

Sustainability: a key strategic objective

Embedding sustainability into the way Bank ABC operates, its risk appetite and culture, is a key strategic objective for the Bank.

It is imperative that the Bank plays a constructive role in managing a comprehensive transition to a more sustainable, low carbon economy. With the full commitment and support of the Group's Board and management towards this objective, the Bank has made significant progress during the year.

The Bank has invested in specialist resources with a view to developing a holistic, collaborative and evolutionary approach to sustainability and embed throughout the business to both mitigate the risks and fully capture the opportunities. The aim is to not only generate real business value across the Bank's value chain and create positive outcomes for our stakeholders.



The scope covers the entirety of the Bank's global footprint, encompassing governance, operations, risk management, business generation and stakeholder engagement. The aim is to develop a target-driven approach that sets out the Bank's ambition and commitment to sustainability and allows progress to be measured.

Sustainability: Holistic, Evolutionary & Collaborative



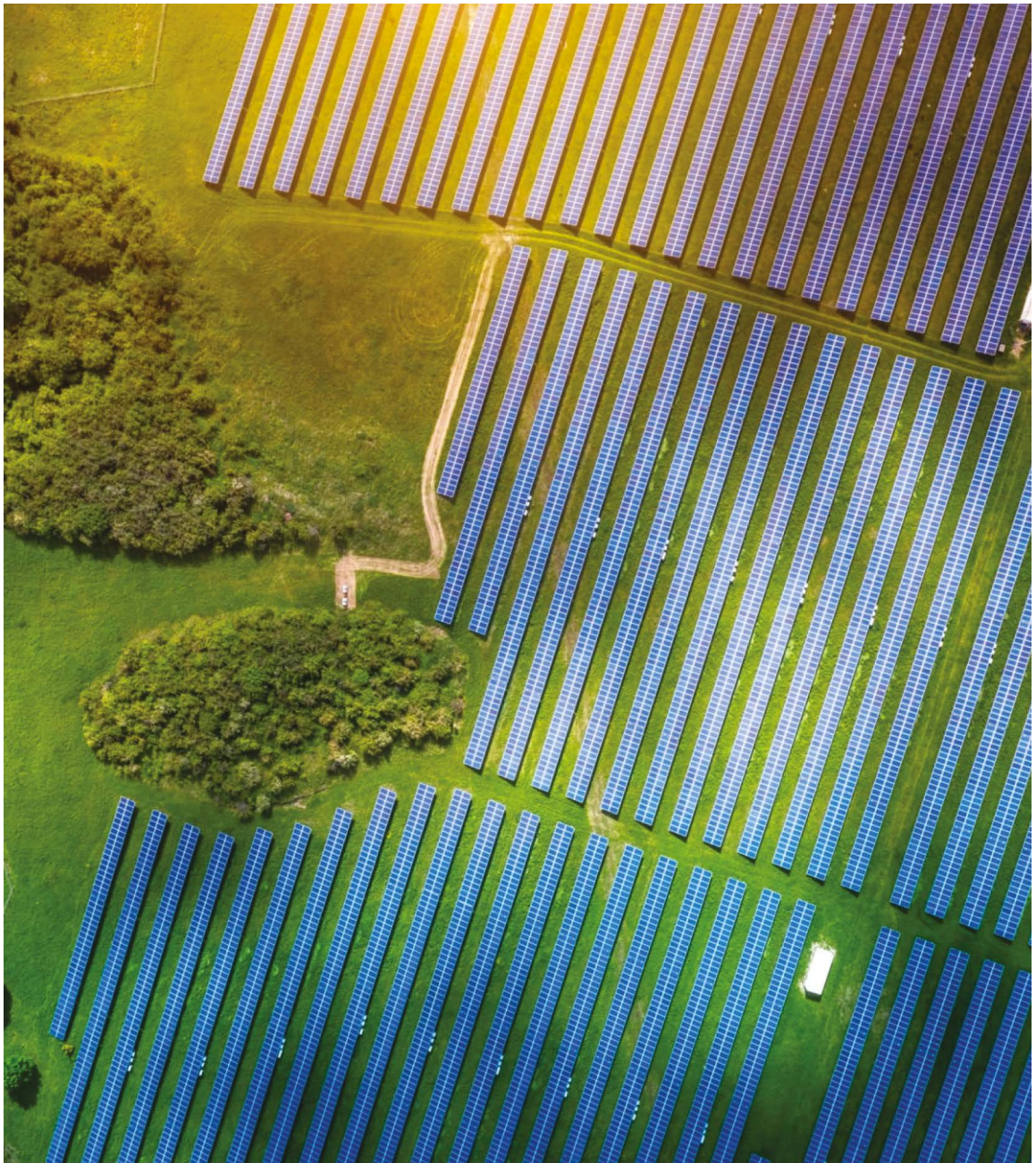
Governance

Corresponding to the United Nations Sustainability Development Goals



Any successful sustainability initiative needs a governance structure that allows for the effective board oversight of the sustainability strategy implementation, risk appetite and culture. To this, a review is underway to enhance the current governance structure with respect to sustainability. A robust reporting line, with clear targets and KPIs, will enable the Bank to monitor progress and success.

An important element is upskilling and building capability within the senior management team and across the firm. As part of that process, the executive team have already participated in several sustainability training sessions to develop their expertise and knowledge. Remuneration structures are also under review to create greater incentivisation and alignment with the Bank's sustainability objectives.



Corresponding to the United Nations Sustainability Development Goals



The Bank is making good progress in measuring, managing and reporting the environmental impact of its operations and supply chain. It has defined the baseline of greenhouse gas emissions, energy, water and waste use across its operational footprint. Calculating the baseline is an important first step in defining a credible net zero target to reduce greenhouse gas emissions and setting reduction targets for energy, water and waste usage. The baseline year has been defined

as 2022. The Bank’s global operations generated greenhouse gas emissions of 9,521 tCO₂ (tons of CO₂) in 2022, covering Scope 1, 2 & 3 (travel-related) emissions. Although total emissions rose in 2022 as employees returned to the office, it was encouraging to record that Scope 1 emissions declined 40%, from the previous year, to 122 tCO₂ in 2022. This was a result of initiatives to upgrade air conditioning across the Bank’s real estate, most notably in Brazil, which led to a reduction in refrigerant leakage.

Scope 1, 2 & 3 travel-related greenhouse gas emissions (tCO₂, 2022)

Greenhouse Gas Emissions (tCO ₂)	2022	2021	Commentary
Scope 1 – direct	122	203	Upgraded air conditioning reduced refrigerant leakage
Scope 2 – indirect	8,443	4,512	Increase due to return to office post-Covid
Scope 3 – indirect (travel-related)	956	333	Post-Covid impact as travel resumes
Total *	9,521	5,048	

*Scope 1, Scope 2 & Scope 3 reporting is based on the UK DEFRA, GHG Protocols & other internationally recognised metrics.



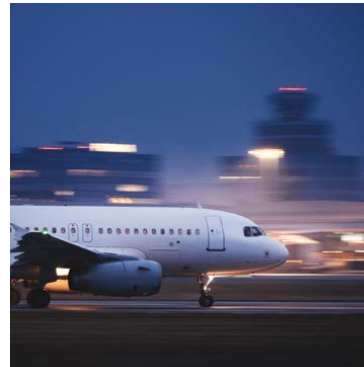
Scope 1

Emissions from company-owned activities, e.g. company vehicles & air conditioning



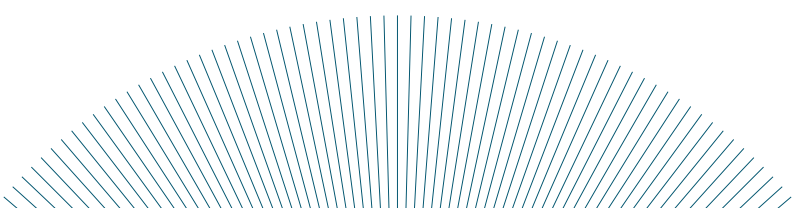
Scope 2

Indirect emissions from electricity generation



Scope 3

Emissions from indirect emissions not included in scope 2, e.g. employee travel & suppliers



Initiatives to reduce the Bank’s environmental footprint are expected to accelerate during 2023. Bank ABC is now firming up action plans that will begin its journey to reduce the environmental impact of its operations and supply chain. The early signs are promising. The UK operation will source 100% of its energy from renewable sources as from April 2023. Efforts to mitigate the environmental footprint have not been restricted to operations. The impact of the Bank’s supply chain is also being addressed. The supplier tendering process now includes an ESG risk assessment for each supplier.

The approach evaluates their governance structure, how they manage their environmental and social footprint and together with their efforts to mitigate those risks. Technology and collaboration will be key to improved efficiency and resilience. The Bank is also reviewing its approach to data storage in order to reduce its energy use and improve efficiency. Meanwhile, the Bank’s innovation team have been developing three projects that will help cut paper use, including an initiative to introduce digital signatures.

Human Capital Management

Corresponding to the United Nations Sustainability Development Goals



Employees are the Bank’s most valuable asset, and Bank ABC remains committed to just and inclusive work environment, with purpose-driven careers that offer opportunities for self-

development and professional growth. The Bank adopts a progressive approach to human capital management and endeavors to strengthen it further to be the employer of choice across its network.

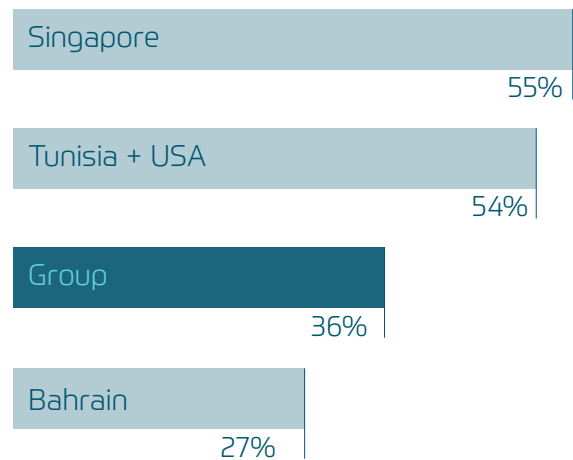
Bank ABC’s Gender Ratio in 2022

	Group	Bahrain	UK	US	Singapore	Brazil	Jordan	Egypt	Algeria	Tunisia
Gender ratio *	36%	27%	39%	54%	55%	34%	36%	30%	47%	54%

*Female employees as % of total employees, 2022.

Females represent 36% of all employees in the Group with Singapore, US and Tunisia leading the way with gender ratios of 55%, 54% and 54%, respectively. Given that, there remains work to be done in Bahrain with the gender ratio at 27%.

There is a clear commitment from senior management to deepen the Bank’s approach to diversity, equity & inclusion DEI and career development. Supporting and actively encouraging DEI to ensure a safe working environment that supports employee wellbeing. In turn, this will foster greater collaboration and allow idea generation to thrive. Career development is another key element to ensure that the Bank is able to retain high quality staff and allow it to promote from within.



Risk Management

Corresponding to the United Nations Sustainability Development Goal



The risk management framework sets the strategic approach for this workstream across the firm by defining standards, objectives and responsibilities for the Group. Climate change, being a unique phenomenon and driver of risks, can have economic and operational impacts and can increase the severity of other risks. As such, climate risk has been embedded throughout the Group’s business covering operations, credit, markets and treasury. Climate stress tests and scenario analysis are also being applied to estimate expected credit losses and the potential impact on ICAAP. In terms of evaluating the climate risk of the Bank’s corporate loan book, the largest 100 obligors are given a climate risk rating based on a climate questionnaire and Moody’s climate industry risk rating. It is also worth noting that, in contrast to many of the large global bank, Bank ABC’s corporate loan portfolio has negligible exposure to the high environmentally damaging industries of coal exploration, coal-fired power, shale, fracking and Arctic exploration.



Gross loans split by sector- 2022

Financial services	19.8%
Manufacturing	14.6%
Construction	9.9%
Other services	8.2%
Others	8.0%
Personal/consumer finance	7.9%
Agriculture, fish & forestry	7.5%
Government	6.5%
Distribution	5.6%
Energy	5.3%
Transport	3.4%
Utilities	3.3%

Looking forward, the Bank will continue to strengthen and widen its approach to measuring, managing and reporting on environmental risk. Environmental risk captures both climate risk and nature/biodiversity loss, which is an important distinction. The more the world’s nature/ biodiversity is degraded, the greater the reduction in greenhouse gas emissions is required to

achieve net zero and limit global warming to below 2 degrees centigrade. Amongst various key initiatives that the Bank has under review, is measuring the Scope 3 greenhouse gas emission of the loan book. This would be an important first step in developing a net zero target covering financed emissions. Carbon Disclosure Project estimates that the global bank industry’s Scope 3 greenhouse gas emissions are 700x that of Scope 1 and 2 emissions.

Finance the Transition

Corresponding to the United Nations Sustainability Development Goals



The financial sector has a critical role to play in supporting the global economy in its transition to a more sustainable, low carbon economy. It is estimated that at least US\$3-5 trillion of additional investment each year through to 2050 is required (Ref: Climate Financial Markets and Real Economy by Boston Consulting Group, December 2020). The vast majority of finance will be in the high emitting industries of power, transportation, building materials, mining and oil & gas as they invest in new technology and capability to reduce their environmental impact. The new technologies being developed to decarbonise the cement industry is a prime example. Experts have highlighted that concrete is the second most used material on

the planet at an estimated 30b tonnes per year with cement generating over 70% of concrete’s emissions. Decarbonising cement would have more dollar-for-dollar impact than decarbonising aviation and shipping. The shift to a more sustainable low carbon economy won’t happen if banks are driven out of financing the major high emitting companies. Instead, banks need to work with industry participants to accelerate the transition.

Bank ABC recognises that it has an important role in supporting its customers to successfully deliver on their own transition journey. In 2022, the Bank provided US\$775mn in green and sustainability-linked finance to its customers, of which US\$595mn

was generated by our Brazil operation and US\$180mn related to two Bahrain-based companies. Banco ABC Brasil (BAB) has now deployed US\$2.4bn of green and sustainability-linked finance over the four year to 2022. Bank ABC participated in two loan syndications totalling US\$3.4bn that both included Islamic sustainability-linked tranches. In both cases, the loans were used for refinancing. Both were Bahrain-based companies: Aluminium Bahrain B.S.C. (Alba) and the Oil & Gas Holding Company (nogaholding). Alba's sustainability-linked loan was related to achieving three ESG KPIs: (i) total recycled waste, (ii) training hours & (iii) number of injury incidents that incurred lost time. nogaholding's sustainability-linked tranche was linked to two ESG KPIs: (i) Carbon intensity reduction & (ii) Health & safety.

Bank ABC is looking at various initiatives across wholesale and retail banking to deepen its approach and fully capture the growth opportunities from green and sustainability-linked finance. BAB has had a sustainable finance taxonomy that defines what it deems green and sustainability-linked, since 2020. This is being strengthened to develop a Group-wide approach to ensure focus and mitigating any green washing. In parallel, priority segments within wholesale and retail banking are being defined to accelerate and deepen the Bank's resources and capability within green and sustainability-linked finance.

Green and Sustainability-linked Finance in 2022

Green and Sustainability-linked Finance	2022 (US\$, mn)
Banco ABC Brasil	595
Bank ABC (excluding Brazil)	180
Total	775



Environmental awareness initiative by Bank ABC Algeria

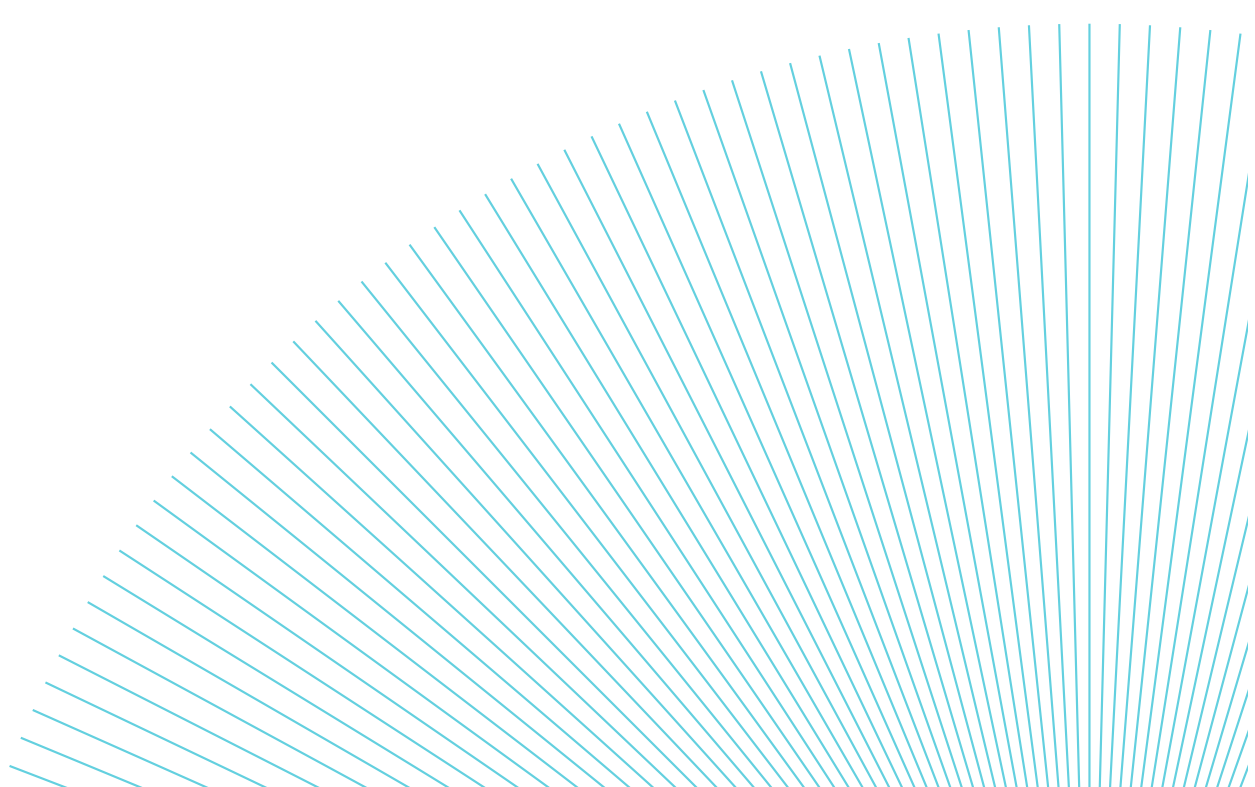
Community Investment & Socio-Economic Development

Corresponding to the United Nations Sustainability Development Goal



Bank ABC recognises its role in contributing to the sustainable development of local communities across its network. The earthquake that struck Turkey and Syria on 6th February 2023 was a stark reminder of this responsibility and the fragility of communities in the face of nature’s devastating force. In response, Bank ABC announced a US\$2mn donation, in support of the relief efforts in the affected areas. The donation will support the ongoing relief and recovery operations in the affected areas through select local and international non-profits actively working for the cause. Bank ABC has been present in Turkey since 2005 and remains committed to helping communities in need across its network. Additionally, on the occasion of Bahraini Women’s Day, 2022, the Bank pledged financial support

towards the initiatives of the Shamsaha Women’s Center, a non-profit corporation, focusing on empowering and protecting women subjected to abuse through the first, full-scale 24/7 women’s crisis response programme in the Middle East. Throughout the year, the Group worked closely with its partners on local community initiatives addressing poverty, hunger, education, inequalities and health & wellbeing. In parallel with its continued efforts to alleviate poverty and enhance health and wellbeing, the Bank has always dedicated special importance to education. This is driven by its belief in the importance of this sector for building a generation that is capable of excelling and championing progress and development in all areas of society.



Corporate Social Responsibility Highlights in 2022

Corresponding to the United Nations Sustainability Development Goals



Poverty & hunger

- Bank ABC Jordan supported the Young Women's Christian Association - Madaba (YWCA – Madaba) by providing food parcels to be distributed to families in need.
- The Bank continued to support the Jordanian Hashemite Fund for Human Development and distributed food parcels to families in need in cooperation with Tkiyet Um Ali.
- Made charitable donations to support students in deprived areas of Tunisia.
- For the 6th consecutive year Bank ABC Tunisia supported Citizen Engagement to provide 1,000 food baskets for families in need during the holy month.
- Bank ABC Algeria's joined the association "Shahre Errahma" to collect donations from Bank employees for families in need during Ramadan.

Education

- In Bahrain, the Bank celebrated International Women's Day by announcing a programme to sponsor two Head office employees, to undertake Masters degree, one of them being an MSc in Strategic Fintech for a female employee, commencing April 2023.
- Partnered with Central Bank of Jordan to provide a student programme promoting financial literacy.
- Continued to support the Jordanian Young Muslim Women Association Centre for Special Education by continuing to cover the expenses of two students.
- Supported an initiative launched by Al Aman Fund for the Future of Orphans which provides scholarships for orphaned students to support them in their higher education.
- Contributed to an education program launched by the Queen Rania Foundation for Education and Development that gives research papers, learning resources and education to children, parents and teachers.
- Bank ABC Tunisia sponsored an investment competition at Tunis Business School and actively supported school career days.
- In partnership with SOS Villages d'Enfants in Tunisia, the Bank sponsored their back-to-school initiative.
- In Algeria, the Bank launched its "MasterClass by Bank ABC" an initiative to introduce students to the career possibilities within banking.

Health & wellbeing

- Contributed to the Al Malath Foundation for Humanistic Care (Al Malath Hospice) in Jordan as a contribution in the Foundation's activities that meet important humanitarian needs and palliative care.
- Ongoing financial support to the King Hussein Cancer Centre (KHCC) in Jordan to support their treatment of cancer patients.
- Organised a Breast Cancer Awareness Day in Tunisia and sponsored the 7th half-marathon 'Run against cancer' organised by Nourane.
- Bank ABC Algeria made a charitable donation to Alif, school for children with Down Syndrome.
- As part of World Environment Day, Bank ABC Algeria hosted lecturers from the ENSA "National Higher School of Agronomy for a conference to raise environmental awareness.

The Bank is excited about the benefits to be realised from embedding sustainability across its value chain. This is expected to generate real business value for the Bank and create positive outcomes for its stakeholders. A strong governance structure is the cornerstone of the Bank ABC's efforts to support a just transition to a more sustainable, low-carbon economy that is equitable for employees, communities and the environment.

Adopting a holistic, collaborative, and evolutionary approach to sustainability should lead to greater efficiency, resilience and productivity while strengthening its approach to governance, operations, human capital management, risk management, business generation and stakeholder engagement. We look forward to updating our stakeholders as we progress on our sustainability journey.



Sustainability Roadmap: 2023 & Beyond

Governance	Transition to a sustainable low-carbon economy	Social responsibility
<ul style="list-style-type: none"> • Sustainability embedded into the governance structure to ensure effective board oversight of the sustainability strategy, risk appetite and culture. • Robust and progressive approach to integrating environmental risk into the Bank's risk management system. • Effective and timely reporting of ESG KPIs with targets that define the Bank's commitment and ambition. • Alignment with Task Force on Climate-related Financial Disclosures for the effective monitoring of progress to targets. 	<ul style="list-style-type: none"> • Measure and mitigate the environmental impact of the Bank's global operations covering greenhouse gas emissions, energy, water and waste usage. • Active engagement of key suppliers to support their efforts in reducing their environmental footprint. • Finance the transition by supporting customer transition strategies and environmentally friendly trade, infrastructure & real estate. 	<ul style="list-style-type: none"> • Deepen the Bank's framework and approach to diversity, equity and career development. • Strengthen training programs to support DEI, career development and sustainability capability. • Enhance employee wellbeing. • Active support and engagement of local communities across the Bank's global network.

For additional 2022 ESG data, refer to the ESG KPI disclosures for Bahrain Bourse on pages 230-231