

ESG Position
Statement
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1 Introduction

1.1 Context

Environmental, Social, and Governance (ESG), is a holistic term that encompasses business ethics, corporate social responsibility, environmental responsibility, and good governance, among many other sustainability themes and factors.

ESG is indicative of a business's impact on society, the environment, and the quality of its management. A rapidly growing number of financial institutions, including ours, are giving extensive care to ESG issues and associated risks and opportunities to improve their long-term business performance.

Behind the rising recognition of the importance of ESG worldwide are responsible investors that have pledged to integrate ESG into their investment decision. These investors understand that companies with better ESG performance outperform their peers.

As a financial institution exposed to a wide range of ESG focused investors, integrating ESG across our business operations can unlock access to pools of responsible investors and enhance our Bank's shareholder value.

We believe that ESG has two overarching dimensions: risks and opportunities. ESG risks for financial institutions may arise from the social and environmental issues nested in their lending and investment portfolio. These risks translate into operational and financial risks that eventually affect a client's ability to repay loans. For example, a borrower that pollutes heavily and reduces the air quality for the surrounding community may risk the suspension of its operational permit. That would lead to revenue loss and undermine the borrower's ability to repay debt.

ESG risks can also impact our reputation as a bank. A bank may damage its brand value if it associates with controversial financing, investments, projects, or clients.

Conversely, ESG also presents an opportunity for our Bank - including innovation in sustainable financial products such as Green, Social, Sustainability Sukuks, Islamic loans and other financial instruments. These products support financing activities with social and environmental benefits, including renewable energy, green buildings, education and healthcare, and SMEs.

1.2 Our approach to ESG

We offer various financial services, including personal and business banking, investment offerings, insurance, and Islamic banking. As one of the major banks in UAE, we take ESG principles seriously and we are committed to embedding sustainable practices across our operations, product offerings, and business decisions.

We particularly focus on integrating ESG risk assessment into the Bank's credit appraisal processes. As a result, we are able to maintain a sustainable lending portfolio over the long term that harnesses growth potential and simultaneously supports society meet its financial needs.

We strive to be attentive to our clients' needs. That is why we offer Sharia-compliant banking services in addition to our conventional banking services. Our Sharia-compliant division caters to a broad base of society. It is a part of our efforts to take social factors into our product design.

We integrate ESG in our Credit, and Risk Management policies. We are also deploying an ESG evaluation toolkit supporting our teams to assess ESG risks and opportunities across our portfolio.

Our ESG approach aligns with the sustainability vision and plans of the UAE. The country has set the UAE Green Agenda 2015-2030, building on UAE Vision 2021 and aiming to transform the country into a global hub for sustainable development. NBF contributes to this vision through integrating ESG in our financing activities, continual support to local communities, and initiatives that reduce our environmental impact.





1.3 Purpose

The purpose of NBF's ESG Position Statement is to codify and solidify our commitment to environmental and social responsibility, sustainable finance, good governance, and transparent reporting practices. It offers a well-rounded view of our efforts to integrate ESG factors in lending and investment activities, actions deployed, ambitions, international standards reviewed, and NBF's stance on key ESG issues.

NBF applies this ESG Position Statement across our own operations. We conduct regular training and engagement exercises (with employees and other stakeholders) to ensure the framework's content is communicated properly, respected, and applied.

This ESG Position Statement is complemented by other internal documents, including our Credit Policy, Investment Policy, Risk Management Policy, Risk Appetite Statement, and Diversity and Inclusion Policy, among others.

1.4 International standards pertaining to ESG

NBF has reviewed a list of key international standards and initiatives to inform the development of our ESG Position Statement, including:

- The Principles for Responsible Banking Framework (UNEP- FI)
- The Principles for Responsible Investment (PRI) Policy Guidelines
- The World Wildlife Fund (WWF) Framework for Responsible Investment
- The One Planet Sovereign Wealth Fund Framework (OPSWF)
- The Task Force on Climate-related Financial Disclosures (TCFD)

2 NBF's Sustainability Pillars

Our sustainability strategy revolves around the Bank's six sustainability pillars. These pillars are aligned with the Bank's corporate mission and values; investors; stakeholder interests; national goals; and global standards and frameworks. These pillars represent the most relevant/material environmental, social and governance topics for the Bank and its stakeholders.

By maintaining continuous action and quality reporting on each pillar and governance, the Bank ensures excellent sustainability performance, reduction of ESG risk, and seizing of ESG opportunities. Detailed information related to our sustainability framework and materiality assessment is available in our annual sustainability report.

We welcome external recognition of our ESG efforts, particularly the Dubai Chamber CSR Label, which we secured for five consecutive years.



3 ESG Governance

Strong leadership and efficient governance are vital to achieving our sustainability goals. Therefore, we have set a structure for ESG governance throughout the Bank, ensuring these issues are considered at all levels of the organisation. This structure guarantees that ESG risks and opportunities are integrated into the decision-making and day-to-day operations of the Bank.

3.1 Roles and responsibilities

The board of directors

Through oversight, review, and counsel, the Board establishes and promotes our business, organisational, and risk objectives, including sustainability risks. The Board strives to responsibly address the concerns of other stakeholders, including employees, customers, suppliers, regulators, government, and local communities.

The management committee

Through executive power, the management committee ensures the Bank's risk appetite and sustainability vision are well-respected and implemented. The management committee is also responsible for the efficiency of sustainability monitoring and reporting.

NBF staff

NBF staff is required to facilitate sustainability monitoring and reporting and ensure the Bank remains on track to sustainability targets. Each staff member bears that responsibility at a level commensurate to their power and position in the organisational hierarchy. That is emphasised by regularly communicating our ESG Position Statement to our employees through ESG training.

3.2 ESG training and development of in-house capacity

Training and capacity-building are essential for achieving a successful ESG integration process. We conduct an ongoing ESG awareness-raising process across the Bank. The sustainability landscape continuously changes with emerging sustainability risks, opportunities, monitoring and reporting methodologies, and initiatives. Hence, NBF ensures its employees are constantly updated on sustainability-related matters via awareness-raising sessions.

In addition to awareness-raising, we aim to develop employees with specialised ESG skills to drive the integration of ESG in decision-making. The Bank seeks to improve the skills of credit officers responsible for the ESG due diligence of clients (when needed) and aiding various business departments and decision-makers in reviewing ESG considerations.

4 Approach to ESG Risk Management and Due Diligence

We deploy a strong credit and investment approval system and implements Basel Committee on Banking Supervision's standards. Our goal is to take healthy levels of risk, spread over a diverse portfolio, that maximises return while ensuring long-term sustainability. Hence, we have deployed several internal policies addressing credit risk, investment risk, and overall risk appetite.

As part of our ESG integration journey, the Bank utilises an ESG risk due diligence process before approving credit proposals in line with defined in the Credit policy. We conduct ESG due diligence using a specialised ESG assessment toolkit. The assessment toolkit is a two-step process: ESG categorisation and ESG rating. Our in-house teams leverage the toolkit to evaluate financing requests per international standards and assign an ESG score for each deal reviewed. The score is then used to inform the financing appraisal process.

4.1 ESG risk categorisation

The ESG risk categorisation commences with identifying the deal type. Deal types include project finance, project-related corporate finance, corporate finance, or investment.

We conduct a client-level ESG risk classification. Clients are categorised based on the European Bank for Reconstruction and Development (EBRD) Environmental and Social Risk Categorisation List. The client risk classification hierarchy is divided into three levels: high, medium, or low – representing the ESG risk levels across each deal under review.

If the financing request is project-related, NBF also conducts a project-level risk assessment. Projects are categorised according to the International Finance Corporation's (IFC) environmental and social categorisation



process and aligned with the Equator Principles. This step considers the potential environmental and social risks and impacts, including those related to human rights, climate change, and biodiversity. The project risk classification hierarchy is similarly divided into three levels: high, medium, or low.

4.2 ESG assessment

We conduct an ESG assessment using NBF's ESG due diligence toolkit for all clients, projects, as per criteria defined in the Credit policy. The assessment results in an ESG score. NBF's ESG toolkit assesses material ESG criteria, including environmental management certifications, human rights commitments and measures, labour rights, anti-corruption conduct, and allegations screening.

The ESG ratings are conducted internally and reviewed by the relevant credit approval authority.

4.3 Engagement

We believe that stakeholder engagement and collaboration are central to our long-term sustainability. We conduct continuous internal and external engagement exercises to guide our strategic sustainability direction and identify our most material sustainability issues.

Currently, our primary mode of engagement with internal stakeholders is through ESG training sessions and policy communication. We also strive to extend our sphere of influence to include external stakeholders.

5 Sanctions and Exclusions

We are committed to complying with local regulations and sanction lists by the UAE Central Bank, and local laws and regulations of all the jurisdictions in which we operate.

We have a strict policy against financing the proliferation of weapons of mass destruction (WMD). We do not provide funding for the transfer and export of chemical or biological weapons, their means of delivery and related materials.

The above-identified financing transactions can be a source of a vast ESG risk. Hence, the Bank employs several lines of defence and takes the appropriate disciplinary and remedial measures in case of non-compliance. Moreover, we use a quality transparent monitoring and reporting system to identify non-compliance early on.

6 Reporting

NBF's public reporting is based on our belief in transparency and high integrity standards. We aim to report on key ESG issues, that pertain to our business, through an annual Sustainability Report. The report highlights all the relevant sustainability and governance measures taken by the Bank and their qualitative/quantitative impacts.

We aim to continuously improve the quality of our ESG disclosures by consulting with sustainability experts and seeking feedback from all our stakeholders.

7 NBF Position on Key ESG Issues

NBF derives its position on key ESG issues from local aspirations in the UAE - as enshrined in the UAE Green Agenda 2015-2030 and international best practices.

7.1 Environment, climate change, and biodiversity

We are committed to protecting the environment and minimising the impact of our operations. We understand the significance of environmental challenges our ecosystems face and the role of pollution, climate change, and biodiversity loss in exacerbating them.

We acknowledge our responsibility, as a financial institution, to channel finance into low-impact projects and facilitate the finance of projects conducive to the UN Sustainable Development Goals. Hence, we give due consideration to our credit and investment portfolio.

In our offices, we implement energy, water, and waste reduction mechanisms. We always seek innovative solutions to reduce our carbon footprint, including continuous technology upgrades that make transactions cheaper, more efficient, and less carbon intensive.



7.2 Human rights, diversity, and inclusion

NBF has a Diversity and Inclusion policy that aims to foster an environment where all employees feel appreciated, respected, and empowered to express their opinion. We strive to provide equal employment opportunities to all our employees.

We have zero tolerance for any form of human rights violations, including discrimination, human trafficking, and child labour. Our internal 'Respect at Work' Policy clarifies our position on harassment and bullying at work and is communicated to our employees.

As a preventative measure, we deploy a comprehensive whistleblowing mechanism outlined in the Bank's whistleblowing policy. Employees, Suppliers and Customers can use this mechanism to report on suspected adverse outcomes confidentially and anonymously. The mechanism has multiple reporting lines to ensure transparency, integrity, and quick response.

Human rights are factored in within our ESG assessment of deals. This assessment informs NBF's credit appraisal process.

7.3 Employee development, health and safety and wellness

We ensure that our employees receive appropriate training and development opportunities. We believe that a trained, highly skilled, and continuously developing workforce is key to operational efficiency and long-term sustainability of the Bank.

The Bank has a well-structured method to draft annual training plans defined in our internal Learning and Development policy. Line managers conduct annual evaluations for all employees in which they determine training needs. The Human Resources Department collects recommendations from line managers and lays out a training plan for the year. Finally, training plans' effectiveness is evaluated after they are delivered.

We disclose the number of training hours annually in our reporting and raise awareness among our stakeholders of the importance of employee development and satisfaction.

Sustaining a healthy and safe work environment is important to create a working environment that ensures the wellbeing of our employees, and their capacity to ensure a healthy work-life balance.

7.4 Responsible marketing

We are committed to transparent, responsible, and ethical marketing practices, ensuring accurate and transparent communication with our clients. Our marketing materials adhere to all applicable national laws and regulations. We strive to provide all necessary information to support the understanding of the terms and conditions of our financial products and services. Our customers have access to complaints handling mechanisms that are accessible, timely, and effective.

Our employees are provided with access to all the Bank's policies guidelines. They are also provided with regular training to reinforce their understanding of the Bank's products and services offerings and how to communicate these to our customers.

7.5 Responsible procurement

We promote and maintain responsible business practices with our suppliers while advocating integrity and transparency in all the Bank's dealings. We proactively engage with our suppliers to establish a stable and mutually beneficial relationship, securing trust and maximising long-term value.

We attach particular importance to engaging with local businesses and seeks to support the growth of the local market. We strive to create and foster a culture of compliance with respect to legislation and ethical conduct

7.6 Data privacy and security

We recognise the importance of personal information entrusted to us. It is one of our fundamental responsibilities as a bank to maintain our customers' trust by committing to ensuring customer's data privacy and security from unauthorised access and use. Security measures that comply with federal law are applied, including, but not limited to certified safeguards and secured files and buildings.

Our Data Privacy Policy provides important information about how we collect and process our client's personal information, including the purposes for which we collect and process the data processed and/or collected by the Bank on all media and system platforms through any communication channel. This policy ensures data governance is instituted throughout the Bank. Our employees are provided with access to all company policies and are provided with regular training to reinforce their understanding and implementation of data privacy and security measures.



7.7 Business ethics

We are committed to building and maintaining a culture of trust, integrity, and transparency in all jurisdictions of operation. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally and with integrity in all our dealings. We are also committed to implementing and enforcing effective systems to counter bribery and fraud.

We comply with all applicable laws and regulations designed by the Government of UAE to combat money laundering and with all international laws applicable. We align our AML Policy and procedures to international and local best practice. Our AML framework is derived from:

- The Financial Action Task Force (FATF) 40 Recommendations issued in 2012 by the Group of Seven (G7). FATF has set minimum standards for action for countries to implement and embed these standards into their local legal and regulatory framework pertaining to AML/combating the financing of terrorism (CFT).
- Regulations formulated by inter/non-governmental bodies such as the United Nations, Office of Foreign Assets Control (OFAC) of the United States of America and any other local regulatory authorities.
- Domestic legal frameworks including UAE Federal Law No.9 of 2014 – Combating Money Laundering & Terrorism Financing Crimes.

7.8 Community

Our corporate social responsibility strategy reflects our purpose, corporate values, and long-term mission and vision. We aim to actively contribute to the Sustainable Development Goals in the UAE. The pillars of sustainable development, value, and philanthropy form the foundation for the Bank's community related programs and projects. Our primary areas of focus are determined by the demands and needs of the community, particularly those related to fostering economic growth through SME financing, supporting creation of jobs, advancing education, and healthcare.





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