate ESG considerations into business decisions.
- Ensuring that ESG considerations are integrated into the Bank's decision-making processes, including its risk management policies and processes.
- Providing guidance and support to other departments within the Bank to ensure that they are following the bank's ESG policies and procedures.

Governance

Oversight

Board Risk Committee  
Oversight of  
ESG risk

Oversight

## Head of ESG and the ESG team

- Developing and implementing ESG-related programs, initiatives, and projects to achieve the Bank's ESG goals.
- Monitoring and reporting on the Bank's ESG performance and progress towards key ESG objectives.
- Engaging with stakeholders, including investors, customers, employees, and the wider community, on ESG-related matters.
- Overseeing the development, implementation, and monitoring of sustainability related financial instruments including Sustainability Sukuk and Islamic financing.
- Keeping up-to-date with developments in ESG regulations, standards, and best practices and making recommendations to the ESG board committee.
- Working with senior management to develop and implement the Bank's ESG policies and strategies, ensuring they align with the Bank's business objectives and Shari'a requirements.
- Identifying emerging trends, and supporting in the evaluation of the ESG performance of companies and industries to inform the Bank's financing and investment decisions.
- Engaging with a wide range of stakeholders, including clients, investors, NGOs, and regulators, to understand their ESG concerns and expectations and communicate the Bank's ESG commitments.
- Monitoring the Bank's ESG performance, track progress against targets, and report on ESG performance to senior management and stakeholders.
- Collaborating with other teams in the Bank to develop ESG-related Shari'a compliant products and services, such as green sukuk or sustainable investment funds, that meet the needs of our clients and investors.
- Providing ESG training and education to other employees to raise awareness of ESG issues and the Bank's ESG policies and strategies.

Operational

## ESG Champions

- Raising awareness on ESG issues across the Bank, engaging with employees at departmental level to ensure they understand the importance of ESG and their role in supporting the Bank's ESG commitments.
- Identify new opportunities for the Bank to innovate and develop new ESG-related Shari'a compliant products and services that meet the needs of clients and investors.
- Engaging with a range of stakeholders, including clients, investors, NGOs, and regulators, to understand their ESG concerns and expectations and communicate the Bank's ESG commitments.



#### 1.4 ADIB's Sustainable Finance Framework

ADIB's Sustainable Finance Framework captures all our sustainable finance activities related to Green, Social, Sustainability Sukuk/deposits and acts as a standard for all sustainable financing transactions. Our Sustainable Finance Framework<sup>1</sup> has been structured by leveraging the following guidelines and principles, in a compliant manner with the Shari'a rules and principles:

**1.** The Green Bond Principles<sup>2</sup>, the Social Bond Principles<sup>3</sup>, and the Sustainability Bond Guidelines<sup>4</sup> issued by the International Capital Market Association (ICMA).

**2.** The Green Loan Principles<sup>5</sup>, the Social Loan Principles<sup>6</sup>, issued by the Loan Market Association (LMA).

**3.** In line with the SCA the decision of the chairman of the SCA No (21/R.M) year 2023 regarding the regulation of green and sustainability linked bonds and sukuk.

<sup>1</sup>Additionally, the Framework relies on latest trends and practices in the sustainable finance market in the local and global context and takes into account, where possible, appropriate national and international taxonomies, including the CBI Taxonomy.

<sup>2</sup>Green Bond Principles (GBP) 2021 (with 2022 Appendix 1) - <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp>

<sup>3</sup>Social Bond Principles (SBP) 2023 - <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

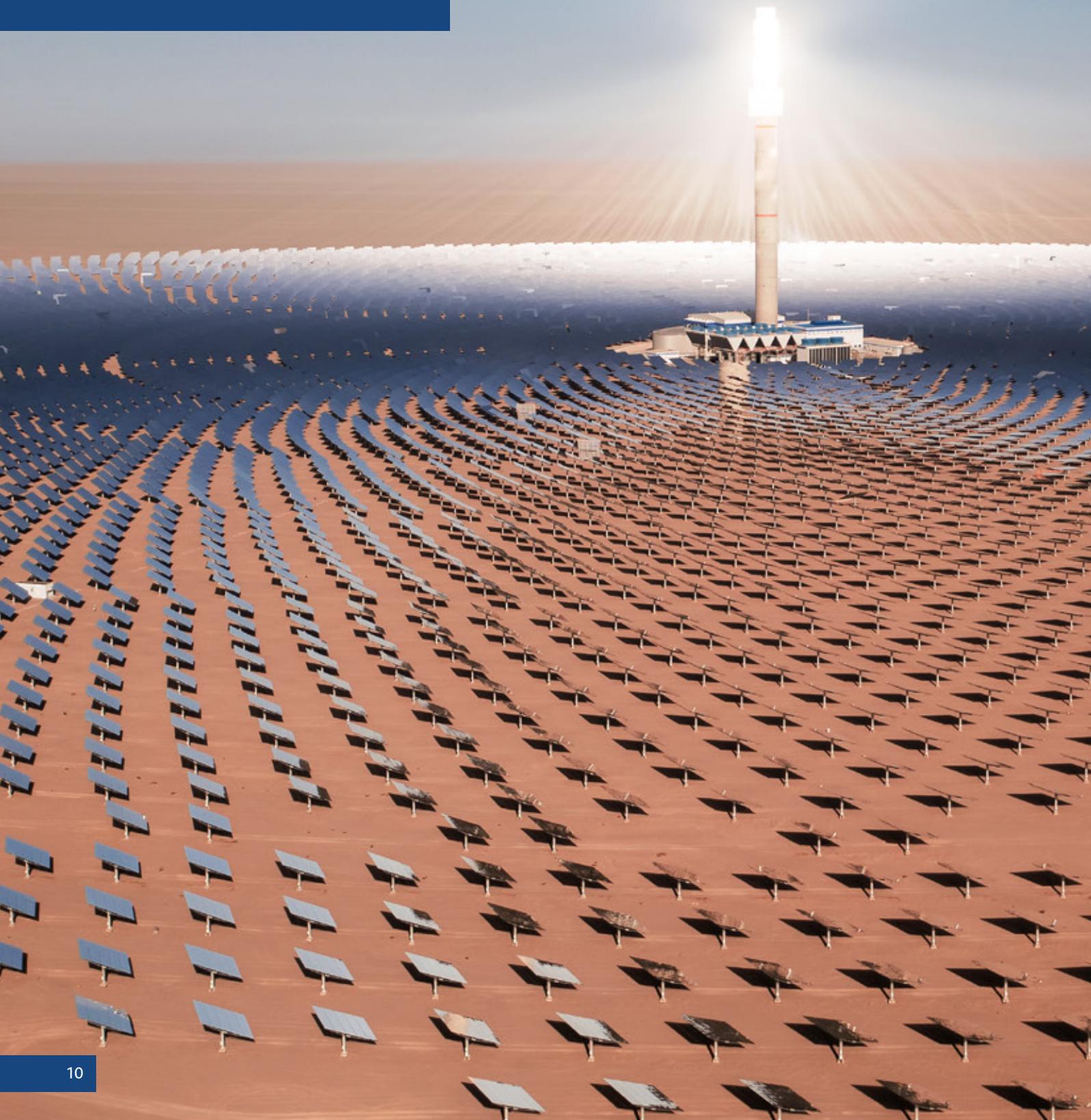
<sup>4</sup>Sustainability Bond Guidelines 2021 -

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

<sup>5</sup>Green Loan Principles (GLP) 2023 - <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup>Social Loan Principles (SLP) 2023 - <https://www.lsta.org/content/social-loan-principles-slp/>

## 2. | Use of Proceeds



## 2. Use of Proceeds

### 2.1 Eligible assets and categories

The net proceeds of the Sustainable Finance Transaction issued under ADIB Sustainable Finance Framework will be used to finance and/or refinance, in part or in whole, new or existing assets, businesses, projects, and investments that promote the categories outlined below ("Eligible Environmental and Social Categories").

Eligible financing includes financing or refinancing of entities where at least 90% of the financing recipient's revenue is derived from sources that meet the relevant eligibility criteria set out below ("pure-play entities"). Such investments can include debt and proportionate share of equity financing to such entities.

### 2.2 Financial instruments under the scope of this framework

The financial instruments that may be issued under this Framework include the following (collectively referred to as "Sustainable Financing Instruments"):

**Green Sukuk(s)** – where proceeds are used to finance projects under 'Eligible Environmental Categories'.

**Social Sukuk(s)** – where proceeds are used to finance projects under 'Eligible Social Categories'.

**Sustainability Sukuk(s)** – where proceeds are used to finance projects under 'Eligible Green Categories' and 'Eligible Social Categories'.

All Eligible Assets financed under this framework are expected to provide significant environmental benefits towards Climate Change Mitigation, Climate Change Adaptation, Sustainable Use of Water Resources, the Transition to a Circular Economy, Pollution Prevention and Control and Biodiversity Preservation.

The eligible projects portfolio may include new or existing projects with a lookback period of no more than 3 years.

## Eligible environmental and social categories

Scope	Eligible Category	Subcategory	SDG	SDG Target
Green	Renewable energy	<p><b>Production:</b></p> <ul style="list-style-type: none"> <li>• Photovoltaic generation facilities.</li> <li>• Concentrated solar power facilities with a minimum 85% of power generation derived from solar sources.</li> <li>• Wind farms (onshore and offshore).</li> <li>• Geothermal plants with a lifecycle intensity lesser than 100g CO<sub>2</sub>e/kWh.</li> <li>• Hydroelectric power projects including run-of-the-river projects with no artificial reservoir or projects with a power density greater than 5W/m<sup>2</sup> or projects with a lifecycle carbon intensity of under 100g CO<sub>2</sub>e/kWh (plants above 1000MW are excluded).</li> <li>• Bioenergy from non-food based agriculture waste sources, e.g. used cooking oil, agriculture and forestry residues.</li> <li>• Production of hydrogen, hydrogen-based synthetic fuels, or ammonia through electrolysis powered by renewables (as defined above).</li> </ul> <p><b>Products and appliances:</b></p> <ul style="list-style-type: none"> <li>• Manufacturing facilities wholly dedicated to solar/wind energy development such as PV cells &amp; components, CSP dishes, troughs &amp; components, wind turbines, geothermal turbines, hydro turbines and components.</li> </ul> <p><b>Transmission and distribution infrastructure</b> (allocated based on the pro-rata share of transmission that is dedicated to renewable energy) including:</p> <ul style="list-style-type: none"> <li>• Storage, distribution, installation, wholesale and retail.</li> <li>• Transmission infrastructure.</li> <li>• Supporting infrastructure including inverters, transformers, energy storage systems and control systems.</li> </ul>	 <p>SDG 7: Affordable and clean energy</p>  <p>SDG 9: Industry, innovation and infrastructure</p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>

Scope	Eligible Category	Subcategory	SDG	SDG Target
	Energy Efficiency	<ul style="list-style-type: none"> <li>• Development and implementation of products or technologies that reduce the energy consumption by 30% or more of underlying assets, projects, appliances, products or systems i.e. improved lighting, improved chillers, or reduced power usage in manufacturing operations.</li> <li>• Improved efficiency in the delivery of bulk energy services, including existing district heating/cooling systems that result in 30-50% energy savings, smart grids with clear linkage to renewable energy technologies and the storage of renewable energy.</li> <li>• Development/manufacture of energy efficiency technologies including LED lights and smart grid meters<sup>7</sup>.</li> </ul>	 <p>SDG 7: Affordable and clean energy</p>  <p>SDG 8: Decent work and economic growth</p>  <p>SDG 9: Industry, innovation and infrastructure</p>	<p>7.3</p> <p>By 2030, double the global rate of improvement in energy efficiency.</p> <p>7.a</p> <p>By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p> <p>8.4</p> <p>Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.</p>
	Green Buildings	<p>Financing of green buildings which meet any one of the following green building certification requirements:</p> <ul style="list-style-type: none"> <li>• LEED Gold or above.</li> <li>• BREEAM Excellent or above.</li> <li>• GSAS 4 star rating or above.</li> <li>• HQE Very Good or above.</li> <li>• BCA Green Mark Gold Plus or above.</li> <li>• Estidama Pearl Building Rating of 4 Pearl or above.</li> </ul> <p>Renovation of commercial or residential buildings that achieve a minimum of 30% improvement in energy use or carbon emission.</p>	 <p>SDG 9: Industry, Innovation and Infrastructure</p>	<p>9.4</p> <p>By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</p>

Scope	Eligible Category	Subcategory	SDG	SDG Target
	Pollution prevention and control	<ul style="list-style-type: none"> <li>Recycling plants focused on converting waste into new materials.</li> <li>Soil remediation investments such as land remediation for urban land sites.</li> </ul>	 SDG 12: Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
	Sustainable Water and Wastewater Management	<p>Projects related to construction, operation, maintenance, or upgrades, of water collection, recycling, transportation, and treatment technologies, including:</p> <ul style="list-style-type: none"> <li>Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents<sup>8</sup>.</li> <li>Sewer systems and pumping stations.</li> <li>Projects that increase water-use efficiency by at least 20%, such as water recycling and reuse projects, water saving systems, water saving technologies and water metering (as part of wider water saving technologies).</li> </ul> <p>Water desalination projects running on reverse osmosis technology with a carbon intensity of less than 100gCO<sub>2</sub>e/kWh over the residual asset life. (The asset may be partially powered by renewables).</p>	 SDG 6: Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.  6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.  6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
	Clean Transportation	<p>Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of long distance, urban travel and freight, including:</p> <ul style="list-style-type: none"> <li>Electric vehicles with zero direct emissions.</li> <li>Hybrid vehicles with an emissions intensity lower than 50g CO<sub>2</sub>e/p-km.</li> </ul>	 SDG 9: Industry Innovation and Infrastructure   SDG 11: Sustainable Cities and Communities	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

<sup>7</sup>In line with EU Taxonomy Technical Screening Criteria 7.5(c)

<sup>8</sup>Treatment of wastewater from fossil fuel operations will be excluded under the Framework.

Scope	Eligible Category	Subcategory	SDG	SDG Target
		<ul style="list-style-type: none"> <li>Investments towards enablement of cleaner modes of transport such as EV charging stations, bicycles/ e-bicycles/ e-scooters infrastructure, walking paths.</li> <li>Rail Infrastructure including metro, high-speed rail, and interurban rail.</li> <li>Bus rapid transport infrastructure including dedicated lanes, bus depots.</li> </ul>		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Social	Access to essential services	<p>Facilities, equipment, and activities that enhance access to public, not-for-profit, free, or subsidized education for target populations including students from low-income households and minority groups who have historically lacked access given income and social constraints. This includes:</p> <ul style="list-style-type: none"> <li>Construction and retrofit of public schools, universities, and university campuses.</li> <li>Acquisition and development of the related facilities and services to improve access to child or tertiary education, and vocational training.</li> <li>Activities such as school transportation service.</li> </ul>	 SDG 4: Quality Education	4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.
		<p>Facilities, projects, and equipment that enhance access to healthcare services in emerging markets through affiliations with government health programs or are more broadly accessible to the whole public through government spending, subsidies, or social security. This includes:</p> <ul style="list-style-type: none"> <li>Development, expansion, or acquisition of buildings, facilities, and equipment relating to hospitals, laboratories, clinics, healthcare, and hospices.</li> <li>Activities that support the funding of health-related R&amp;D programs such as new medicines, treatments, vaccinations, or health equipment.</li> </ul>	 SDG 8: Decent Work and Economic Growth	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
			 SDG 3: Good Health and Well-being	3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

Scope	Eligible Category	Subcategory	SDG	SDG Target
		<ul style="list-style-type: none"> <li>Investing in activities that will strengthen the provision of early warning system utilizing data and predictive analytics to monitor healthcare systems for potential risks and provide alerts to healthcare organizations when pre-defined thresholds are met, helping to mitigate the impact of potential epidemics, pandemics, or other health-related crises.</li> </ul>		
	Employment Generation	<p>Financing of local SMEs (as defined by local UAE central bank regulation<sup>9</sup>) with an aim to enhance access to traditional Shari'a compliant banking products, promote competitiveness of local businesses, and enhance their operations. These are primarily local SMEs and may also include:</p> <ul style="list-style-type: none"> <li>Businesses owned and operated by minority groups such as people of determination, women and migrants.</li> </ul>	 <p>SDG 8: Decent Work and Economic Growth</p>  <p>SDG 9: Industry, Innovation and Infrastructure</p>	<p>8.3</p> <p>Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>
	Affordable Housing	<p>Financings for the development and construction of social housing or affordable housing projects which are defined and eligible under local regulated programs<sup>10</sup> for low-income households<sup>11</sup>.</p>	 <p>SDG 1: No Poverty</p>  <p>SDG 11: Sustainable Cities and Communities</p>	<p>1.3:</p> <p>Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.</p> <p>11.1:</p> <p>By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>

<sup>9</sup>UAE central bank definition

<sup>10</sup>Including Sheikh Zayed Housing Programme and Mohammed bin Rashid Housing Establishment (<https://u.ae/en/information-and-services/housing/housing-authorities-and-programmes>)

<sup>11</sup>Low income households are defined as households with an average monthly income under AED25,000 as defined by the UAE Social Welfare Program



### 3. | Exclusion

### 3. Exclusion

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.

- Conventional financial activities or services.
- Alcohol (brewers, distillers & vintners, packagers, transporters, sellers and resellers).
- Tobacco.
- Pork-related products (food products, food retailers & wholesalers, hotels, restaurants & bars).
- Weapons and defence (defence industries, manufacturers of weapons, contractors, suppliers of offensive components and systems).
- Casinos/gambling, and adult entertainment.

For avoidance of doubt, financing toward the following sectors are excluded<sup>12</sup> under this Framework:

- Coal or gas fired power generation and distribution assets.
- Coal mining and transportation.
- Fossil-fuel related exploration and distribution / transportation.
- 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.
- Deep sea drilling.
- GMOs.
- Genetic cloning.
- Deforestation.
- Palm Oil.
- Any activity prohibited by Islamic Shari'a.
- Hydropower over 1000MW.



<sup>12</sup>This implies the exclusion of direct financing of the activities themselves as well as the financing of any activities or infrastructure which are dedicated to, supporting of or enable the above activities in part or entirety.

## 4. | Process for Project Evaluation and Selection



## 4. Process for Project Evaluation and Selection

### 4.1 ESG Due Diligence

ADIB has developed an ESG due diligence toolkit to support our Bank identify and assess deals with clear environmental or social benefits, in a Shari'a compliant manner and in line with the Equator Principles. The toolkit qualifies and quantifies the ESG performance of new deals and portfolio companies.

ADIB may engage with the client, requesting additional documents relevant to ESG. These documents include but not limited to 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 and reviewed by the Relationship Managers and Credit officers.

The ESG assessments provides a powerful ex-ante and ex-post means to oversee and monitor ESG risks in financing and investing activities while also supporting positive engagements with clients on key ESG topics.

The ESG assessments supports ADIB's executive level ESG Management Committee in allocating proceeds to eligible asset categories.

### 4.2 ESG Department

ADIB ESG Department oversees all work related to the identification and review of the potentially eligible assets identified by the Wholesale Banking, Treasury, and Credit business lines. In carrying out their responsibilities, the ESG Department shall rely on the accuracy and completeness of information provided by relevant ADIB stakeholders, consultants and/or other available resources as well as on their own expertise and best judgment, where applicable. In specific, this information includes the Due Diligence evaluation completed by ADIB stakeholders used to categorize projects and financing via the criteria of ESG risks. The information provided through these evaluations will be verified against the Sustainable Finance Framework to perform the following duties below.

As such, the ESG Department shall assume, and be accountable for, the following duties and responsibilities:

#### Oversight, Evaluation and Monitoring:

- Review the use of proceeds of each Sustainable Finance Transaction and suggest the approval or rejection of deals, as appropriate, that can qualify under this framework.
- For allocation of proceeds to pure play entities, ensure adherence to the definition of the pure play entities as defined in the framework.
- Review and approve proposed allocation of proceeds tracked in the Sustainable Finance Register.
- Ensure compliance with ADIB's Sustainable Finance Framework and review any issues raised by ADIB stakeholders and/or the Board ESG Committee.
- Report to GCEO (and ESG Board Committee when necessary).
- Monitor the implementation and progress of the approved ESG/Sustainable Finance goals within the ADIB ESG Strategy on at least a quarterly basis. This includes consideration of:
  - ADIB's Sustainable Finance activities as referred to in ESG/Sustainability ambitions.
  - Alignment with ADIB's corporate strategy and ESG strategy.
  - ESG/Sustainability-related risks, opportunities, and material issues.

To ensure a rigorous and thorough evaluation, the ESG Department will conduct the verification of deals; where evaluations will be conducted by the sustainable finance working group established within the ESG Department for the responsibilities delineated above; including the Head of ESG and Sustainability, and the Group Head of Corporate Communications, Marketing & Investor Relations.

#### Reporting:

Produce, and review:

- The annual Sustainable Finance Report.
- Related public disclosures (e.g. relevant sections of annual report or entire documents to be made public concerning ADIB's Sustainable Finance-related activities); suggesting any amendments and/or considerations, if any for the GCEO's approval.





## 5. | Management of Proceeds



## 5. Management of Proceeds

The net proceeds of any issuances received by ADIB under the framework will be fully utilised within 24 months of the issuance. ADIB intends to maintain a track record of all transactions under this framework in a separate Sustainable Finance Register where it intends to track proceeds raised, projects financed, and balance of unallocated proceeds. ADIB will follow a portfolio-based approach to match issuances with eligible green/ social assets and will periodically review the Sustainable Finance Register to ensure that an adequate balance of eligible green/ social assets is maintained to match issuance amounts at all times.

On a semi-annual basis, ADIB's ESG Board Committee — with the support of the ESG team — will review the Sustainable Finance Register to verify that all the Eligible Assets continue to meet the

eligibility criteria set out in the framework and remove any assets which no longer meet the said criteria. Any shortfalls as a result of such removals will also be adjusted to match the issuances under the framework.

With regards to unallocated proceeds of the net Sustainable Finance Transactions proceeds, temporary placement for the balance of unallocated net proceeds in approved short-term Shari'a compliant instruments pending investment and will be held in accordance with ADIB's local liquidity management guidelines and subject to the above exclusions pending utilisation.

## 6. | Reporting



## 6. Reporting

ADIB will report on an annual basis until full allocation, the allocation of net proceeds and impact of the transaction financed under this framework leveraging the ICMA's Harmonized Framework for Impact Reporting for Green Bonds and ICMA's Harmonized Framework for Impact Reporting for Social Bonds.

The Annual Sustainable Finance Report will include details on Allocation Reporting and Impact Reporting.

### 6.1 Allocation and impact reporting

The Annual Sustainable Finance Report shall include:

- The list of eligible projects categories to which proceeds have been allocated and expected impacts.
- The unallocated/unutilised amount and where it is placed or invested pending utilisation.
- The portion of financed vs. refinanced eligible assets.
- The look-back period.

ADIB will report on key performance indicators as relevant to eligible deal as listed below.



### 6.1.1 Environmental Impact Reporting

ADIB will report on key performance indicators (KPIs) to demonstrate the environmental and social impact of investments made through issuances under the Framework based on the following list of KPIs. ADIB notes that this list is only indicative in nature and actual reporting may consider the inclusion of KPIs outside the list or report only on a subset of the KPIs listed below based on the specifics of the project, data availability, etc. As such, ADIB strives to report transparently on at least one KPI per category of investment.

Category	Impact Indicators
  <p>Renewable Energy</p>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated (MWp)</li> <li>• Capacity of renewable energy plant(s) to be served by transmission systems (MWp)</li> <li>• Annual Absolute (gross) GHG emissions from the project (tCO<sub>2</sub>e)</li> </ul>
  <p>Energy Efficiency</p>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Number of people who benefitted</li> <li>• Annual Absolute (gross) GHG emissions from the project in tonnes of CO<sub>2</sub> equivalent</li> </ul>

Category	Impact Indicators
 <p>Green Buildings</p>	<ul style="list-style-type: none"> <li>• Number of green buildings financed along with details of certifications achieved</li> <li>• Percentage of real estate portfolio represented by green buildings (comparison with previous year)</li> <li>• kWh/m<sup>2</sup> of GBA p.a.; and % of energy use reduced/avoided vs local baseline/building code; and, if relevant % of renewable energy (RE) generated on site</li> <li>• kgCO<sub>2</sub> /m<sup>2</sup> of GBA p.a; and</li> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>e) vs local baseline/baseline certification level; and/or</li> <li>• % of carbon emissions reduced/avoided vs local baseline/baseline certification level</li> <li>• m<sup>3</sup>/m<sup>2</sup> of GBA p.a; and Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a (for retrofitted buildings) and/or</li> <li>• % of water reduced/avoided vs local baseline/baseline certification level/IGCC/ International Plumbing Code</li> <li>• Amount p.a. of waste minimized, reused or recycled in % of total waste and/or in absolute (gross) amount in tons p.a.</li> </ul>
 <p>Pollution Prevention &amp; Control</p>	<ul style="list-style-type: none"> <li>• Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tons p.a.</li> <li>• Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tons p.a. and in % of total waste)</li> <li>• Improved access to municipal waste collection (including separation)</li> <li>• Number of people or % of population with access to waste collection under the project: <ul style="list-style-type: none"> <li>• Area with improved regular (daily, weekly or bi-weekly) waste collection service</li> <li>• How many fractions of waste were separated before and after the project</li> <li>• The absolute amount or % of residual non-separated waste before and after the project</li> </ul> </li> <li>• Manufacturing for the circular economy Indicators: <ul style="list-style-type: none"> <li>• Tons of waste reduced</li> <li>• Products changed to increase waste reduction</li> <li>• Tons of secondary raw materials or compost produced</li> </ul> </li> </ul>
 <p>Sustainable Water and Wastewater Management</p>	<ul style="list-style-type: none"> <li>• Number of water treatment facilities built or upgraded</li> <li>• Reductions in water distribution losses (in m<sup>3</sup>)</li> <li>• Amount (in m<sup>3</sup>) or % of water recycled</li> <li>• Amount of water reduced (in m<sup>3</sup>)</li> </ul>

Category	Impact Indicators
 <p>Clean Transportation</p>	<ul style="list-style-type: none"> <li>• Number and type of clean transportation vehicles financed</li> <li>• Passenger-kilometers (i.e., the transport of one passenger over one kilometer) and/or passengers; or ton-kilometers (i.e., the transport of one ton over one kilometer) and/or tons</li> <li>• Reduction of air pollutants: particulate matter (PM), sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> <li>• Kilometers of bicycle path installed</li> <li>• Number of EV charging stations financed</li> <li>• Total in kilometers of new or improved train lines/dedicated bus, BRT, LRT corridors bicycle lanes</li> </ul>
 <p>Access to Essential Services: Education</p>	<ul style="list-style-type: none"> <li>• Number of educational institutions funded by type</li> <li>• Number of students served</li> <li>• Number of textbooks and teaching materials supplied</li> <li>• Amount of financings provided to low-income students</li> </ul>
 <p>Access to Essential Services: Healthcare</p>	<ul style="list-style-type: none"> <li>• Number of hospitals and other healthcare facilities financed</li> <li>• New or improved service provided by number of beds</li> <li>• Number of children vaccinated</li> <li>• Number of residents benefitting from healthcare which is otherwise not accessible</li> <li>• Number of people with a rare disease being provided access to services and adequate medication</li> </ul>
 <p>Employment Generation</p>	<ul style="list-style-type: none"> <li>• Number of financings and total amount of financing to eligible SMEs</li> <li>• Number of financings and total amount of financing to women-owned and minority-owned SMEs</li> <li>• Jobs created or retained as a result of extending financing to SMEs</li> <li>• Average financing size and total financing book extended to eligible SMEs</li> </ul>
 <p>Affordable Housing</p>	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Location of the projects</li> <li>• Average housing price</li> <li>• Financial effort of households to purchase housing</li> <li>• Rental costs compared to the national/regional rent index</li> <li>• Associated positive social impacts</li> <li>• Disabled people with access to well-equipped dwellings</li> <li>• Number of individuals/ families benefiting from subsidized housing</li> </ul>

## 7. External Review





## 7. External Review

ADIB will appoint a Second Party Opinion Provider to assess - through a pre-issuance external review - the alignment of ADIB Sustainable Finance Framework, in a Shari'a compliant manner, with the ICMA's Green Bond Principles, ICMA's Social Bond Principles, ICMA's Sustainability Bond Guidelines, and the LMA's Green Loan Principles and Social Loan Principles.

ADIB will engage a second party opinion provider or an external party to independently assure the Annual

Report and review the compliance (conformity) with the ADIB Sustainable Finance Framework. The post-issuance review will assure that allocation of funds towards eligible projects is in line with the commitments in the Framework for any issuances under this framework during the reporting period.

The Second Party Opinion and the report of the external auditor will be published on ADIB's website.