

Emirates NBD Group

Environmental and Social Risk Framework

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Emirates NBD



1. Introduction

As a global financial institution providing a broad spectrum of services across the Corporate, Investment, Private and Personal Banking sectors, Emirates NBD Group PJSC, Dubai, United Arab Emirates, and its subsidiaries (together referred to as the “Group” or “ENBD”) serves clients from all industries, including those that could be associated with significant environmental and social impacts. Thus, it is imperative for the Group to comprehend environmental and social concerns related to an industry, a client, or a transaction.

Effectively addressing these concerns is crucial not only to lessen and manage detrimental effects on the environment or society, but also to maintain ENBD’s commitment to international standards. Inability to manage these risks could result in reputational and financial damage to the Group and may limit its ability to seize potential business opportunities. As such, a systematic evaluation of these risks is an integral component of the Group’s overall risk management approach and sustainable finance framework.

The Group demonstrates a strong commitment to addressing climate change by becoming an official signatory of the United Nations Principles for Responsible Banking. The Principles are the leading framework for ensuring that banks’ strategy and practice align with the vision society has set out for its future in the United Nations Sustainable Development Goals and the Paris Climate Agreement. Banks who have signed the Principles commit to be ambitious in their sustainability strategies, working to mainstream and embed sustainability into the heart of their business, while allowing them to remain at the cutting-edge of sustainable finance.

Furthermore, and in line with the United Arab Emirates’ Net Zero Strategy, the Group has established a clear commitment to achieving net-zero emissions by 2050. This strategic alignment with the nation’s sustainability goals underscores the Group’s dedication to supporting the UAE’s transition to a low-carbon economy. It also highlights the Group’s intention to monitor and report on its progress towards these targets.

The Environmental and Social Risk (“ES Risk”) framework (“ESR framework” of “the Framework”) aims to foster decision-making that aligns with the Group’s commitment to delivering responsible financial services. The goal is to collaborate with clients in advancing environmental and social enhancements, while steering clear of business dealings that fail to meet the standards set out in the ESR Framework.

2. Scope

The Framework’s stipulations are applicable across the Group to Corporate and Institutional Banking and Business Banking.

3. Governance and Operating Model

The Group applies the principle of materiality and only borrowers whose aggregate exposure (funded and CCF-adjusted non-funded) is more than AED 50 million¹ are covered. Implementation of ESR framework is a shared responsibility across the Group:

Enterprise Risk Management (ERM): The Group considers environmental and social risks integral to its enterprise-wide risk management framework. The ERM function is responsible for formulating the ESR framework as well as any related standards, developing and implementing methodologies and tools to allow for implementation of the framework while ensuring that the Framework remains contemporary and aligned to the ever evolving local and global practices and regulations.

Business: The Business refers to the main client contacts who lead transactions and client relationships. The Business is tasked with ensuring adherence to the necessary approvals, analysis, documentation, and processes for transactions and clients covered by the Framework. In implementing the Framework, the Business works closely with the ERM function.

Group Credit: Group Credit scrutinizes, and reviews transactions covered by the ESR framework, assessing them from a credit perspective to ensure they comply with the Group's credit policy and necessary standards. During the credit review process, the relevant credit underwriter independently confirms if the required ES Risk assessment (including reputational considerations etc.) has been completed in line with the Framework, seeking consultation from the Business and the ERM function as needed. The approval authority, delegations and exception management process will continue to be governed by prevailing credit policy and delegation matrix. However, credit underwriters will ensure that approvals of any exceptions to the sectoral ESR guidelines have been obtained from the relevant committees.

While the Board of Directors (BOD) has the ultimate responsibility of implementing the Framework, it has delegated the responsibility of governance and oversight over environmental and social risks to the Board Risk Committee (BRC) with the responsibility for governance and oversight over environmental and social risks. At an operational level, the Group Risk Committee (GRC) is responsible for ensuring that the Framework is institutionalized within the Group².

Group ESG: The Group ESG team serves as the technical authority to provide project level due diligence where environment and social risks are identified. The team is responsible to provide oversight and guidance on the ratification before any revisions and periodic review of the ESR framework while ensuring alignment with global international standards (example IFC sustainability framework) and internal sustainability policies. Group ESG is to be consulted on all material updates, interpretations, and applications of the ESR framework.

¹ While AED 50 million is threshold for the UAE, Group's overseas subsidiaries may adopt a different threshold depending on the economy it operates in and the nature of the portfolio.

² For international subsidiaries, their respective governance structure applies.

4. Cross sectoral issues

4.1 Human Rights and Modern Slavery

ENBD is deeply committed to promoting and respecting human rights in all aspects of its operations. We believe that all people should be treated with dignity, respect, and fairness, and we uphold these values in our interactions with our customers, employees, suppliers, and communities.

We recognize that banks have a role to play in promoting human rights. As a financial institution, we can influence economic and social conditions, and therefore, we strive to use this influence responsibly. In addition to local applicable laws/regulations in respective jurisdictions, we adhere to internationally recognized standards on human rights, such as the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.

Our commitment to human rights is aligned with the UAE's constitution and federal decree³- law which includes non-discrimination, equality before law, protection of civil liberties including freedom of speech and press, peaceful assembly and association, practice of religious beliefs, prohibition of torture, child labor and forced labor, respect for privacy, and access to basic financial services. We strive to provide a safe and healthy working environment for all our employees and to respect the rights of the communities where we operate.

Our commitment also extends to our clients and business partners. We expect them to share our commitment to human rights and to act accordingly. Accordingly, our procedure will involve seeking declaration from our customers confirming their compliance and non-violation of human rights and child labor standards.

At ENBD, we believe that respect for human rights is not just a moral obligation—it is also good business. It enables us to build stronger relationships with our customers, employees, and communities, and it is essential to our long-term success.

At ENBD, we firmly denounce all forms of modern slavery and human trafficking. We believe that every individual has the right to freedom, dignity, and security, and we are wholly committed to upholding these principles within all aspects of our operations.

We fully acknowledge our role and responsibility, as a prominent financial institution, in preventing modern slavery and human trafficking within our business and our supply chains. We are committed to conducting our business in a manner that respects the rights and dignity of all people.

4.2 Biodiversity

As a responsible banking institution, the Group recognizes the importance of protecting and promoting biodiversity for our planet's health and the sustainability of our business. Biodiversity represents the variety of life on earth, and its loss has profound implications for global economies, societal stability, and the sustainable growth of industries.

We incorporate biodiversity considerations into our risk assessment processes for lending and investment decisions. All proposed projects (mandated by regulation) undergo environmental impact assessments to determine potential harm to biodiversity, and we do not finance any initiatives that pose significant threats to high-value biodiversity areas. We are dedicated to assisting our clients in conducting their business activities in a manner that preserves and respects the environment. Emirates NBD's primary objective is to aid clients in transitioning to sustainable business models that do not have detrimental effects on nature. To this end, we have crafted an array of sustainability-focused products and services, including green loans and green bonds. Our

³This is an excerpt from the official portal of the Government of United Arab Emirates; Human Right's as per UAE constitution and Employment and training of minors legal provisions.



sustainability-linked offerings provide incentives to clients for their environmentally responsible practices, generating positive outcomes for both the natural world, including ecosystems and the climate. Through these specialized products and services, Emirates NBD actively supports clients and projects that contribute to the shift towards a nature-positive economy.

In addition to our endeavors to help clients identify opportunities for positive impact, we are committed to contributing to organizations dedicated to environmental restoration, community empowerment, and the development of carbon removal technologies. These initiatives are integral components of our Environmental Program.

4.3 Policy Restrictions

The Group refrains from engaging in business with companies if, upon conducting our review, it is revealed that they are involved in the following activities:

- a) In production or activities that involve contemporary forms of slavery, human trafficking, or forced labor, which is characterized as any labor or service that is extracted from a person without their consent and is enforced using coercion or penalties.
- b) In production or activities that involve detrimental or exploitative child labour practices. Detrimental child labour refers to the employment of children in a manner that is economically exploitative or likely to pose risks to, or hinder, the child's education, or adversely affect the child's health and well-being, including their physical, mental, spiritual, moral, or social development.
- c) Logging activities that are conducted illegally.
- d) New clients engaged in palm oil plantation owning, producing, or trading.
- e) Deforestation and/or burning down tropical rainforest.
- f) Mining, exploration and upgrading of oil/tar sands.
- g) Engaged in diamond mining, trading, and processing without clear evidence of adherence to the Kimberley Process Certification Scheme.
- h) Operations which are in UNESCO World Heritage Sites.
- i) Engaging in production or trade of any goods or services that are deemed unlawful according to the laws or regulations of the host country (including those that the host country has agreed to under international treaties and agreements).

5. Sectoral ESR guidelines

The Group recognizes that there are certain industry sectors which can give rise to greater environmental and social risks. For these sectors, the Group will be guided by the following guidelines.

Given the geographical and sectoral diversity of the Group's banking operations, the ESR guidelines serve to inform the Business to incorporate environmental and social risk considerations while conducting business with the clients. As such, they are not prescriptive in nature. Where the guidelines refer to evidence to assess the clients' ESR profile (for example, information from the clients, industry certifications, regulatory requirements, emissions data, among others) it is acknowledged that not all such evidence will be applicable or available and will be contingent on the nature of the client's business and the geography it operates within.

To implement these guidelines, the Group will conduct required assessments to ensure alignment with these guidelines; discuss with customers to verify as best as possible if customers have undertaken any prohibited businesses; and, if required, will investigate any credible allegations of any policy violation.

If the customer is unable to meet these guidelines, the Group will engage with the customers to seek action/transition plans to resolve the issues and monitors progress on an ongoing basis. However, if the customer is not forthcoming in sharing requested information and the Group is concerned with the customer undertaking a prohibited activity, the Group may initiate steps to review and exit the relationship.

5.1 Utilities

ENBD guidelines related to Utilities sector are designed to mitigate potential negative impacts of these sectors on the environment and society. The Group recognizes that the utilities sector is a major contributor to GHG Emissions. The Group is committed to supporting and financing the energy transition as part of its Net Zero ambitions.

For electricity utilities, while the focus is on generation, it also includes transmission and distribution as many of the Group's clients in this sector are state-owned, vertically integrated utilities. Also included are water utilities that deliver fresh water and provide sanitation services to residential, industrial, and commercial customers. District cooling providers also form an important segment within the utilities sector.

For its UAE clients, the Group is aligned to and will support the UAE Energy Strategy 2050, which aims to balance meeting the rising energy demand and sustaining natural resources. For other geographies, the Group will align to their respective energy strategies, where applicable.

ENBD Practices

The assessment of the Group's customers in the Utilities sector will be based on the plans of the clients, local regulations, and ENBD's targets. While financing clients in this sector, the Group will consider:

- The current energy mix of the client and their forwarding looking plans.
- Proposed energy mix of power production through to 2050 for respective countries.
- Clients plans to deploy capital into cleaner energy and any decarbonization activities.
- GHG emissions reported annually and client's transition plans and their ambition to reduce GHG emissions.
- Regular and detailed disclosures regarding execution and evolution of the client's transition plans.
- Where applicable, the Group will seek external independent review of the transition strategy to ensure alignment.
- Internationally recognized certification, where applicable.



Hydrogen

This fuel that can be produced from a variety of domestic resources, such as natural gas, nuclear power, biomass, and renewable power like solar and wind. It can be used in a wide range of applications, including in cars and homes. The Group supports the UAE's (and respective countries') National Hydrogen Strategy and will support its clients with financing for generation of hydrogen (excluding Black Hydrogen) to meet its future demands as it reduces reliance on fossil fuels.

Renewables

ENBD will support and finance activities in connection to renewable energy initiatives (e.g., solar, wind, organic waste to energy) for clients in the utilities sector where financially justifiable.

District Cooling

District cooling refers to the centralized creation and dissemination of cooling energy. This process involves distributing chilled water through an insulated underground pipeline to various buildings, including offices, industrial facilities, and residences within a specific district. This chilled water is used to cool the interior air of these buildings. Inside each building, specially crafted units utilize this water to reduce the temperature of the air as it circulates through the structure's air conditioning system.

District cooling contributes to environmental protection by enhancing energy efficiency and diminishing emissions that include air contaminants, carbon dioxide (CO₂), and substances that harm the ozone layer. For every ton of district cooling refrigeration demand met, district cooling has the capability to cut annual CO₂ emissions by roughly one ton. Therefore, financing District Cooling clients with air-conditioning systems powered by at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat is an area of focus for the Group.

Water Management

The Group will continue to finance the utilities sector clients to address water scarcity and quality issues and support the growing demand of water supply. The Group will finance Improvements to water infrastructure that increase water use efficiency through replacements and upgrading of inefficient systems. The Group supports the strategy of decoupling power generation and water desalination and promotes clients to adopt Sea Water Reverse Osmosis (SWRO) technology with a carbon intensity of less than 100gCO₂e/kWh over the residual asset life.

5.2 Nuclear Power

ENBD guidelines related to nuclear plants are designed to evaluate impacts of this sector on the environment and society and to ensure alignment with environmental laws, regulations, permits, and the international nuclear environmental guidelines that are set forth by the International Atomic Energy Agency (IAEA) and IFC standards.

The Group recognizes that nuclear power is an alternative to carbon-intensive fuels and a significant part of the energy mix for several nations. Nuclear power can generate electricity with low greenhouse gas emissions. However, the Group is cognizant of significant environmental and social risks associated with producing nuclear energy.

ENBD Practices

ENBD is committed to ensuring that in the interest of the nation, as part of strategic projects (if required), the Group will fund only government sponsored projects and rely on the project sponsor's due diligence of all third-party service/equipment providers.

The Group will evaluate the financing, based on the sponsor accepting the information available and the project having met the global standards with regards to:



- Regulatory oversight and transparency.
- Quality of Regulatory reporting and disclosures.
- Reports on large-scale impacts on environment and human lives in case of accidents.
- Processing, transportation, and storage of radioactive waste.
- Exposure to radiation due to accidents.
- Mismanagement of nuclear waste or lack of security.
- Safety and managing nuclear fuel and waste.
- Certifications and assurances that projects are consistent with International Atomic Energy Agency (IAEA) standards.
- Participation in the Integrated Regulatory Review Service program for nuclear projects.
- Safeguards Agreement and Additional Protocol to deter the spread of nuclear weapons.
- Assurances of participation in the Operational Safety Review Team (OSART) program.
- Reports of review missions conducted by International Atomic Energy Agency (IAEA) and the World Association of Nuclear Operators (WANO).
- Assessment of client's track record on fatalities, accidents, social and environmental impacts, and regulatory standards.
- Testing records for commercial operability.

Exclusions

The Group will not finance any client for purposes of a nuclear projects where:

- Operations are inconsistent with IAEA standards.
- Plant operates in environmentally and socially critical areas that could cause large-scale impacts on environment and human lives in case of accidents like meltdown.
- Financing will result in production of nuclear weapons.

5.3 Thermal coal

The current global coal consumption is 8.77 billion tons (Bt), of which 7.6 Bt is thermal coal. The remaining 1.1 Bt is metallurgical coal.¹ While 68% of thermal coal is used in power generation, 32% finds application in, for example, coal conversion, cement, and nickel production. Metallurgical coal is used in the production of alloys such as steel.

These guidelines apply to clients who own, control, or operate thermal coal mines and/or thermal coal-fired power plants. Coal, despite being the fossil fuel with the highest carbon content, still fuels slightly more than one-third of the world's electricity production. Although it is gradually being phased out in many countries as a source for power generation, coal remains vital in industries like iron and steel manufacturing until alternative technologies emerge.

The Group's approach to coal financing is guided by the end use of coal. Further, the Group will not initiate new business relationships with clients solely operating thermal coal-fired power plants or coal mines.

Phase-out plan

In the UAE, for these sectors the Group will be guided by the coal exit plan and the UAE 2050 energy strategy plans. These guidelines apply to corporate clients as well as state-owned enterprises engaged in activities in this sector including electric power generation from coal.

The Group recognizes that fuel diversification strategy for corporate clients in this sector will be in alignment to the host nations plans and, for such cases the Group will conduct necessary due diligence to ensure that the clients plans are aligned with the plans of the state as well as the phase out plans of the Group.

¹ IEA, Coal 2024 Executive Summary (International Energy Agency, 2024).

ENBD Practices

Given the environmental impact of thermal power generation², the Group will not extend or facilitate³ any new financing (funded/unfunded) for building thermal coal-fired power plants; refurbishing existing thermal coal-fired power plants; or for working capital requirements. The same exclusions apply for thermal coal mines. Existing financings are to run off unless an earlier exit can be achieved without harm to the client.

Except in cases where:

- The use of funds is for abating CO₂ emissions such as carbon capture technology⁴ or investments that significantly lowers CO₂ emissions.
- Power generated is captive and solely used to support production activities (such as aluminum smelters, steel mills) of the borrower. These power plants are typically small and are required to ensure continuity of power to run the production process.
- Save to existing clients where it leads to a breach of any pre-existing legally binding obligation. Ideally such increase must be offset by a corresponding decrease elsewhere in the portfolio and if the same is not possible rationale provided for the same.

Financing provided to existing clients will undergo annual review along with the clients transition plan assessment, and the same shall be reviewed by Sustainable Finance Framework Committee.

Group is committed to ensuring that the client's operations are in accordance with globally accepted practices. The Group will also conduct appropriate due diligence during the review cycle to ensure the same.

The Group can finance thermal and metallurgical coal for non-power generation, where there is not an economically viable and proven alternative to coal in pyrometallurgy, such as:

- Thermal coal required to heat raw materials to high temperatures in the production of cement.
- Thermal coal used as a reducing agent in nickel production. Nickel is a critical input for battery manufacturing, the demand for which is projected to increase.
- Metallurgical coal in steel production as a reducing agent to extract iron from iron ore and to provide the carbon content needed in steel.

The Group can finance certain other coal-related activities such as:

- Transport clients – such as shipping – in the coal value chain.
- Transport, trade and commodity finance, commodity hedging and dedicated storage terminals for all metallurgical coal and thermal coal where the end use as reasonably determined is not for use in thermal coal-fired power plants (unless for captive power generation)

The Group can finance diversified industrial companies which, among other sectors, have interests in coal – power generation or mines – either as owner, operator, or providing ancillary activities. Such companies will be subjected to enhanced due diligence to ensure that:

- They have public disclosure of the environmental impact of their operations.
- Have clear and measurable targets for reduction of emission of greenhouse gases aligned to the Group's Net Zero ambitions.
- Revenues from thermal coal related businesses do not contribute to more than 30 percent of their revenues.
- They have a credible plan in place to phase out coal.

² Thermal coal for power generation where electricity is primarily for general purposes feeding to national or regional grids.

³ Facilitation activities include, for instance advising issuers on structure, pricing, and process; preparing materials for, and engaging with, investors; and arranging and guiding clients on roadshows.

⁴ CCUS with capacity greater than 100,000 tons of CO₂ per year.

The Group will assess its clients in this sector based on:

1. GHG Emissions reported annually and Client's transition plans and their ambition to reduce GHG emissions.
2. Regular updates to the Group on the transition strategy to diversify away from coal fired power generation to ensure alignment with the Group's phase-out plans.
3. Regular and detailed disclosures regarding execution and evolution of their transition plans.
4. For Coal Mining clients, assessment will be based on plans related to expansion or development of new mines, plans to reduce emissions (scope 1 and scope 2) and other decarbonization activities.

All transactions in these sectors will be subject to enhanced reviews incorporating regulations, clients' commitments, capacity, and track record.

Specifically:

- The Group will not provide any new direct financing to thermal coal mines or thermal coal-fired power plants, nor for the expansion of existing thermal coal mines or thermal coal-fired power plants, except for cases where the financing is to facilitate captive power generation (for industries that require high temperature reduction chemical reactions) and / or to transition to lower greenhouse gas emissions.,.
- The Group will not accept thermal coal-fired power plants as collateral, regardless of the end use of funds. Except where this is used for captive power generation (forming up to 25% as part of the total collateral mix) especially for industries that require high temperature reduction chemical reactions.
- Existing portfolio of financing to non-captive thermal coal-fired power plants and thermal coal mines can continue with amortization and a defined phase-out plan.
- Though the Group will provide financing to diversified industrial companies which, among other sectors, have interests in thermal coal, such companies will be subjected to enhanced due diligence to ensure that:
 - They have public disclosure of the environmental impact of their operations.
 - Have clear and measurable targets for reduction of emission of greenhouse gases aligned to the Group's Net Zero ambitions.
 - Revenues from thermal coal related businesses do not contribute to more than 30 percent of their revenues.
 - They have a credible plan in place to phase out coal.

Guideline Implementation

The Group will conduct required assessments to ensure alignment with these guidelines; discuss with customers to verify as best as possible if customers have undertaken any prohibited businesses; and, if required, will investigate any credible allegations of any policy violation.

The exclusions stated in these guidelines will not apply where:

1. Thermal coal is used in the cement industry.
2. Metallurgical coal, used in steel-making due to lack of alternative.

Under exceptional circumstances where customers are unable to meet the exact criteria's set out in this guideline; based on historical relationship, the Group will engage with the customers to seek action/ transition plans to resolve the issues and monitors progress on an ongoing basis. However, if the customer is not forthcoming in sharing requested information and the Group is concerned with the customer undertaking a prohibited activity, the Group may initiate steps to review and exit the relationship.

5.4 Commercial firearms and military equipment

ENBD guidelines related to Commercial firearms and military equipment, are designed to evaluate impacts of these sectors on the environment and society.



The Group acknowledges that sovereigns have the right to maintain public order and ensure security. The Group recognizes that governments procure firearms and military equipment from private companies. Therefore, subject to its due diligence the Group will not object to extending facilities to governments or sovereign customers and private companies (for the purpose of fulfilling government contracts) in this sector for the purpose of defense and national security.

ENBD Practices

There are restrictions in conducting business with Defense (Including Dual Use). Financial services to clients for the purpose procuring commercial firearms and military equipment will be subject to enhanced due diligence and adherence to government regulations.

Exclusions

The Group will not extend facilities for:

- Manufacturing, sale, storage or maintenance of firearms or defense or security equipment, or services to the private sector.
- Dual use items like goods, technology and software not specifically designed for military use, but which could be used for a military purpose.
- Equipment that are not for national security or defense purpose.
- Development of nuclear weapons.
- Development of chemical and or biological weapons.
- Supply of weapons to embargoed countries and non-state entities.
- Paramilitaries, mercenaries, and other non-governmental armed groups.
- Commercial firearms and military equipment if it cannot be determined that they are for legitimate national security and defense purposes.
- Procurement of firearms or equipment designed and/or used for recreational purposes.
- Transactions related to export of firearms and military equipment to countries having committed grave violations in armed conflict situations.

The Group will also not finance manufacturing and distribution or sale of cluster munitions, anti-personal mines, biological, chemical, or nuclear weapons. In cases where the Group may be asked to provide direct financing for the production or shipment of military equipment such as munitions, missiles, fighter aircraft, armored vehicles or warships by government agencies or sovereigns, necessary escalation mechanisms, policy waivers and approvals from higher authorities will be required to determine if the transaction may be allowed.

5.5 Manufacturing: Steel, aluminum, cement, and chemicals.

While manufacturing is a broad sector covering several industries, these guidelines are specifically for steel, aluminum, cement, and chemicals manufacturing. The selection of these industries is based on the Group's portfolio and their environmental impact.

Driven by population and economic growth, global demand for steel has been growing strongly in recent years and is expected to continue to increase, especially because of economic expansion in India, ASEAN countries and Africa. Iron and steel are one of the few sectors that will still be using coal in 2050, because of its importance as a reducing agent.

Aluminum is both an important input to several technologies critical to the energy transition, and a significant source of CO₂. Direct emissions from the global aluminum sector have been steadily rising over the past decade, driven by increasing production, which is expected to continue expanding due to population and economic growth.

The main challenge facing the cement industry is reducing CO₂ emissions while at the same time as meeting increasing global demand. Developing economies' infrastructural needs require the global development and deployment of new emission reduction technologies for the sector.

The chemical sector is the largest industrial energy consumer and the third largest industry subsector in terms of direct CO₂ emissions. This is largely because around half of the chemical subsector's energy input is consumed as feedstock – fuel used as a raw material input rather than as a source of energy. There is growing demand for a vast array of chemical products, including plastics, and demand for primary chemicals – an indication of activity in the sector overall – has increased drastically.

These guidelines are designed to mitigate potential negative impacts of these sectors on the environment and society. The Group will support clients in the sector that maintain responsible operations, supply chains, and adhere to relevant applicable regulations. For industries in the business of smelting and refining of metals, cement manufacturing and chemical manufacturing, the key concerns for the Group are around:

- Emissions released from the processes.
- Contamination of soil and water pollution from by-products containing heavy metals, grease, and asbestos.
- Improper disposal of wastewater.
- Soil erosion from cement industry.
- Safety (not limited to) workers' health and safety risks.
- Human rights risks including unsafe working conditions including forced and child labor.

ENBD Practices

The assessment of the Group's customers in the manufacturing sector will be based on the plans of the clients, local regulations, and ENBD's targets. As such the Group expects clients to ensure continuous improvements in their operations and follow industry best practices.

The Group will assess companies in the manufacturing sector based on the review of:

- Compliance with industry best practices evaluated through Internationally recognized certifications.
- GHG intensity in terms of CO₂ emissions per ton of production and attendant plans to reduce production intensity.
- Independent consultant reports.
- Aluminum Stewardship Initiative (ASI) Performance Standards certifications for Steel.
- Cement industry evaluation reports from government entities.
- Compliance with health and safety guidelines with no adverse reports.
- Certification of Operations by ISO guidelines.
- ESG reports detailing emissions.
- Client Disclosures and Materiality assessment reports.
- Manufacturing plants using renewable energy.
- Satisfactory policy ensuring that the disposal or transport of Hazardous Waste is conducted in an environmentally friendly and socially responsible manner.
- Internal processes ensuring that any hazardous chemicals and pesticides are provided with material safety data sheets (MSDS), product labels, and shipping documents that outline the physical, health, and environmental risks involved.

Exclusions

ENBD will not finance any client in this sector for:

- Manufacturing of prohibited chemicals
- Manufacturing of chemical weapons
- Supporting activities of customers known to have breached national or international safety regulations in these sectors and/ or with a poor sustainability track record resulting in regulatory fines.

5.6 Oil and Gas

ENBD guidelines related to oil and gas, pertain to the extraction and distribution of oil and natural gas. These guidelines will apply to corporate clients including state-owned enterprises engaged in activities in the Oil and Gas sector. The Group recognizes that a diverse mix of solutions are required to accelerate the energy transition while also ensuring sustainable economic development and meeting the growing global energy demand. The Group will engage with and finance clients in this sector to aid them in meeting global demand as well as to support them in their transition journey.

ENBD acknowledges that this sector poses significant environmental and social risks, such as

- **Climate Change:** The energy sector stands as one of the principal sources of worldwide Greenhouse Gas (GHG) emissions. This emanates from both its immediate impacts, including fugitive emissions and flaring, as well as burning of fossil fuels carried out by other sectors and actors.
- **Pollution:** Risks associated with the mining, processing, and transport of fossil fuels could lead to accidents like spills and the mishandling of hazardous waste. Such occurrences, unless managed appropriately, may lead to the pollution of air, soil, and water.
- **Biodiversity and ecosystems:** Activities related to energy infrastructure in addition to the mining and transport of fossil fuels may disrupt wildlife habitats, resulting in the deterioration of local ecosystems and biodiversity.
- **Workplace Health and Safety Concerns:** There can be exposure to health and safety dangers to employees due to accidents, as well as the effects of hazardous waste and emissions.
- **Effects on Local Communities:** The mining and movement of fossil fuels can have wide-reaching impacts on local communities, encompassing everything from environmental to social considerations.

ENBD Practices

ENBD is committed to ensuring that the client's operations in this sector are in accordance with globally accepted standards. Financial services offered to clients in the oil and gas sector will be subject to necessary due diligence to ensure adherence to regional, national, and international best practices whilst also considering their track record on compliance, safety, training, and environmental compliance.

- The Group expects its clients in the oil and gas sector to have a policy that requires environmental and social impact assessment for their relevant operations; have a strategy in place that defines their role in transitioning to a Net Zero economy (aligned with the Group's reduction ambitions towards Net Zero) and monitor their scope 1 and scope 2 greenhouse emissions as well as have time-bound targets to reduce them.
- The Group will assess the incident rates, such as spills, fires, injuries, fatalities, and human rights violation.
- The clients should be able to demonstrate that they comply with all national laws and regulations, as well as international conventions and legislation applicable to them.
- The clients in this sector should have assessed their exposure to physical risks, such as to their assets, supply chain and transportation routes.

Exclusions

ENBD will not finance any client in this sector for:

1. Mining, exploration and upgrading of shale gas unless approved as part of national strategic agenda.
2. Oil and gas exploration, production and or development in the Arctic circle. Arctic waters defined in the International Maritime Organization (IMO) - Polar Code

5.7 Agricultural, Fisheries and Forestry

ENBD's guidelines on Agricultural, Fisheries and Forestry activities are designed to mitigate potential negative impacts of these sectors on the environment and the society. The guidelines will also aim to promote sustainable agricultural practices, reduce environmental degradation, protect natural resources, and ensure the wellbeing of the communities and workers involved in these sectors as they can have significant impacts on the environment.



ENBD Practices

ENBD is committed to ensuring that the customer operations are in accordance with globally accepted practices and that the Group does not engage with customers that do not meet the Group standards.

The Group recognizes that customers involved in Agricultural, Fisheries and Forestry businesses can conduct activities that contribute towards deforestation, loss of biodiversity and exploitation of communities and people. Consequently, the Group encourage the clients to have sustainability certifications and/or memberships confirming that the client operations comply with necessary standards set by recognized bodies like

- Global Good Agricultural Practice
- Sustainable Agricultural Practice Standards
- Food and Agriculture Organization of the United Nations
- Sustainable Agriculture Initiative Platform (SAI)
- Forest Stewardship Council (FSC) and Program for the Endorsement of Forest Certification (PEFC) certification to promote sustainable forestry and responsible sourcing.
- Marine Stewardship Council (MSC) to certify that a fishery meets international best practice for sustainable fishing.

As part of its ESR assessment, the Group may:

- Seek Independent Expert Opinions confirming the clients' operations follow necessary standards.
- Conduct background checks and investigations including supply chain traceability, adverse impact on the environment, natural resources and wellbeing of communities and workers involved in these sectors.
- Rely on customers self-assessments on sustainability. These reports will also be considered based on the strength of the relationship between the Group and the client as well as the quality of such assessments.

Prohibited Activities/ Exclusions

ENBD will not provide financial services to customers, or their suppliers involved:

- Any Illegal operations
- Agriculture operations linked to deforestation and/ or illegal logging.
- Exploitation of people and communities
- Trading or manufacturing fur products
- Trafficking and trade of endangered species for commercial purposes.
- Commercial whaling

For Palm oil: While our credit exposure palm oil sector is not material, we recognize that we can play a role in promoting a sustainable palm oil sector by being discerning in our lending practices to this sector. For all our lending relationships, we require customers to demonstrate alignment with No Deforestation, No Peat, No Exploitation ("NDPE") policies that are increasingly being adopted in the palm oil sector. Besides NDPE commitments, the Group also accepts certification under Roundtable on Sustainable Palm Oil ("RSPO") as demonstration of good industry practices. We request customers to achieve full RSPO certification within a timeframe and the time-bound action plan is communicated to the Group.

We will not consciously finance companies that are involved in conversion of High Conservation Value ("HCV") and High Carbon Stock ("HCS") forests, planting on peat, or planting without securing both the legal right and community support to use all the land involved (this can be achieved through a free, prior, informed, consent ("FPIC") process, and any open burning. We adopt a zero-tolerance approach to burning.

We require that traders who trade primarily in fresh fruit bunches, crude palm oil, palm kernel oil to work towards becoming RSPO members. Traders are encouraged to develop a process to ensure traceability of the palm oil they trade. This could be achieved through supplier selection based on environmental and social criteria.

We will continue to monitor the sector closely and ensure that our policies reflect changes in societal expectations and new standards in the sector.



For Soy: The Group will require its customers to be members of Responsible Soybean Roundtable (RTRS). In addition, companies must have or be in the process of making a commitment on full certification.

For Timber: Companies producing timber in markets at elevated risk of tropical deforestation should aim to have their production fully certified by recognized bodies.



6. ESR Rating

The Group uses a scoring model to assess the ESR profile of its clients (at a customer/ group level). The ESR scoring uses a composite methodology which considers, inter alia, factors such as greenhouse gas emissions, transition and physical risks, demonstrable commitment to GHG reduction, labor and working conditions, resource efficiency and pollution prevention, biodiversity conservation and sustainable management of living natural resources, community health and safety, land acquisition and involuntary resettlement. The methodology is broadly aligned to the environmental and social assessment approach followed by the World Bank and the International Finance Corporation. The scoring model ranks counterparties on an ordinal scale ranging from least environmental and social risk to highest environmental and social risk

Operationally, Global Relationship Managers (GRM) are ultimately responsible to prepare scorecard for globally managed clients. However, scorecards must also be recorded locally where applicable at in-scope branches and subsidiaries, even if mirrored at GRM site, with Local RMs (LRM) sharing equal responsibility for local sites.

For GRM-designated clients, branches /subsidiary LRM's shall coordinate to verify that the scorecard has been completed by the GRM, and shall ensure capturing material deviation of local subsidiary from group.

Furthermore, if a client's exposure is below AED 50 million at GRM level but exceeds that amount at the branch or subsidiary, GRM and LRM teams must ensure a consolidated scorecard is prepared.