

Environmental, Social & Governance (ESG) Review

SUSTAINABILITY AT ADCB

ADCB is proud to leverage its position as one of the UAE's major financial institutions to contribute to and promote the national agenda. By aligning with UAE Vision 2021, ADCB has been an active and vital player in driving the UAE's progress towards a competitive and knowledge-based economy, bolstering societal development, economic growth and environmental protection.

The Bank supports the UAE Government in its endeavours to achieve the United Nations Sustainable Development Goals (SDGs). At the emirate level, we orient our efforts towards strengthening our community. Given this priority, we support the Abu Dhabi Economic Vision 2030 to work collaboratively towards the sustainable development of the capital.

We believe that, for our efforts to have a constructive impact at the emirate and national levels, we must ensure that sustainability is embedded in all facets of our operating model, through effective implementation of our Environmental, Social and Governance (ESG) responsibilities.

As part of developing our sustainability strategy, we involve our Management Executive Committee (MEC) and sustainability champions to reflect pan-organisation perspectives and opinions. Through a detailed materiality assessment, we identified key focus areas that are considered important to our stakeholders, which are mapped to the following sustainability pillars:

SUSTAINABILITY PILLAR	FOCUS AREAS	MISSION STATEMENT	RELATED SDGs
GOVERNANCE AND ETHICS	— Risk management — Data security & privacy — Corporate governance — Anti-corruption	Ensuring a stable foundation to allow responsible management, accountability and decision-making through strong governance and the highest ethical practices	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 
ACCESSIBLE BANKING	— Access to digital products — Financial inclusion & accessibility — Customer experience	Enhancing customer experience and product offerings by leveraging digitisation to advance financial inclusion	9 INDUSTRY INNOVATION AND INFRASTRUCTURE  10 REDUCED INEQUALITIES 
UAE CENTRICITY	— SME-focused financial access — Emiratisation — Supply chain — Community engagement	Serving the community through addressing local needs by improving financial access, employment and support for local businesses and initiatives	4 QUALITY EDUCATION 
SUCCESS ENABLERS	— Talent attraction, retention and management — Workforce diversity — Health & safety — Environmental management	Building capacities for the future by embedding leadership skills, complemented by a safe and inclusive work environment that capitalises on the unique experiences and diversity of our workforce	5 GENDER EQUALITY  8 DECENT WORK AND ECONOMIC GROWTH 

We believe that directing our efforts and resources towards these pillars will significantly and positively impact our ability to execute our Group corporate strategy to deliver long-term value and address the evolving needs of our stakeholders. Synergising our sustainability pillars with the pillars of our corporate strategy will allow us to appreciate our mission and vision through a more complete and comprehensive lens.

We have referred to the Global Reporting Initiative (GRI) standards for guidance on conducting the materiality assessment, as well as the selection and disclosure of our sustainability information in this section of the Annual Report. This chapter, therefore, provides a snapshot of the current status of our ESG journey, along with a summary of key achievements over recent years.¹

¹ Unless otherwise stated, the data included in this section covers the ADCB Group's operations within the UAE.

GOVERNANCE AND ETHICS

Robust corporate governance policies and effective risk management controls are paramount to ADCB's long-term success, and we are committed to fostering a corporate culture that holds integrity and our values at its core.

CORPORATE GOVERNANCE

ADCB has high standards of corporate governance that have created a strong foundation to promote economic growth by strengthening the trust and confidence of all our stakeholders. The Bank's Board of Directors comprises 11 members and has three standing Committees:

- **Board Audit & Compliance Committee (BACC):** BACC is responsible for assisting the Board in its oversight of the integrity of financial statements; internal policies and internal control over financial reporting; compliance with legal and regulatory requirements; and independence and performance of external and internal auditors. All four members of BACC are considered independent and industry experts, as they have extensive experience in the financial sector.
- **Board Risk & Executive Committee (BREC — previously Risk & Credit):** BREC is an independent five-member Committee whose members have extensive risk management expertise. It provides oversight on matters related to the Bank's credit commitments and risk management.
- **Nomination, Compensation, HR & Governance Committee (NCHRG):** In addition to acting as the 'pay committee' of the Bank, the four-member NCHRG Committee is focused on the Bank's human resources and training policies; the Board's composition and diversity; the selection and succession of Directors and Senior Management; and overseeing various corporate governance matters.

Please refer to the **CORPORATE GOVERNANCE SECTION OF THE ANNUAL REPORT** to read more about:

- ▶ Remit of each Board Committee
- ▶ Composition of the Board
- ▶ Remuneration policies
- ▶ Agenda items discussed by the Board and its Committees during 2020
- ▶ Controlling shareholders
- ▶ Directors' election and/or appointment
- ▶ External auditor's fees
- ▶ Related party transactions

Aside from the Chairman and CEO, each Board member serves on at least one standing Committee. The Board, and its standing Committees, provide the Bank with forward-looking direction related to its fundamental business and financial performance, governance, risk management, business strategy, succession planning and human resources.

ADCB has policies in place to ensure that the Directors work in the best interest of the Bank, including Directors Conflict of Interest Policy, Directors Code of Conduct, Related Party Transactions Policy, and Directors Share Dealing Policy. Moreover, we have adopted industry best practices by having an independent Chairman and a Board in which a majority of the Directors are considered to be independent, as per the Central Bank of the UAE and Securities & Commodities Authority (SCA) Corporate Governance Codes. The Board's NCHRG Committee is responsible for continuous assessment of the independence of Independent Directors. All shareholder rights are protected by local laws and regulations.

SUSTAINABLE CREDIT POLICY

ADCB has a Risk Management Framework that supports responsible financing-decisions, with due consideration to relevant environmental issues. We are guided by the Equator Principles in our approach.

Our lending processes reflect our commitment to conducting business in a responsible manner. At the due diligence and credit approval stages, we include consideration of any adverse factors in financing

activities that may affect the environment or the community prior to making a commitment. This ensures that proposals we support do not end up harming the environment or communities where we operate.

ADCB considers the nature of our current lending practices to be of low risk, as our exposure to sensitive sectors is very low. We do not engage in deforestation activities, and our lending portfolio allocates less than 1% towards the Mining and Oil & Gas sectors. The Bank supports renewable energy and water projects within the UAE.

ANTI-BRIBERY AND CORRUPTION

ADCB is committed to maintaining the highest standard of professional and ethical principles, and integrating them into all our operations to ensure that they are free from corruption. Our Code of Conduct describes the standards of behaviour expected from all employees of ADCB and our subsidiaries.

All employees must acknowledge the Code of Conduct every year to ensure they carry out their work in line with our stated standards. The Code of Conduct, which is available on our website, details the Bank's policies related to workplace behaviour, anti-bribery and corruption, anti-money laundering, and whistle-blowing. In addition to our Code of Conduct, we have a separate Anti-Bribery and Corruption Policy that further strengthens the Bank's overall commitment to ethical business practices.

Anti-Bribery and Corruption	2018	2019	2020
% operations assessed for corruption risk	100%	100%	100%
Whistle-blowing Function	2018	2019	2020
Total incidents of whistle-blowing	23	15	18
Total incidents of whistle-blowing reported to the Board that required further investigation	8	4	7
Total incidents of whistle-blowing deemed substantial	0	0	0

We do not tolerate any breaches of the Code of Conduct, incidences of fraud, or corrupt practices perpetrated by our staff. We encourage our employees to report any such incident through the Bank's established policies and procedures. Our whistle-blowing function allows our employees to raise such concerns without fear of reprisal and in a confidential manner.

DATA SECURITY AND PRIVACY

Data security and privacy are of vital importance to ADCB, and we have a robust framework in place to ensure the highest standards of protection. We believe this is a key component to building lasting relationships with our customers. Data security concerns the protection of customers' personal information. Data privacy, on the other hand, is focused on the compliance of data protection regulations and the ethical handling of customers' personal data.

We have a dedicated department that handles data security, ensuring appropriate and sufficient safeguards and security controls are always in place. Annual audits are conducted by internal and external parties, who evaluate the adequacy of the security controls. The control environment is regularly tested by independent third-party vendors to identify any security gaps and areas where the security posture can be enhanced. Our security programme is accredited to international best practice standards, including ISO 27001 and PCI DSS (Payment Card Industry Data Security Standard).

Continuous awareness on how to protect customer information is imparted to all employees through mandatory e-learning, our staff induction onboarding programme, classroom training for specific departments, email communications, and other awareness-raising campaigns. As a final line of defence, we have secured adequate coverage from international insurance providers to protect our customer information within ADCB and third-party partners.

To further reinforce the importance of data privacy within ADCB, both from a regulatory perspective and in relation to customer expectations, we established a dedicated Data Privacy Office in 2019. The Data Privacy Office is responsible for making sure that ADCB is well-positioned for any existing and upcoming local or international legislation or regulatory requirements, and closely monitoring international best-practice. In line with international and local data protection regulations, including Global Data Protection Regulations (GDPR), we appointed a Data Protection Officer (DPO) in 2020, whose role is to ensure compliance with data protection rules while processing the personal data of customers, staff and other individuals.

For more information on our Data Management Framework, please refer to the Risk Management section of the Annual Report.

ACCESSIBLE BANKING

Digitisation remains a cornerstone of our corporate strategy and key driver in our commitment to bring banking to consumers. We are fully committed to ensuring that our services are accessible and inclusive. We have continued to invest in exploring and growing our digital capacity and capabilities, focusing on customer acquisition, engagement and experience, building on the success of ADCB's digital platforms.

ACCESS TO DIGITAL PRODUCTS

Digitisation drives our design process, focusing on consumer protection and ease of use to build a high-quality customer experience that supports customers in achieving their financial ambitions.

Hayyak, our mobile banking and onboarding app, is the top-rated of all the UAE banking applications on the Apple Store and Google Play Store. Within the Consumer Banking Group, there was significant growth in the use of digital platforms in 2020, with retail customer registrations through digital channels increasing by 19%, digital transactions rising by 14% and digital payments increasing by 28%.

During the year, clients registered for Wholesale Banking Group's market-leading digital channels, ProCash and ProTrade, increased by 16% and 64%, respectively. Meanwhile, 96% of total cash management transactions and 60% of trade finance transactions were carried out digitally.

For more information on our approach to digitisation, please refer to the Consumer Banking Group and Wholesale Banking Group sections of the Annual Report.

FINANCIAL INCLUSION AND ACCESSIBILITY

Financial inclusion is of high importance to ADCB. As such, we indiscriminately extend access to our banking services to the nation's under-served and under-banked population by delivering innovative and digital financial solutions.



- Simplylife is a sub-brand of ADCB created in 2014 for the mass market segment (salary of AED 5,000–15,000/month) to provide them with simple, fast and accessible banking
- ADCB provides eligible individuals in the low-income segment (salary under AED 5,000/month) with access to banking services when opening a current account via the Hayyak app

Due to COVID-19, we accelerated digitisation to aid entrepreneurs who did not have prior access to online banking, through our mobile-based point of sale (POS) application, Pace Pay, which is explained in the 'UAE Centricity' section of this chapter. In a span of a few months, we embraced the new normal and provided merchants with an innovative new tool to support their businesses.

Access to Digital Products	2018	2019	2020
Mobile banking subscribers	436,145	531,703	679,856
Personal internet banking subscribers (retail)	527,258	538,284	558,547

IMPROVING ACCESSIBILITY

We drive the accessibility of our products through a range of digital access points, such as:

- Hayyak mobile app, which allows all retail customers to manage accounts, apply for loans and transact remotely
- Virtual branch to provide a range of services without the need for physical interaction
- Digital and online channels for conducting day-to-day banking and trade transactions
- Cheque scanners for remote cheque processing

While our digitisation strategy drives our efforts to ensure our services are accessible to everyone, we are also mindful that there remains a demand for physical access points for our services. As such, we retain our branch and ATM network across the UAE's major urban centres, as well as in various low-density areas across Abu Dhabi and the Northern Emirates.

In addition, to improve customer experience for people of determination and the diverse population of the UAE, we have ensured:

- The height of ATMs is adjusted to ensure accessibility for wheelchair customers
- Access ramps in major branches for wheelchair customers
- Bilingual forms, posters, materials and other means of communication, such as visual monitors in branches
- Multilingual staff in all branches to assist customers in English, Arabic, Urdu and Hindi

Customer Experience	2018	2019	2020
Customer complaints	22,351	17,783	18,607
Customer complaints resolved (%)	100%	100%	100%
Customer complaints resolved within 3 working days (%)	92%	92%	92%

CUSTOMER EXPERIENCE

At ADCB, we are committed to making banking simple and safe for our customers, delivering value through our outstanding customer service, and providing world-class products and cutting-edge digital access. Our Customer Experience & Research team is responsible for reaching out to customers with surveys to capture customer feedback, while the respective business owners are accountable to adhere to SLAs (Service Level Agreements) by promptly addressing customer requests. Our Net Promoter Score² conveys improvements in Consumer Banking (from 67% to 69%) and Wholesale Banking (from 66% to 71%) in Q1'20 compared to 2019, illustrating the growth in customer loyalty and acquisition.

In 2020, we saw a slight increase in the total number of complaints raised by customers, due to the initial distress that was caused by the COVID-19 pandemic. Despite this challenging situation, we were able to resolve over 90% of the complaints within three working days.

2 The NPS scores are up to Q1'20. In Q3'20, as part of our digitisation strategy, ADCB switched to a different methodology for measuring NPS. Due to the change in methodology, NPS will not be comparable to the previous years, and the 2020 NPS score will be used as a new baseline going forward.

UAE CENTRICITY

In line with our dedication to the sustainable development of the UAE, ADCB supports a range of critical local initiatives, such as UAE Vision 2021 and Abu Dhabi Economic Vision 2030. Our contributions to engage and support local small and medium-sized businesses (SMEs), the local workforce, local procurement, and local communities culminate to fortify and progress the ambitions of the nation.



PROGRAMME	DESCRIPTION
ADCB BUSINESS CHOICE	Our dedicated Business Choice Accounts (BCA) Division caters to the needs of new start-ups and companies with a turnover of less than AED 5 million. It serves both UAE Nationals and expatriates, with nearly 55% of the customers base comprising young UAE Nationals.
ADCB PACE PAY	In September 2020, ADCB launched the UAE's first virtual point of sale (POS) payment terminal, in partnership with Visa, the world's leader in digital payments. ADCB Pace Pay is an innovative app specially designed to equip small and micro-businesses with a digital payment infrastructure at zero cost per transaction and without the need for any additional devices.
HUB71	Hub71 is an initiative founded by the Abu Dhabi Global Market (ADGM) to support start-ups in the technology sector. ADCB supports this initiative by helping these early-stage companies while exploring new ways to improve the Bank's capabilities and drive meaningful innovation, based on customers' needs and expectations.
GHADAN 21: CREDIT GUARANTEE SCHEME, DEPARTMENT OF FINANCE (DOF)	Partnering with the Department of Finance, we implemented the Credit Guarantee Scheme, which is a part of the Ghadan 21 Initiative of the Abu Dhabi Government's AED 50 billion TESS (Targeted Economic Support Scheme) stimulus plan. Under the scheme, the government will offer a credit guarantee of up to 80%, supporting businesses' resilience to withstand market fluctuations. The scheme covers SMEs for their working capital, operational expenses, trade, receivable financing, restructuring of existing debt, and capital expenditure requirements.
ADCB SMARTSTART BUSINESS ACCOUNT	This initiative offers a customised AED current account for small and micro-businesses that intend to conduct business in the UAE and engage in financial transactions within the UAE.

SUPPORTING LOCAL BUSINESS

ADCB has a prominent presence in the UAE's SME sector. We work closely with various organisations to support SMEs in setting up and running their businesses, offering a wide range of banking services, including cash management, flexible working capital, and trade and capital expenditure financing. To ensure we can serve the SME segment and cater to their needs, we initiated and/or support the aforementioned programmes.

EMIRATISATION

Empowering UAE Nationals is one of ADCB's top priorities. We are dedicated to making our organisation a centre of excellence for Emiratis and achieving one of the strongest UAE nationalisation rates in the private sector. This year, as a result of our ongoing efforts, ADCB has outperformed the Emiratisation target set by the Central Bank of the UAE.

We have implemented a comprehensive career development framework for UAE Nationals that hones personal growth and skill acquisition. We offer a diverse range of customised programmes to support their technical, behavioural and leadership development needs, in order to ensure that we attract and retain top Emirati professionals whilst creating a pipeline of future talent.

ADCB recognises the advantage of gender diversity and is proud to confirm that almost 78% of its current Emirati workforce is female. Our award-winning Tamooha programme assists female UAE Nationals to develop career paths and access professional opportunities. In 2020, a total of 184 female candidates passed through the Tamooha programme.

For more information on our Emiratisation efforts, please refer to the Human Resources section of the Annual Report.

SUPPLY CHAIN

At ADCB, we seek to support local economic activity and procurement through our purchasing practices. By incorporating ESG considerations into our vendor screening process, we facilitate sustainable practices across our supply chain. The Procurement Department of ADCB has implemented an entirely paperless procure-to-pay system through which all contracts are managed. This system allows for online tendering to ensure a transparent and auditable process.

COMMUNITY ENGAGEMENT

As a major financial institution, ADCB recognises the impact it has on the community. The Bank has a long history of investing in and supporting the UAE and its people through strategic partnerships, programmes and sponsorships.

Supply Chain Management	2018	2019	2020
% spending on local suppliers	97%	92%	91%
% of suppliers screened for environmental criteria ³	91%	91%	86% ⁴

³ Environmental screening excludes landlords and government entities.

⁴ The reduced percentage reflects an increased number of manual supplier registrations in 2020 by new ADCB subsidiaries (post-merger) for one-off projects that followed a distinct process and criteria.

EDUCATION AND UAE YOUTH EMPOWERMENT

Education and innovation are key focus areas under our community programme. Providing education and increasing financial knowledge helps develop responsible business, with a particular focus on improving the employability and financial skills needed to help our communities thrive and empower the UAE's youth.

Through programmes and partnerships, we help raise financial awareness and provide additional educational opportunities for UAE Nationals. This year, we joined forces with the Human Resources Authority and Abu Dhabi Global Market to establish a comprehensive educational system, called 'The Bankers Programme', which aims to enhance the skills and knowledge amongst UAE Nationals across the UAE, and integrate them into the banking sector.

We continued our partnership with Plug and Play and Abu Dhabi Global Market, which supports technology start-ups in the region, helping us enhance our digital capabilities and explore new and innovative services for our clients.

CHARITABLE PARTNERSHIPS FOR THE UAE

ADCB has a long and established track record of partnerships with charitable organisations in the UAE, as well as facilitating the donations of our customers and supporting events that raise money for worthy causes.

Sources of Community Donations (AED)	2018	2019	2020
Direct donations and sponsorships	7,003,327	9,079,674	14,957,045
Donations (Islamic Banking Group)	1,492,138	1,824,508	2,054,167
Total direct community donations and sponsorships	8,495,465	10,904,182	17,011,212
Indirect community donations from ATMs	704,785	733,609	946,246
Indirect community donations from online banking	5,022,754	3,080,233	3,572,519
Total indirect community donations	5,727,539	3,813,842	4,518,765
Total direct and indirect community donations	14,223,004	14,718,024	21,529,977

In 2020, we continued our partnerships with the Emirates Red Crescent, the Sheikh Khalifa Bin Zayed Foundation, Emirates Nature — WWF, various people of determination centres, and the Zakat Fund, which enables charitable donations by our customers through ATM transactions and online banking channels.



In our efforts to contribute to meaningful social initiatives, we also supported several fundraising events in 2020. For example, as a part of International Breast Cancer Awareness Month, we hosted the ADCB Zayed Sports City Pink Run for the eighth year in a row, with proceeds donated to Al Jalila Foundation for Breast Cancer initiatives.

SUCCESS ENABLERS

At ADCB, our success is driven by the hard work and diligence of our employees, who unceasingly and reliably uphold the Bank's core values.

HUMAN RESOURCES

It is our highest priority to ensure that our employees perform their duties effectively and productively, supported by a healthy and engaging working environment. In 2020, amid the global pandemic, our Human Resources Group was tasked with supporting our employees to effectively navigate the new working conditions. Despite these challenging circumstances, our voluntary attrition rates in 2020 decreased compared to the previous two years.

We take pride in the skills of our people and work to expand their competencies. Through our Ambition University, we deliver a variety of learning programmes that include mandatory annual training requirements in key risk management modules, such as anti-money laundering, compliance, fraud, information technology (IT) & physical security, Code of Conduct, operational risk, and business continuity.

We foster a safe and inclusive work environment for all our employees. If an employee has any concerns, we encourage them to raise them, either directly to their managers or, if an employee is not comfortable doing this, through our formal grievance platform: Tawasul. This platform ensures that all grievances are addressed and receive appropriate follow up.

To read more about our continuous efforts to ensure the well-being, training and development, diversity, and inclusivity of our workforce, please refer to the Human Resources section of the Annual Report.

HEALTH AND SAFETY

The Bank has always sought to encourage a favourable work-life balance. We have developed and adopted a Health & Safety Policy that is supported by procedures related to first aid, emergency preparedness and hazard risks. Our policies and procedures comply with national standards and were awarded UAE Civil Defence Safety Certificates for all ADCB locations.

We have fire wardens and trained support staff across all our locations, as well as dedicated nursing services and first aid clinics across ADCB's operations. The Bank has installed Civil Defence 24x7 Smart Monitoring Systems and carries out quarterly inspections of first aid kits, along with regular maintenance of fire alarms and firefighting systems.

ENVIRONMENTAL MANAGEMENT

From proactive electricity and water-saving practices to effective waste management, ADCB is vigilant in reducing our impact on the environment and monitoring our resource consumption. Our energy efficiency efforts have directed us to install occupancy sensors and LED lights.

In compliance with Abu Dhabi Law, ADCB works with an approved environmental service provider (ESP) registered with the Abu Dhabi Waste Management Center, Tadweer, to responsibly process all waste. Mitigating our paper trail and complementing our waste management efforts with a complete recycling programme, we diverted and recycled approximately 8,129 kg of waste from landfills in 2020.

Voluntary Attrition	2018	2019	2020
Voluntary attrition rate (%)	8%	9%	5%

COVID-19 RESPONSE

The COVID-19 pandemic disrupted economies and businesses around the world. ADCB rose to the challenge, continuing to operate with resilience and dedication towards our customers, employees, partners, vendors, and the local communities where we operate.

Our pandemic response preparations began in January 2020, using prepared contingency plans. Prioritising resilience of our business functions and the safety of our staff and partners, we fostered a unified and comprehensive Crisis Management response in March 2020, which was complemented by the AED 50 billion Targeted Economic Support Scheme (TESS) launched by the Central Bank of the UAE.

We were able to sustain operations through procedural assessments that securely balanced remote working

with on-site working. Working from home was supported by the Bank's provision of computers and ensuring network connectivity for employees.

We prioritised the welfare of our people, the mitigation of our clients' financial stresses, and the empowerment of our community, to tackle the disruptions created by the pandemic.



STAKEHOLDER	COMMITMENTS AND ACTIONS
EMPLOYEES & VENDORS	- Staff members were given the means to work from home, knowledge of hygiene practices and access to subsidised PCR testing - ADCB facilities were upgraded to include sanitisation tunnels and vaccine administration capabilities - Vendor relationships were maintained by ensuring timely invoice payments
CONSUMERS	- Digital banking continued to meet the needs of consumers as some physical branches were closed - Loan deferrals, reduced late-payment charges, fee refunds, and interest-free tuition expenses were introduced to alleviate the economic burdens placed on ADCB customers by COVID-19
BUSINESSES	- To lessen the impact of COVID-19 on businesses, ADCB provided additional credit availability to support liquidity objectives - From reductions of loan rates to lowered service fees, ADCB continued to cater to the changing needs of clients through reliable digital channels
COMMUNITIES	- AED 5 million committed to express gratitude and alleviate the financial burden of 35,000 healthcare workers across the UAE who bank with ADCB, by refunding a supermarket or food delivery purchase - In partnership with the Ministry of Education, ADCB donated AED 4 million to equip students with laptops for digital learning