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Responsible Banking Progress Statement 2024

PRINCIPLE 1: **ALIGNMENT**

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

BUSINESS MODEL

Describe (high-level) your bank's business model, including the main business lines, customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, business areas or by disclosing the number of customers and clients served.

LINKS & REFERENCES

- [ADIB 2024 Annual Report](#)
- [ADIB Investor Presentation Deck, Q4 2024](#)

RESPONSE

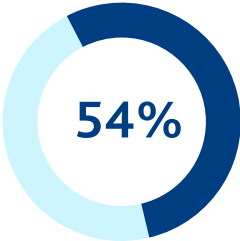

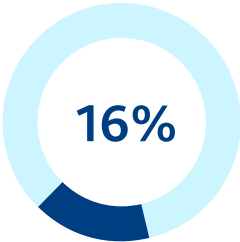

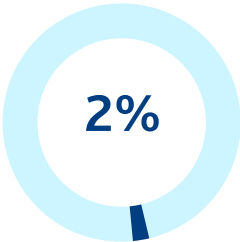

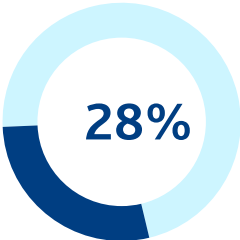

Abu Dhabi Islamic Bank (ADIB) is a leading bank in the UAE and one of the largest Islamic banks globally. Headquartered and listed in Abu Dhabi, ADIB was incorporated in 1997 to serve as the first Islamic bank in the Emirate of Abu Dhabi. ADIB is one of the leading Islamic banks in the region, situated as the fourth largest Islamic bank in the GCC by total assets, with total assets of AED 226 billion, and retaining 15% of market share in the UAE retail banking sector.

The bank currently serves more than approximately 1.5 million customers through a comprehensive range of products and services that combine a highly personalised customer experience with world-class digital banking services. ADIB is a full-fledged financial service provider that offers banking solutions for individuals, corporates and affluent customers. In addition, the wider ADIB Group provides brokerage, real estate and property management, payments and insurance services.

Since its foundation, ADIB's market position has been the go-to bank for UAE nationals. ADIB's national presence, innovation, relevance, and Sharia compliant business model means that ADIB provides the right banking solutions for its customers, with a deep understanding of their needs and ambitions, their lives, and plans. ADIB is committed to being a responsible corporate citizen and to managing its business in a way that creates value for customers, shareholders, employees, and the communities in which it operates.

ADIB is a Universal Bank that offers banking solutions for individuals, corporates, government institutions and affluent customers. In addition, the wider ADIB Group provides brokerage, real estate and property management, payment solutions and insurance services. ADIB has a significant distribution network in the UAE of more than 60 branches and 500+ ATMs. Internationally, the bank has a presence in six strategic markets - Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Qatar, Sudan and Iraq.

The four main segments that make up ADIB's business are shown below, which covers the all banking and non-banking subsidiaries. Note that our portfolio impact analysis considers the consolidated UAE banking portion only.

% OF GROUP REVENUE	BUSINESS SEGMENT	DESCRIPTION
	 RETAIL BANKING	<p>Targets individuals and SME entities with main focus on UAE Nationals and mass affluent segment</p> <p>Product ranges offered include everyday banking products such as current accounts, deposits, cards, finance, wealth products, etc.</p>
	 WHOLESALE BANKING	<p>Focuses on large corporates, Governments, GREs and FIs</p> <p>Product offerings include investment and corporate finance, corporate banking, contracting and commercial banking, transaction banking, liquidity, trade finance, payments and cash management services. ADIB offers wholesale banking internationally in Iraq, Qatar and Sudan.</p>
	 TREASURY	<p>An active investor in the global sukuk market, offering investment opportunities to customers and using debt assets to manage the bank's balance sheet.</p> <p>Expertise in FX, rates, hedging, money markets, equity and debt execution. Treasury also manages ADIB's balance sheet and asset/liability mix.</p>
	 OTHER, INCLUDING ASSOCIATES AND SUBSIDIARIES	<p>ADIB is present in the following countries for the following services:</p> <ul style="list-style-type: none"> • ADIB UAE offers private banking and real estate asset class • ADIB Egypt caters to the needs of corporate and retail customers. • ADIB UK offers commercial and industrial real estate asset class

STRATEGY ALIGNMENT

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and other international frameworks such as the Kunming-Montreal Global Biodiversity Framework (GBF), the United Nations Guiding Principles on Business and Human Right (UNGPs), the forthcoming instrument on plastic pollution etc.

Include any other national and/or regional frameworks that your bank has a strategy to align with where relevant.

LINKS & REFERENCES

- **Sustainability Reporting Page** (including annual sustainability reports, net zero report, and impact and allocation reports for ADIB's green sukuk issuance).
- **Annual Sustainability Report (2024) References:**
 - Pages 17 to 18; ESG Three-Year Strategy
 - Pages 21 to 22; Commitment to decarbonization/Net zero.
 - Pages 23 to 24; Strategic ESG Partnerships, Standards & Global Alignment
 - Pages 25 to 30; Double Materiality Assessment including determined Risks, Opportunities, and Impacts.
 - Pages 33 to 42; Net Zero baselining and decarbonization strategy levers
 - Pages 57 to 64; ESG Risk Management, Climate Risk and Stress Testing
 - TCFD alignment table
- **ADIB Net Zero Report**
- **ADIB Impact and Allocation Report**
- **ADIB Sustainability Policies and Disclosures Page**

RESPONSE

ADIB has a three-pillar ESG strategy which underpins and guides the bank's approach to sustainability; Maintain High Standards of Governance, Maximise Positive Impact, and Be a Lifelong Partner. These strategic pillars cohesively cover our sustainability impact as an organization. We have also aligned each pillar with relevant United Nations Sustainable Development Goals (SDGs), to highlight where our efforts align with the goals of the SDGs. More information on the overall ESG strategy can be found pages 17 to 18 of our 2024 Annual Sustainability Report. In addition to this, we have a suite of policies which reference international frameworks, such as the reference to the ILO conventions in our Diversity & Inclusion Policy.

ADIB'S ESG STRATEGY FRAMEWORK

MAINTAIN HIGH STANDARDS OF GOVERNANCE



- Integrate ESG into our governance structure
- Develop ESG procurement strategy
- Cultivate ESG driven culture through trainings and Key Performance Indicators
- Attain best-in-class data privacy and cybersecurity
- Report on ESG as per market and legal requirements
- Embed ESG risk framework



MAXIMISE POSITIVE IMPACT



- Issue Shari'a compliant sustainable and green finance products
- Develop a net zero strategy including financed emissions
- Integrate ESG considerations and due diligence in investment & finance decisions
- Build internal capabilities and financial solutions to support customers' transition to low carbon economy
- Integrate climate considerations into our risk management processes to ensure resilience of our business



BE A LIFELONG PARTNER



- Develop financial inclusion policy and programs
- Establish financial literacy programs for retail and SMEs customers
- Develop a gender diversity strategy
- Develop Employee wellbeing plan
- Become an increasingly learning-oriented organisation
- Implement Emiratization strategy
- Drive social responsibility via community engagements and volunteerism



As part of this strategy, the bank has focused on progressing performance on multiple fronts. Since its origination, the strategy has encompassed many significant initiatives, such as stronger governance through ESG Committees at the board and management level, the integration of sustainability KPIs into the balanced score cards in the bank, and significant improvements in the ESG Risk Management of the bank, including the development of a due diligence toolkit and enhancements to the credit approval process which thereby integrate ESG risk considerations. This is also evident from our ESG Risk Policy.

Our ESG Risk Management Policy is designed to embed ESG risk considerations particularly those arising from credit customers and investees within our ERM framework. This integration supports the bank's long-term strategy and ensures we remain within our ESG risk appetite while responding to market expectations and regulatory developments. The due diligence framework spans transaction-level evaluations, portfolio monitoring, and enterprise-wide risk management, reflecting ADIB's commitment to sustainable finance leadership in the Gulf region. The primary goal of ESG due diligence at ADIB is to identify, evaluate, and quantify the environmental and social performance of projects and deals. ESG Risk within transactions is overseen by both the ESG Risk functions and the Credit functions, emphasizing the integration of ESG risks in our BAU credit processes. In addition to this, please see page 62 to 64 of our 2024 Sustainability Report for details on climate stress testing.

The maximizing positive impact pillar encompasses multiple high impact sustainability initiatives within the bank, including our Net Zero progress (discussed later), ESG integration into investment and financing decisions (previously discussed), as well as internal capability building for better customer advisory on transition and sustainable finance, and climate risk integration.

With regard to net zero, the bank has progressed on this strategy item significantly. In 2023, we completed our first emissions baselining taking into account scope 1, scope 2 and scope 3 emissions, including financed emissions, based on 2022 data. This enabled us to determine our highest impact sectors within our financed portfolio, and determine which sectors need to be prioritized in decarbonization planning. 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 generated in the UAE, the UK, and Egypt. We have identified specific sectors and mapped them to the PCAF asset classes to establish baseline emissions of our portfolio. Based on this we have been able to set 2030 decarbonization interim targets for six high impact sectors including petroleum, home finance, auto finance, real estate developers, air transport, and utilities (electricity, gas, steam and air conditioning supply); the first Islamic bank to do so. Through this workstream, we take consideration of the Paris Climate Agreements, and align with the UAE agenda to achieve net zero by 2050.

On the Sustainable Finance front, the bank has finalized a five-year sustainable finance strategy for 2030. This strategy lays out the suite of potential sustainable products the bank can roll out, as well as a roadmap for increasing our sustainable finance mobilization. The most significant outcome of this strategy has been the bank's public commitment to mobilize AED 60 Bn in sustainable finance by 2030. Within the strategy this involved creating specific financial targets for our Wholesale banking, Retail and Treasury segments.

PRINCIPLE 2: IMPACT & TARGET SETTING

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

IMPACT ANALYSIS

Show how your bank has identified, prioritized and measured the most significant impacts associated with its portfolio (both positive and negative). Determine the priority areas for target- setting. Include details regarding: Scope, Portfolio Composition, Context, and Performance Measurement.

The impact analysis should include assessment of the relevance of the four priorities laid out in **Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector**, as part of its initial or ongoing impact analysis.

LINKS & REFERENCES

- **ADIB Sustainability Report: Double Materiality section (pages 25 to 30) in our 2024 Sustainability Report.**

RESPONSE

Scope

ADIB fulfilled the requirements under Principle 2, Impact and Target Setting, through two main avenues. The first, and more heavily utilized, has been our Double Materiality Assessment. The second approach involved using the UNEP FI PRB Portfolio Impact Analysis tools. This exercise was focused on ADIB UAE operations, as this consists over 82% of revenue for the year 2024, and over 88% of total assets. See the breakdown from our 2024 Annual Report financial information below:

Geographical information

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates and subsidiaries including Egypt, and international area represents the operations of the Bank that originates from its branches in Iraq, Qatar and Sudan and through its subsidiaries and associates outside U.A.E.

	2024			2023		
	Domestic AED '000	International AED '000	Total AED '000	Domestic AED '000	International AED '000	Total AED '000
Revenue and results						
Segment revenues, net	8,816,624	1,815,297	10,631,921	7,777,556	1,516,046	9,293,602
Operating expenses excluding provision for impairment, net	(2,727,497)	(417,102)	(3,144,599)	(2,633,894)	(427,349)	(3,061,243)
Operating profit	6,089,127	1,398,195	7,487,322	5,143,662	1,088,697	6,232,359
Provision for impairment, net	(429,668)	(190,026)	(619,694)	(546,672)	(213,589)	(760,261)
Profit for the year before zakat and tax	5,659,459	1,208,169	6,867,628	4,596,990	875,108	5,472,098
Zakat and tax	(456,177)	(310,034)	(766,211)	-	(220,749)	(220,749)
Profit for the year after zakat and tax	5,203,282	898,135	6,101,417	4,596,990	654,359	5,251,349
Non-controlling interest	(2,689)	(321,946)	(324,635)	(2,799)	(248,289)	(251,088)
Profit for the year attributable to equity holders of the Bank	5,200,593	576,189	5,776,782	4,594,191	406,070	5,000,261
Assets						
Segmental assets	199,424,832	26,484,963	225,909,795	166,892,359	25,934,833	192,827,192
Liabilities						
Segmental liabilities	176,651,702	20,940,855	197,592,557	145,854,777	20,730,047	166,584,824

Details on Double Materiality Assessment

ADIB conducted the Double Materiality Assessment to identify the most significant impacts, risks and opportunities. This approach provides an opportunity to align with an international sustainability framework, in this case, the **European Sustainability Reporting Standards (ESRS)**, and respond to the growing expectations of regulators, investors, and stakeholders.

The concept of double materiality promotes an integrated approach that goes beyond single financial or impact materiality. It recognizes the value of both financial and non-financial dimensions in identifying sustainability matters relevant to ADIB:

- **Impact materiality (inside-out):** Considers impacts - positive and negative, actual and potential – of ADIB’s activities on the environment and external communities;
- **Financial materiality (outside-in):** Considers the risks and opportunities arising from the management of a given sustainability matter, and how these might affect ADIB’s financial performance.

In this report, we present the results of ADIB’s Double Materiality Assessment (DMA) which reflects inputs from ADIB’s management and a range of stakeholders consisting of ADIB’s board members, customers, employees, suppliers, the local community and investors. The assessment identifies matters that are material both from an impact and financial perspective to inform ADIB’s strategic priorities, risk management framework, and reporting goals.

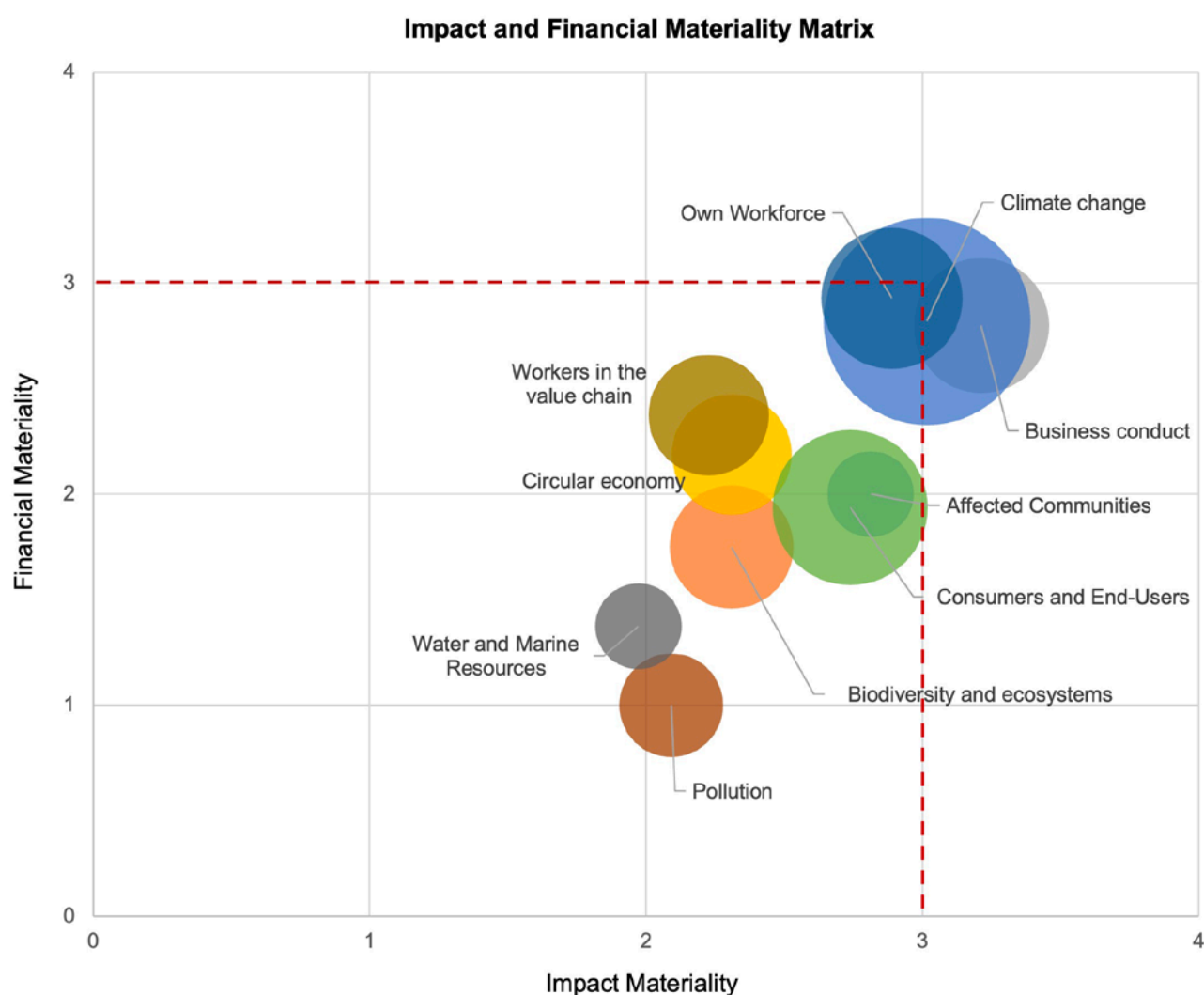
In order to initiate this process, ADIB’s business and value chain mapping was the first step to identifying relevant sustainability topics, covering upstream, own operations, and downstream activities. Each portion of the value chain, along with the related activities, was mapped to the relevant sustainability matters. The sustainability matters are sourced from the European Sustainability Reporting Standards (ESRS).

For our upstream activities, the ESRS topics mapped were E2: Pollution, E4: Biodiversity and ecosystems, E5: Circular Economy, G1: Business Conduct, and S2: Workers in the value chain. Our own operations were mapped to E1: Climate change, E2: Pollution, E3: Water and marine resources, E4: Biodiversity and ecosystems, G1: Business conduct, S1: Own workforce, and S4: Consumers and end-users. Finally, the downstream value chain was mapped to E1: Climate Change, E2: Pollution, E3: Water and marine resources, E4: Biodiversity and ecosystems, E5: Circular Economy, G1: Business Conduct, S2: Workers in the value chain, S3: Affected communities, and S4: Consumers and end-users.

In order to assess the materiality of the topics and investigate impacts, risks and opportunities, relevant stakeholders were essential. For this, ADIB engaged with Leadership (including the Board of Directors and senior management), customers, staff, suppliers, and investors.

The materiality threshold set for this exercise was for all impacts, risks and opportunities (IROs) with an average score above 3 out of 4, based on a scoring matrix that measured likelihood against magnitude, the latter consisting of scale, scope, and irremediability.

Based on the scoring that took into account all of ADIB’s stakeholders, we determined that out of 164 IROs, 57 were found to be material and 107 were found to be non-material IROs. Based on this, the IROs were grouped into ESRS topics, as well as “Environmental”, “Social”, and “Governance” categories. The below shows the final mapping of our Impact and Financial Materiality Matrix.



A final list of material topics was filtered to arrive at the following topics with sub-topics describing their impact on ADIB and mitigation steps. Those material topics—along with their sub-topics—were determined to be:

- **Climate Change**
 - Climate change adaptation
 - Climate change mitigation
 - Energy
- **Resource Use and Circular Economy**
 - Resource inflows including resource use
- **Business Conduct**
 - Corporate culture
 - Protection of whistle-blowers
 - Corruption and bribery
- **Own Workforce**
 - Working conditions
 - Equal treatment and opportunities for all

To read more about how we consider the impacts, positive impacts and negative impacts, read our Double Materiality section (pages 25 to 30) in our **2024 Sustainability Report**.

UNEP FI Portfolio Impact Analysis Tools

As an additional assessment approach, ADIB also utilised the Portfolio Analysis Tools to support the selection of relevant impact topics for the purposes of impactful target setting. The scope considered through this tool was the UAE based portfolio, for both the consumer and institutional banking modules, considering that ADIB is a full-fledged financial service provider, offering banking solutions for individuals, corporates, and affluent customers. Our two indicators selected were outstanding financing (using Islamic finance terminology, as opposed to 'loans') and number of customers. The details of the retail and wholesale banking portfolios considered are found below:

RETAIL (CONSUMER) PORTFOLIO UNDER CONSIDERATION

GROSS INCOME	3.8 BN	BALANCE SHEET (AMOUNT)	78 BN
GROSS INCOME % OF TOTAL BUSINESS	63%	BALANCE SHEET % OF TOTAL BUSINESS	34%

WHOLESALE BANKING (CORPORATE) PORTFOLIO UNDER CONSIDERATION

GROSS INCOME	780 MN	BALANCE SHEET (AMOUNT)	49 BN
GROSS INCOME % OF TOTAL BUSINESS	13%	BALANCE SHEET % OF TOTAL BUSINESS	22%

Based on the Portfolio Impact Analysis Tools, we determined that climate stability was a key impact area aligning with SDG 13. We also determined circularity as a key impact, with focus on both resource intensity and waste as impact topics, aligning with SDGs 12 and 13. Finally, availability, accessibility, affordability, quality of resources and services, was also a key impact area. Based on the impact topics, we determined the most relevant are finance, aligning with SDGs 8 and 9.

Prioritised Impact Areas

The commonalities between the UNEPFI's impact measurement tools and our Double Materiality exercise show a cohesive approach to determining impact in both cases. The strongest correlation is in the climate space, where both our DMA and the UNEP FI's tools determined climate change/stability as a key impact area. The second prioritised impact area will be drawn out from

Climate Stability

As a financial institution, our contribution to climate stability primarily occurs through our financed emissions, under Scope 3, Category 15. When referencing the PRB Impact Radar, climate stability can be achieved through avoidance, reduction, or removal of GHG emissions. In this respect, ADIB's Net Zero approach becomes the relevant area where targets for this impact area can be set. This allows us to set goals against SDG 13 – Climate Action.

Circularity

Impact topic: Resource Intensity and Waste

Circularity was determined as a key impact area in both our DMA and through the PRB portfolio analysis tools. Using the PRB Impact Radar, the impact topics under this area are resource intensity and waste, which both line up with the results of the ADIB DMA.

TARGETS, TARGET IMPLEMENTATION, AND ACTION PLANS/TRANSITION PLANS

Show that your bank has set and published a minimum of two SMART targets which address at least two different areas of most significant impact that your bank identified in its impact analysis. Once targets are set, explain the actions taken and progress made. Include details regarding: Alignment, Baselines, Targets, Target Implementation & Monitoring (and KPIs), Action Plans/ Transition plans and Milestones.

Banks are encouraged to disclose information regarding actions they are taking in four priorities laid out in **Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector (2024)**.

LINKS & REFERENCES

- [ADIB Net Zero Report](#)

RESPONSE

Impact Area 1: Climate Stability

At this stage in our PRB journey, we have been able to align our Net Zero targets with our first impact area; Climate Stability.

ADIB has announced 2030 financed emissions targets for six high impact sectors in our corporate portfolio. These aim to decarbonise our portfolio using interim targets, as we support the UAE's goals to achieve Net Zero by 2050.

In order to set these targets, we have adopted the Partnership for Carbon Accounting Financials (PCAF) methodology to assess and calculate the baseline emissions and Physical Emission Intensity (PEI) to calculate our portfolio financed emissions. Based on the PCAF methodology, our calculated baseline Financed Emissions (Scope 3, Category 15) are 7.84 million tCO₂e, with 76% of the emissions stemming from our UAE portfolio. Subsequently, based on a set of predefined criteria focusing on the market exposure and materiality of the sector, we set Physical Emission Intensity (PEI) targets for specific sectors within our wide financing portfolio in the UAE. We have identified specific sectors and mapped them to the PCAF asset classes to establish baseline emissions of our portfolio. This has enabled us to set clear interim decarbonization targets for 2030, making ADIB the first commercial Islamic bank in the region to establish sector-specific targets.

Our target setting approach considers both global as well as regional dimensions. To align with global decarbonization ambitions, we benchmarked against the International Energy Agency's (IEA) Net Zero Emissions (NZE) scenario by 2050 with methodologies aligning to the GHG Protocol. We incorporated regional and local dimensions by using the UAE's First Long-Term Strategy (LTS). It is aligned with UAE's third update of the second Nationally Determined Contribution (NDC). This approach provided us with a sector-specific decarbonization ambition from which we were able to construct interim targets.

We incorporated the business growth aspirations of each selected sector and developed Physical Emission Intensity (PEI) targets instead of absolute emissions targets. Our approach aligns with standard industry practices supporting both environmental and economic objectives. In the first year, we identified material emitting sectors for target setting based on our methodology. In the coming years, we are committed to expanding the coverage of our targets to other sectors as well. Our portfolio and sector wise baselining, Physical Emission Intensity (PEI), target setting, and levers and limitations are available at our **Net Zero Report (read here)**.

ADIB has meticulously established a framework for identifying key sectors based on background research and methodology. The bank's approach to setting financed emissions targets is based on the International Energy Agency's Net Zero Emissions scenario by 2050, ensuring alignment with global decarbonization ambitions while incorporating regional and local dimensions through the UAE's Long-Term Strategy and Nationally Determined Contributions (NDCs). Absolute emissions targets may hinder investments in industries or regions with high economic growth potential but also high absolute emissions. To mitigate that, ADIB has focused on Physical Emission Intensity (PEI) targets, which allow for decarbonization without hindering business growth, a critical consideration given the economic potential of high-emission sectors. The selection of sectors for target setting is based on exposure, business dependency, emissions materiality, sectoral maturity, and concentration on specific counterparties, ensuring that the bank's efforts are both impactful and practical. This strategic alignment positions ADIB to effectively support the UAE's net zero ambitions while promoting sustainable growth.

Our decarbonization targets which cover the PRB Impact Area of "Climate Stability" are shown below.

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 / passrnger.km	19%
Real Estate	Real estate activities (developers)	Scope 1,2 & 3	IEA NZE Scenario, APS	57.62	Kg CO2e/ m2	41%
Transportation	Air transport	Scope 1,2 & 3	IEA NZE Scenario, APS	107	g CO2e / passrnger.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%
<p>* Estimated data (100%)</p> <p>** Aligned with ADIB's business growth assumptions amd UAE Announced Pledges (APS)</p>						

In our future upcoming PRB reports, we aim to provide more information on the above targets, with regard to action plans and details on our strategic approach to achieving these targets.

Impact Area 2: Circularity

At this stage in our PRB journey, we are still in the process of setting quantifiable targets to improve our impact on resource intensity and waste. In our future annual update reports, we will share our progress in setting targets for this area.

PRINCIPLE 3:

CLIENTS & CUSTOMERS

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

CLIENT AND CUSTOMER ENGAGEMENT

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on the client engagement strategy including but not limited to the impact areas identified/ targets set, awareness raising activities with clients and customers, relevant policies and processes, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

LINKS & REFERENCES

- [ADIB Sustainable Finance Framework](#)
- [Green Sukuk Impact & Allocation Report](#)
- [ADIB VOLT EV Product](#)

RESPONSE

1. Strategic Commitment to Climate and Social Impact

Abu Dhabi Islamic Bank (ADIB) is committed to mobilising capital towards projects that deliver measurable positive impacts on climate mitigation, climate adaptation, and social well being. Our financing portfolio includes both green initiatives and socially impactful projects, reflecting our role as a catalyst for sustainable economic growth in the UAE and beyond.

2. Sustainable Finance Framework and Governance

ADIB's Sustainable Finance Framework outlines, via public disclosure, the eligible green and social activities that can be supported under our sustainable financing mandate. This framework — independently validated through a Second Party Opinion — serves as a key channel for communicating our sustainable finance priorities to clients. Through client engagement, we actively support the decarbonization of assets and portfolios by financing green projects. Detailed outcomes are disclosed in our Green Sukuk Impact and Allocation Report.

3. Green Sukuk Issuance and Allocation

In November 2023, ADIB successfully issued a USD 500 million Green Sukuk under its Sustainable Finance Framework. As of the 2024 reporting cycle, USD 451 million has been allocated to eligible green projects, ensuring alignment with our sustainability objectives and demonstrating robust deployment of proceeds.

4. ESG Risk Management and Client Engagement

Our proprietary ADIB ESG Risk Due Diligence Toolkit is applied at the initial transaction stage and through ongoing client reviews. This process evaluates environmental, social, and governance risks, with engagement mechanisms tailored to risk profiles. Particular emphasis is placed on engagement with unlisted entities or clients lacking publicly available sustainability disclosures, to ensure informed and responsible credit decision making.

5. Retail Sustainability and Financial Inclusion Initiatives

ADIB promotes low carbon mobility through its VOLT Electric Vehicle Financing product, offering preferential profit rates to encourage adoption of zero emission vehicles. We also participate in national housing programs, including the Sheikh Zayed Housing Project, enhancing access to housing for economically disadvantaged groups in the UAE.

6. Expanding Access to Islamic Finance

Our innovations in financial inclusion include launching Amwali, the first Islamic digital youth banking platform, fostering financial literacy and responsible money management for customers aged 8–18. We also provide banking services tailored to women customers under ADIB Dana. As a customer of ADIB Dana women can take advantage of the skills of a team of women that can provide expert advice on your finances and all your financial needs. We offer access to world-class banking privileges in line with your Islamic and cultural values. In that spirit we have set up comfortable lounges at all Dana women's banking branches and sections.

Additionally ADI Micro finance was established as one of the specialized financing arms of ADIB-Egypt to finance small and micro projects and business under the brand name, Arzaq. Within this frame, it aims at enhancing opportunities for spreading financial inclusion, increase empowerment rates, contribute to solving the unemployment problem, integrate the informal economy into the formal economy, and serve the purposes of economic and social development within the Egyptian society. Those projects represent a broad segment of the economic sector and need to provide sources to obtain financing that help them expand and continue and achieve an increase in the rates of the gross domestic product and the national economy.

7. Community Financial Education

ADIB delivers comprehensive, free of charge financial literacy programs across the UAE, accessible to all community members, regardless of customer status. These workshops — available in both Arabic and English — span age groups from children (7+) to pre retirees, with content tailored to life stage and financial needs.

- For younger audiences, curricula include budgeting, early financial planning, and entrepreneurship.
- For SMEs, complimentary webinars provide actionable insights in finance, marketing, operations, and accounting, supporting sustainable business growth.

8. Sustainable Finance Strategy

Our 2030 Sustainable Finance Strategy targets the mobilization of AED 60 Bn in sustainable finance by 2030. As part of this we engage with customers to increase sustainable financing.

BUSINESS OPPORTUNITIES

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how your bank has developed these in the reporting period. Provide information on sustainability-related products and services and frameworks in place that support the transition needs of clients, size of the sustainable finance portfolio in USD or local currency and/or as a % of your bank's portfolio,* and which SDGs or impact areas your bank is striving to make a positive impact on (e.g. green mortgages—climate, social, sustainability bonds—financial inclusion, etc.).

*Provide information on the sustainable finance frameworks/standards/taxonomies used to label sustainable finance volumes

LINKS & REFERENCES

- [Green Sukuk Impact & Allocation Report](#)
- [ADIB Sustainable Finance Framework](#)

RESPONSE

ADIB has mobilised over AED 17 Bn in sustainable financed, with a target of AED 60 Bn by 2030. With regard to our green instruments, we have successfully allocated 90% of proceeds, with 43% of total proceeds contributing to renewable energy, 2% to energy efficiency, and 55% to sustainable water and waste water management. For more details on our use of proceeds, read our Green Sukuk Impact & Allocation Report.

ADIB's Sustainable Finance Framework captures all our sustainable finance activities related to Green, Social, Sustainability Sukuk/deposits and acts as a standard for all sustainable financing transactions. Our Sustainable Finance Framework¹ has been structured by leveraging the following guidelines and principles, in a compliant manner with the Shari'a rules and principles:

1. The Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines issued by the International Capital Market Association (ICMA).
2. The Green Loan Principles, the Social Loan Principles, issued by the Loan Market Association (LMA).
3. In line with the SCA the decision of the chairman of the SCA No (21/R.M) year 2023 regarding the regulation of green and sustainability linked bonds and sukuk.

Alignment of Sustainable Finance Framework with SDGs

ADIB has proactively aligned its Sustainable Finance Framework with the UN SDGs, as is evident in the original framework document. Please see the below table summarising this alignment:

Scope	Eligible Category	SDG Alignment	Relevant SDG Target
Green	Renewable energy	<p>SDG 7: Affordable and clean energy</p> <p>SDG 9: Industry, innovation and infrastructure</p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>
	Energy Efficiency	<p>SDG 7: Affordable and clean energy</p> <p>SDG 8: Decent work and economic growth</p> <p>SDG 9: Industry, innovation and infrastructure</p>	<p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p> <p>7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p> <p>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead</p>

Scope	Eligible Category	SDG Alignment	Relevant SDG Target
Green	Green Buildings	SDG 9: Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.
	Pollution prevention and control	SDG 12: Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
	Sustainable Water and Wastewater Management	SDG 6: Clean Water and Sanitation	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
	Clean Transportation	<p>SDG 9: Industry Innovation and Infrastructure</p> <p>SDG 11: Sustainable Cities and Communities</p>	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p>

Scope	Eligible Category	SDG Alignment	Relevant SDG Target
Social	Access to essential services	SDG 4: Quality Education SDG 8: Decent Work and Economic Growth Social SDG 3: Good Health and Well-being	4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy. 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training. 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being
	Employment Generation	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
	Affordable Housing	SDG 1: No Poverty SDG 11: Sustainable Cities and Communities	1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

ADIB IMPACT AND ALLOCATION REPORTING

ADIB has long recognized the transformative power of sustainable finance as a driver of environmental resilience, social progress, and responsible economic growth. As a leading Islamic financial institution, we remain committed to leveraging Sharia-compliant financing solutions to advance the global transition toward a low-carbon and inclusive economy.

A pivotal milestone in this journey was the successful issuance of our USD 500 million Green Sukuk on November 15, 2023. This issuance underscores ADIB's leadership in Islamic sustainable finance, marking a significant step in our alignment with the UAE Net Zero 2050 Strategy, the UN Sustainable Development Goals (SDGs), and the Paris Agreement's climate objectives.

Our green sukuk is structured to finance and refinance a diverse portfolio of projects spanning renewable energy, energy efficiency, sustainable water and wastewater management. These projects not only contribute to mitigating climate risks but also enhance socio-economic well-being, foster employment opportunities, and drive long-term economic resilience.

ALLOCATION PER ELIGIBLE CATEGORY

Allocation by Category

- Sustainable Water and Wastewater Management - **55%**
- Renewable Energy - **43%**
- Energy Efficiency - **2%**



ADIB's green sukuk proceeds are allocated across three eligible project categories, each chosen for its potential to deliver measurable environmental and social benefits. The allocation breakdown demonstrates ADIB's commitment to supporting impactful projects while aligning with the ICMA Green Bond Principles.

Eligible Category	Amount Allocated (USD)	Percentage of Total Proceeds	Examples of Projects
Renewable Energy	\$196 million	43%	Solar farms, wind energy installations
Energy Efficiency	\$9 million	2%	Energy consumption reduction projects, district heating/cooling systems
Sustainable Water and Wastewater Management	\$247 million	55%	Desalination plants, wastewater treatment plants

ALLOCATION OF PROCEEDS

Allocated vs. Unallocated Proceeds



- Allocated Proceeds - **90%**
- Unallocated Proceeds - **10%**

Category	Amount (USD)	Percentage of Proceeds
Allocated Proceeds	\$451 million ^A	90%
Unallocated Proceeds	\$49 million	10%

- **Allocated Proceeds:** \$451 million has been directed toward eligible green projects, aligning with ICMA's Use of Proceeds guidelines.
- **Unallocated Proceeds:** \$49 million remains temporarily held in cash or cash equivalents and will be fully allocated within 24 months of the issuance date, per ADIB's Green Sukuk Framework.

Geographical Allocation of Proceeds



- Saudi Arabia - **66%**
- United Arab Emirates - **34%**

Region	Percentage of Allocated Proceeds	Key Projects
United Arab Emirates	34%	Solar Power Generation, District Cooling
Saudi Arabia	66%	Solar Power Generation, Wastewater Treatment, Water Desalination

(A) KPMG Lower Gulf Limited has provided limited assurance over the item(s) marked with the symbol, specifically relating to the allocation of sustainable proceeds as at 31 December 2024.

Financed vs. Refinanced Projects



- Refinanced Projects - **68%**
- Financed Projects - **32%**

Category	Amount (USD)	Percentage of Proceeds
Financed Projects	\$146 million	32%
Refinanced Projects	\$305 million	68%

³ 68% of the portfolio amount has been used to refinance existing green assets

Eligible green project category	Number of eligible allocated projects	Allocated Portfolio (USD Mn) ³	Share of Total Sukuk Financing ⁴	Signed amount (USD Mn)	Share of signed amount to total portfolio (%)
Renewable Energy	2	196	43%	200	43%
Energy Efficiency	1	9	2%	9	2%
Sustainable water and wastewater management	5	247	55%	256	55%



Annual renewable electricity generation (MWh/year)

448,545



Annual cooling energy generation (MBtu/year)

349,316



Annual produced potable water and treated wastewater (m³/year)

70,853,856



Annual GHG emissions avoided (tonnes CO2e/year)

607,356



Number of served homes (homes)

60,070

³ This represents the amount of green bond proceeds that has been allocated for disbursements to the project/portfolio.

⁴ This represents the share of projects' financing out of total issuance.

CO-BENEFITS SUMMARY

Category	Description
Served Population	Over 60,000 homes are served with the output of green projects.
Community Benefits	Improved access to clean water and sanitation for communities.
Economic Impact	Significant cost savings for building owners due to energy-efficient technologies.
Health Benefits	Improved air quality and reduced exposure to pollutants in urban areas.

METHODOLOGY

ADIB adheres to the following methodologies in line with the Harmonized Framework:

- 1. Annual Electricity Generation (MWh/year)** : Annual electricity generation in megawatt hours is estimated using the output capacity of green projects. Annual electricity generation is based on the Power Potential in countries where the green project is located, using data from the Global Solar Atlas by The World Bank. The calculation of electricity generation includes the Solar PV Power Potential in Saudi Arabia (5.159 KWh/KWp/day) and United Arab Emirates (5.004 KWh/KWp/day).
- 2. Avoided GHG Emissions (TCO_{2e}/year)** : Avoided GHG emissions are estimated using the annual project generation. Avoided GHG emissions are based on CO₂ emissions for fossil fuel projects in countries where the green project is located, using The Climate Registry (TCR) emissions data. The calculation of avoided GHG emissions includes the emissions factor in Saudi Arabia (754 gCO₂/ KWh), and United Arab Emirates (600 gCO₂/ KWh).
- 3. Population Served (Homes)**: Population Served / Number of homes served by the green projects is estimated using the annual project generation. Number of homes served is based on the average household size and the per capita electricity/ water consumption in countries where the green project is located, using data from The World Bank and ArcGIS by the Environmental Systems Research Institute (ESRI). The calculation of households served include the average household size in Saudi Arabia (5.6 people per household), and United Arab Emirates (5.3 people per household). In addition to the per capita electricity consumption in Saudi Arabia (9.401 MWh) and United Arab Emirates (11.088 MWh), and the per capita water consumption in Saudi Arabia (746.6 m³/year) and United Arab Emirates (503.65 m³/year).

PRINCIPLE 4: STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

STAKEHOLDER IDENTIFICATION AND CONSULTATION

Describe which stakeholders (or groups/types of stakeholders) your bank has identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of the bank's engagement strategy following criteria for effective engagement and advocacy, how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

LINKS & REFERENCES

- **Sustainability Reporting Page** (including annual sustainability reports, net zero report, and impact and allocation reports for ADIB's green sukuk issuance).
- **Annual Sustainability Report (2024) References:**
 - Pages 25 to 30; Double Materiality Assessment including determined Risks, Opportunities, and Impacts.
 - Pages 31 to 32: Stakeholder Management
 - TCFD alignment table

RESPONSE

ADIB continually ensures consistent and transparent communication with our relevant stakeholders, engaging in productive dialogue and communication with key parties to identify key impact areas and material topics to the bank.

As explained, ADIB's Double Materiality Assessment is the main avenue through which stakeholder engagement with regard to impact and materiality was conducted. The stakeholders identified through this exercise were Staff, Senior Management, the Board of Directors, Customers, Suppliers and Community members. Details on our Double Materiality Assessment are discussed under Principle 2.

Our stakeholder management approach also extends beyond the scope of double materiality exercises. ADIB maintains an ongoing dialogue with its key stakeholders, recognizing their important role in refining the bank's business strategy. The institution identifies its key stakeholders as those who are most impacted by its operations and those who hold the greatest influence over them. This group includes management, investors, customers, employees, partners, communities, and regulators. To ensure effective engagement, ADIB uses various channels to proactively communicate with these stakeholders, allowing the bank to understand, respond to, and act upon their concerns and interests. The insights gained from stakeholder engagement are important in shaping ADIB's understanding of the ESG factors that are material to its operations. This understanding guides the development and implementation of initiatives that align with stakeholder expectations and drive sustainable growth.

We have also been recognized by external ESG rating agencies for our sustainability performance, namely our AA MSCI ESG rating which reflects strong ESG risk management and performance. As an external third party, their assessment also attests to the strength of our public disclosures.

Details on our approach at large to stakeholder management that allow us to uphold a principled approach to banking and improve our impacts can be found below.

Stakeholder	Commitment	Engagement mode
Shareholders	We provide timely and detailed disclosures to enable investors to make informed investment decisions.	<ul style="list-style-type: none"> • Quarterly result briefings • Investor conferences • One-on-one and group meetings with over 250 investors, conducted • AGM • Annual report • Investor relations app
Customers	We interact with customers to better understand their evolving needs so that we can provide the right financial Shari'a compliant solutions for them	<ul style="list-style-type: none"> • Multiple service channels, including digital banking, call centres and branches • Regular engagements via relationship managers and customer Majles • Active interaction and prompt follow-up to queries/ feedback received via social media platforms • Regular satisfaction surveys • Customer Mail, to facilitate dialogue between customers from all segments and the senior bank executives to directly engage in dialog and share their feedback
Staff	We communicate with our staff via multiple channels to ensure that our employees feel connected and informed. Their opinions on material topics of sustainability are also essential to understand the impact, risks and opportunities of the topic on the business. This will play a pivotal role in shaping our ESG strategy.	<ul style="list-style-type: none"> • Internal communications where employees have an open discussion with the GCEO • Group-wide town hall hosted by the GCEO • Regular department events held by senior management • Annual "My Voice" Employee Engagement survey • Employee newsletter • Employee WhatsApp group • Mailer and intranet
Community and partners	We are committed to engaging with the community and partners to better understand the role we can play in addressing societal needs and gaps.	<ul style="list-style-type: none"> • Regular events and conversations with Businesses and community partners to understand the social landscape and how ADIB can partner to create impact. • Connection with government bodies and associations • Community engagement and partnerships within the public • Free financial literacy programmes
Regulators	We strive to be a good corporate citizen and advocate by providing input to and supporting the implementation of relevant local and global laws, regulations, guidelines, and public policies	<ul style="list-style-type: none"> • Regular engagement sessions with regulators and government bodies • Sharing insights and providing feedback to regulators • Actively participating in regulatory working groups, committees or forums • Actively participating in local, regional, and international industry forums on financial regulation • Actively responding to, or providing feedback on Consultation Papers, draft regulations or guidelines, or policy statements or papers

PRINCIPLE 5: GOVERNANCE & CULTURE

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts (including accountability at the executive leadership level, clearly defined roles and responsibilities for sustainability matters in internal processes, etc.) and support the effective implementation of the Principles.

LINKS & REFERENCES

- [ADIB Policies and Disclosures Page](#)

RESPONSE

Governance Structures and Accountability

Sustainability oversight and accountability are embedded at the highest levels:

- **ESG Board Committee** – Provides strategic direction, approves key sustainability policies, and oversees progress on environmental, social, and governance commitments, including our net zero strategy and sustainable finance priorities. This committee ensures that ESG performance is monitored and discussed at Board level.
- **ESG Management Committee** – Serves as the executive body responsible for operationalising the ESG strategy, coordinating sustainability initiatives across business units, and ensuring alignment with the Principles for Responsible Banking. Members have clearly defined roles in embedding ESG considerations into lending, risk, and product design processes.

Policies and Procedures

Our policy environment is designed to integrate sustainability into all aspects of business operations, mitigate potential risks, and maximise positive outcomes. The suite of policies includes:

- **Core ESG Frameworks:**
 - ESG Policy Framework
 - ESG Risk Policy
 - SPO approved Sustainable Finance Framework
- **Ethics, Conduct & People:**
 - Employees' Code of Ethics
 - Learning & Development Policy
 - Diversity & Inclusion Policy
- **Market & Client Practices:**
 - Responsible Marketing Policy
 - Financial Inclusion Statement
 - Diversity & Inclusion Policy
- **Environmental & Health Standards:**
 - Environmental Management Policy
 - ADIB Health & Safety Policy Statement
- **Compliance & Integrity:**
 - Anti Money Laundering / Counter Terrorist Financing & Anti Bribery and Corruption Statement
 - Whistleblowing Policy Statement

These policies collectively guide internal processes, product governance, and client engagement — ensuring that ESG principles are embedded in risk assessment, investment decisions, marketing practices, and human capital management.

Integration into Internal Processes

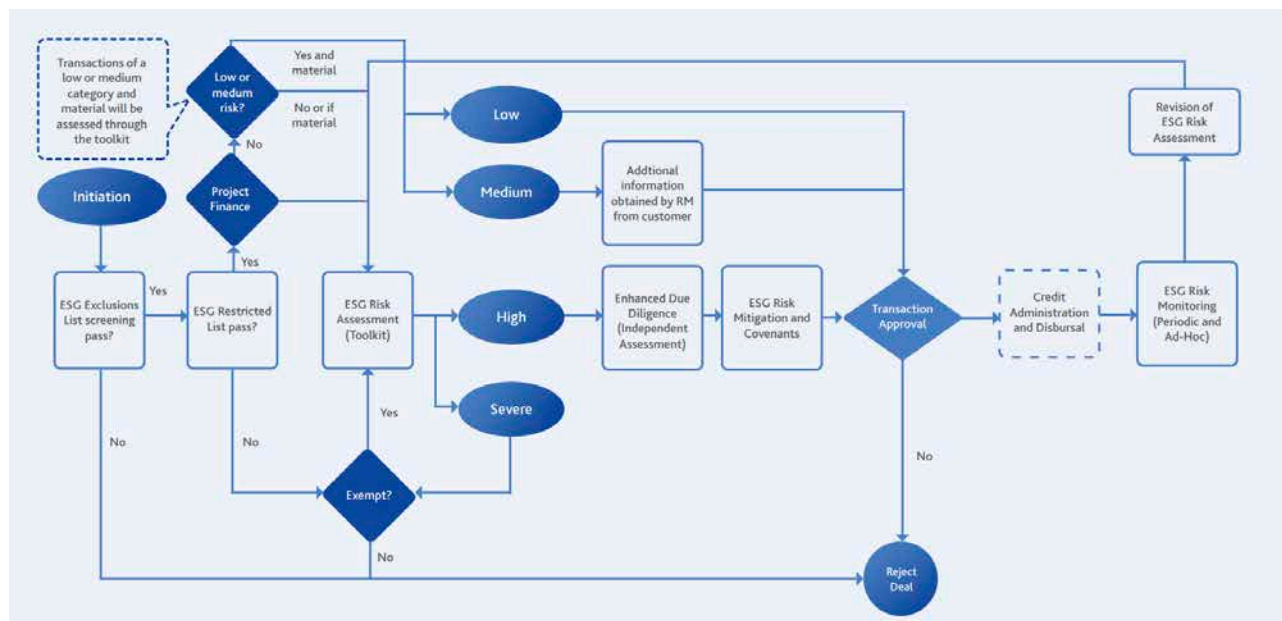
- ESG considerations are systematically integrated into credit risk and due diligence through our **ESG Risk Policy** and supporting toolkits.
- Relevant business units receive clear procedural guidance to ensure consistent application of sustainability criteria.
- Training under the **Learning & Development Policy** builds organisational capability, ensuring staff understand their responsibilities in delivering on sustainability objectives.

ESG Risk Due Diligence: Overview of ESG Risk Assessment process

ADIB Group is committed to identifying, evaluating and managing ESG risks in financing and investment processes. ESG risk assessment at the customer and transaction level begins with front line units conducting screening for Exclusions and ESG Restricted areas, and then determining the ESG risk exposure of potential customers through an ESG risk assessment. Please refer the appendices within our ESG Risk Policy for the Exclusion, ESG Restricted Sectors and the ESG High Risk Sectors Lists.

ESG risk assessment and approvals will be conducted as a supplement to the customer credit assessment and approval process. This means that any existing exclusions or criteria that are part of the existing credit process will be applied in parallel.

See the below flowchart illustrating the implementation of our ESG Risk Policy:



Support for PRB Implementation

This governance and policy ecosystem provides the foundation for the effective implementation of the Principles for Responsible Banking by:

- Aligning strategy and operations with the SDGs, national priorities, and international standards.
- Defining clear roles and responsibilities at Board, executive, and operational levels.
- Embedding sustainability into decision making, product innovation, and stakeholder engagement.
- Establishing transparent mechanisms for monitoring, reporting, and continuous improvement.

PROMOTING A CULTURE OF RESPONSIBLE BANKING

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, learning & development, sustainability training for relevant teams, inclusion in remuneration structures and performance management and leadership communication, amongst others).

LINKS & REFERENCES

- **Sustainability Reporting Page** (including annual sustainability reports, net zero report, and impact and allocation reports for ADIB's green sukuk issuance).
- **Annual Sustainability Report (2024)**

RESPONSE

ADIB is committed to embedding responsible banking principles throughout our organisational culture, ensuring employees at all levels understand their role in delivering positive environmental, social, and governance (ESG) outcomes.

Capacity Building and ESG Training

Mandatory ESG Training: All employees complete integrated ESG training modules as part of our compulsory learning programme, achieving a completion rate exceeding 90%.

Specialist Training for Key Functions: We deliver targeted, subject specific training to enhance expertise within critical business units, including compliance, risk, and front line teams. Specialist topics include:

- ESG Investing
- Sustainable Finance
- Green Financing
- ESG & Climate Risk and Stress Testing
- Sustainable Procurement
- Net Zero Banking & the Circular Economy

These programmes strengthen technical capability and embed sustainability considerations into product development, investment decisions, procurement, and risk management processes.

Leadership Communication and Strategic Alignment

Sustainability is positioned as a core organisational priority through the "Sustainable Future" pillar in ADIB's corporate strategy. Executive leaders communicate sustainability objectives and performance expectations regularly, reinforcing alignment with our long term vision and the Principles for Responsible Banking. In addition to this, our governance structure promotes leadership communication on ESG and sustainability issues, cementing the agenda as a responsible bank. As such, our ESG Management Committee and ESG Board Committee provide the needed leadership communication and strategic guidance for sustainability to be prioritized at all levels at the bank.

Integration into Performance Management

We have embedded sustainability KPIs into our balanced scorecards to drive accountability and performance:

- **Bank wide:** The Sustainable Future strategic pillar cascades into divisional objectives, ensuring consistent alignment with ESG priorities.
- **Business Units:** Under our Sustainable Finance Strategy for 2030, financial KPIs are integrated into business unit scorecards to contribute towards our AED 60 billion sustainable finance target by 2030. Annual financial targets are set and measured to track progress toward this goal.

Through mandatory training, targeted capability building, leadership engagement, and integration into performance and reward structures, ADIB fosters a deeply embedded culture of responsible banking that supports the effective implementation of the UNEP FI Principles for Responsible Banking.

RISK AND DUE DILIGENCE PROCESSES AND POLICIES

Describe what processes your bank has installed to identify and manage environmental and social risks associated with your bank's portfolio. This can include aspects such as identification of significant/salient risks, due diligence processes, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures your bank has in place to oversee these risks.

LINKS & REFERENCES

- [ESG Risk Policy](#)
- [Sustainability Reporting Page](#) (including annual sustainability reports, net zero report, and impact and allocation reports for ADIB's green sukuk issuance).
- [Annual Sustainability Report \(2024\)](#)

RESPONSE

Abu Dhabi Islamic Bank (ADIB) has taken a significant step towards embedding environmental, social, and governance (ESG) principles across its operations by adopting a comprehensive group-level ESG risk management policy. This policy outlines an ESG risk governance structure aimed at fulfilling the Board of Directors' governance responsibilities. Central to this framework is the establishment of management-level committees dedicated to integrating ESG considerations throughout the ADIB Group's activities.

These committees collectively ensure effective oversight and management of ESG risks

Board Risk Committee: This committee is tasked with the approval and review of the Group's ESG Risk Management policy. It delegates ESG risk oversight and management to relevant personnel, units, and other committees as necessary.

Board ESG Committee: This committee oversees ADIB's ESG strategy and policies, ensuring they align with applicable laws, regulations, and Shari'a requirements.

Management Risk Committee: This committee reviews and recommends the ESG Risk Management Policy, including aspects such as ESG risk appetite, risk assessment methodology, models, and frameworks. These recommendations are made for approval by the Board Risk Committee. Additionally, the Enterprise Risk Committee is responsible for reviewing and recommending portfolio-level assessments, scenario analysis, and stress testing results as part of the Internal Capital Adequacy Assessment Process (ICAAP), again for approval by the Board Risk Committee.

ESG RISK MANAGEMENT POLICY

ADIB's Environmental, Social and Governance Risk Management (ESG Risk Management "Policy") is designed to integrate ESG risks, emanating from credit customers and investees within its enterprise risk framework to ensure that ADIB Group is within its risk appetite whilst being aligned with their overall ESG strategy. The policy is aligned with many national and international standards such as: Shari'a principles, Equator principles, IFC, Basel Committee Supervision, and European Bank for reconstruction and Development. The policy is applicable to all entities of ADIB Group, and lays out the principles of ESG Risk management, addressing the indirect ESG risks and impacts from customer, excluding direct risks from own internal business activities. The implementation of the ESG Risk Policy follows a phased approach across different financial segments.

Some of the key objectives of the risk management policy include:

- Incorporating material ESG risks into the overall risk appetite framework of ADIB Group
- Establish an effective ESG risk governance structure
- Creating a common definition for ESG risks across the Group.
- Define the framework to identify, assess, monitor and report material ESG risks
- Promote capacity development ESG risk management
- Developing ESG risks awareness and understanding at all levels.

The policy outlines ADIB Group's ESG risk governance, strategy, appetite identification, assessment, mitigation and reporting methodologies. The Policy also includes as annexures, the ESG exclusion list, ESG restricted list and ESG high sector list.

Further, ADIB has assessed the various ESG risks and opportunities and their impact over different time horizons and how these risks have transmitted into conventional risk types such as credit risk or market risks. ADIB Group manages ESG risks at 3 levels as follows:

- Transaction and customer level
- Portfolio level
- Enterprise level (Stress testing and Scenario Analysis)

At portfolio level ADIB conducts a materiality assessment to identify the group's exposure to ESG risks sectors and issues specific to the stakeholders and investors and to proactively manage them. The outcome of this assessment guides credit decision making through the identification of high-risk sectors. At the customer level, ESG risks are identified, evaluated and managed in financing and investment processes. Frontline units conduct screening for "Exclusions" and ESG restricted Areas and then determine the potential ESG risk exposure through an ESG Risk Assessment. The policy incorporates material ESG risks into the overall risk appetite of the ADIB Group by identification, assessment monitoring and reporting. As a part of the ESG risk assessment, the screening of deals and transactions is done with a proprietary ESG risk due diligence toolkit, leveraging global standards and best practices. This ensures that the transactions are screened and given ESG risk ratings accurately. ADIB has integrated ESG and sustainability related risks into its bank-wide risk management by creating and implementing ESG Risk Management Policy (**available here**) throughout their over-all risk management policy. The policy also outlines an effective ESG risk governance structure with clear delegation of roles and responsibilities.

PRINCIPLE 6: **TRANSPARENCY & ACCOUNTABILITY**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

The information provided in the Responsible Banking Progress Statement is sufficient. If third-party assurance has been undertaken, provide details on the scope of assurance and the reference/link to the Independent (Limited) Assurance Report