ADIB مصرف أبوظبي الإسلامي

ADIB NET ZERO
REPORT 2024

THE START OF
THE JOURNEY

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1. MESSAGE FROM OUR EXECUTIVES

Mohamed Abdelbary,
Group CEO

> **“As a leading financial institution, we are excited to be amongst the pioneers in the region in greening the impact of banks through financing decisions. At ADIB, we view the national direction towards sustainable economic growth as an opportunity for us to finance the sustainable transition.”**

This report marks ADIB’s first large stride in a decarbonization journey that will define the future of our corporate strategy and business activities. This comes at a time when the UAE, and the world at large, is increasingly concerned about the impacts of climate change on our environment, communities, and human wellbeing.

In the contemporary context of the Paris Agreement, as well as international platforms for addressing climate change such as COP, – in which we were an Associate Pathway Partner in Dubai’s 2023 conference – addressing climate change is at the forefront of ADIB’s agenda, as well as within the wider context of the UAE government. As such, our decarbonization journey is positioned synergistically with the UAE’s Net Zero 2050 plan. With that, under the auspices of the UAE Bank Federation and the Central Bank of the UAE, ADIB recently announced its commitment to contribute to the UBF's AED 1 Trillion of sustainable finance mobilised by UAE banks by 2030. In the same period, ADIB became a signatory of the UNEPFI Principles of Responsible Banking, and we are excited to report on our progress in the coming years.

The role of financial institutions in creating positive impact is not a new idea to Islamic Banks; with our foundational Shari'a principles guiding us in progressing towards sustainable choices for our environment and our communities. We aim to continually showcase the way Shari'a principles can extend beyond negative screening, which we have applied through our extended exclusions list in our Sustainable Finance Framework, but also through leveraging the idea of positive screening by aiming for increased Shari'a compliant green financing and increasing the green and sustainable portion of our bank-wide portfolio.

We have already made progress in support of this – including providing and facilitating sustainable finance and investments, updating key policies, and setting 2030 targets for financed emissions in a range of high-emitting sectors. While we recognize that we have much more to do, this report represents an overview of the actions we have completed and those we have planned, in our effort towards our Net Zero ambitions.

With this report, we present our first bank-wide baselining exercise based on our 2022 emissions data, in line with the Partnership for Carbon Accounting Financials (PCAF). Based on this meticulous baselining, we have been able to leverage the International Energy Agency’s (IEA) Net Zero Emissions (NZE) scenario by 2050 to set impactful targets. We have established these targets for selected high impact sectors that account for nearly 50% of financing in our UAE portfolio, and over 40% of our UAE financed emissions. We invite you to refer to Section 6 of this report for a deeper look.

2. EXECUTIVE SUMMARY

2.1 WHY **NET ZERO?**

Now more than ever, climate change and its wide range of impacts need to be addressed. Addressing climate change requires collective efforts. The Intergovernmental Panel on Climate Change (IPCC) has called on governments, businesses, and individuals to unite in halting and reversing global warming to 1.5^{o}C above pre-industrial levels by achieving a net zero level of greenhouse gas (GHG) emissions by 2050. This was endorsed both by the global scientific community and through the Paris Agreement (2015).

To achieve the target of a net-zero economy by 2050, global decarbonization efforts are crucial. So far, approximately 196 countries, including the UAE, have announced net zero targets, alongside numerous regions, cities, and companies. Notably, the UAE was the first country in the region to make such a commitment, demonstrating significant leadership in the Middle East's transition to a sustainable future.

While every sector in the economy needs to contribute its fair share to the net zero transition, global investments in clean energy will need to be accelerated and nearly every industry will need to invest in clean energy. This transition will bring new risks and uncertainties, which need to be carefully managed. These range from energy security and risks related to new critical and volatile supply chains, to the impact of transition policies and regulations on credit risk, forward-looking asset prices, technology risks, and corporate liability risks.

For economies to decarbonize while still serving the social and economic needs of countries, businesses across all sectors will need to find and invest in alternative technological solutions and business practices to lower their greenhouse gas emissions, and consumers will need to adopt the ensuing new solutions at scale. Industrial transformation on this scale will require significant investment over the next 20 to 30 years. Such investment will require unprecedented cooperation between public sector finance and the private sector.

This scale of global transition will require an annual investment of approximately 4.6 trillion USD by 2030 making the transition challenge even bigger for investors.

> “At ADIB, we are committed to supporting the UAE's pioneering efforts towards net zero emissions while upholding Shari'a principles of ethical conduct, stewardship, and social responsibility.”

The UAE has set ambitious targets to curb emissions as part of its broader commitment to sustainability and climate action. We are working on setting a comprehensive set of targets, in line with the UAE's broader climate commitments, for our Scope 1, Scope 2, and Scope 3 category 15 (financed emissions). These targets will guide us strategically and gradually in channeling financing away from high-emitting activities toward low-carbon alternatives.

[1] IEA

2.2 OVERVIEW OF THE REPORT

We at ADIB value and recognize the role that the banking sector will play in fostering a sustainable environment and tackling climate challenges. We have been reporting on our ESG material topics since 2019 and we have now embarked on assessing and disclosing our financed emissions.

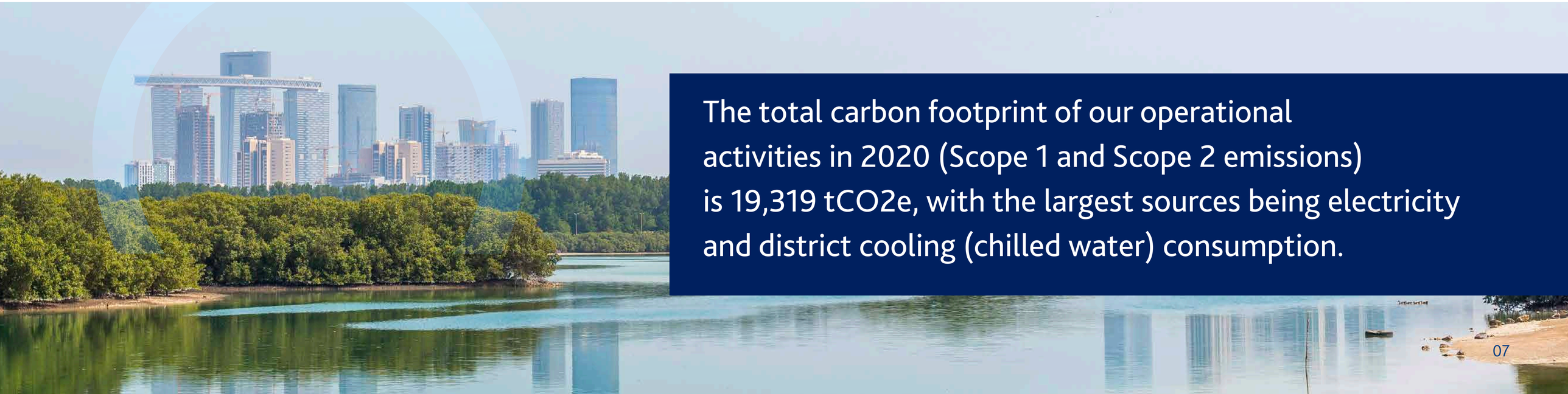
As part of our comprehensive decarbonization strategy, we have aligned ourselves with both global and regional net zero pledges and scenarios. Leveraging insights from institutions such as the International Energy Agency (IEA), particularly its Net Zero Emissions (NZE) by 2050 pathway, we have set ambitious targets for ourselves. Moreover, we are closely attuned to the UAE's regional net zero ambitions, which significantly inform our approach to setting targets for reducing financed emissions. This strategic alignment ensures that our efforts are not only impactful but also in harmony with broader sustainability initiatives on both a global and regional scale.

This report serves as a testament to our unwavering commitment to sustainability and climate action. It reflects our dedication to transparency, accountability, and continuous improvement as we strive to navigate the transition towards a more sustainable and resilient future.

The first stage of setting targets involved baseline assessments of our operational and financed emissions to establish our current GHG inventory. We performed these assessments based on leading industry practices, such as the GHG Protocol for our operational emissions and the Partnership for Carbon Accounting Financials (PCAF) for financed emissions baselining. For our operational emissions, we considered those generated from our banking operations in the UAE, the UK, and Egypt.

ADIB ensures that our efforts and activities within the sustainability realm are fully aligned to our core Shari'a principles. As such, much like all other business activities we ensure that our approach to sustainability is in full adherence to these values and the rules and principles of Shari'a. Our Islamic values are our guiding foundation, and this is ensured through the Shari'a compliance framework.

Our approach to sustainability not only centers Shari'a compliance through negative screening, but also aims to show that positive screening for business activities can allow our positive social and environmental impact to truly represent the socially conscious roots of Shari'a.



The total carbon footprint of our operational activities in 2020 (Scope 1 and Scope 2 emissions) is 19,319 tCO2e, with the largest sources being electricity and district cooling (chilled water) consumption.

After baselining our operational emissions, we set interim decarbonization targets to be achieved by 2030. We are already implementing several measures to reduce our operational emissions and are exploring further levers i.e., reducing leakages and improving the efficiency of HVAC systems, and procurement of clean energy through I-RECs or PPAs, to enhance our efforts. Additionally, we have taken into account the impact of the UAE's grid decarbonization pledges and energy efficiency improvevments to fine-tune our operational emissions targets for 2030.

We have set an interim emission reduction target of 49% by 2030 from compared to our 2022 baseline emissions.

Following the PCAF framework, we calculated our

baseline Scope 3 emissions (category – 15 financed emissions) to be 7.84 million tCO2e.

Subsequently, we set Physical Emission Intensity (PEI) targets for specific sectors within our wide financing portfolio in the UAE. The sectors and asset classes identified for target setting were shortlisted based on a set of predefined criteria focusing on the market exposure and materiality of the sector (further details in section 5). We aligned our methodology for target setting for our financed emissions with global, regional and counterparty level net zero scenarios and pledges.

We have embarked on our net zero journey and as we move forward, our commitment to transparency and accountability will remain steadfast. This report not only outlines our current emissions profile and targets but also sets the foundation for our future initiatives and actions. We will continue to monitor our progress, refine our strategies, and engage with stakeholders to ensure that we meet our ambitious decarbonization goals and advance the UAE's net zero drive for a thriving and sustainable future.

3. **INTRODUCTION** AND APPROACH

3.1 UAE AND NET ZERO

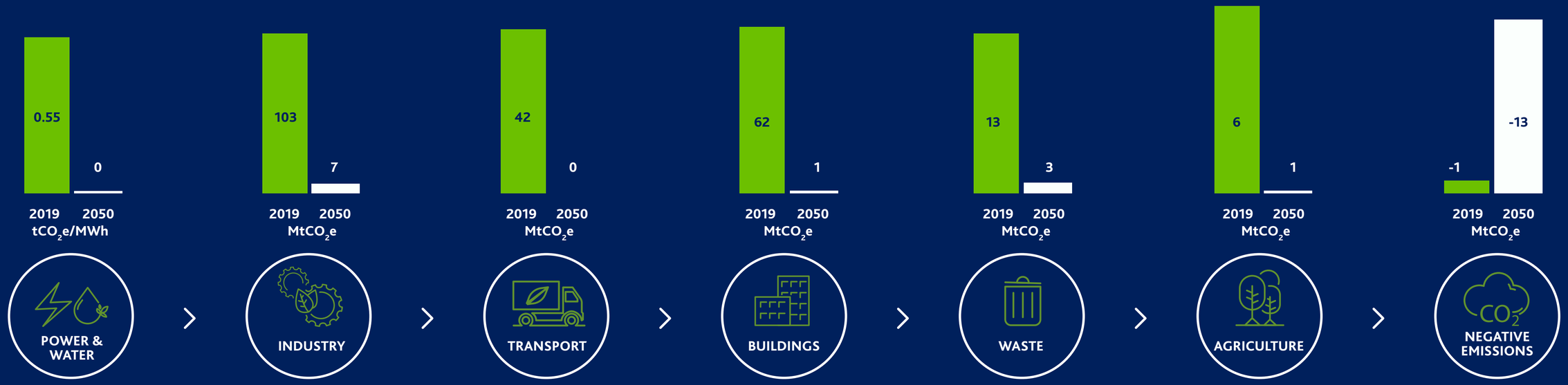
The UAE Net Zero by 2050 strategic initiative is a national drive to achieve net-zero emissions by 2050, making the Emirates the first Middle East and North Africa (MENA) nation to do so. The initiative aligns with the Paris Agreement, which calls on countries to prepare long-term strategies to reduce greenhouse gas (GHG) emissions and limit the rise in global temperature to 1.5°C compared to pre-industrial levels.

In March 2023, the UAE took another step to confirm its net zero target as a domestic policy objective by signing the "UAE Government's Net Zero 2050 Charter".

The deployment and use of clean energy solutions is one of the main pillars of the UAE's model of addressing the challenge of climate change and reducing GHG emissions. The country began financing clean energy projects more than 15 years ago and has invested over 40 billion USD in the sector to date. Current trends predict the production capacity of clean energy, including solar and nuclear, to reach 14 GW by 2030, up from about 100 MW in 2015 and 2.4 GW in 2020[2].

The UAE supports green infrastructure and clean energy projects worldwide and has invested in renewable energy ventures worth around 16.8 billion USD in 70 countries with a focus on developing nations. It has also provided more than 400 million USD in aid and soft finances for clean energy projects[3].

UAE Net Zero 2050 Strategy - Targets Per Sector



3.2 ADIB'S NET ZERO COMMITMENT

As a responsible Islamic bank deeply committed to sustainability, we have embarked on a robust net zero journey, guided by concrete science-based targets and fully aligned with Shari'a principles. Our approach is clear: to protect our planet while fostering sustainable growth in the UAE and the wider region.

At ADIB, we strictly adhere to and align with Maqasid Shari'a (purpose of Shari'a) as our guiding principle. Maqasid Shari'a refers to the underlying goals and objectives of Shari'a, which are universal and intended to promote the well-being and prosperity of individuals and society. These goals provide a framework for interpreting and applying Islamic law and are an important source of guidance in Islamic finance. As Shari'a law encompasses and guides each aspect of our lives, we are committed to integrating its major pillars as our core guiding tenet into our business operations and sustainability initiatives. These major principles can be classified primarily as:

- Protection of Religion (Deen)
- Protection of Life (Nafs)
- Protection of Intellect (Aql)
- Protection of Progeny (Nasl)
- Protection of Wealth (Mal)

Islamic finance inherently emphasizes ethical and responsible investments, prohibiting activities that harm the environment and society. This seamlessly aligns with our sustainability goals. Key Shari'a principles such as Maslaha (public interest), Istislah (public welfare), and Hisbah (accountability) underpin our commitment to climate action. These principles compel us to consider the long-term impacts of our financial activities on the environment and the well-being of future generations.

In 2023, significant strides were made in our net zero plan:

1. We finalized baseline emissions data for emissions generated from our banking operations in the UAE, UK and Egypt.

2. Finalized baseline emission data for overall finance portfolio (excluding personal finance and credit card balance sheet). We baselined our total portfolio financed emissions as of the 31st of December 2022. The overall portfolio for multiple geographies under consideration stands at AED 85.87 billion.

3. Set precise decarbonization targets for specific asset classes, accounting for 80% of our total financed emissions. These shortlisted sectors encompass nearly 50% of our UAE's financing exposure and approximately 40% of our overall financed emissions in the UAE portfolio.

4. Aim to define comprehensive decarbonization objectives by the latter half of 2024.

5. Issued policies restricting our financing and investments to coal projects, and to those using fracking and unconventional oil and gas activities, or any project that is related to tar sand extractions or deforestation. To learn more about our exclusions list, please read our ESG Risk Policy here.

These efforts not only drive our internal operations but also empower our clients to reduce their GHG emissions through the operations that we finance, contributing substantially to the UAE's climate transition endeavors. This approach ensures that our financial activities support environmental stewardship and social responsibility – core tenets of Shari'a-compliant finance.

[2]Emirates News Agency
[3]Alpine Limited

4. ADIB'S OPERATIONAL EMISSIONS

4.1 SCOPE AND APPROACH

As part of our commitment to achieving net zero emissions, we are focused on reducing both Scope 1 and Scope 2 emissions within its operational boundaries. Following the industry and Islamic values and global standard of GHG Protocol for emissions accounting, we have adopted an operational control approach for consolidation of our GHG emissions. The approach ensures that 100% of emissions generated from our direct operations are accurately accounted for.

To calculate our baseline operational emissions, we defined our boundary to include emissions originating from our offices and branches in the UAE, UK, and Egypt. These countries collectively encompass 172 assets, all of which have been included in the calculation of our baseline operational emissions.

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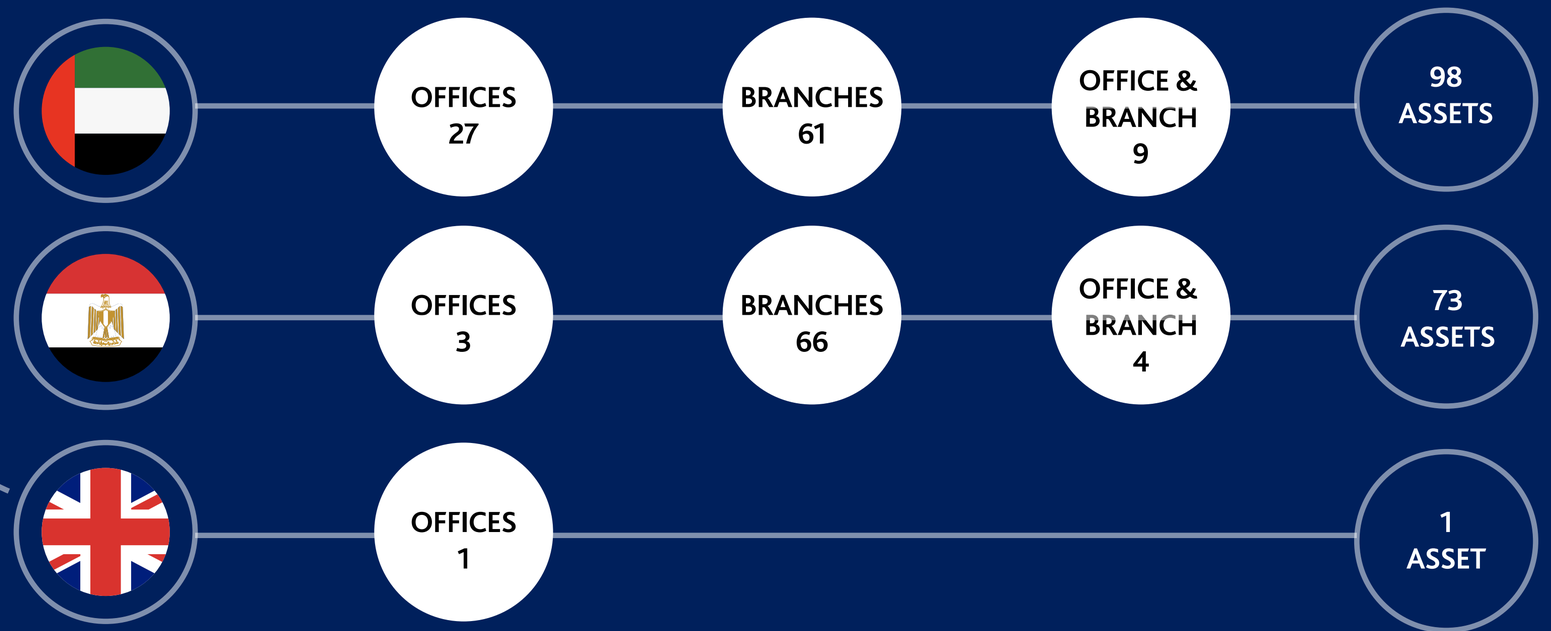


4.2 OPERATIONAL **EMISSIONS** BASELINE

The carbon footprint arising from our operational activities in the branches and offices within the UAE, the UK and Egypt were considered to develop the greenhouse gas (GHG) emissions inventory for the year 2022 which will serve as a baseline going forward. All data was analyzed and calculated using GHG Protocol guidelines. The results of this activity for the aforementioned locations in the operational boundary are as:

Emission Source	UAE	Egypt	Group*
Scope 1 (tCO2e)	**1,479**	**1,601**	**3,081**
Stationary combustion	2	6	8
Mobile combustion	141	168	309
Fugitive combustion	1.336	1,427	2,763
Scope 2 (tCO2e)	**12,367**	**3,851**	**16,258**
Electricity	12,323	3,851	16,214
District cooling	44	0	44

*Note: Emissions reported include 20 tCO2e due to electricity consumption and 0.1 tCO2e of fugitive emissions from our operations in the UK.

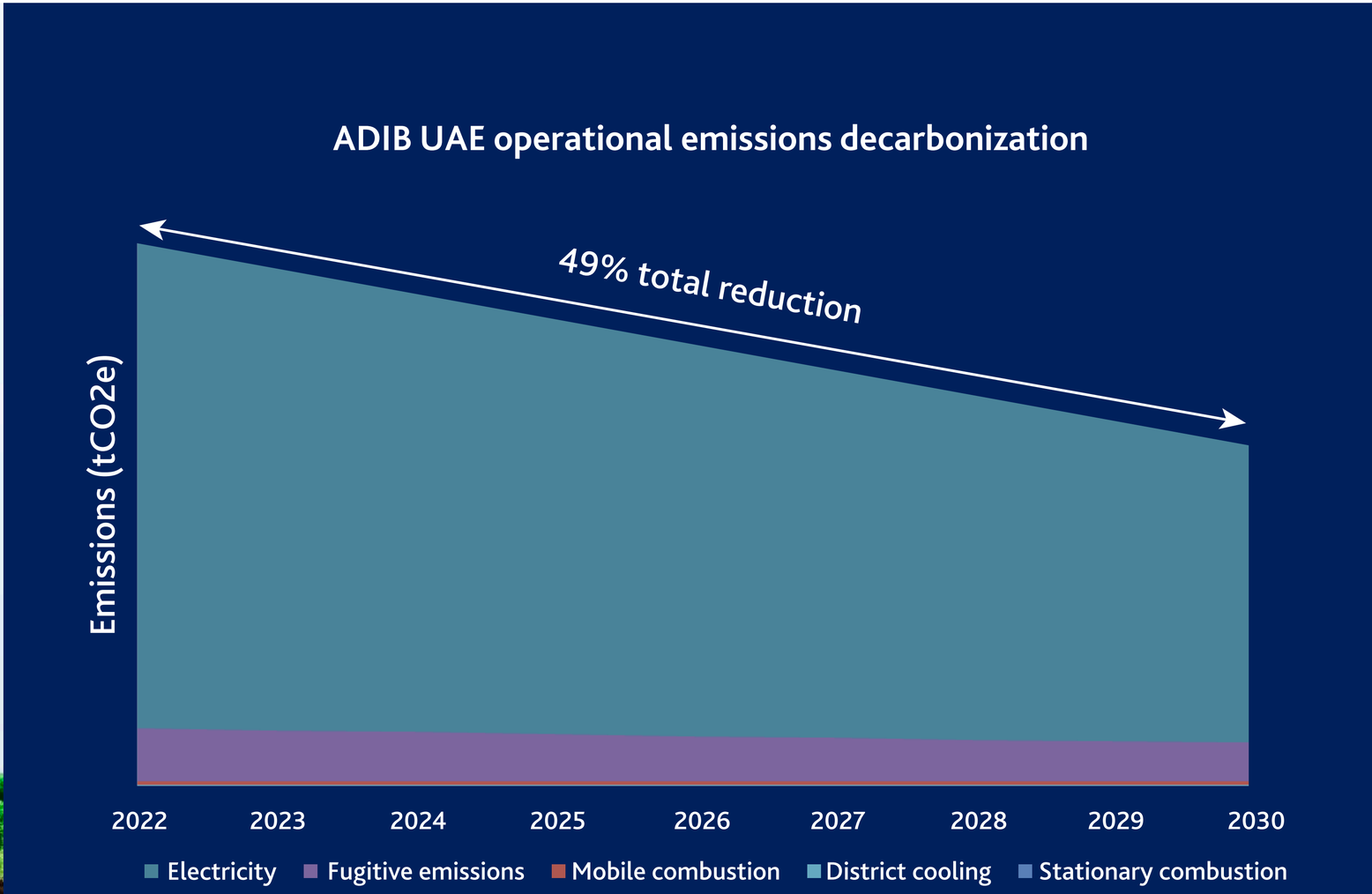
4.3 OPERATIONS **EMISSIONS** TARGETS

Aligning with local and global decarbonization commitments, we set net zero targets for our UAE operational emissions in lieu of our baselining results. We identified active and passive levers that can facilitate the reduction in operational emissions down the road.

Active levers are classified as initiatives that we can directly adopt and influence to initiate their decarbonization journey. Going forward, we have shortlisted certain initiatives related to optimization of energy consumption and efficient cooling, such as:

1. **Lighting Efficiency:**
   - Replace incandescent bulbs with LED lighting.
   - Install motion sensor light switches.
2. **Office Equipment Upgrades:**
   - Replace outdated office equipment with ENERGY STAR-rated models.
3. **Employee Awareness and Behavior:**
   - Encourage energy-saving practices, such as turning off lights and adjusting computer settings.
4. **Green Building Practices:**
   - Construct or retrofit buildings to achieve green building certification standards, implementation of Building Management System (BMS), conduct periodic energy audits
5. **Renewable Energy:**
   - Purchase renewable energy credits or enter into power purchase agreements, installation of solar PV systems
6. **HVAC System Maintenance:**
   - Regularly maintain and upgrade HVAC systems.
   - Use programmable thermostats and alternative refrigerants.
   - Deploy leak detection systems.

In addition to the active levers, UAE's decarbonization initiatives will act as passive levers that will further supplement our net zero transition. Initiatives such as UAE's grid decarbonization by 2030 commitment and rolling out of revised building codes (including passive cooling techniques) will extrapolate our net zero efforts and ambitions. Keeping a moderate approach to account for the reduction in emissions from such initiatives and coupled with active levers that we will implement as part of our decarbonization road map, we have set an interim emission reduction target of 49% by 2030 compared to our 2022 baseline emissions.



5. ADIB'S FINANCED EMISSIONS

5 ADIB'S FINANCED EMISSIONS

At ADIB, we strive to be a pioneer as an established sustainable Islamic bank in the region and to this end we are committed to go the extra mile. As a leading Islamic bank, we aim to take advantage of the overlap between the principles of Shari'a and ESG integration to maximize our positive impacts. Therefore, our dedication to supporting customers in their transition to net zero is a reflection of our belief in the principle of "Maslaha," or the common good. We recognize that by assisting our clients in reducing their operational emissions without impeding their growth ambitions, we will contribute significantly to the UAE's net zero plan. To support the decarbonization of the real economy, we believe it is our responsibility to support customers in reducing their operational emissions without impacting their growth ambitions. We understand the role we play in assisting and helping our clients to reduce their GHG emissions. We categorize the emissions from our financing and investments towards our clients as financed emissions (scope 3, category 15).

5.1 FINANCED EMISSIONS BASELINING

As part of our decarbonization roadmap, we have adopted the Partnership for Carbon Accounting Financials (PCAF) to assess and calculate the baseline emissions and physical emission intensity (PEI) of our portfolio financed emissions. PCAF attributes a portion of the emissions from the financed party to the financier relative to the outstanding amount of finances and investments. As per PCAF methodology, client level absolute financed emissions are calculated by the formula:

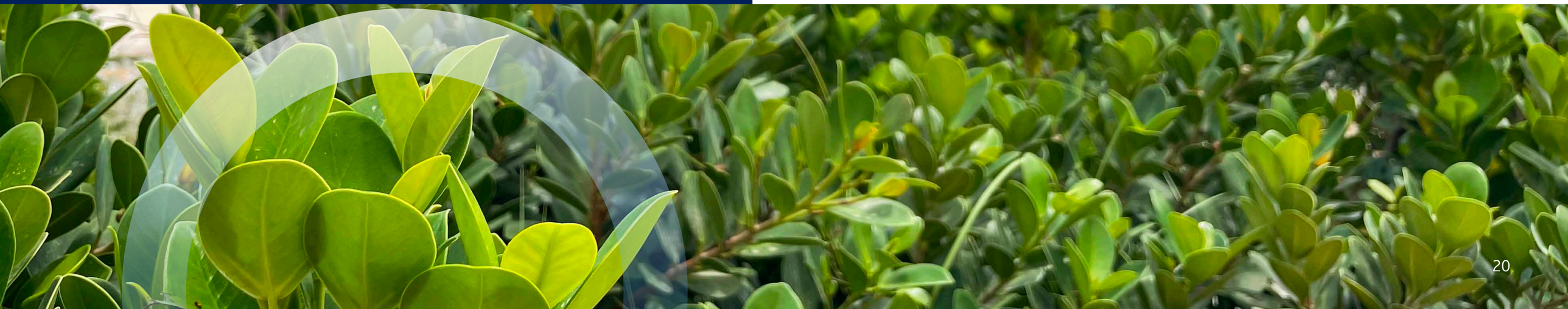
Absolute financed emissions = (Outstanding finance amount / EVIC) * Client GHG emissions

*Where EVIC is Enterprise Value Including Cash. EVIC is a measure of a company's total value, including its market capitalization, debt, preferred stock, and its cash holdings as well.

We analyzed and attributed the financed emissions from each individual counterparty in our portfolio for baselining. The total sector specific emissions were calculated as the sum of absolute financed emissions for all individual counterparty. For the purpose of this activity, we considered its total market exposure as of December 31, 2022.

We baselined emissions for the following asset classes and sectors within our wide portfolio and our total financed emissions stood at 7.84 $MtCO_2e$, with 76% of the emissions stemming from our UAE portfolio:

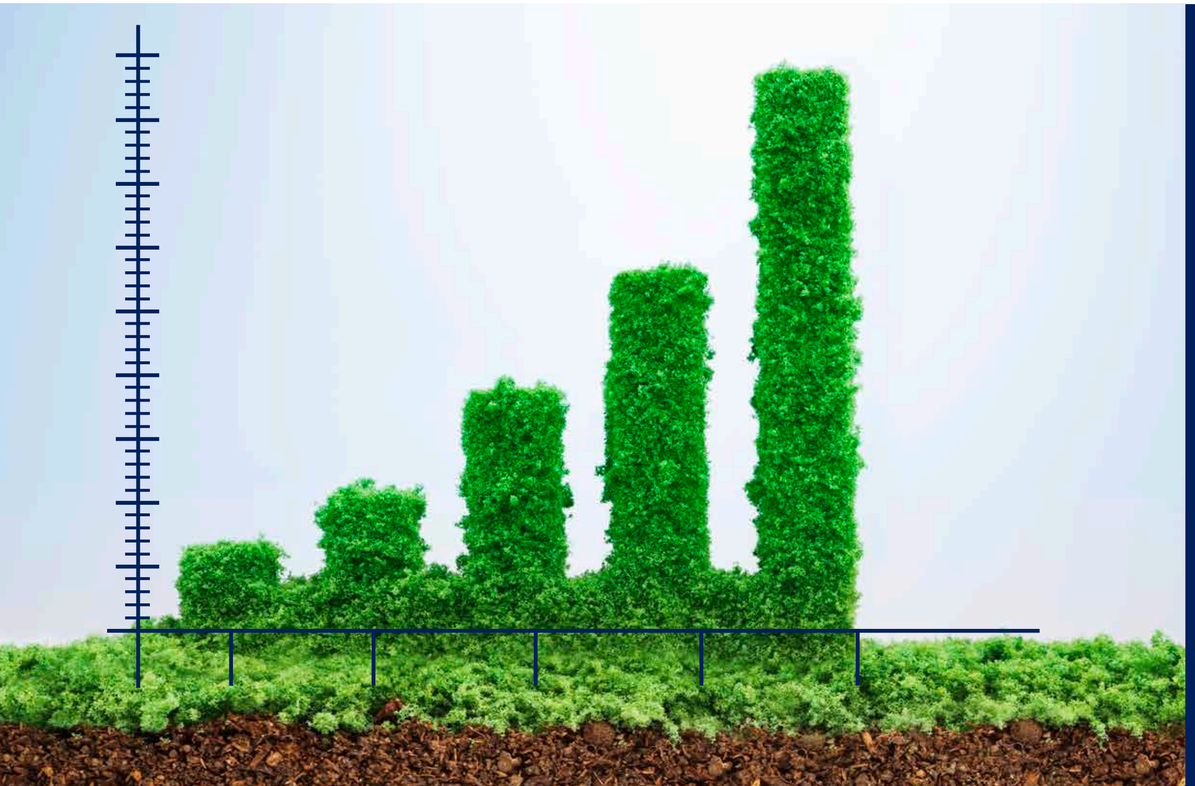
- **Commercial real estate**
- **Corporate financing to listed companies**
- **Corporate financing to private companies**
- **Equities in listed companies**
- **Equities in private companies**
- **Home financing**
- **Motor vehicle financing**
- **Project finance**
- **Sovereign Sukuk**
- **Sukuk in listed companies**
- **Sukuk in private companies**



5.2 UNCERTAINTIES, DEPENDENCIES, AND CHALLENGES

Being a bank with a large part of our exposure in the UAE, the most significant challenge in baselining financed emissions at this early stage is the relative novelty of the process and the uncertainty in many of the areas we are seeking to address. Financed emission calculation is a relatively 'blue ocean' sector. It includes evolving science, methodologies, scenario analysis and industry standards, challenges on data quality and availability, and the need to build data sets and reporting infrastructure for types of non-financial data that financial institutions historically have not gathered.

Not all counterparties in our portfolio publicly disclose their emissions data, so we used proxies to estimate emissions when reported emissions data was unavailable. When calculating counterparty emissions, we adopted the PCAF data quality hierarchy to help provide transparency in our calculation methodologies. We have selected proxies from credible globally accepted emissions databases, reports, and disclosers. Financed emissions can be precisely calculated when the necessary data points are readily available. However, in instances where data is inaccessible, industry best practices and PCAF dictate the use of proxy data to estimate financed emissions. PCAF assigns higher scores to emissions calculations with better data quality. Conversely, it assigns lower scores to the calculations with lower data quality. The proxy selection process was based on the following fundamental principles:



- **Availability -** Are there any data gaps?
- **Transparency -** What types of data sources were identified and investigated?
  Is the data publicly available?
- **Accuracy -** What assumptions are made?
  How accurate are the results?
- **Simplicity -** How simple is it to input into the model?
  Is it easily replicable across the counterparty?
- **Relevance -** How relevant is the calculation for different types of the counterparty?

5.3 FINANCED EMISSIONS TARGETS

For our target setting, we benchmarked against the International Energy Agency's (IEA) Net Zero Emissions (NZE) scenario by 2050 to align with global decarbonization ambitions. However, an important aspect of target setting is introducing pragmatism and credibility into those targets. To do so, we incorporated regional and local dimensions, using the UAE's First Long-Term Strategy (LTS) that is tied with UAE's third update of the second Nationally Determined Contribution (NDC). This approach provided us with sector-specific decarbonization ambition from which we were able to construct interim targets.

To ensure our targets are robust, we incorporated the business growth aspirations of each selected sector and developed physical emissions intensity (PEI) targets instead of absolute emissions targets. Absolute emissions targets may hinder investments in industries or regions with high economic growth potential but also high absolute emissions. In contrast, PEI targets, as a relative metric, enable decarbonization without restricting or hindering business growth. This approach aligns with standard industry practices, ensuring that our strategy supports both environmental and economic objectives. Our portfolio covers many diverse sectors and we have identified a section of our portfolio for target setting based on a fixed criterion. Going forward, we are committed to expand the coverage of our targets to other sectors as well. The methodology for identifying materially emitting sectors and asset classes most relevant to our decarbonization ambitions has been set in accordance with the following criterions:

5.4 CRITERIA FOR TARGET SETTING

1	**Exposure:**	To make meaningful commitments, it is crucial to focus on sectors and asset classes that significantly contribute to our portfolio composition. Therefore, the level of exposure is a key factor in selection.
2	**Business Dependency:**	To align decarbonization efforts and business growth without hindering profits, it is advisable to start by focusing on specific business segments. This facilitates more pragmatic initial steps towards net zero commitments.
3	**Emissions Materiality & sectoral maturity:**	Scale of financed emissions in each sector paired with their transition readiness and existing national plans enable achievable targets without disrupting the business alignment.
4	**Large concentration on specific counterparties:**	This serves two purposes. First, data availability is more common in large entities. Second, it is easier to convey net zero intentions, compared to a wide base that requires client outreach programs.

With our UAE portfolio covering 76% of our total financed emissions, we concentrated our efforts in establishing Physical Emission Intensity (PEI) targets for selected sectors within our UAE portfolio (refer to section 6 for details).These shortlisted sectors encompass nearly 50% of our UAE's financing exposure and approximately 40% of our overall financed emissions in the UAE portfolio.

6 SECTOR AND ASSET CLASS DEEP-DIVES

6 SECTOR AND ASSET CLASSES DEEP-DIVES

Sector	Sub-sector	Scope *	Scenario **	Baseline (2022)	Target metric	2030 Target Reduction
Real Estate	Home finance	Scope 1 & 2	IEA NZE scenario, APS	57.6	Kg CO2e/ m2	39%
Transportation	Auto Finance	Scope 1 & 2	IEA NZE scenario, APS	180.7	g CO2e / passenger.km	19%
Real Estate	Real estate activities (developers)	Scope 1, 2 & 3	IEA NZE scenario, APS	57.62	kgCO2e/m2	41%
Transportation	Air transport	Scope 1, 2 & 3	IEA NZE scenario, APS	107	g CO2e / passenger.km	28%
Utilities	Electricity, gas, steam and air conditioning supply	Scope 1, 2 & 3	IEA NZE scenario, APS	0.538	tCO2e/ MWH	37%
Manufacturing	Petroleum manufacturing	Scope 1, 2 & 3	IEA NZE scenario, APS	0.0122	tCO2/GJ	18%

* Estimated data (100%)

** Aligned with ADIB's business growth assumptions and UAE Announced Pledges (APS)

6.1 HOME FINANCE

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
26%	UAE's NZ Commitment	kgCO2e/m2	58	39%

The residential market has shown consistent growth, with record transaction levels in 2023. Sales prices increased by 18% and rents by 26% year-on-year as of 2023[4]. Villa prices have risen more rapidly than apartment prices, while rental prices have increased in line with this trend[5].

Furthermore, the UAE government seeks to attract one million remote workers through its virtual working program[6]. The new visa system now offers five- and ten-year residency options, and officials have broadened the eligibility criteria for long-term 'Golden' Visas. This expansion has increased demand, consequently driving growth in the sector.

6.1.1 BASELINING AND PHYSICAL EMISSION INTENSITY **(PEI)**

Since emission data for the counterparties within our portfolio was not available, we used publicly available data to calculate the baseline PEI for the sector. We relied on benchmarking studies conducted in the UAE that provided energy profiles per square meter for standard building types.

The home finance asset class accounts for 26% of our UAE's finance portfolio and thus plays a vital role in our overall decarbonization efforts. We selected the PEI metric of $kgCO2e/m^2$ for the home finance asset class because it enables standardized efficiency measurement, benchmarking against industry standards, and realistic target setting based on property size and usage.

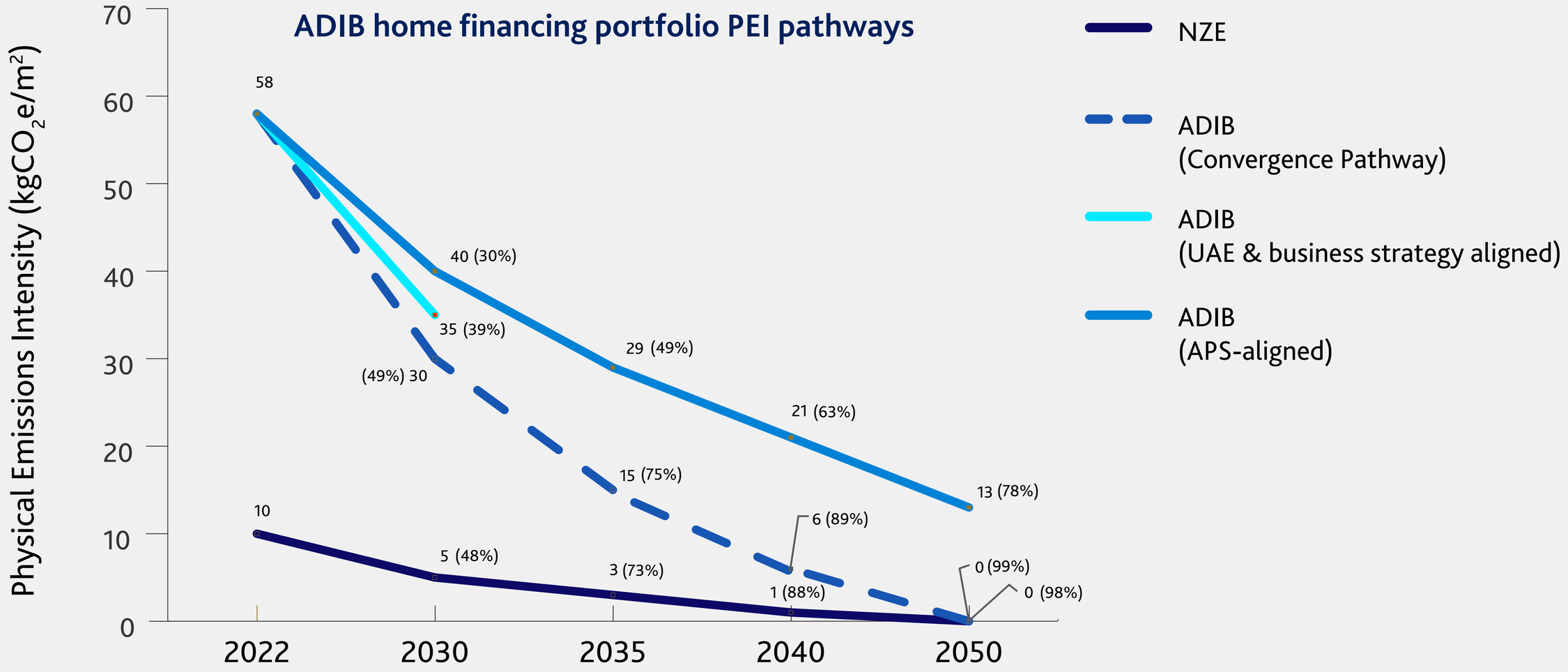
By applying relevant emission factors and considering the typical emission sources of real estate assets in the UAE, we established a baseline PEI of 58 $kgCO2e/m^2$.

6.1.2 **TARGET** SETTING

When establishing our targets, we took into account the United Arab Emirates' commitment to decarbonizing the building sector, as outlined in its First Long-Term Strategy (LTS). According to the UAE's LTS, the UAE intends to introduce revised building codes, including passive cooling techniques, which are projected to enhance buildings' energy efficiency by 35% by 2030. The LTS indicates that a significant portion of emission reduction in the building sector is expected to result from decarbonizing the country's electricity grid, which aims to reduce its grid emission coefficient by 51% by 2030 compared to the 2019 base year.

[4]Middle East Real Estate Predictions
[5]Middle East Real Estate Predictions
[6]Dubai's 2024 housing boom

In alignment with the UAE's national goals, we have set a PEI target for the real estate sector, aiming for a 39% reduction in PEI from 58 tCO2e/m2 to 35 tCO2e/m2 between 2022 and 2030.

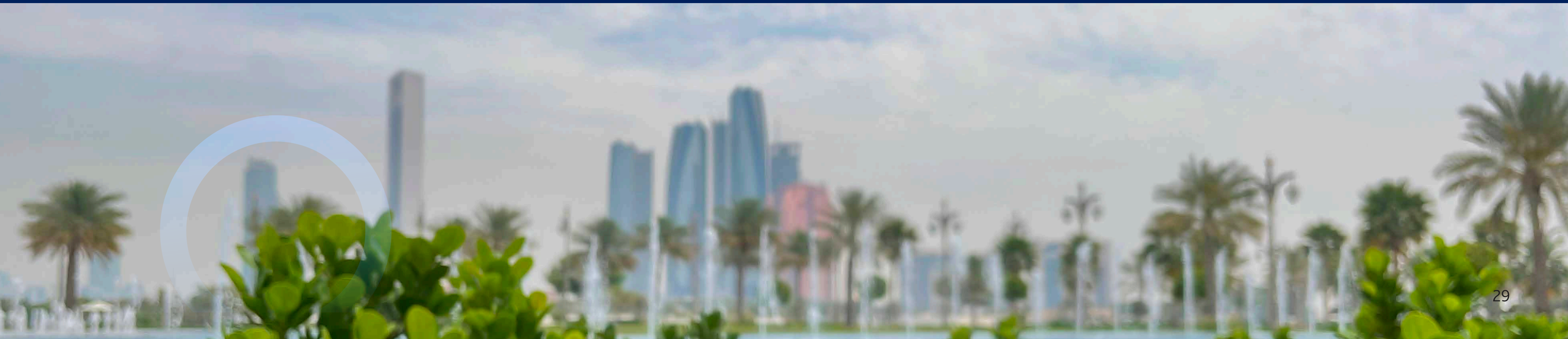


We have confidence in reaching our 2030 target and will investigate ways to enhance emission data collection at the counterparty level. We intend to back customer awareness campaigns to encourage efficient energy consumption. We aim to explore Shari'a compliant green financing options and act as a catalyst in retrofitting initiatives nationwide by seeking collaborations with Energy Service Companies (ESCOs). Moreover, we will assess the steer and investment needed to decarbonize our portfolio within this sector to reach our target.

6.1.3 LEVERS AND LIMITATIONS

We have confidence in reaching our 2030 target and will investigate ways to enhance emission data collection at the counterparty level. We intend to focus on the below levers that will help us in reducing our financed emissions:

1. Customer awareness campaigns to encourage efficient energy consumption.
2. Explore Shari'a compliant green financing options in home finance.
3. Act as a catalyst in retrofitting initiatives nationwide by seeking collaborations with Energy Service Companies (ESCOs).
4. Increase financing to clients to improve unit or building energy efficiency through retrofitting and improvement of insulation, ventilation, and energy management.
5. Assess the investment needed to decarbonize our portfolio within this sector to reach our target.
6. Collecting specific unit or building emissions data within the portfolio which reduces the need to proxy data and increases emission accuracy.
7. Engage with clients to decarbonise their electricity supply, for instance, through the direct purchase of green electricity, or green certificates.



6.2 MOTOR VEHICLES

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
11%	UAE's NZ Commitment	gCO2e/pkm	181	19%

The transport sector emitted 42 MtCO2e GHG in 2019. Emissions came mostly from private passenger cars, buses, heavy-duty trucks, and mechanical vehicles such as cranes and excavators. To decarbonize its transport sector, the UAE will follow the "avoid-shift-improve" methodology. This involves reducing the need for travel, shifting passenger trips to public transport and freight trips to rail, and decarbonizing existing vehicles .

With the decarbonization efforts ramping up in the transport sector, the motor vehicle industry continues to navigate through significant shifts influenced by technological advancements, regulatory changes, and evolving consumer preferences. The transition towards battery electric vehicles (BEV) is accelerating, fueled by environmental concerns and government initiatives promoting clean energy. Financial institutes and financiers have a great role to play in decarbonization of the transport sector.

6.2.1 BASELINING AND PHYSICAL EMISSION INTENSITY **(PEI)**

The motor vehicle asset class is significantly relevant to our financed emissions and net zero plans, as it accounts for 19% of our total UAE finance portfolio. We chose a PEI metric of gCO2 per passenger kilometer (pkm) as it allows for the evaluation of the impact of new technologies at a counterparty level along with alignment with benchmark scenarios.

Given the inherent challenges in obtaining emissions data at the counterparty level, we at ADIB employed robust estimation approach to determine the baseline PEI for the asset class. We considered factors such as the average car occupancy in the UAE, the average annual distance covered by a vehicle, and the emission factor specific to each vehicle type. Consequently, we calculated the baseline PEI for our motor vehicle portfolio to be 181 gCO2/pkm.

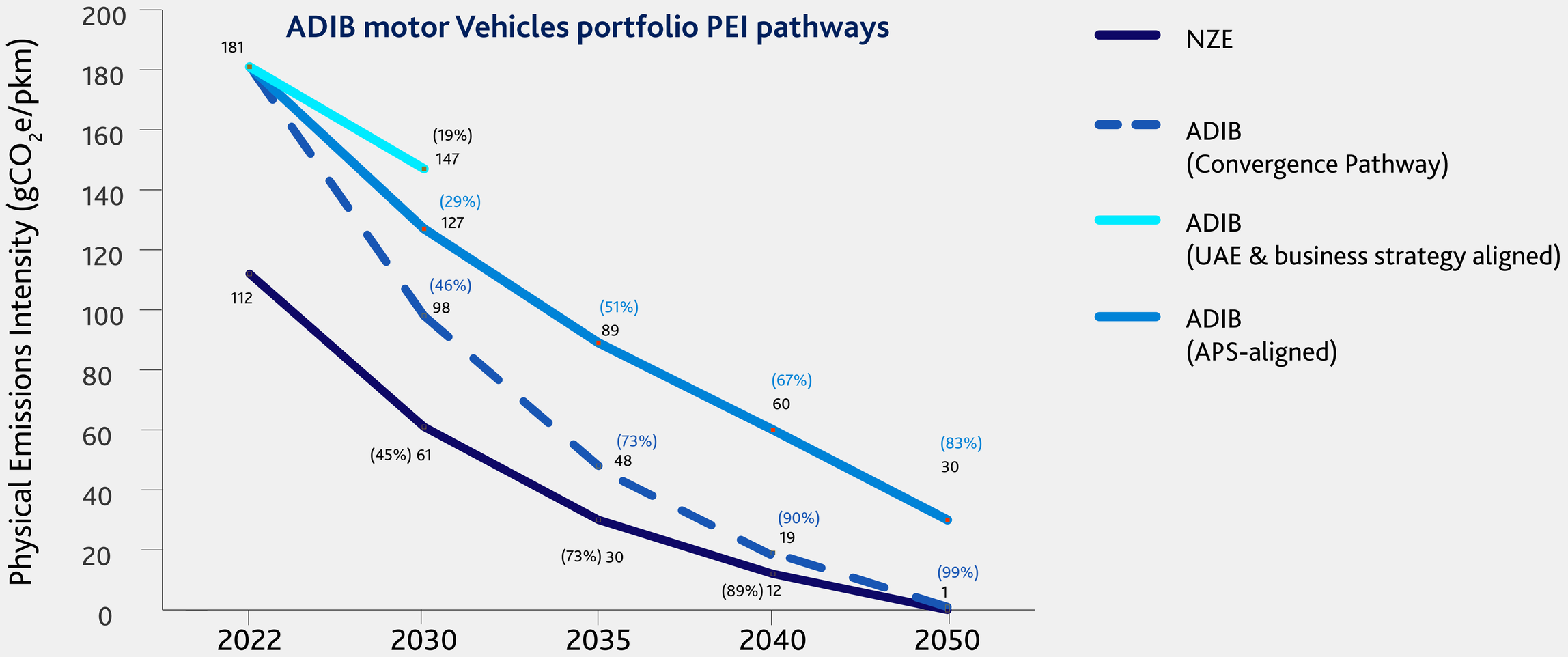
6.2.2 **TARGET** SETTING

Despite a projected 14% population growth and a 24% increase in nominal GDP by 2030, the UAE aims to stabilize and slightly reduce transport sector emissions by 1% compared to 2019 levels. This ambitious target signifies a substantial reduction in emissions per kilometer traveled, **equating to a 20% decrease in emissions per passenger-kilometer traveled**[8].

The UAE is advancing transport decarbonization through policies like the National Smart Mobility Strategy and the 2022 national BEV roadmap to develop BEV infrastructure and promote uptake. A new fuel standard mandates diesel to meet 10 ppm sulfur content and Euro 5 standards, while new vehicles must comply with Euro 4, with plans to shift to Euro 5/6.

[7]UAE's 3rd NDC
[8]UAE's 3rd NDC

In line with UAE's ambition, we have set a PEI reduction target of 19% (corresponding to 147 gCO2/pkm) by 2030.

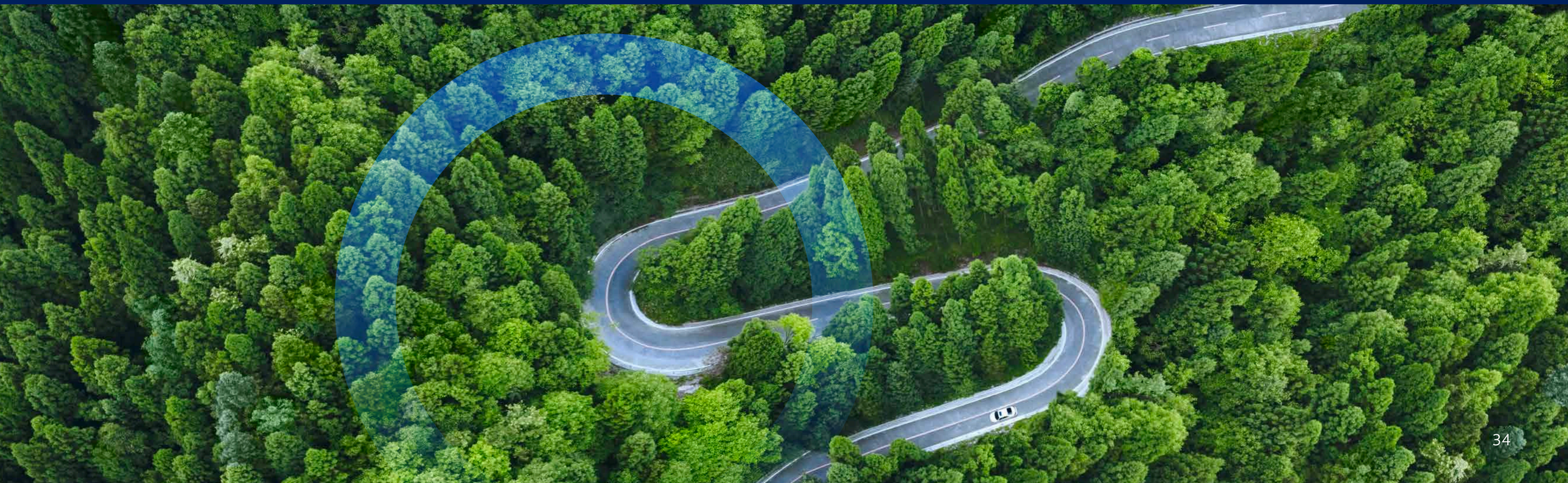


We at ADIB are confident of meeting our 2030 target and we will evaluate the necessary investment and financing amounts to decarbonize our portfolio in this sector and explore opportunities to promote hybrid, BEVs and Fuel Cell Vehicles (FCEV). We also aspire to support customer awareness campaigns to encourage the adoption of lower emission solutions and support the development of necessary infrastructure to support uptake of lower emitting vehicles.

6.2.3 LEVERS

ADIB is confident in our plan and capacity to meet the 2030 targets, and we will evaluate the necessary investment and financing amounts to decarbonize our portfolio in this sector. Our levers will include:

1. Exploring opportunities to promote hybrid, BEVs and Fuel Cell Vehicles (FCEV).
2. Supporting customer awareness campaigns to encourage the adoption of lower emission solutions.
3. Supporting the development of necessary infrastructure to support uptake of lower emitting vehicles.



6.3 OIL AND GAS

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
1%	UAE’s NZ Commitment	tCO2e/GJ	0.012	18%

The UAE's oil and gas sector remains a cornerstone of its economy, with significant strides in production capacity. As of 2024, the UAE's oil production capacity has reached 4.85 million barrels per day (bpd), with plans to increase this to 5 million bpd by 2025. This substantial capacity positions the UAE as a key player in the global oil market, ensuring it remains the third-largest producer within OPEC. The country's natural gas production is also robust, maintaining a capacity of 11.5 billion cubic feet per day[9].

Fossil fuels are expected to provide the needed stability in the energy market, while the world transitions to cleaner energy sources. Fortunately, oil and gas producers around the globe as well as in the UAE, have undertaken several ready-to-implement and cost effective decarbonization measures, such as tackling methane emissions, eliminating all non-emergency flaring and electrifying upstream facilities with low-emissions electricity.

Emissions from UAE’s oil and gas sector are primarily associated with Abu Dhabi National Oil Corporation’s (ADNOC) fossil fuel consumption for energy generation in both upstream and downstream operations. The decarbonization of this sector in the UAE is closely tied with the decarbonization ambition of ADNOC, as stated in the UAE's Long-Term Strategy (LTS).

6.3.1 BASELINE
PHYSICAL EMISSION INTENSITY **(PEI)**

Since counterparties in our portfolio have not disclosed their emissions data, we resorted to publicly available data for calculating baseline PEI for the oil and gas sector. We relied on the oil and gas production and emissions data at a sector level to calculate the PEI for the baseline year of 2022. We adopted a metric of tCO2/GJ as it enables us to engage more effectively with the counterparties and assist them in transitioning to cleaner technologies. Additionally, it facilitates the tracking of the technology mix's evolution at both the counterparty and portfolio levels.

A baseline PEI of 0.012 tCO2/GJ is estimated for the sector, which is 42% lower than the global average of 0.021 tCO2/GJ10 as producers in the Middle East and UAE have benefited from geographic advantages and their decade-long expertise in operating efficiently.

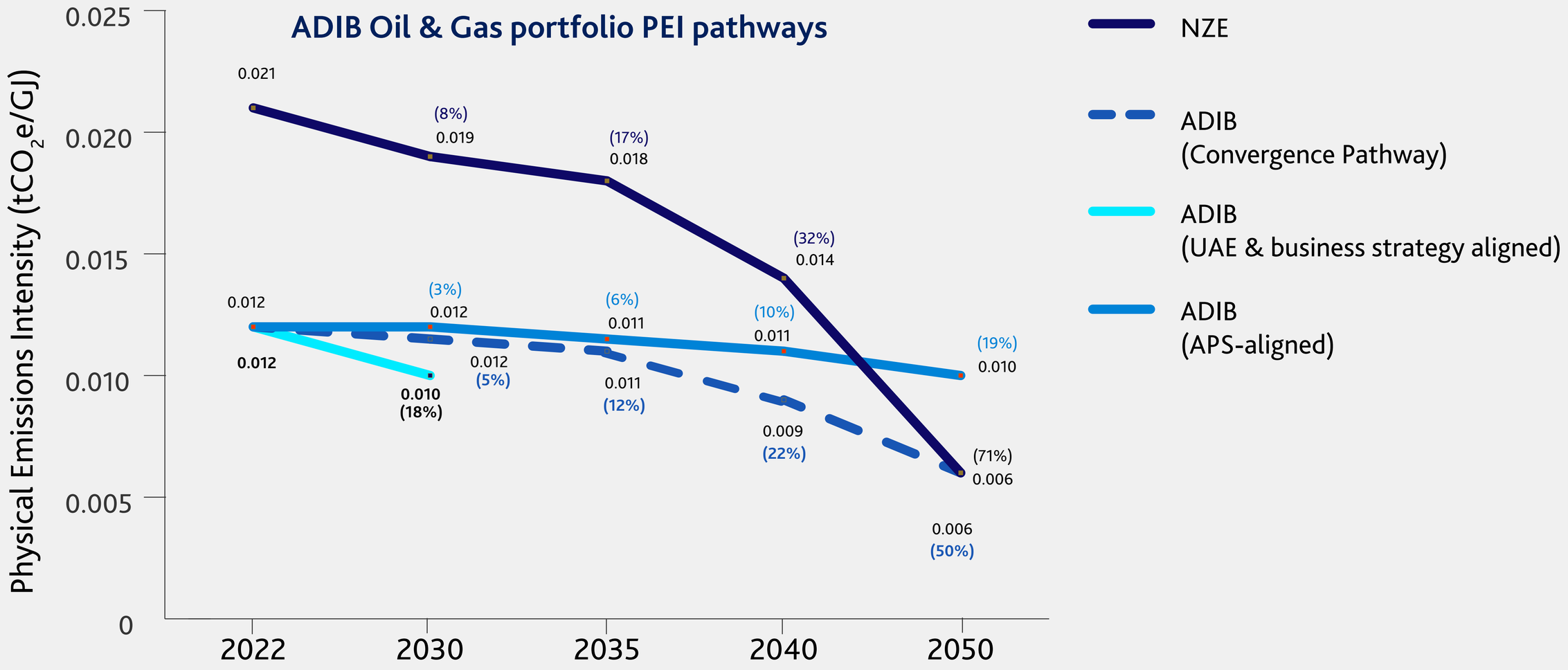
[9]TFTC – UAE Ramps Up Oil Production Capacity
[10]World Energy Outlook

6.3.2 **TARGET** SETTING

As an interim target towards achieving net zero by 2045, ADNOC has set a goal to reduce its carbon intensity by 25% by 2030. This target is the main driver for decarbonization in the sector that will leverage strategies such as:

1. Electrification
2. Clean power supply
3. CCS (Carbon Capture and Storage)
4. Reduction of fugitive emissions and flaring
5. Energy efficiency enhancements

In line with the above stated ambition, we have set a target of 18% reduction in PEI for the sector by 2030 (from 0.012 tCO2/GJ to 0.010 tCO2/GJ).



We believe that we are in a very strong position to achieve this ambitious target as we are financers of counterparties that are to large extents already committed to transitioning their models toward low-carbon operations. Interaction with our counterparties gives us confidence that they have the technical capabilities and right levers to accelerate their transition and deliver transformative solutions.

We will engage with our counterparties by encouraging them in accelerating their renewable energy integration, increase their efficiency and also explore options of portfolio steer to diversified asset financing such as carbon capture utilization and storage (CCUS).

6.3.3 LEVERS AND LIMITATIONS

We believe that we are in a very strong position to achieve this ambitious target as we are financers of counterparties that are already largely committed to transitioning their models toward low-carbon operations. Interaction with our counterparties gives us confidence that they have the technical capabilities and right levers to accelerate their transition and deliver transformative Shari'a compliant solutions. We will work towards our targets by:

1. Engaging with our counterparties by encouraging them to accelerate their renewable energy integration, increase their efficiency, and explore options of portfolio steer toward diversified asset financing such as carbon capture utilization and storage (CCUS).
2. Focusing on Shari'a compliant green financing.
3. Leveraging CCUS technologies: we will finance and encourage customers to use carbon capture, utilization, and storage (CCUS) technologies once they become commercially viable.

Despite the UAE's efforts to decarbonize the oil and gas industry, our efforts to decarbonize our financed emissions relies on some external dependencies including the energy mix, technological advances and client commitments.

6.4 REAL ESTATE

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
7%	UAE's NZ Commitment	kgCO2e/m2	58	41%

The UAE's real estate market performance has been robust across all sectors for a long number of years. The real estate market has always shown an upward trajectory, garnering interest from global buyers due to the UAE's geopolitical and economic headwinds.

The residential market has shown consistent growth, with record transaction levels in the post-pandemic years. In the hospitality sector, the market's recovery strengthened throughout 2023, with key performance indicators surpassing pre-pandemic levels. The sector's performance is higher than those in most regional and international markets[11].

6.4.1 BASELINE
PHYSICAL EMISSION INTENSITY **(PEI)**

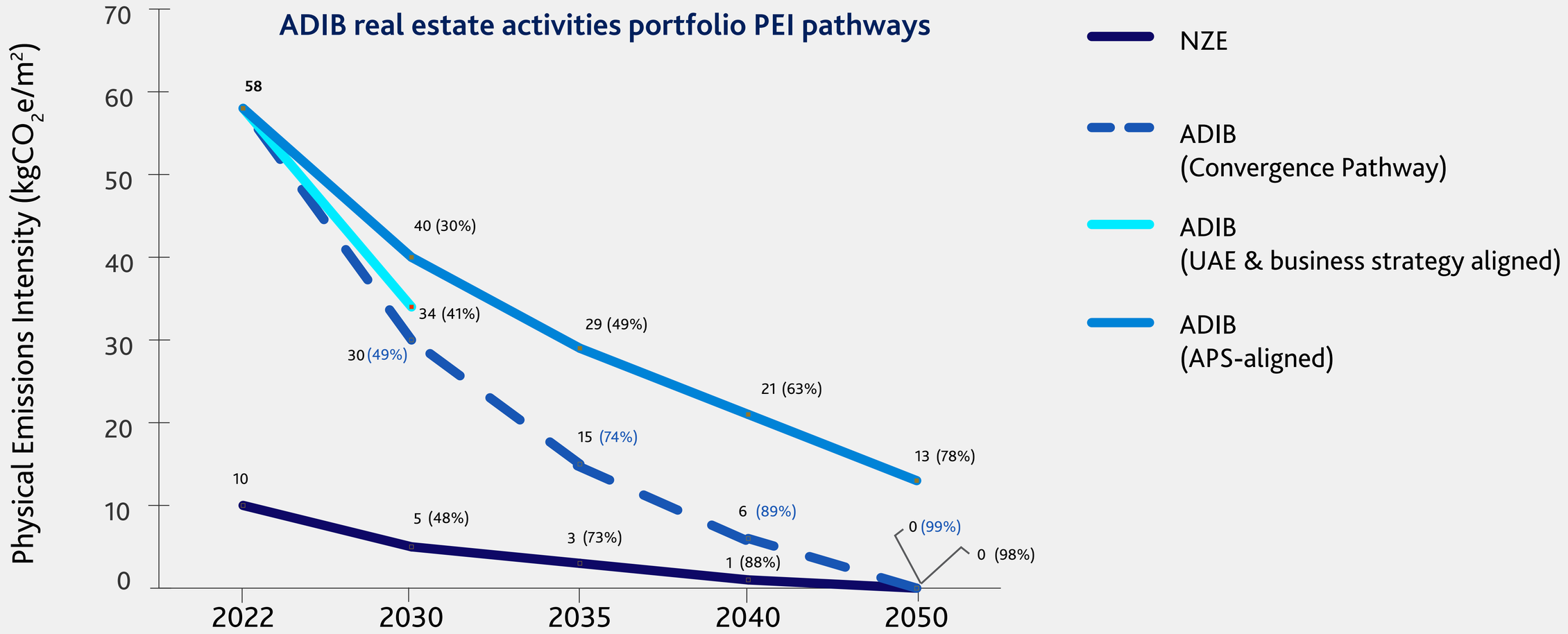
We chose a PEI metric of kgCO2e/m² for the sector as it allows for standardized efficiency measurement, benchmarking against industry standards, and realistic target setting tailored to property size and usage. Since counterparties in our portfolio have not disclosed their emissions data, we resorted to publicly available data for calculating the baseline PEI for the real estate sector. We relied on benchmarking studies conducted in the UAE that provided us with energy profiles at a per square meter level for real estate assets. Using relevant emission factors and the typical emission sources of a real estate asset in the UAE, we derived a baseline PEI of 58 kgCO2e/m².

[11]Middle East Real Estate Predictions

6.4.2 TARGET SETTING

In setting our target we factored in UAE's ambition to decarbonization to decarbonize the building sector as stated in The United Arab Emirates' First Long-Term Strategy (LTS). As per UAE's LTS, it is expected that much of the emission reduction in the building sector is expected to come from the decarbonization of the UAE's electricity grid, which aims to reduce its grid emission coefficient by 51% by 2030 compared to a 2019 base year. Moreover, the UAE plans to roll out revised building codes, including passive cooling techniques, which are expected to improve buildings' energy efficiency by 35% during the same period.

In line with UAE's national ambition, we are committed to PEI target for the real estate sector that involves a 41% reduction in the PEI during a period of 2022 to 2030 (from 58 tCO2e/m2 to 34 tCO2e/m2).



6.4.3 LEVERS AND LIMITATIONS

We are confident in achieving our 2030 target and will assess the required investment and financing to decarbonize our portfolio in this sector. Additionally, we will:

1. Explore opportunities to improve emission data collection through effective stakeholder engagement.
2. Support customer awareness campaigns to promote efficient energy use and consider sector-specific financing options, including linking credit pricing to green building standards.
3. Aspire to integrate climate risk and transition planning into credit pricing while advocating for industry bodies to join global climate commitment groups such as RE100, EP100, EV100, and SteelZero.

6.5 AVIATION

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
3%	Counterparty decarbonization pathways and IEA Announced Pledges Scenario	gCO2/pkm	107	28%

In 2022, aviation contributed 2% of global energy-related CO2 emissions, exhibiting faster growth in recent decades compared to rail, road, or shipping. With international travel demand rebounding post the Covid-19 pandemic, aviation emissions in 2022 nearly reached 800 MtCO2, approximately 80% of the pre-pandemic level. Implementing various technical measures such as low-emission fuels, enhancements in airframes and engines, operational optimization, and demand restraint solutions are essential to curb the growth in emissions[12].

The aviation industry in the UAE is at a pinnacle standing globally, driven by strategic investments, technological advancements, and an ever-expanding tourism sector. Key trends shaping the landscape include the rise of sustainable aviation practices, significant expansions in airport infrastructure, and the adoption of cutting-edge digital Shari'a compliant solutions to enhance passenger experience.

In the UAE, domestic aviation currently plays an insignificant role. However, the UAE plans to electrify domestic aviation, aiming to expand the use of electric planes for short-haul flights. Despite the higher costs associated with electric planes compared to jet fuel, the UAE aims to achieve full electrification for short-haul flights by 2050. Additionally, the UAE plans to meet international aviation fuel demand with e-kerosene, a type of Sustainable Aviation Fuel (SAF), starting at 1% in 2030 and increasing to over 50% by 2050.

6.5.1 BASELINE
PHYSICAL EMISSION INTENSITY **(PEI)**

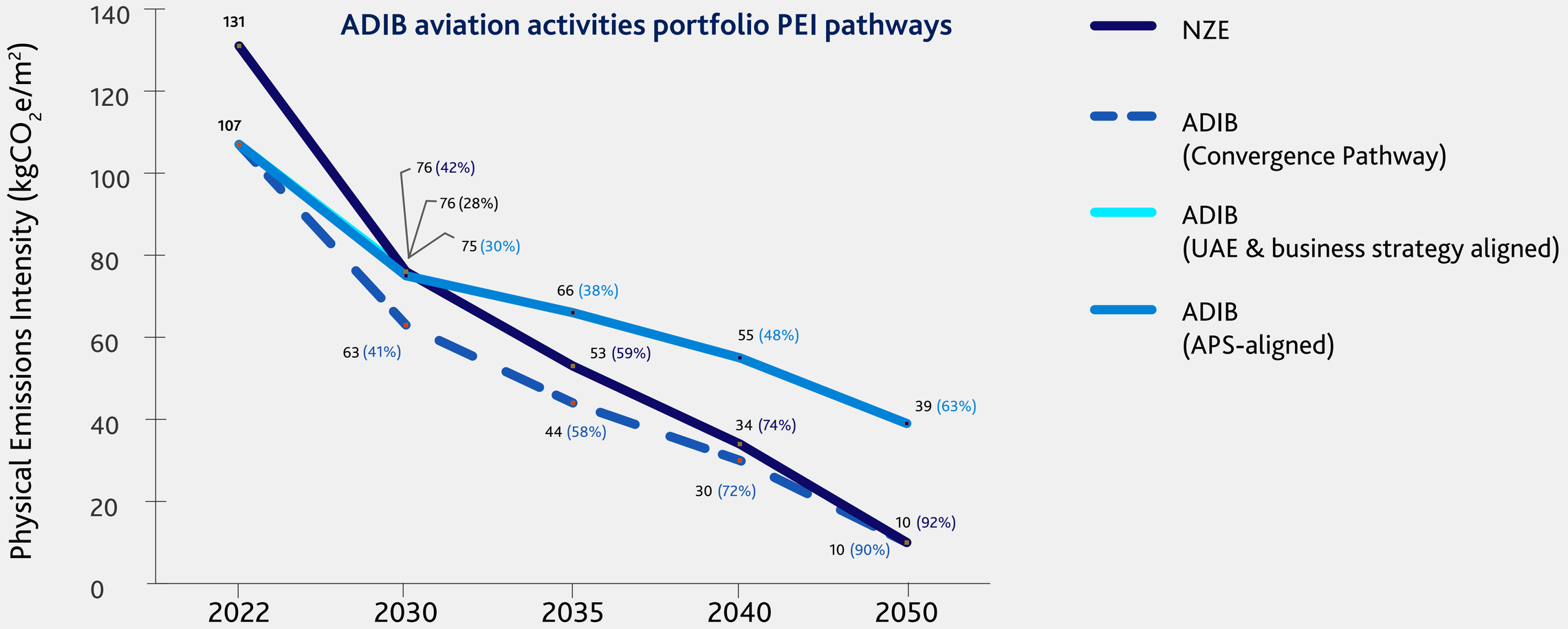
We implemented a PEI metric, measuring the grams of CO2 emitted per passenger-kilometer (gCO2/pkm), to differentiate between more and less efficient airlines and evaluate their technological advancements. The 2022 PEI for the sector is estimated at 107 gCO2/pkm, which is 18% below the global 2022 average of 131 gCO2/pkm[13]. This lower intensity reflects the young fleet and efficient operations, through the adoption of sustainable aviation practices, of our current counterparties.

[12]International Energy Agency
[13]World Energy Outlook

6.5.2 TARGET SETTING

We formulated our reduction target by taking into account the reduction pathway of our counterparties and layering it with the IEA's Announced Pledges Scenario (APS) where a counterparty level reduction pathway was not available. To convert the IEA APS into an intensity metric, we utilized the projected total emissions for the aviation sector from the IEA's World Energy Outlook and integrated these with passenger kilometer (pkm) forecasts.

We aim to achieve a 28% reduction in PEI for aviation by 2030, targeting an intensity of 76 gCO2/pkm. Given our clients' proven ability to effectively decarbonize, we are confident that this goal can be reached by 2030 through our collaborative efforts.



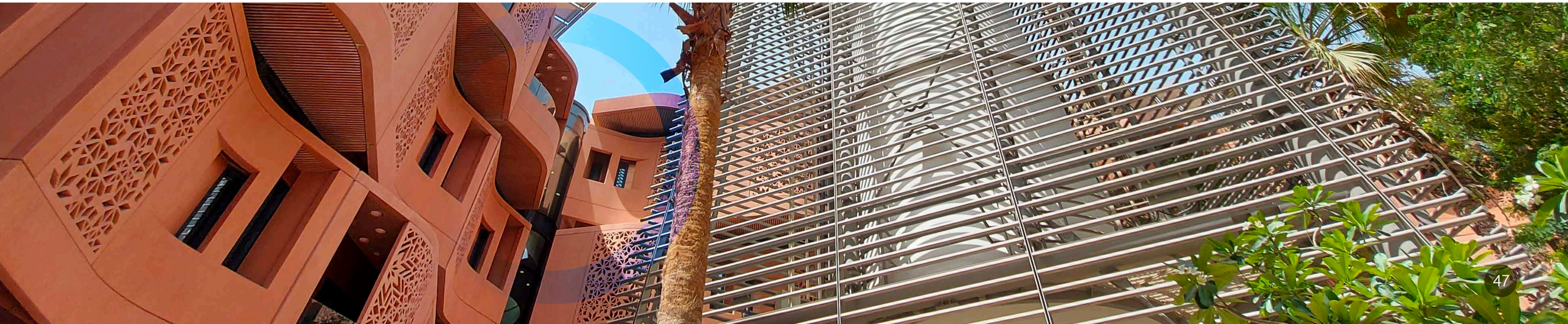
6.5.3 LEVERS AND LIMITATIONS

To meet our 2030 targets in the aviation sector, we will evaluate the necessary investment and financing amounts to decarbonize our portfolio in this sector. However, we have a strong ambition to implement sector-specific transition financing such as, but not limed to, targeted funding for next-generation fleet renewals and SAF technology investments.

1. Financing fleet renewal with funds focused on next-generation fleet renewals: the latest aircraft designs and engine developments are up to 25% more fuel efficient. Replacing old aircraft with newer ones will be a significant lever through which ADIB intends to support customers.

2. SAF technology investments: SAF is one of the key levers and can reduce emissions by 80% compared to traditional jet fuel. Although SAF is not yet produced at a large scale, we will be encouraging our aviation customers to adopt it.

Aviation is a challenging sector to decarbonize and our target will be subject to certain limitations including the use of SAF which is the most promising way to decarbonize the sector. Despite its existence and its potential, the SAF is not yet produced at a large scale and still accounts for less than 0.1% of the fuel used by airlines.



6.6 UTILITIES

Exposure (% of the total UAE portfolio)	Scenario	Metric	PEI as of 2022	2030 PEI reduction target
2%	UAE's NZ Commitment	tCO2/MWh	0.538	37%

The utilities industry in the UAE is undergoing a transformative phase, driven by rapid urbanization, technological innovation, and a strong commitment to sustainability. With the expansion of renewable energy projects, particularly solar and wind, and deployment of nuclear energy alongside significant investments in smart grid technologies, the UAE is aiming to enhance the efficiency and reliability of clean energy.

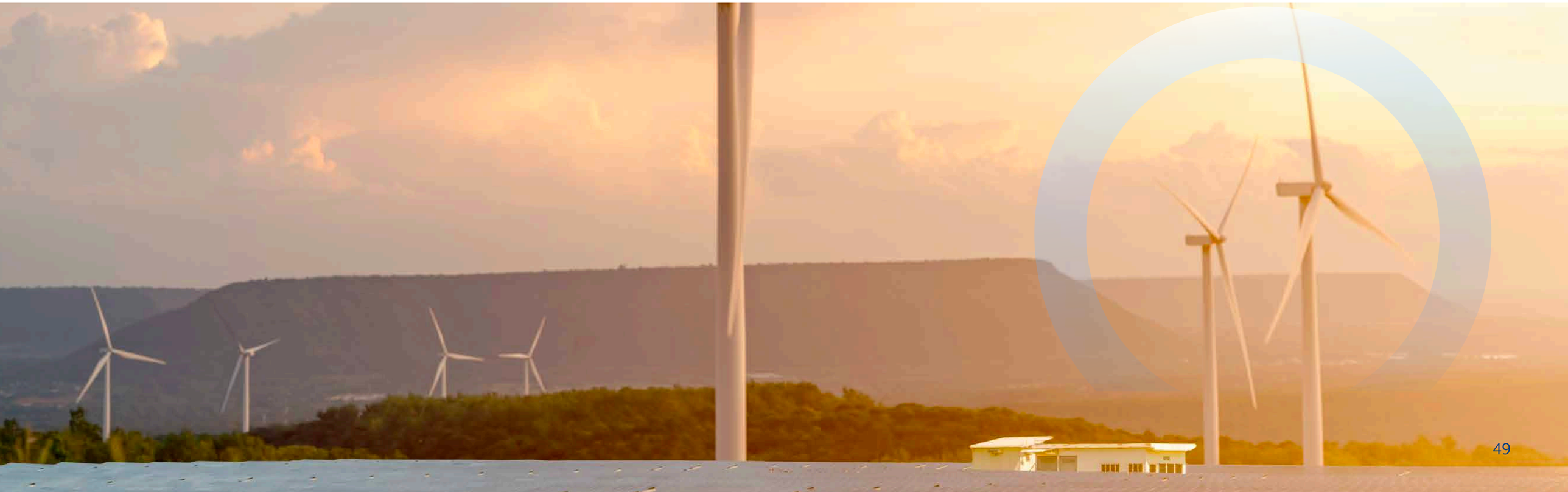
In the UAE, the power generated is projected to rise to 211 TWh by 2030, driven by captive demand connection, economic activity growth, increased cooling demand, and greater electrification, particularly in the transport sector14. While power generation will continue to grow the UAE has also set ambitious energy transition goals, such as the UAE Energy Strategy 2050, aim to increase the share of installed clean energy in the total energy mix to 30% by 2030 and reach net zero by 2050. Additionally, the adoption of digital Shari'a compliant solutions for energy management and the integration of advanced metering infrastructure are pivotal in meeting the growing demand and improving service delivery.

6.6.1 BASELINE
PHYSICAL EMISSION INTENSITY **(PEI)**

We at ADIB identified the utilities sector as one of the primary carbon-intensive sectors in our portfolio, accounting for 2% of our total UAE finance portfolio. Our utility counterparties are governmental entities responsible for producing and delivering electricity to consumers across their respective Emirates. We established the baseline PEI for the year 2022, by analyzing the technology mix within our portfolio, and we measured the financed emissions for 100% of the sector's total finance exposure. The current technologies adopted by the counterparties are primarily fossil fuel based with an ambition to expand to renewable energy in the near future.

The sector's physical emission intensity metric was set as tCO2/MWh. This metric effectively evaluates our counterparties' alignment with the benchmark scenario and monitors changes in the technology mix at both the counterparty and portfolio levels.

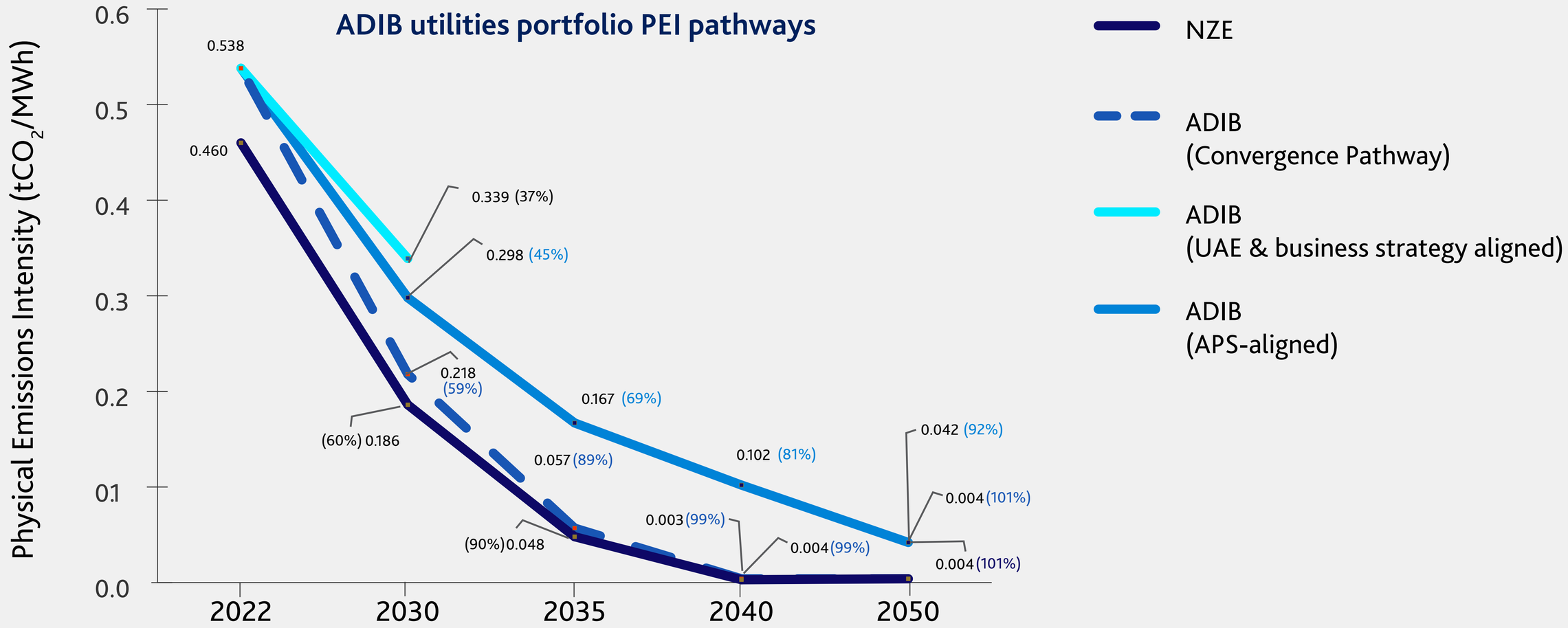
[14]The United Arab Emirates' First Long-Term Strategy (LTS)
[15]UAE Energy Strategy 2050



6.6.2 TARGET SETTING

In setting our target we used The United Arab Emirates' First Long-Term Strategy (LTS) that is aligned with the UAE's third update of the second Nationally Determined Contribution (NDC). The UAE aims to triple the share of renewable capacity and increase installed clean energy capacity from 14.2 GW to 19.8 GW by 2030. The UAE will also expand its nuclear energy generation to 44 TWh by 2050. The revised strategy eliminates the projected coal capacity from 2022 to 2050, as outlined in the 2017 Energy Strategy 2050, replacing it with clean energy sources. Collectively, these measures will result in a 51% reduction in the grid emission factor by 2030 and a 100% reduction by 2050, compared to the 2019 baseline.

In line with the UAE's national ambition, **we are committed to PEI target for the utilities sector that involves a 37% reduction in the PEI during a period of 2022 to 2030 (from 0.538 tCO2/MWh to 0.339 tCO2/MWh).**



6.6.3 LEVERS AND LIMITATIONS

To achieve our targets by 2030 in the utility sector, we at ADIB aim to:

1. Introduce sector specific transition financing and steer our portfolio towards clean energy investments and financing.
2. Assess the investment and finance amounts needed to decarbonize our portfolio within this sector to reach our targets by 2030 and 2050.

7. **WAY** FORWARD

7. **WAY** FORWARD

We strive to be a front runner in adopting new initiatives and technologies that enhance our customers' and stakeholders' trust while caring for our environment. We at ADIB are firm in our commitment to evolve and update our net zero strategy, extending it to cover the rest of the financed emissions portfolio. We will adopt relevant standards and applicable updates as developments in the sectors evolve.

We at ADIB are determined to play a crucial role in the decarbonization of our extensive portfolio. Through proactive engagement and collaboration, we are positioned to catalyze meaningful change. Our strong foundation and proven progress in the initial stages of setting decarbonization targets underscore our capacity to effect tangible, lasting change. Building upon this momentum, we will intensify our efforts to implement sustainable and responsible finance practices across our entire portfolio.

This report marks ADIB's inaugural assessment of the financed emissions within its corporate finance portfolio as of December 2022, including sector-specific portfolio targets. We acknowledge the vital role we play in the banking industry in addressing climate change, and reporting on our financed emissions is merely one facet of our comprehensive sustainability initiatives. We are continually enhancing the quality and segmentation of our data to facilitate more refined analysis. We anticipate improvements in data quality scores over time as counterparties expand their disclosures to align with evolving regulatory and stakeholder expectations. Our objective is to engage proactively with counterparties and integrate their emissions and net-zero data into our credit review processes.

Given that our ability to meet our targets is closely tied to the success of our counterparties, the journey to net-zero will be a collaborative endeavor. We will work with our counterparties to provide effective Shari'a compliant financing solutions and, explore the possibility for introducing transition Shari'a compliant financing of products for eligible green activities within target sectors, as part of our Sustainable Finance Framework. We are keen to consider climate-related key risk indicators to assess the financing of non-green assets and projects. We also intend to promote consumer behavior change by collaborating on awareness campaigns that communicate sector-specific green regulations and initiatives. Additionally, we will do our part in advocating for policy makers to further develop sector specific policies to accelerate the transition to a low carbon economy and encourage climate reporting mandates.

In the long term, we aim to integrate climate risk and counterparty transition planning into credit assessments, link credit pricing with sustainability goals, and steer the portfolio towards low-carbon emission solutions and options. We will build network collaborations to aid sector transitions, while advocating for industry bodies to join global climate commitment groups.

Through transparent communication and proactive engagement, we aim to inspire confidence among stakeholders while championing the transition towards a low-carbon economy. We remain steadfast in our resolve to lead by example, setting new benchmarks for responsible Islamic finance and sustainable development.