



بنك أبوظبي التجاري
ADCB

Environmental, Social & Governance (ESG) Update **2021**

SUSTAINABILITY

(ESG UPDATE)

Introduction

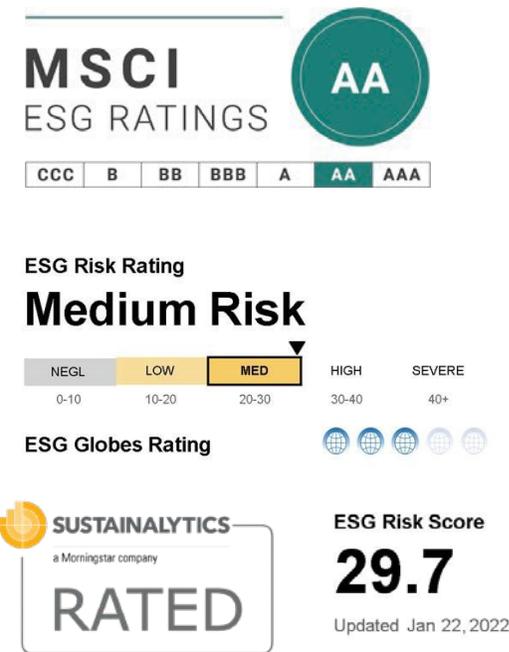
Sustainability now features as a key priority of the Bank's strategic agenda, and we are committed to maximising our contribution to the UAE's ambition for an inclusive, net zero economy. As part of this commitment, we recognise the need for continuously improving the Bank's Environment, Social and Governance (ESG) practices and disclosures.

This sustainability summary is an example of how we are increasing our transparency and aims to provide an overview of the progress made during 2021 to further enhance our approach to identifying and managing the most material ESG risks and opportunities facing ADCB.

For further information on our approach to sustainability, please refer to our annual reports on the Investor Relations section of our website: adcb.com/ir. The inaugural ADCB Group Sustainability Report with enhanced disclosures, encompassing strategic initiatives and KPIs, will be published during 2022.

2021 highlights:

- Revamped the Group-wide sustainability governance framework with Board oversight and executive management accountability
- Integrated sustainability as a key pillar of the overarching corporate strategy
- Linked executive remuneration (GCEO & GCFO) to 2022 sustainability KPIs
- Delivered a series of workshops with Board and Management Executive Committee members to raise awareness on the latest trends (risks and opportunities) and market drivers of ESG
- Undertook extensive engagement with key stakeholder groups (investors, customers, employees, regulators, analysts, external experts) to review material topics for prioritisation
- Developed a new sustainability strategy, in accordance with international frameworks, industry best practice, and the GRI reporting standard, with the Bank's stand-alone comprehensive Group Sustainability Report to be launched in 2022
- A new ESG Governance structure is being implemented with a revised Group ESG policy to be supplemented with relevant sectoral policies
- Created a new Sustainability Team, reporting to the GCFO, to drive the implementation of the new sustainability strategy, harness business opportunities and build the culture across the Group
- Achieved an MSCI score upgrade from "A" to "AA"
- Improved Sustainalytics score from "high" to "medium" risk



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SUSTAINABILITY GOVERNANCE AND STAKEHOLDER ENGAGEMENT

Sustainability governance

During 2021, the Board and Management Executive Committee (MEC) developed a clearly defined Group-wide sustainability governance framework, to increase senior management oversight of key ESG risks and opportunities and ensure adequate coverage across all levels of the Bank.

The framework consists of a new Group Sustainability Committee (GSC) with responsibility for setting the ADCB sustainability strategy and ensuring its implementation within relevant core business functions. This encompasses strategic commitments, policies, targets and KPIs, reporting and disclosures, communications and training. The GSC is chaired by the Group Chief Financial Officer (GCFO) and consists of relevant members of the MEC to ensure senior management accountability for embedding sustainable business practices into their respective teams' ways of working. The GSC is the main decision-making body for all matters related to the Group sustainability strategy. The GSC reports progress to MEC.

The GSC is supported by a Group Sustainability Team (GST), with a newly appointed Head of Sustainability reporting to the GCFO. The Sustainability Team (GST) is responsible for; identifying, proposing and managing strategic initiatives; capturing data and reporting to stakeholders; providing daily support to teams across the Bank with subject matter expertise; setting common standards and policies; and building the culture of sustainable thinking across the organisation. The GST makes recommendations to the GSC, including the proposal of sub-committees required with a specific mandate to address a key risk or opportunity to the business. The GST acts as the secretariat to the GSC.

Stakeholder engagement and materiality assessment

Our stakeholders are integral to our success and therefore we proactively engage with them on a regular basis. Through this continuous dialogue we are able to better understand their expectations on how we approach economic, social, and environmental impacts and share insights into how we govern strategic sustainability topics across the Group.

During 2021, in addition to our regular annual engagements with various stakeholder groups, we carried out a comprehensive materiality assessment exercise to review the ESG topics most relevant for ADCB. This encompassed engaging both internal and external stakeholders through:

40+ interviews with external stakeholders, including investors, analysts, corporate clients, and regulators including the UAE Central Bank, SCA, ADX, ADGM

1,750+ employee opinions captured via surveys conducted across the Group; with a separate survey rolled out to retail customers

25+ interviews with senior management and Board members

The materiality map presented on the next page highlights the ESG topics identified as material to ADCB based on the feedback harnessed across our stakeholder groups.

MATERIALITY ASSESSMENT

The material topics identified informed the priorities of our sustainability strategy. We are committed to disclose our performance and progress in the management of these topics through our sustainability reports and other channels of communication.

Priorities tiered by potential business and societal impact

Fig 1. ADCB Materiality Matrix

	 Environmental	 Social	 Governance
Increasing impact on business and society	Tier 1 <ul style="list-style-type: none"> Greenhouse gas emissions Climate risk 	<ul style="list-style-type: none"> Emiratization Diversity and inclusion Fair Pricing Customer experience 	<ul style="list-style-type: none"> Leadership ethics ESG investments ESG commitments
	Tier 2	<ul style="list-style-type: none"> Data security and privacy Employee upskilling Retail financial inclusion Community philanthropy SME financial inclusion 	<ul style="list-style-type: none"> Board diversity Board policies
	Tier 3 <ul style="list-style-type: none"> Water management Waste management 	<ul style="list-style-type: none"> Employee health and safety Employee engagement Socially oriented products 	

Note: The topics were prioritised based on inputs from full set of stakeholders, including: interviews with Board and MEC members, materiality workshop results, survey of ADCB UAE employees (n=1,090), survey of ADCB Egypt employees (n=554), survey to AHB employees (n=123), press search, interviews with key analysts/investors, sustainability reports from key investors, ESG benchmark study, retail customer survey, corporate customer interviews (n=5), interviews with SCA, ADX, ADGM and the UAE Central Bank. Inputs were weighted differently, prioritising perspectives of investors, customers and the board most heavily.

Our sustainability strategy

Through our sustainability strategy we seek to manage the business risks and opportunities across the material ESG topics that matter most to our stakeholders. This approach strengthens ADCB's business resilience and operational practices, while harnessing opportunities to support our customers to transition to an inclusive, net zero economy. Our strategy also enables us to play a leading role in contributing to UAE's national vision and the country's strategic commitments on the Sustainable Development Goals (SDGs).

Our sustainability strategy consists of four strategic priorities: Climate, Customers and Communities, Employees, and Governance. Each of these pillars consists of four focus areas to clearly pinpoint the initiatives we are seeking to address (see Fig.2). This new sustainability strategy is now a core pillar of our overall corporate strategy, demonstrating the increased level of ambition set by the Board and MEC to operationalise ESG initiatives across the bank.

SUSTAINABILITY STRATEGY

Fig2. ADCB Sustainability Framework and Strategy



STRATEGIC ENABLERS

To ensure successful implementation, we have identified six enablers of the strategic priorities. This forms the basis of our strategic framework:

- **ESG governance and policies:** The Group sustainability governance framework is to ensure appropriate oversight and engagement across the Bank on all ESG-related activities. Our Group Sustainability Policy covers the general principles and commitments linked to each strategic priority and underlying focus areas. This will be supplemented with topic-specific/sectoral policies, operating procedures, and guidelines to support effective implementation across the organisation, including subsidiaries.
- **Targets, KPIs and rewards:** Targets and KPIs, aligned to our ESG strategy, integrated into the performance management process of senior management, to drive implementation of the strategy.
- **Training and upskilling:** ESG topics integrated into our training curriculum to build internal capacity and increase competencies in key roles across the business.
- **Stakeholder management and communications:** Proactively engage with key stakeholders to understand their expectations and provide regular communications of ADCB ESG performance and progress on our strategic ESG priorities.
- **External partnerships and commitments:** Continue to review and identify external partners, alliances, charters and commitments that support our strategy and contribute to UAE's national strategic objectives.
- **Reporting and disclosures:** Publicly disclose our ESG performance, in accordance with leading sustainability standards and regulatory requirements.