ABOUT THIS REPORT

This report highlights the second progress report for Ahli United Bank Group (AUB) on its implementation of the Principles of Responsible Banking (PRB). AUB signed the UN Principles of Responsible Banking along with 235 other international banks. The signatories, representing one-third of the total assets of all banks worldwide, agreed to align their business strategies with the UN Sustainable Development Goals and the Paris Climate Agreement. This report highlights the initiatives and measures taken by AUB Group, including AUB Bahrain, AUB Kuwait, and AUB Egypt, to progress towards implementing the principles and create value for all its stakeholders.

In accordance with the UNEP-FI guidelines, the progress towards the PRB shall be integrated into our Group’s annual reporting/annual sustainability report. AUB applied the Portfolio Impact Analysis Tool (Version 2), developed by the Positive Impact Initiative, the signatories of the Principles for Responsible Banking, and the United Nations Environment Programme Finance Initiative (UNEP-FI).

In this report, “AUB,” “the Group,” “the Bank,” “our,” or “we” refer to Ahli United Bank B.S.C. (AUB Group), a regional bank based in Manama, Bahrain, and listed on the Bahrain Stock Exchange, since August 2000 and on the Boursa Kuwait, as well. While AUBB refers to AUB Bahrain, AUBK refers to AUB Kuwait, and AUBE refers to AUB Egypt.

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Editorial Policy

Driven by our leading position in the nation and the region, and as a founding signatory of the Principles for Responsible Banking, this report reflects the steps we have taken towards the implementation of the Principles of Responsible Banking, highlighting our efforts taken to enhance all aspects of our sustainability performance and governance, while considering both national and regional challenges and needs.

Forward-looking Statements

This report contains forward-looking statements on various future estimations. While the management of AUB Group believes that the forward-looking statements included in this report are reasonable, there can be no assurance that forward-looking statements will prove to be accurate since actual results and future events could differ materially from those anticipated in such statements.

Mistakes and Typographical Errors

Any errors discovered following the report’s publication will be corrected and displayed on our website. Considering the environment, our reports are published as a downloadable PDF file on our website.
On behalf of the Board of Directors, I am pleased to present Ahli United Bank Group’s second progress report on our implementation of the Principles for Responsible Banking (PRB).

At Ahli United Bank, we are proud of our approach, delivering profit with purpose and sustaining our track record as a socially responsible bank. Since our establishment, we have been committed to responsible banking and have always been a pioneer in the region regarding socially responsible lending.

We celebrate our second year of being a signatory for UNEP-FI and progressing towards ensuring that our lending and investment activities create a positive impact and yield the minimum negative impact on the communities in which we operate and the stakeholders we serve.

Since signing, AUB has strived to embed sustainability across our business model and day-to-day operations. In line with this vision, our sustainability journey is witnessing a new milestone on the governance and business levels, where we are now setting the course towards an impact-based approach.

This move is an essential expression of AUB’s institutional commitment to aligning with rising stakeholder concerns and a testament to our ongoing dedication to value creation. In 2021, our governance framework incorporated sustainability into our core business operation, allowing us to be transparent about our ever-evolving policies, procedures, and structures that enable us to keep in line with sustainability best practices. The Group Credit and Risk Committee has been assigned to manage, govern, and monitor ESG material issues.

The Committee is responsible for annual review reports on Environment, Social, and Governance (ESG) compliance. In addition, our Group is currently developing its ESG Strategy to create value for our stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities.

With a customer-centric and innovative banking approach, our Group is committed to providing performance excellence in every aspect of our customers’ journey.

AUB has been recognized by Global Finance as Best Integrated Corporate Banking Site for 2021 and Best Digital Bank. The year 2021 saw the introduction of more than 50 enhancements to AUB Bahrain’s digital corporate banking platforms.

These enhancements have positively impacted the customers’ experience, empowering clients throughout their daily money management journeys. Twenty percent of these digitization initiatives have transformed the customer journey by moving away from paper-based processes, which has positively impacted the environment.

In acknowledgment of our impact beyond our internal operations, AUB undertook a holistic impact assessment of its lending and investment portfolios. This year, we extended our impact assessment to cover AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios. We believe this exercise will guide us to set the course of action by committing to targets that mitigate our negative impact while intensifying our positive environmental, social, and economic impacts. AUB choose to target Climate and Inclusive, healthy economies, financial inclusion, as our most significant areas of impact on which we will direct our focus and strategy.

We believe that the Principles of Responsible Banking is the roadmap that paves the way to a sustainable future. Over the past 12 months, we have worked diligently with all bank departments and board of directors and externally with our clients and stakeholders to advance towards responsible banking and enhance our business model where sustainability practices are improved and adopted.

AUB will continue with its “Redefining a Sustainable Future” by leveraging its expertise and capabilities at the service of the economy, society, and the environment.

MOHAMMAD FOUAD AL-GHANIM
Deputy Chairman
1. AUB GROUP AT A GLANCE

CONTENT:

1.1 OUR BUSINESS LINE
1.2 OUR MULTI-COUNTRY NETWORK
1.3 ESG MILESTONES
1. AUB GROUP

AT A GLANCE

Ahli United Bank B.S.C. ("AUB" or the "Bank") is a premier regional bank with operations in eight countries across the Middle East and the United Kingdom. The bank is based in Bahrain and was established following a merger between the United Bank of Kuwait PLC ("UBK") and Al-Ahli Commercial Bank B.S.C. ("ACB"), in which UBK and ACB both became wholly owned subsidiaries of AUB. The Bank operates under a retail banking license issued by the Central Bank of Bahrain ("CBB"). This report will focus on three primary subsidiaries: Bahrain, Kuwait, and Egypt.

AUB Group is an award-winning institution dedicated to creating outstanding shareholder value and providing superior customer services to a broad range of clients. The Bank creates value for its clients through offering a diversified financial services group model and international growth opportunities to serve the financial needs of our retail, corporate, SMEs, and Sharia' clients.

1.1 OUR BUSINESS LINES

The Group’s business model is centered on corporate banking, retail banking, private banking, and treasury and investments, including an enhanced Sharia-compliant contribution.

### Corporate Banking

Corporate Banking Group (CBG) is responsible for the bank’s more capital-intensive risk asset generation activities, which include Corporate Loans, Trade Finance, Commercial Property Finance, and Specialized Finance. The division primarily manages corporate and institutional loans, other credit facilities, and deposit and current accounts.

Despite an unequal economic recovery within many sectors following COVID-19, CBG had an exceptional performance across all primary financial, operational, and business fronts for the year 2021 and continues to make significant progress on many strategic fronts.

### Retail Banking

The Retail Banking division of the Group is primarily responsible for individual customer deposits. It offers current accounts, savings plans, savings certificates, time deposits (both treasury deposits and call deposits), loans (consumer, mortgage, and auto loans), credit card products, internet, and SMS banking.

AUB has launched several new deposit products as a Group, including Certificate deposits with Instant Gifts and Ascending Deposits in Egypt, an improved Mazaya Housing Scheme in Bahrain, and expanded MyGlobal cross-entity exclusive services across the group. AUB also launched a market-leading and unique retail client onboarding solution available on Mobile Banking in Bahrain in February 2021, allowing locals and expats to establish new and existing customer accounts within a few minutes, with a single ID, and 100% paperless. This digital onboarding solution for customers has since been extended to the actual customer experience at branches.

### Private Banking and Wealth Management

Private Banking and Wealth Management is the Group’s less capital-intensive division that primarily serves high-net-worth clients and offers private banking services (including investment products, trusts services, and real estate investment services), asset management services, and real estate fund management services, and Islamic finance products. The division has partnerships with Franklin Templeton, Mellon Global Investors, Henderson Global Investors, Russell Investment Group, All funds Bank, Aviva Investors, Jones Lang LaSalle, Maple Tree (a Temasek affiliate), and Man Investments. Such partnerships enable the Group to offer various solutions in asset management and real estate fund management to its institutional and high-net-worth clients.

In 2021, AUB received several prestigious industry-recognized awards, including Best Islamic Private Bank (Globally) from Private Banker International, Award from Euromoney for the Best Private Bank in Bahrain, The Banker/PWM award for the Best Private Bank in Bahrain & Kuwait, and Global Finance award for the Best Private Bank in Bahrain.

### Islamic Finance

AUB Group offers Sharia’a-compliant banking products and services in Bahrain through its specialized Islamic banking subsidiary, Ahli United Bank K.S.C.P., Ahli United Bank (UK) PLC, and the Issuer. The Bank of Kuwait and the Middle East was rebranded by Ahli United Bank K.S.C.P. in April 2010 after being turned into a fully Sharia’a-compliant Islamic banking institution.

Islamic banking services were formally launched under the Group’s brand name, Al-Hilal, and a variety of Sharia’a-compliant products are now offered to the Group’s corporate, institutional, commercial, and retail customers. Through Al Hijal Life, the Group also provides ancillary Sharia’a-compliant insurance products. The Group has its own Sharia’a Board composed of famous Islamic scholars, and an integrated IT system has been created to process Islamic banking products.
The Group expanded its regional presence by expanding its ownership in the Iraq subsidiary, Commercial Bank of Iraq, from 75% to 80.35% in March 2021. AUB confirmed the acquisition of Citibank's retail assets and liabilities in Bahrain in April 2022, subject to the fulfillment of all regulatory and statutory requirements. The transaction is projected to significantly influence our competitive retail position in terms of client variety and product diversity. The Group’s excellent international credit ratings are being reaffirmed. AUB has been given a stable rating of “A” by Capital Intelligence, “BBB” by S&P, and “BB+” by Fitch.

1.3 ESG MILESTONES

- AUB has been named Market Leader in ESG by Euromoney in their 2022 Market Leaders Rankings.
- AUB has earned the international recognition by Global Finance as the Best Integrated Corporate Banking Site for 2021 and Best Digital Bank.
- In 2021, AUB has been recognized as the Most Innovative Bank in the Middle East by EMEA Finance and the Most Innovative Digital Bank by Global Finance.
- Global Finance recognized AUB as the Best SME Banking in 2021.
- In 2021, AUB received several prestigious industry-recognized awards, including Best Islamic Private Bank Globally from Private Banker International, Award from Euromoney for the Best Private Bank in Bahrain, The Banker/PWM award for the Best Private Bank in Bahrain & Kuwait, and Global Finance award for the Best Private Bank in Bahrain.
- AUB launched in February 2021, a market-leading and unique retail customer onboarding solution available on Mobile Banking.
- The Group expanded its regional presence by expanding its ownership in the Iraq subsidiary, Commercial Bank of Iraq, from 75% to 80.35% in March 2021.
- For its performance as a retail bank in Bahrain, AUB was awarded the “Best Local Bank in Bahrain – 2021” title by EMEA Finance and the “Best in Social Media Marketing & Services – 2021” by Global Finance.
- AUB Bahrain achieved a year-on-year increase of 20% in water-saving during 2021.
- In addition to reducing overall paper consumption during 2021, AUB increased paper recycling by 86% during the same year.
- AUBK has been awarded the Best Banking Technology in Kuwait 2022 from the International Business Magazine.
- AUBK was awarded the Best Bank for Treasury Activities Kuwait 2022 from the Global Banking & Finance Review.
- AUBK was awarded Best Private Bank from the MENA Banking Excellence Awards 2022.
- AUBE was granted a $82 million financing package from the European Bank for Reconstruction and Development (EBRD), the European Union, and the Green Climate Fund (GCF).
- AUBE introduced a new digital service, AUBE takes the lead in being one of the first banks offering the “e-Account” in the Egyptian market. The new service offers clients the convenience of opening their accounts digitally via their smartphones or the bank website, digital onboarding mobile app.
2. A RELATIONSHIP BANK FOR A DIGITAL WORLD
1.2 A RELATIONSHIP
BANK FOR A DIGITAL WORLD

We recognize the necessity to be a sustaina-
ble bank, resilient to future environmental
and social shifts. The Group continues to
forge ahead on its multifaceted Transforma-
tion Plan to deliver customer-centric
data-driven automated process solutions.
Digitalization is considered a foundation
for achieving our strategic objectives of
redefining the banking sector’s future
through embracing state-of-the-art tech-
nology and providing performance excel-
ence in every part of the customer journey.
As part of the Transformation Plan for the
Group, our continued digitalization initia-
tives have already strengthened operation-
al efficiencies and delivered customer
service enhancements.

Our purpose guides us
We are informed by the interests
and needs of our stakeholders.

A multifaceted Trans-
formation Plan to
deliver customer-cen-
tric data

A SEAMS Policy to mini-
imize the negative
impact associated with
lending

Our Stakeholders

Our Shared Values
To maximize shareholder value on a sustainable basis
- To maintain the highest international standards of corpo-
rate governance and regulatory compliance
- To maintain solid capital adequacy and liquidity ratios
- To treat clients fairly and be their preferred banking partner
- To ensure technological, digital and data competitiveness
  across all functions
- To entrenched a disciplined risk and cost management
culture
- To develop a cross-cultural meritocratic management
  structure
- To optimize staff development through business-driven
  training and profit related incentive
- To contribute to the social, economic, and environmental
  advancement of our host countries

Target setting to create
positive impacts

Impact Areas

Our purpose
Our purpose underpins everything we do. It
enables us to build long-term value, invest
for growth, make a positive contribution to
society, and drive sustainable returns for
shareholders.

Our stakeholders
We aim to balance the different interests of
our stakeholders in our decision-making.
We also recognize the need for transparency
and openness, regularly engaging and seek-
ing the views of our stakeholders.

Our Mission
Our Group’s mission is to:
create an unrivaled ability to meet customer
needs, provide fulfillment and development
for our staff, and deliver outstanding share-
holder value. The bank strives to maximize
shareholders’ wealth on a sustainable basis,
maintain the highest international stand-
ards of corporate governance and regulato-
ry compliance and contribute to the econom-
ic, social, and environmental advancement
of the communities in which we operate.

Our positive impact
We recognize the huge responsibilities
that our role brings — from supporting
our customers’ day-to-day financial needs to
the positive impacts we can have on the
environment and broader society. We have
identified four impact areas where we can
make a meaningful contribution and build
long-term value in our business: Climate,
Resource Efficiency, Waste, and Inclusive,
healthy economies.
3. A GLIMPS OF OUR PROGRESS

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• Principle 1: Alignment
• Principle 2: Impact Analysis & Target Setting
• Principle 3: Clients & Customers
• Principle 4: Stakeholders
• Principle 5: Governance and Culture
• Principle 6: Transparency and Accountability
1. A GLIMPSE OF OUR PROGRESS

AUB Group has been a pioneer in the region when it comes to socially responsible lending. In 2020, AUB became a signatory of the Principles for Responsible Banking. This defines a framework by which banks transform into responsible banks aligning strategy and day-to-day business operations with national goals. The Principles for Responsible Banking mobilize banks to direct finance and efforts towards environmental, social, and governance (ESG) areas and promote positive impact and responsible investment.

During the past 18+ months, AUB has worked diligently to assess its status quo, identify gaps, set an approach, and develop an action plan. In this report, we will exhibit AUB’s progress toward the implementation for the second year. This section summarizes AUB’s progress toward the implementation of each principle.

PRINCIPLE 1: ALIGNMENT

Our Group’s mission is to create an unrivaled ability to meet customer needs, provide fulfillment and development for our staff, and deliver outstanding shareholder value. The bank strives to maximize shareholders’ wealth on a sustainable basis, maintain the highest international standards of corporate governance and regulatory compliance and contribute to the economic, social, and environmental advancement of the communities in which we operate.

For this purpose, AUB Group is currently developing its ESG Strategy to create value for its stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities. AUB aims to align its strategic direction with UNSDGs, Paris Agreement, and National Sustainability Agendas. AUB Kuwait’s mission and strategic direction aligned with the Group’s mission and strategic objectives.

AUB Kuwait’s Vision is to become a leading innovative Islamic bank operating with international standards while placing our customers consistently “FIRST”. AUBK’s mission aims to provide our customers with innovative Shari’ah-compliant financial solutions, competitive products, and quality services. To achieve its mission, AUBK aims to remain at the forefront of change necessary through aligning with the direction of national and regional priorities. While AUBE has always aimed to be a dynamic bank with robust product & service propositions, segmented offerings, technologically advanced solutions, and intelligent positioning across its targeted markets.

PRINCIPLE 2: IMPACT ANALYSIS & TARGET SETTING

In acknowledgment of our impact beyond our internal operations, AUB undertook a holistic impact assessment of its lending and investment portfolios.

In this report, we disclose our second impact assessment results that incorporate AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios.

We utilized the UNEP-FI Portfolio Impact Analysis Tool (Version 2) to assess the bank’s portfolio’s environmental, economic, and social impact.

AUB extended its impact assessment to cover AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios.

The Bank has assessed the impact of its corporate banking, which entails SMEs banking, Retail Banking, and Investment banking portfolios, on a broad spectrum of economic, environmental, and social impact areas.

Our impact assessment showed that AUB Group has positive economic and social impacts, while a negative environmental impact. As a Group, we collectively identified four impact areas of significant impacts: Climate, Resource Efficiency, Waste, and Inclusive, healthy Economies.

The four Impact Areas selected are recognized to be of high importance, not only on global and regional levels but on the local levels where AUB Group operates.

We constructed a heat map of our customer lending portfolio to understand which sectors or activities we provide loans for generating positive and negative impacts on the four selected significant areas of impact.

A. CLIMATE:
Sectors that have an impact on climate are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, wholesale and retail trade, civil engineering, public administration, and defense as well as financial service activities except for insurance.

B. RESOURCE EFFICIENCY:
Our portfolio impacts resource efficiency by financing the following sectors/activities: Real estate activities, Extraction of crude petroleum and natural gas, wholesale and retail trade, construction of buildings, crop production, and manufacture of machinery and equipment.

C. WASTE:
The main sectors in our portfolio that impact waste are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, crop production, manufacture of machinery, public administration, and defense, as well as financial service activities except for insurance.

D. INCLUSIVE, HEALTHY ECONOMIES:
The main sectors/activities that contribute to inclusive/healthy economies are: Real Estate, construction of buildings, manufacture of machinery and equipment, civil engineering, crop production, home loans and mortgages, and consumer loans & overdrafts.
To assess the extent of our impact, we developed a scoring methodology to determine the highest positive and negative impacts and set a threshold value to distinguish high-impact areas. We relied on Weighted Average (WA) methodology to assess the extent of each impact area associated with our portfolio.

The impact analysis revealed that Climate and Inclusive, healthy economies are our most significant impact areas. Based on the scoring results, Inclusive, healthy economies is a positive impact area with a low score of 0.2. Meanwhile, Climate is a key negative impact area with a high score of 0.6. Accordingly, AUB chose to target Inclusive, healthy economies as a key positive impact area to intensify its positive impact on the society. AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate.

In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate. Also, AUB targets to release its first TCFD report by 2024, in efforts to mitigate its negative impact on climate. Both Inclusive, healthy economies and climate are considered high priorities for the countries in which AUB operates. AUB is currently developing an ESG action plan to ensure that SMART targets are met.

**PRINCIPLE 3: CLIENTS & CUSTOMERS:**

In line with AUB Group’s commitment to advancing sustainable finance and empowering clients towards more sustainable economic activities, AUB Group has offered its clients several services and products that have encouraged its corporate, retail, and SMEs customers to adopt sustainable practices and businesses.

Products and services range from green finance, tailored services for SMEs, housing schemes, and supporting mega projects. AUB Group also took several initiatives to promote financial inclusion and financial literacy across its subsidiaries.

**PRINCIPLE 4: STAKEHOLDERS:**

At AUB, we form partnerships with governmental bodies, civil society organizations, and international firms to magnify the positive impact on society and create value for our stakeholders, including our clients & society:

- In terms of increasing women’s participation in the digital economy, Ahli United Bank in Egypt sponsored two sessions of the “Anti” initiative of Raye7 Corporation with CTEK, a US government organization, to enable more women to excel in technology through capacity building and matchmaking.

- In 2020, AUB Kuwait partnered with Omniya Factory to recycle plastic waste collected from its branches and head office and EnviroServe to recycle electronic waste products of the bank. Also, AUB Kuwait has partnered with Kuwait Environment Public Authority and Kuwait Company for the Collection of Hazardous Waste to launch an initiative for recycling expired car batteries.

- We partnered with Bahrain Institute for Banking and Finance (BIBF) to provide customized training and development programs based on our business requirements.

- In 2020, AUB participated in one of Tamkeen’s financing schemes, Tamweel Plus. The financing is tailored to the needs of medium and large enterprises established in Bahrain, which aims to support their innovation and assist them in entering international markets.

**PRINCIPLE 5: GOVERNANCE & CULTURE**

The Bank recognizes the importance of social and environmental issues within its risk framework. Thus, we continuously revise and update our SEMS policy. The SEMS policy acts as a strainer that filters out projects that significantly negatively impact the environment and society. Accordingly, AUB will only finance projects that will operate in compliance with national and regional laws.

Our Board and Senior Management are regularly updated on implementing the PRB principles. The Group Credit and Risk Committee has been assigned the role of managing, governing, and monitoring ESG material issues. The Committee is responsible for reviewing reports on the Environment, Social and Governance (ESG) compliance on an annual basis.

To foster a culture of responsible banking, AUB is keen to provide its employees with quality training and awareness-raising sessions on sustainable development to enhance their awareness. AUB aims to enhance its awareness of how crucial sustainable finance is and how to align its business activities with SDGs.

**PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY**

At AUB, we commit ourselves to annual reports on our progress on the principles’ implementation, impacts, and target achievements. A central part of our disclosure is this annual PRB reporting. This is the second progress report on implementing the Principles for Responsible Banking.

We are usually committed to the transparency of material information about the bank. We publish our annual reports annually, ensuring that the information we release about the bank is correct, clear, and transparent and that we do not provide information that intentionally or unintentionally misleads the investors and shareholders. AUB has studied existing and emerging good practices regarding implementing the six PRB principles as reflected in the published reports on the UNEP-FI website, webinars, and guidelines.
4. OUR PURPOSE-LED STRATEGY

Content

4.1 Delivering Profit with Purpose
4.2 Value Creation Mapping
4.3 Alignment with Paris Agreement
At AUB, we are proud of our approach of delivering profit with purpose. From its inception, AUB has recognized its role as a financial institution and its impact on the welfare of stakeholders and the community. AUB Group strives to integrate sustainability into our core business operations and to support our clients’ transition towards sustainability.

We have always been committed to our role and mission as a responsible bank to serve the best interests of our customers and shareholders.

Our Group’s mission is to create an unrivaled ability to meet customer needs, provide fulfillment and development for our staff, and deliver outstanding shareholder value. The bank strives to maintain high standards of corporate governance, risk management, and solid capital base, achieving maximum returns for shareholders on a sustainable basis.

AUBK aims to retain and develop its qualified and professional employees by establishing a meritocratic management structure and being the employer of choice. To maintain customer satisfaction, AUBK works diligently to digitalize business processes through customer-centric and advanced technological solutions.

To achieve its mission, AUBK aims to remain at the forefront of change necessary through aligning with the direction of national and regional priorities.

AUBK seeks to support Kuwait’s path toward a digital economy, in which the financial sector plays a crucial role in ensuring financial inclusion for both individuals and corporations, especially small and medium enterprises.

AUBK leverages its knowledge and investment in digital transformation to serve the needs of our stakeholders. In line with this, AUBK strives to provide an innovative and enabling ecosystem where entrepreneurs in the financial technology industry are encouraged and nurtured.

To contribute to the social and economic advancement of communities in which the bank operates and fulfill its corporate social responsibility.

AUB Kuwait directed its efforts and resources towards six sustainability focus areas which are:

1. Driving Economic Growth.
2. Managing Our Environmental Footprint
3. Caring for Our Workplace
4. Engaging with Our Community
5. Exhibiting Excellent Governance.
6. Advancing Innovation and Digitization.

In addition, AUBK is dedicated to aligning its business strategy and keeping it consistent with our customers’ needs and society’s goals as expressed in the Kuwait Vision 2035, the Sustainable Development Goals, ISO 26000 standard, the UN Global Compact, and the global efforts in fighting COVID-19, and relevant national and regional frameworks.

Where in Egypt, AUB has always aimed to be a dynamic bank with robust product & service propositions, segmented offerings, technologically advanced solutions, and intelligent positioning across its targeted markets. It also targets to create an unrivaled ability to meet customer needs, provide fulfillment and development for our staff and deliver outstanding shareholders’ value.

AUB Group is currently developing its ESG Strategy to create value for its stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities. AUB aims to align its strategic direction with UNSDGs, Paris Agreement, and National Sustainability Agendas.

Nevertheless, to be genuinely purpose-led requires an in-depth understanding of the environmental, social, and governance (ESG) factors that are influential to and for our business. For this purpose.
4.2 VALUE CREATION MAPPING

Our Value Creation Mapping highlights how our core financing activities and business operations create value for the global sustainability priorities reflected in the Sustainable Development Goals (SDGs).

<table>
<thead>
<tr>
<th>Product/Service/Initiative</th>
<th>Description</th>
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<tbody>
<tr>
<td>Financial Inclusion</td>
<td>AUB Group aims to provide people with access to affordable, effective, and safe financial services, which will contribute to achieving inclusive, healthy economies.</td>
</tr>
<tr>
<td>Green Finance</td>
<td>Our Group advocates green finance through actively participating in and providing bilateral financing to produce desalination of water, wastewater treatment, renewable energy &amp; enhancing energy efficiency.</td>
</tr>
<tr>
<td>Digital Transformation</td>
<td>AUB has shaped its transition towards digitalization as COVID-19 accelerated the shift to digital banking. Hence, we doubled our focus on implementing a robust digital transformation strategy that utilizes data analysis to efficiently meet our changing client needs, minimizing the use of cash and physical interactions.</td>
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<tr>
<td>Empowering SMEs</td>
<td>The SME segment has continued to be the core of our business strategy, with dedicated teams to serve the SME clients. AUB Group continued to empower SMEs through providing tailor-made products and services to address the specific needs of SMEs.</td>
</tr>
<tr>
<td>Community Development</td>
<td>In the wake of the pandemic, the AUB Group made total donations amounting to US$ 4.7 million in the region to support humanitarian and relief efforts.</td>
</tr>
<tr>
<td>Women Empowerment</td>
<td>AUB’s female workforce rose from 34% to 36% between 2019 and 2021, while women in leadership positions increased from 19% to 23% during the same period. In addition, AUB contributed to Bahraini Women’s Day, held by the Supreme Council of Women as a Silver Sponsor to support the role of Bahraini women and their progress in Higher Education &amp; Future Scenes. AUB is a regular supporter of Children and Women Welfare Society, which is one of the most notable societies in empowering women and providing the necessities for childcare. In terms of increasing women’s participation in the digital economy, Ahli United Bank in Egypt sponsored two sessions of the “Amit” initiative of Raye7 Corporation with CTEK, a US government organization, to enable more women to excel in technology through capacity building and matchmaking.</td>
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4.3 ALIGNMENT WITH PARIS AGREEMENT

To reduce its carbon footprint, AUB Group has launched digital transformation programs and digital projects across multiple business lines and customer engagement channels since 2019. Moreover, AUB is exerting all its efforts to reduce the Bank’s energy use, water consumption, and the disposal of hazardous and non-hazardous waste to fulfill its responsibility toward the environment. AUB has also aligned its financing activities with the conclusions of the Paris Agreement by incorporating ESG into its risk management framework by adopting the SEMS policy. This policy guarantees that AUB will not finance any project that have a negative impact on the environment or violates the IFC & World Bank environmental performance criteria or national environmental laws and regulations. In addition, AUB has been dedicating its efforts to increasing resource efficiency through the provision of USD 100 million of financing to green projects in the areas of Energy and Water. The Group aims to expand its green financing in the future.

In collaboration with CFA society Bahrain, the Bank sponsored Qodwa, CFA Society Bahrain’s Mentorship Program, and Mutama-hin Program, a training program dedicated to equipping university graduates with employability skills to bridge the employability gap between employers and job seekers. Furthermore, AUB actively participated in the CBE’s Youth and Savings initiative with several events across the country promoting financial literacy.

AUB Group provides long-term lending for large-scale infrastructure & industrial projects with tailored project Finance Solutions. In 2021, the Bank provided syndicated loans, amounting to USD 2,975 million, directed to various projects in several sectors, with a focus on projects in the energy, tourism, manufacturing, financial, and telecommunication sectors.

Employees with special needs are part of the AUB family. As part of AUB’s strategy of inclusivity, the bank was fully equipped with the required amenities to ensure adequate services are always available for all employees with special needs.

Principles for Responsible Banking
5. SUSTAINABLE FINANCE

Content
5.1 Responsible Finance
5.2 Social Lending
5.3 Green Finance
5.4 Financial Inclusion
5.5 Digital Leadership
5 SUSTAINABLE FINANCE

AUB Group has been a pioneer in the region regarding socially responsible lending and has been encouraging sustainable practices from its clients and customers through various complementary means. The bank strives to integrate sustainability into its core business operations and portfolio and support our clients’ transition towards sustainability.

5.1 RESPONSIBLE FINANCE

AUB Group is committed to promoting responsible finance and sustainable lending. In 2011, AUB was one of the first banks in the Middle East to adopt the Equator Principles, the voluntary yet globally recognized framework for banks to determine, assess and manage social and environmental risks in project financing.

Within this frame of reference, the Group has put in place performance standards within its risk framework to assess and evaluate Social and Environmental (S&E) risks associated with financing, known as the Social and Environment Management System (SEMS).

The Group’s SEMS policy, which cascaded to all AUB’s subsidiaries, screens all proposals to ensure that finance will be directed towards projects that have a minimal negative impact on society and the environment. Accordingly, the bank will finance projects that are consistent with the applicable national laws and environmental standards and will work diligently to ensure that all projects comply with the applicable national laws.

AUB Group strives to ensure that all projects funded by the bank are reviewed and evaluated against the Social and Environmental requirements of IFC Performance Standards and World Bank Group Environmental, Health & Safety (EHS) guidelines. AUB will not finance any project that violates the IFC & World Bank environmental performance criteria or national environmental laws and regulations.

5.2 SOCIAL LENDING

I. SMEs Empowerment

The SME segment has continued to be the core of our business strategy, with dedicated teams in place to serve the SME clients. AUB Group continued to empower SMEs through providing tailor-made services and increasing SMES’ share in our lending portfolio by 22% from 2020 to 2021.

AUB Bahrain has launched various products and services, specifically focusing on the banking needs of the Small and Medium Enterprises (SME) segment, which included products such as Al-Tajer, and Point of Sale (POS) Merchant Financing. They aim to go far beyond traditional banking services, empowering local SMEs to achieve their goals and grow their sales. Al-Tajer program of discounts and offers is a 100% digital solution that provides support for SME startups’ design and setup. The program supports business growth and empowerment on self-service channels by making discounts and special offers available to other business partners of AUB, and the Al-Tajer customers.

Another pioneering product in Bahrain is POS Lending. It allows AUB’s business customers to borrow funds against their point-of-sale receivables. In 2021, another innovative service was launched by AUB, dedicated to SMEs customers, which was Cheque Protection. Backed by an overdraft facility, this unique proposition allows SME customers to cover cheques presented if funds are unavailable in their accounts.

As a result, AUB has been recognized by the Global Finance as the Best SME Banking in 2021. AUBB looks forward to helping its SME customers better navigate the challenging environment, with a continued focus on building market-leading propositions for key customer segments, be they Youth, Salariad or Affluent. In addition, AUBK has an SME’s unit that offers tailored products and services to address the needs of small and medium-sized enterprises (SMEs) to make economies more dynamic, inclusive, and sustainable.

With the enhanced need for remote business operations, the Cash Management & B2B Unit under Corporate Banking has continued to offer its customized services to the clients (including SME clients) benefiting from the Business-to-Business (B2B) online banking service, which offers a secure electronic solution aimed at facilitating and streamlining banking transactions through integration between the client’s Enterprise Planning System (ERP) and the Bank’s system. AUB Kuwait has also continued supporting SMEs through our digital solutions, by delivering several customers facing online portals/systems to enable our customers to avail our online services through SME Covid Finance portal to apply for SME finance, e-KYC system to apply for our customers to update their KYC details online and appointment system in order to book an appointment to visit AUB branches for critical services not available online. Moreover, AUB Kuwait sponsored and participated in the Falcon’s Nest Competition to support startup projects.

Moreover, AUBE provides all initiatives approved by the Central Bank of Egypt (CBE) for SME companies who are approved from an SME perspective. AUB Egypt engaged with SME perspective. AUB Egypt engaged with SME customers to update their KYC details online and appointment system in order to book an appointment to visit AUB branches for critical services not available online. Moreover, AUBE Kuwait sponsored and participated in the Falcon’s Nest Competition to support startup projects.

In addition to other services like the online system (B2B) and others that can facilitate the daily operations of the company, not to mention customers often consult the bank for providing solutions for developing their companies either financially or non-financially. Additionally, the use of AUBE digital banking platforms enabled and empowered SME customers as it supports the efficient monitoring of their banking accounts and proper view of their current financial position, in addition to accelerating payments through digital solutions, which support to decrease the risk of holding cash and cost of insurance.

Furthermore, AUB was granted a $82 million financing package from the European Bank for Reconstruction and Development (EBRD), the European Union, and the Green Climate Fund (GCF). The financing package is part of AUBE’s expansion strategy in the Egyptian market, which will boost its funding activities, support the growth of GDP and further provide the required financing for the small and medium-sized enterprises (SMEs) as well. The package consists of a $30 million credit line for lending to the SMEs in Egypt, a $10 million value chain loan under the EU-Funded Trade and Competitiveness Program.

This is in addition to the $12 million green value chain loan supported by the GCF and the EU, and a $30 million trade facility under the EBRD Trade Facilitation Program (TEP). The project will enable small businesses to invest in advanced technologies and solutions, which result into climate change mitigation and adaptation. The project will offer a combination of medium-term financing and technical expertise in a package that promotes targeted investment in climate change mitigation and adaptation technologies and services in Egypt.
II. MAZAYA HOUSING SCHEME

In 2021, AUB Bahrain offered a higher level of support to clients with a limited income to purchase their first residential property, a smooth experience with less burden. AUB Bahrain expanded its support by offering financing of up to 120% of the property value over a period that can reach 30 years, as well as levying administration, property evaluation, and loan insurance fees. This level of support guarantees more funding to cover the cost of the property, furniture, and consolidation of other financial commitments in addition to more affordable installments over more extended repayment periods.

III. FINANCING MEGA PROJECTS

AUB Group provides long-term lending for large-scale infrastructure & industrial projects with tailored project Finance Solutions. In 2021, the Bank provided syndicated loans, amounting to USD 2.975 million, directed to various projects in several sectors, focusing on projects in the energy, tourism, manufacturing, financial, and telecommunication sectors. For instance, AUB Group supported mega projects such as Atheer Telecom Ltd. Besides, AUB Group finances mega projects in the oil and gas sector. In addition, AUBK provided finance of a total of 694,537 (USD000) to projects in the oil and gas sector. In addition, AUBK has been financing many projects in the energy, tourism, manufacturing, financial sectors. Moreover, AUBK finances mega projects in financial, trade, oil & gas, and construction sectors with total funds of USD 84334.

IV. REAL ESTATE & PROJECT FINANCING

AUB Group offers a competitive range of mortgage products and structured solutions for all types of commercial & residential properties across different sectors. This support includes services such as arranging payment of household expenses. Also, AUB provides long-term lending for large-scale infrastructure & industrial projects with tailored project finance solutions. Thus, AUB Group contributes to economic and social development through deepening industrialization, creating job opportunities, and supporting real-estate sectors.

5.3 GREEN FINANCE

Our Group advocates green finance through actively participating in and providing bilateral financing to produce water desalination, wastewater treatment, renewable energy & enhancing energy efficiency, with a total of $100 MM.

Our green finance initiatives will enable Bahrain to achieve its future aspiration of achieving a just and thriving society by ensuring that Bahrain residents enjoy a sustainable & attractive living environment and conserving the natural environment for future generations.

AUB Kuwait continued to support the Kuwait National Focal Point for Environmental Projects by providing all services on liquidity matters of the company by offering current corporate accounts, Wakala based investment and deposit accounts, other superior cash management products & services, online platform (B2B), and foreign exchange services.

Moreover, AUBK has been financing many green projects across many areas such the wastewater treatment, agricultural projects, and energy. Also, AUBK has provided a mobile application for the Benayat online platform and delegating the application review process to licensed engineering firms, making property registration more accessible, and strengthened access to credit.

5.4 FINANCIAL INCLUSION

AUB Group aims to provide people with access to affordable, effective, and safe financial services, which will contribute to achieving inclusive, healthy economies, thereby promoting Bahrain’s development.

Bahrain was one of the ten economies with the most notable improvement in Doing Business 2020 through implementing regulatory reforms, which included making obtaining construction permits easier by further streamlining the application process through the new Benayat online platform and delegating the application review process to licensed engineering firms, making property registration more accessible, and strengthened access to credit.

Moreover, Bahrain made it simpler to pay taxes by instituting electronic contributions of social insurance payments. Concurrently, financial inclusion measures have been gradually increasing in recent years.

In collaboration with CFA society Bahrain, the AUB Bahrain sponsored Qodwa, CFA Society Bahrain’s Mentorship Program, and Mutama-financing to produce water desalination, renewable energy & enhancing energy efficiency, with a total of $100 MM.

In addition, AUBK has added updates to its financial literacy measures have been gradually increasing in recent years.

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Besides, AUB Egypt aims to implement an action plan that includes accommodating customers with special needs in its branches, with the presence of specialized money changers and PB offices, as well as training employees in the branches to deal in sign language, providing banking documents in Braille, launching banking applications that allow people with special needs to deal with, and providing special signs on the front of the bank, special ATMs, and ramps for wheelchairs.

This will facilitate the access of people with special needs to banking services and their inclusion in the banking sector, which contributes to achieving a major goal for the Egyptian state and the Central Bank under the umbrella of financial inclusion.

In addition, AUBK has engaged in numerous Financial literacy activities across different geographical areas including Damietta, Port said, Assuit, Sharkeya in 2020 and expanded to cover Menia, Portsaid, Assuit, Alexandria, Tanta, Menoufeya, Mansoura, Sharkia as well as Cairo and Giza areas in 2021.

These activities are mainly events conducted during CBE’s different Financial Inclusion initiatives whether Women, Arab day for Financial Inclusion, Savings, Youth, Special Needs or Farmer’s day initiatives. The aim was to educate these unbanked segments of the banking platforms, products, services, and digital inclusion.

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5.5 DIGITAL LEADERSHIP

AUB has shaped its transition towards digitalization as COVID-19 accelerated the shift to digital banking. Hence, we doubled our focus on implementing a robust digital transformation strategy that utilizes data analysis to efficiently meet our changing client needs, minimizing the use of cash and physical interactions.

Bahrain was one of the ten economies with the most notable improvement in Doing Business 2020 through implementing regulatory reforms, which included making obtaining construction permits easier by further streamlining the application process through the new Benayat online platform and delegating the application review process to licensed engineering firms, making property registration more accessible, and strengthened access to credit. Moreover, Bahrain made it simpler to pay taxes by instituting electronic contributions of social insurance payments. Concurrently, financial inclusion measures have been gradually increasing in recent years.

The Group continues to forge ahead on its multifaceted Transformation Plan to deliver customer-centric data-driven automated process solutions.

As part of the Transformation Plan for the Group, our continued digitalization initiatives have already strengthened operational efficiencies and delivered customer service enhancements.

In fact, AUB could seamlessly provide its customers all services through a hybrid approach of utilizing the Bank’s digital channels and e-platforms and operating certain branches under restrictive and preventive health measures.

This was to ensure our employees’ and customers’ health and safety during the COVID-19 crisis. In 2022, AUB seeks to accelerate its digital transformation further to ensure its ability to exceed customers’ expectations. By rolling out digital services at all AUB Bahrain’s branches, 50% of all new accounts in 2021 were opened digitally, making them 100% paperless in comparison to 2020 and before. AUB Bahrain’s continuous digitization efforts earned it several prestigious awards from international publications in 2021 such as the Most Innovative Bank in the Middle East by EMEA Finance and the Most Innovative Digital Bank by Global Finance.
RETAIL DIGITAL TRANSFORMATION

AUB continued its journey towards innovation and technology advancement, through the adoption of data- and technology-based opportunities that would assist better customer service and achieve business growth. While the worldwide health pandemic continued throughout 2021, the retail banking market has demonstrated a significant shift towards digital solutions, digital payment options, and enhanced financial service touchpoints to ensure business and service continuity, with priority given to the safety and wellbeing of its clients. Our focus for retail banking services was to expand business reach by introducing new channels and solutions, to further reach customers through public roadshows and special visits to employers and companies to marry the digital and physical channels together and enable the delivery of improved customer experiences.

The focus was also to continue offering Premium services to elite retail customers across the AUB Group and to extend AUB’s My Global product to multi-entity clients that facilitate money management and money matters to its subscribed clients.

On the Digital front, in Bahrain, AUB launched in February 2021, a market-leading and unique retail customer onboarding solution available on Mobile Banking that facilitates new and existing customer account opening within 5 minutes with a single ID for citizens and ex-pats residing in the Kingdom. This customer digital onboarding solution has subsequently been expanded into the physical customer experience at branches. Strategic investment in best-fit technologies and intelligent data design have enabled the bank’s transformation, continuous development, and business growth.

Additionally, investment in experienced resources and resource development, focusing on innovation and technology, has contributed to the advancement of our retail business propositions and customer experiences. Customer expectations have evolved towards fast, rapid service deliveries, anytime, anywhere. Hence, we have made our digital and machine services available around the clock with new features, improved experiences, and expanded coverage across the network.

For example, AUB successfully rolled out Apple Pay in Bahrain and supported the introduction of Bahrain’s Electronic Cheques for individuals and companies at branches and digitally.

AUB Group retail products are tailored to meet the plans and needs of the retail consumer, ranging from personal finances to auto and home loans.

On a similar note, AUB Kuwait launched “E-KYC” service, which allows customers to update their data and information from anywhere, inside, or outside Kuwait, at any convenient time around the clock. The Bank also launched further banking services via AUB mobile App.

With these new unique services, customers can easily follow up and evaluate their expenditure through AUB Mobile Application, which helps them better control and manage their expenditure. Within the efforts aimed at reducing the attendance of customers at different branches and providing them with more access points, the Bank enhanced the services provided through ATMs with a completely new interactive application interface that provides customers with an exceptional experience through a new concept for ATMs.

In 2020, the Bank also launched a new service allowing new customers to open Al-Has-sad Islamic and Afaq accounts online. AUBK has integrated with PACI to automate and update its database with customers’ Civil ID expiry dates for customer convenience.

In addition to that, the branch is also in progress to integrate our Branches and Digital Channels (MB, IB, ATM, Website, Call center) with PACI to provide an alternate secure mechanism to read & update the Civil ID data by scanning the PACI Kuwait Mobile Id app and pre-filled the customer’s data during filling/ executing any online applications. In Egypt, the ATM network functionality was significantly enhanced with the addition of Mobile Wallet acceptance, Mezza Cards Cash deposit, and Cash Deposit units.

Moreover, AUBE introduced a new digital service, the “e- Account”. The new service offers clients the convenience of opening their accounts digitally via their smartphones or the bank website, digital onboarding mobile app. AUBE takes the lead in being one of the first banks offering such unique service in the Egyptian market. As part of the bank’s efforts to provide the latest innovative digital banking solutions, the new service banking experience provided to customers in a safer, faster, and hassle-free method.

The e-Account service offers innovative e-banking services facilitating the account opening process for the bank’s customers. The service enables account opening anywhere in just a few easy steps. Hence, customers can easily enter the required data after downloading the app from Google and Apple app stores or via the bank’s website. Then, the customer will head to the branch selected during the registration process to seamlessly fulfill the procedures required to activate the newly opened account.

The new e-Account offers a variety of benefits. The client can swiftly deposit money upon account activation. The client can also securely access the balance anywhere and anytime. The service offers a rewarding point, fee-free debit card issuance, automatic registration in the e-wallet app, and e-statement and SMS services. The client can enjoy fee-free online and mobile banking services.
CORPORATE AND SMEs DIGITAL TRANSFORMATION

In 2020, we began a Corporate Banking Group (CBG) transformation journey intending to transform our business model, focused on building technology and digital solutions that will power our businesses over the longer term. This initiative was carried forward vigorously in 2021.

With the solid foundation in place for Transformation, CBG continues to make steady progress on executing our CBG Transformation strategy, as demonstrated by the significant progress in all key transformation pillars. The year 2021 saw the introduction of more than 50 enhancements to AUB Bahrain’s digital corporate banking platforms.

These enhancements have positively impacted the customers’ experience, empowering clients throughout their daily money management journeys. Twenty per cent of these digitization initiatives have transformed the customer journey by moving away from paper-based processes.

This in turn has had a positive impact on the environment and earned the bank international recognition by Global Finance as Best Integrated Corporate Banking Site (2021) and Best Digital Bank.

With the enhanced need for remote business operations, the Cash Management & B2B Unit under Corporate Banking has continued to offer its customized services to the clients (including SME clients) benefiting from the Business-to-Business (B2B) online banking service, which offers a secure overall electronic solution aimed at facilitating and streamlining banking transactions through integration between the client’s Enterprise Planning System (ERP) and the Bank’s system.

AUB was named the Best Trade Finance Provider in Bahrain, Best Integrated Corporate Banking Site in Bahrain & Kuwait by Global Finance Magazine, and Best Online Treasury Services CIB in the Middle East & Bahrain, a testament to the Bank’s commitment to offering the best-in-class products and solutions for its clients. In 2022, CBG will continue to reduce our environmental impact by including a commitment to putting sustainability at the core of our business.

AUB Egypt offers Digital/ Electronic onboarding and corporate B2B platforms that will accelerate business growth and transactional activities. Several initiatives have also been introduced to enhance the functionality of existing channels, build a digital solution that differentiates AUBE from the competition and increase efficiency.
6. IMPACT REVEALED

Content
6.1 Impact Identification
6.2 Impact Analysis
6.2.1 Prioritized Impact Areas
6.2.2 ESG risk assessment and Heat Map
6.2.3 Extent of impact
6.3 Targets for creating value
AUB Group is committed to identifying and enhancing the impacts associated with its lending and investment portfolio. In acknowledgment of our impact that extends beyond our internal operations, AUB undertook a holistic impact assessment of its lending and investment portfolios.

We utilized the Portfolio Impact Analysis Tool (Version 2), which was developed by the Positive Impact Initiative, signatories of the Principles for Responsible Banking, and the United Nations Environment Programme Finance Initiative (UNEP FI) to assess the environmental, economic, and social impacts associated with the bank’s portfolio.

In this report, we disclose our second impact assessment results that incorporate AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios. To conduct our second holistic impact assessment, we followed a series of steps as follows:

### 1. Scope:

AUB extended its impact assessment to cover AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios. The Bank has assessed the impact of its Corporate banking, which entails SMEs banking, Retail Banking, and Investment banking portfolios, on a broad spectrum of economic, environmental, and social impact areas.

<table>
<thead>
<tr>
<th>Percentage of gross income (on a subsidiary level)</th>
<th>Corporate Banking (Including SMEs Banking)</th>
<th>Investment Banking</th>
<th>Retail Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUB Bahrain</td>
<td>38%</td>
<td>51%</td>
<td>10%</td>
</tr>
<tr>
<td>AUB Kuwait</td>
<td>35%</td>
<td>38%</td>
<td>27%</td>
</tr>
<tr>
<td>AUB Egypt</td>
<td>39%</td>
<td>32%</td>
<td>29%</td>
</tr>
</tbody>
</table>

### 2. Scale of Exposure:

AUB Group considers the most critical sectors and key negative sectors financed across each business function. The Bank has differentiated the sector exposure of SMEs banking from corporate banking. Corporate banking, SMEs banking, and Investment Banking are segmented based on the International Standard Industrial Classification (ISIC).

The bank covered 100% of the Corporate banking, investment banking, and SMEs banking portfolios across the pre-mentioned subsidiaries in the assessment. The main sectors and activities financed throughout the Corporate and Treasury and Investments business lines are as follows:
### 3. Context:

We considered AUB’s consolidated operations across its headquarters in Bahrain and other significant subsidiaries, including Kuwait and Egypt, which were covered in the impact assessment. AUB has assessed the level of country needs of different impact areas by tracking relevant indicators for the various impact topics from the baseline resources provided in the tool. Regarding the indicators whose values were unavailable, we utilized additional sources and consulted with relevant stakeholders to capture sufficient data to satisfy those indicators.
6.2 IMPACT ANALYSIS

We identified our significant impact areas for each subsidiary according to the established sectors’ associations with relevant impact areas provided by the Portfolio Impact Analysis Tool. Our main potential identified impact areas are categorized into economic, social, and environmental impact areas and are mapped across the 17 Sustainable Development Goals (SDGs).

6.2.1 PRIORITIZED IMPACT AREAS

After conducting the impact assessment, AUB identified the significant positive and negative impact areas associated with its lending and investment Banking activities and set the course of action to mitigate negative impact while intensifying its positive impact. Our assessment of AUB’s portfolio revealed the following impact areas.

**AUB Bahrain’s Impact Areas:**

Culture and Heritage, Inclusive, healthy economies, and health and sanitation have been identified as significant areas of positive impact for AUB Bahrain. While, Climate, Resource Efficiency, and Waste have been identified as significant areas of negative impacts.

<table>
<thead>
<tr>
<th>Economic and Social Impact Areas: (Positive)</th>
<th>SDG</th>
<th>Economic and Social Impact Areas: (Negative)</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture and Heritage</td>
<td></td>
<td>Climate</td>
<td></td>
</tr>
<tr>
<td>Inclusive, healthy economies</td>
<td></td>
<td>Resource efficiency</td>
<td></td>
</tr>
<tr>
<td>Health and Sanitation</td>
<td></td>
<td>Waste</td>
<td></td>
</tr>
</tbody>
</table>

**AUB Kuwait’s Impact Areas:**

For AUB Kuwait, Inclusive, healthy economies, health and sanitation, and culture and heritage have been identified as AUBK’s critical areas of positive impact. While, Climate, Resource efficiency and waste have been identified as significant negative impact areas.

<table>
<thead>
<tr>
<th>Economic and Social Impact Areas: (Positive)</th>
<th>SDG</th>
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<tr>
<td>Culture and Heritage</td>
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<td>Waste</td>
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<td>Climate</td>
<td></td>
</tr>
<tr>
<td>Health and Sanitation</td>
<td></td>
<td>Resource efficiency</td>
<td></td>
</tr>
</tbody>
</table>

**AUB Egypt’s Impact Areas:**

Health and sanitation, housing, and inclusive, healthy economies have been identified as significant areas of positive impact areas for AUB Egypt. Similarly, Climate, resource efficiency, and waste are the key negative areas of impact associated with AUBE’s portfolio.

<table>
<thead>
<tr>
<th>Economic and Social Impact Areas: (Positive)</th>
<th>SDG</th>
<th>Economic and Social Impact Areas: (Negative)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td></td>
<td>Resource efficiency</td>
<td></td>
</tr>
<tr>
<td>Inclusive, healthy economies</td>
<td></td>
<td>Waste</td>
<td></td>
</tr>
<tr>
<td>Health and Sanitation</td>
<td></td>
<td>Climate</td>
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</tr>
</tbody>
</table>
6.2.2 Impact Assessment and Heat Map

Our impact assessment showed that AUB Group has a positive economic and social impact while a negative environmental impact. As a Group, we collectively identified four impact areas of significant impact: Climate, Resource Efficiency, Waste, and Inclusive, healthy Economies. The four Impact Areas selected are recognized to be of high importance, not only on global and regional levels but on the local levels where AUB Group operates.

We constructed a heat map of our customer lending portfolio to understand which sectors or activities we provide loans for generating positive and negative impacts on the four selected significant areas of impact. The green and red squares indicate that this sector/activity has a positive or a negative impact on each impact area, respectively.

1. Climate

Climate Change has been recognized as a top priority and critical concern on both the global and national levels for Bahrain, Kuwait, and Egypt, where AUB operates. Bahrain’s CO2 emissions per capita in 2018 were 19.6 metric tons making it one of the world’s largest countries in terms of per capita CO2 emissions. Accordingly, Bahrain has considered this issue by developing and mandating Policy Making related to climate change on various levels and parameters.

Kuwait is characterized by high temperature, high humidity, and arid lands resulting in seriously degraded soil and land damage in addition to salt intrusion in the aquifers affecting the small-scale agricultural lands, thus enhancing the food security threat in the region. Since 1975, Kuwait has experienced a 1.5°C to 2°C increase in temperature, which is significantly higher than the global average.

Accordingly, the Government of Kuwait, represented by the Environment Public Authority (EPA), has committed itself to ensure the implementation of its National Adaptation Plan (NAP), in partnership with other governmental and non-governmental institutions further. A national coordination mechanism has been identified to implement a range of national initiatives to protect the various vital sectors from the negative impacts of climate change.

Moreover, climate change has been considered as a national direction of the Egyptian Government. Egypt has recently launched its National Climate Change Strategy for 2050 to support a more resilient and greener Egyptian Economy.

Egypt has also issued $750 million in green bonds last year in what was the region’s first sovereign offering of climate-friendly securities.

To combat climate change, Egypt is hosting the UN COP 27, highlighting the country’s progress towards green transition.

Sectors impacting climate are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, wholesale and retail trade, civil engineering, public administration and defense, and financial service activities except for insurance.

2. Resource Efficiency

Resource Efficiency has been identified as the second area of significant impact for AUB Group. Water Scarcity and Consumption have been considered critical issues of the high level of country needs for Bahrain, Kuwait, and Egypt.

A World Resources Institute (WRI) study showed that the Middle East is the least water-secure region in the world as it depends heavily on groundwater and desalinated seawater and faces unprecedented water-related challenges for the near future.

Bahrain and Kuwait are listed among the top ten countries likely to suffer from a water crisis by 2040. Due to the severe shortage in freshwater resources and despite the higher cost of desalinated water, as compared to other conventional water resources, Kuwait and Bahrain have constructed many desalination plants since the early Seventies. These facilities were constructed to bridge the gap between freshwater availability and drinking water demands. In addition, a 2021 UNICEF report showed that Egypt is facing an annual water deficit of around seven billion cubic meters, and the country could run out of water by 2025 when it is estimated that 1.8 billion people worldwide will live in absolute water scarcity.

Our portfolio impacts resource efficiency because of financing the following sectors/activities: Real estate activities, Extraction of crude petroleum and natural gas, wholesale and retail trade, construction of buildings, crop production, and manufacture of machinery and equipment.
3. Waste

Concerning this issue, Bahrain has encountered significant challenges, and it is worth noting that sustainability is one of the three guiding principles of Bahrain’s Economic Vision 2030, which is focused on various issues, including waste management and other environmental topics.

Furthermore, the Kingdom has adopted a national contingency plan for combating oil spills, managing hazardous waste and healthcare waste, and adopting projects that address the need to recycle electronics (Recycling IT), as part of the country’s environment protection plan to control waste. In addition, Kuwait is among the world’s highest per capita waste generators. Each year more than 2 million tons of solid waste is generated in the tiny Arab nation.

High living standards and rapid economic growth have been significant factors behind high per capita waste generation of 1.4 to 1.5 kg per day. Waste management is another major issue in Egypt and a common subject of governmental discussions.

Although all national talks related to this issue focus on municipal waste management, the other solid waste sources are a more significant problem, especially the dangerous ones.

The main sectors in our portfolio that impact waste are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, crop production, manufacture of machinery, public administration and defense, and financial service activities except for insurance.

4. Inclusive, Healthy Economies

Bahrain took essential steps towards driving inclusive, healthy economies by creating a business-friendly environment and ensuring healthy competition.

Bahrain was one of the ten economies with the most notable improvement in Doing Business 2020 through implementing regulatory reforms, which included obtaining construction permits easier by further streamlining the application process through the new Benayat online platform and delegating the application review process to licensed engineering firms, making property registration easier, and strengthened access to credit.

Moreover, Bahrain made it simpler to pay taxes by instituting electronic contributions of social insurance payments. Concurrently, financial inclusion measures have been gradually increasing in recent years. The overall number of bank branches serving people increased by 25.7 percent from 136 in 2011 to 171 in 2017, while the proportion of adults having an account increased by 18 percent from 65 to 83 percent.

In Kuwait, the banking industry is amidst a revolution, with Fintech being a key driver of this much-needed change. The Central Bank of Kuwait spearheads Fintech innovation, evidenced by the recently established Fintech Unit, which will support the Fintech regulatory sandbox.

To promote inclusive societies and economic convergence, Egypt placed financial inclusion as a top priority on its government’s agenda during the past few years, playing an integral part in Egypt’s Vision 2030.

Egypt aims to promote financial inclusion that can help support SMEs, formalize the informal sector, promote gender empowerment, increase job opportunities, and achieve sustainable growth.

The government and CBE took various initiatives to tackle supply and demand barriers facing financial inclusion in Egypt and foster the FinTech industry since the CBE declared financial inclusion as a national priority.

The main sectors/activities contributing to inclusive/healthy economies are Real Estate, construction of buildings, machinery and equipment, civil engineering, crop production, home loans and mortgages, and consumer loans & overdraft.
**6.2.3 Extent of Impact (Scoring)**

To assess the extent of our impact, we developed a scoring methodology to determine the highest positive and negative impacts and set a threshold value to distinguish high impact areas. We relied on Weighted Average (WA) methodology to assess the extent of each impact area associated with our portfolio. We followed a series of stages to score and rate our impact areas, as follows.

1. Rating positive and negative impact areas separately across each impact area.
2. We utilized the weighted average of all sectors included in our lending and investment portfolio to create a score for each impact area.
3. Rating impact areas concerning the severity of occurrence – where the severity has been determined based on the country needs to be provided by the UNEP-Fi Portfolio Impact Analysis Tool. The severity has scored from 1-4, where 1 indicates a low level of country need and 4 refers to the high level of country need.
4. Rating impact areas concerning the likelihood of occurrence with a rating from 0-4 reflects the expected risk level. 1 indicates a low level of risk, while 4 refers to the high level of risk.
5. The overall score ranges from 0-1 with a threshold of 0.5. Thus, a score below 0.5 indicates a low score and a score above 0.5 indicates a high score.

**6.2.4 Target Setting**

The impact analysis revealed that Climate and Inclusive, healthy economies are our most significant impact areas. Based on the scoring results, Inclusive, healthy economies is a positive impact area with a high score of 0.11. Meanwhile, Climate is a key negative impact area with a high score of 0.6.

Accordingly, AUB chose to target Inclusive, healthy economies as a key positive impact area to intensify its positive impact on the society. AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate.

In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate. Also, AUB targets to release its first TCFD report by 2024, in efforts to mitigate its negative impact on climate. Both Inclusive, healthy economies and climate are considered high priorities for the countries in which AUB operates. AUB is currently developing an ESG action plan to ensure that SMART targets are met.
7. RESPONSIBLE RELATIONSHIPS

Content:

7.1 Responsible Communication
7.2 Complaint Management
7.3 Customer Privacy & Data Security
7. RESPONSIBLE RELATIONSHIPS

Our Group’s mission is built on key pillars that focus on treating our clients equitably and becoming their preferred banking partner. With customer satisfaction being a top priority for the Group, AUB exerts all its efforts and gears its activities towards empowering our clients and providing them with an excellent and distinguished customer experience.

Our approach is marked by being customer-centric, where the customers (individuals and businesses) are the center of all our operations, bolstered by the acceleration of digital transformation in equilibrium with network expansion and promotion of our global presence. This allows us to create shared value for our individual and business customers.

Overall, client acquisition and retention are a primary goal through the general upkeep of the Bank’s excellent customer service standards, contributing to the Bank’s goal of sustainable profit growth.

In this regard, we established a Quality Assurance Policy (QAP), which will be reviewed and updated annually and approved by the Board of Directors to achieve excellence in customer protection while keeping regional benchmarks and any applicable regulatory framework in respective jurisdictions in mind.

The policy establishes client protection standards by maintaining the quality of its customer service and monitoring its performance against these criteria. To ensure quality, AUBE performs a regular review to ensure that the bank procedures and policies/controls are implemented and followed, Mystery shoppers, customer surveys, and welcome calls to ensure the full knowledge of products and services.

In addition, AUBK reviews and reports key product/service performance and customer satisfaction through innovative digital tools that engage with our customers upon receiving bank products and services to receive their satisfaction level and feedback where we identify improvement opportunities.

Based on this engagement and data analysis, issues are tackled as the system identifies low satisfaction and is forwarded to the business area for action to regain customer satisfaction and confidence in bank services. Also, AUBK conducts quality check visits to locations such as ATM, Branches etc. A consolidated analysis report of the above practices is issued and presented monthly to the business area and quarterly to the management committee, highlighting statistics and areas for improvements.

7.1 RESPONSIBLE COMMUNICATION

AUB works diligently to ensure responsible customer relationships in its Code of Ethics. AUB Group has developed a Corporate Communication Internal Policy that provides a broad set of guidelines for all activities conducted by the Corporate Communication Department in Advertising, Branding, Publication, Press Releases, Corporate Gifting, and Public Relations at the local Bahrain level as well as regional levels (wherever necessary).

AUB shall always endeavor to strengthen its corporate reputation by maintaining a high degree of transparency and consistency in communication with its stakeholders and clients.

All communication shall be disseminated to stakeholders promptly, with clarity, coherence, and credibility. The policy also includes the prompt disclosure of all relevant information to stakeholders and the availability of the last five years of financial data on the Bank’s website.

On a similar note, AUB Kuwait increases staff awareness of the fair treatment of its customers through its Code of Ethics and Conduct and provides periodic training to workers who deal with and work directly with customers to encourage responsible communication. AUB Group has also created the Banking Integrity policy, which includes whistleblower guidelines and is especially designed to support complaints reported about misbehavior.

Furthermore, the Group provides specialized communication channels via which clients can securely raise and report their concerns to a bank adviser. The Bank’s website is constantly updated with extensive advice and reminders on keeping account details secure and not revealing financial information to any third party.

AUB Egypt has communication policies in place ensuring effective communication to customers through our central channels, branches, website, social media, and all customer-facing communication, BTL and ATL.

Principles for Responsible Banking
7.2 COMPLAINT MANAGEMENT

AUB’s Code of Ethics strives to affirm a responsible customer relationship. We established the Banking Integrity policy, which includes extensive policy and procedures on whistleblowing and is especially geared to facilitate complaints reported about misconduct. Also, the bank raises its employees’ awareness on the fair treatment of its customers through its Code of Ethics and Conduct and provides training to the staff who communicate with customers, render banking services to them, and handle their complaints.

AUB Group recognizes that high-quality customer service and developing a system for receiving ongoing feedback from clients and resolving their concerns depend critically on our effective complaint management. The Bank views complaints as a chance to enhance the services it offers to consumers. Any complaints that have a potential for fraud, financial loss, or reputational damage are immediately escalated to the relevant DGCEO, Group Head Audit, Group CEO, and MD.

All complaints are registered and monitored to guarantee that the client is frequently informed and receives a prompt response. AUB Bahrain and Kuwait is adopting a Complaint Management System, while AUB Egypt is in the process of developing its complaint management system. The Complaints Management System process at the Bank is as follows:

<table>
<thead>
<tr>
<th>Complaints Management System (CMS);</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Register customer complaints in the CMS system using creators from the complaints unit and the call center.</td>
</tr>
<tr>
<td>2- Register CBK complaints in the CMS system by complaints unit staff.</td>
</tr>
<tr>
<td>3- Follow up on all complaints and update the system once the complaint has been closed based on the actions taken and corrective actions.</td>
</tr>
<tr>
<td>4- The CMS system generates a pending corrective action report to ensure that all actions are resolved and implemented.</td>
</tr>
<tr>
<td>5- The CMS generates monthly reports for CBK and Customer complaints.</td>
</tr>
</tbody>
</table>

In addition, AUB Egypt relied on the customer Complaint system, namely “Customer Voice,” which is used to record all data related to received complaints till final resolution to enable the generation of required reports to track all the needed corrective action plan to avoid recurrence.

7.3 CUSTOMER PRIVACY AND DATA SECURITY

AUB was the first bank to be PCI-DSS certified in Bahrain in 2009 and has maintained its compliance with the PCI-DSS for the eleventh year in 2020, demonstrating its commitment to the security of card payments in the communities to which the Bank belongs.

Being ISO 27001 certified for more than 10 years, AUB adhered to the highest international security practices in maintaining its customer data confidentiality and system security across all banking services.

To maintain customer satisfaction and trust, the Group has placed customer privacy and data security as a top priority for the bank with the highest care and diligence across all the Group’s entities. AUB took several security and privacy measures to protect its customers and facilitate transactions across multiple platforms, including online, mobile, and ATMs.

AUB has maintained customer data confidentiality and system security across all banking services by adhering to the highest international security practices.

Information security is subjected to periodic audits throughout the year, including an annual external independent audit. Additionally, the Bank’s staff receives training on privacy awareness.

Furthermore, AUB maintains a dedicated email account and phone line where clients concerned about their account security can speak with an advisor directly. AUB’s website also contains detailed information about keeping accounts and money safe.

In this respect, AUB Egypt has implemented the Info Sec mechanism to ensure customer privacy and personal information. InfoSec entails using data leakage prevention and Device Control to block removable media, using a layered cyber security approach (defense in depth Strategy) such as layered FW, IPs, NAC, SWG, AV, EDR etc. The mechanism maintains a proper Physical Security Policy, limits Customers’ collected data to mandated fields only, and controls access to sensitive data.

The mechanism also provides policies and procedures to ensure access control and employee awareness on dealing with confidential data. AUB Group is currently studying the adoption of Zero Trust, Data Discovery and Data Classification solutions, and the Right management solution. In addition, AUBE is certified against the Payment Card Industry, PCI DSS standard that focuses upon protection of cardholder data additionally the bank is also ISO 27001 certified to strengthen its commitment to information and data security.
8. RESPONSIBLE GOVERNANCE & CULTURE

Content:
8.1 Robust Governance Structure
8.2 Building ESG Governance
8.3 A culture for responsible banking
8.1 ROBUST GOVERNANCE STRUCTURE

Building a robust governance structure is crucial to support long-term economic growth, sustain shareholder value and ensure appropriate disclosure and transparency. The Bank’s Board of Directors (the “Board”) is committed to implementing robust Corporate Governance practices and to continually reviewing and aligning these practices with international best practices, where appropriate.

The Bank’s management is committed to ensuring that procedures and processes are in place to reflect and support the Board-approved Corporate Governance-related policies, to ensure the highest standards of Corporate Governance throughout the AUB Group.

The Board of Directors is continuously working collaboratively with the Executive Management to adopt the highest standards of Corporate Governance and enable AUB to enhance its practices consistently, in alignment with the highest international standards.

The Board is responsible for establishing a culture, rules, and governance provisions in a permanent, effective, and satisfactory manner, spreading awareness of ethical standards and rules of professional conduct, and motivating employees at all job levels.

Furthermore, the Board of Directors has the ultimate oversight responsibility on the Bank’s business activities and business risks; this role is empowered through the Board committees with effective and independent channels of communication and overseeing the Executive Management.

AUB Group continuously strives to improve compliance in all its activities. The Bank has an independent Compliance function and reports to the Audit and Compliance Committee. The Compliance function acts as a focal point for all regulatory compliance and adapting best practice compliance principles.

The Compliance Department has the responsibility to monitor and regularly assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank’s compliance with its obligations and to advise and assist the relevant persons responsible for conducting regulated activities to comply with the stated obligations under the regulatory system.

To ensure clarity and coherence of the AUB Group’s operations, the Board has adopted several AUB Group policies. These policies include Credit, Anti-money Laundering, Corporate Governance, Personal Account Dealing, Key Persons’ Dealings, Banking Integrity, Compliance, and Legal and Human Resources policies. The policies will be communicated to and made available to the employees.

The Board-approved Group Code of Business Conduct underlines these policies, which are set for the Bank’s directors, its Senior Management (officers), and its staff. The Board closely monitors the implementation of these policies and processes concerning the Bank’s directors and employees.

While inherent risks in the banking business cannot be eliminated, the risk management function aims to effectively manage these risks within the tolerance levels approved by the Board while earning competitive returns commensurate to the degree of risk. Risk is evaluated based on the potential impact on income and capital, considering political, economic, and market conditions changes and the idiosyncratic factors that impact the risk exposures. AUB’s risk management policies have been developed to:

- identify and analyze these risks,
- set appropriate risk limits and controls,
- measure, monitor, and report the risks against approved limits.

AUB Kuwait started its governance transformation journey in 2012, where the Bank has undertaken significant steps from the year 2013 until the year 2020. This journey showed a substantive initiative, progressing in terms of the governance culture, Board of Directors’ effectiveness, and stakeholders’ engagement, in addition to promoting disclosure and transparency and incorporating sustainability and CSR. Moreover, the Bank has developed governance implementation tools and dashboards that reflect quantitative and qualitative measures of the governance implementation and its impact on the Bank, including adopting the Corporate Governance requirements issued by The Central Bank of Kuwait on September 10, 2019.

AUBK’s Corporate Governance structure is built to ensure a dynamic system of responsibilities and accountabilities, segregation between the oversight role of the Board of Directors, the Shari’ah Supervisory role, and the Executive Management role of running the daily operations of the Bank. The structure is designed to be adequate and proportionate to fit the purpose of the Bank’s stakeholders. The Board of Directors is keen to maintain the governance structure in line with the Central Bank of Kuwait (CBK) rules and regulations; in addition to benchmarking it with leading practices and international recommendations of Corporate Governance.

AUB Kuwait’s Corporate Governance practices aim to promote overall transparency, explain the rationale behind the decision-making processes, and provide insights into the formation of the Board of Directors (BOD), their related committees, their powers and responsibilities, and Executive Management, and other critical Corporate Governance components. AUB Kuwait’s Corporate Governance Framework relies upon the principles of transparency and accountability, which promote a compliance culture at all levels of the Bank and business operations.

Also, AUBK developed automated tool, digital platform for board of directors that provides digital signature/approvals, paperless transactions and video meetings that reduces travel time and GHG accordingly.
8.2 BUILDING ESG GOVERNANCE

SEMS Policy

The Bank recognizes the importance of social and environmental issues within its risk framework. Thus, we continuously revise and update our SEMS policy. The SEMS policy acts as a strainer that filters out projects that significantly negatively impact the environment and society. Accordingly, AUB will only finance projects that will operate in compliance with national and regional laws. The Bank will ensure that any projects funded by the bank are reviewed and evaluated against the Social and Environmental requirements of IFC Performance Standards and World Bank Group Environmental, Health & Safety (EHS) guidelines.

- The Group shall continually endeavor to implement effective social and environmental management practices in all its activities, products, and services, with a focus on the applicable national laws on environmental, health, safety, and social issues.
- AUB will only finance projects that will operate in compliance with national and regional laws.
- The Bank will also ensure that client companies understand the policy commitments made by the Bank in this area.
- The SEMS policy is reviewed and approved by the Board of directors (BOD) regularly and is governed by a SEMS manager/ coordinator.


GOVERNANCE TOWARDS SUSTAINABILITY:

The Board of Directors is continuously working collaboratively with the Executive Management to adopt the highest standards of Corporate Governance and enable AUB to enhance its practices consistently, in alignment with the highest international standards. Our Board and Senior Management are regularly updated on implementing the PRB principles. The Group Credit and Risk Committee has been assigned to manage, govern, and monitor ESG material issues. The Committee is responsible for annual review reports on Environment, Social and Governance (ESG) compliance.

AUBK established approved terms of reference to monitor ESG initiative. Part of the Management Committee established responsibilities is to review and monitor risk aspects including bank’s commitment to ESG initiatives.

8.3 A CULTURE FOR RESPONSIBLE BANKING

AUB aims to enhance its awareness of how vital sustainable finance is and how to align its business activities with SDGs. To foster a culture for responsible banking, AUB is keen to provide its employees with quality training and awareness-raising sessions on sustainable development to enhance their awareness.

In the light of promoting Responsible Banking of AUB, Senior Management and Staff across the Group attended the Webinar on ESG and Building a Sustainable Economy in May 2021 to remain cognizant of building a Sustainable Economy and the associated challenges and opportunities. This was conducted by the Bahrain Institute of Banking and Finance (BIBF).

In addition, AUB Egypt seeks to instill sustainability into business culture and day-to-day operations through a series of training and awareness sessions, as follows:

- An Awareness Session was held where 52 employees attended about Retail Products.
- AUBE conducted the E-learning Sustainability Finance Bundle, where 113 employees assigned.
- Professional Business Presence / Business Etiquette – where 126 out of 380 employees are assigned and still completion in process for the rest of the employees.
- Training about Retail Credit Policy & Products where 126 out of 237 employees assigned and still completion in process for the rest of the employees.
- Sign Language training for front liners (2 employees at each branch) 72 employees to be able to communicate with the handicap.
- In addition to Customer Protection Rights and credit course (Corporate Finance Credit Professional Certificate).
9. PARTNERSHIPS FOR CREATING VALUE

Content:

9.1 Stakeholder Engagement
9.2 Partnerships for Impact
9. PARTNERSHIPS FOR CREATING VALUE

Our values are at the heart of how we deliver our purpose-led strategy. As part of our overall corporate governance culture, we are keen to provide accurate, comprehensive, transparent, detailed, sufficient, and timely information to the Bank’s shareholders and other stakeholders to enable them to evaluate the performance of the Bank and make informed business decisions.

We categorize our stakeholders into customers, society, regulators, suppliers, employees, and shareholders. We aim to initiate, accelerate, and facilitate partnerships to reach Sustainable Development Goals on various fronts.

9.1 STAKEHOLDER ENGAGEMENT:

We aim to balance the different interests of our stakeholders in our decision-making, especially when difficult choices are made. We also recognize the needs for transparency and openness, regularly engaging and seeking the views of our stakeholders. We are responding to feedback from stakeholders and engaging with colleagues, customers, and communities.

At AUB, we actively engage and partner with different stakeholders, aiming to mobilize efforts toward achieving a positive social & environmental impact. At AUB, we aim to develop a cross-cultural meritocratic management structure.

To facilitate dialogue with the employees, the Board adopts the Banking Integrity Policy, which includes detailed policy and whistle-blowing procedures that enable the employee at all levels to raise concerns against any malpractices or irregularities in legal or financial matters. We also have an open policy on communication with its stakeholders, which encompasses:

• The disclosure of all relevant information to stakeholders on a timely basis promptly.
• The provision of the last five years of financial data on the Bank’s website.

The Bank strictly follows its regulatory and statutory obligations regarding disseminating information to its stakeholders. The Bank provides information on all events that merit announcements on its website, www.ahliunited.com, Bahrain Bourse, and other forms of publications, such as press releases, the Bank’s annual report, quarterly financial statements, and the Corporate Governance Policy are all published on its website.

The Bank has an open policy on communication with its stakeholders that ensures communication in an ethical, clear, and transparent manner with its internal and external stakeholders, including its customers. In addition, AUB raises its employees’ awareness of the fair treatment of its customers through its Code of Ethics and Conduct and provides training to the staff who communicate with customers, render banking services to them, and handle their complaints. Furthermore, Ahli United Bank has a dedicated email account and phone number, where customers who are worried about the security of their account can speak directly to an advisor.

AUB provides extensive advice about keeping accounts and money safe on their website. Ahli United Bank has a dedicated email account and phone number, where customers who are worried about the security of their account can speak directly to an advisor. AUB provides extensive advice about keeping accounts and money safe on their website.
9. PARTNERSHIPS FOR IMPACT

We collaborate with different foundations. At AUB, we form partnerships with governmental bodies, civil society organizations, and international firms to magnify the positive impact on society and create value for our stakeholders, including our clients & society.

ARAB TRADE FINANCE PROGRAM (AFTP):

We have partnered with AFTP intending to promote Arab trade and increase the competitive capabilities of the Arab producers and exporters. We have a line of credit where we exclusively finance exports and imports that originated or terminated in Arab countries.

AUB CONTRIBUTED TO BAHRAINI WOMEN’S DAY:

Besides, AUB contributed to Bahraini Women’s Day, held by the Supreme Council of Women as a Silver Sponsor to support the role of Bahraini women and their progress in Higher Education & Future Scenes. In collaboration with CFA society Bahrain, the Bank sponsored Qodwa, CFA Society Bahrain's Mentorship Program, and Mutamahin Program, a training program dedicated to equipping university graduates with employability skills to bridge the employability gap between employers and job seekers.

AUB PARTNERED WITH (BIBF):

We partnered with Bahrain Institute for Banking and Finance (BIBF) to provide customized training and development programs based on our business requirements.

TAMKEEN:

Tamkeen: In 2020, AUB participated in one of Tamkeen’s financing schemes, Tamweel Plus. The financing is tailored to the needs of medium and large enterprises established in Bahrain, which aims to support their innovation and assist them in entering international markets.

MAZAYA HOUSING SCHEME

Mazaya Housing Scheme: In 2020, AUB launched the Mazaya Housing Scheme, one of the initiatives introduced by the Ministry of Housing in cooperation with the private sector to provide social housing for citizens.

(FFT) PARTNERSHIP

Forbes Family Trust (FFT) Partnership: Ahli United Bank’s Private Banking has participated in a strategic partnership with Forbes Family Trust. This partnership will allow AUB Private Banking to select private equity and other alternative investments for AUB clients and enable access to world-class research and market views.

PRINCIPAL ASSET MANAGEMENT PARTNERSHIP:

Principal Asset Management Partnership: AUB Private Banking partners with Principal Islamic Asset Management, which will support its clients’ investment needs through providing their core research, investment outlook, market updates, and general asset allocation advice along with Shariah-compliant portfolio management capabilities.

WASTE MANAGEMENT PARTNERSHIP:

Waste Management Partnership: In 2020, AUB Kuwait partnered with Omniya Factory to recycle plastic waste collected from its branches and head office and EnviroServe to recycle electronic waste products of the bank. Also, AUB Kuwait has partnered with Kuwait Environment Public Authority and Kuwait Company for the Collection of Hazardous Waste to launch an initiative for recycling expired car batteries.

THE “ANTI” INITIATIVE OF RAYE7 CORPORATION WITH CTEK

Impressively and remarkably, in terms of increasing women’s participation in the digital economy, Ahli United Bank in Egypt sponsored two sessions of the “Anti” initiative of Raye7 Corporation with CTEK, a US government organization, to enable more women to excel in technology through capacity building and matchmaking. This sponsorship aims to increase women’s entrepreneurship in the Middle East and Africa region through an educational platform between technical skills such as programming skills with entrepreneurial skills for them to form businesses or find job opportunities from the 20 women training initiative.

SIGNATORIES

- UN GLOBAL COMPAT (UNGC)
- UNEP-FI PRINCIPLES FOR RESPONSIBLE BANKING (PRB)
- EQUITAR PRINCIPLES

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At AUB, we commit ourselves to annual reports on our progress on the principles’ implementation, impacts, and target achievements. A central part of our disclosure is this annual PRB reporting. This is the second progress report on implementing the Principles for Responsible Banking.

We are usually committed to the transparency of material information about the bank. We publish our annual reports annually, ensuring that the information we release about the bank is correct, clear, and transparent and that we do not provide information that intentionally or unintentionally misleads the investors and shareholders. AUB has a defined disclosure policy committed to the public and regulators such as Capital Market Authority, Bourse, Central Bank of Kuwait etc. through reporting and AUBK’s website. AUB has studied existing and emerging good practices regarding implementing the six PRB principles as reflected in the published reports on the UNEP-FI website, webinars, and guidelines.

Our progress in implementing the six principles is illustrated throughout the report. The main highlights of our steps against each of the six principles in the last 12 months are as follows:

**1. ALIGNMENT:**

AUB Group is currently developing its ESG Strategy to create value for its stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities. AUB aims to align its strategic direction with UNSDGs, Paris Agreement, and National Sustainability Agendas. AUB Kuwait’s mission and strategic direction aligned with the Group’s mission and strategic objectives.

AUB Kuwait’s Vision is to become a leading innovative Islamic bank operating with international standards while placing our customers consistently “FIRST”. AUBK’s mission is to provide our customers with innovative Shari’ah-compliant financial solutions, competitive products, and quality services.

To achieve its mission, AUBK aims to remain at the forefront of change necessary through aligning with the direction of national and regional priorities. While AUBE has always aimed to be a dynamic bank with robust product & service propositions, segmented offerings, technologically advanced solutions, and intelligent positioning across its targeted markets.

**2. IMPACT ANALYSIS & TARGET SETTING:**

AUB extended its impact assessment to cover AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios. The Bank has assessed the impact of its corporate banking, which entails SMEs banking, Retail Banking, and Investment banking portfolios, on a broad spectrum of economic, environmental, and social impact areas.

Our impact assessment showed that AUB Group has a positive economic and social impact while a negative environmental impact. As a Group, we collectively identified four impact areas of significant impact: Climate, Resource Efficiency, Waste, and Inclusive, healthy Economies. The four Impact Areas selected are recognized to be of high importance, not only on global and regional levels but on the local levels where AUB Group operates. We constructed a heat map of our customer lending portfolio to understand which sectors or activities we provide loans for generating positive and negative impacts on the four selected significant areas of impact.

The impact analysis revealed that Climate and Inclusive, healthy economies are our most significant impact areas. Accordingly, AUB chose to target Inclusive, healthy economies as a key positive impact area to intensify its positive impact on the society. AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate.

In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate. Also, AUB targets to release its first TCFD report by 2024, in efforts to mitigate its negative impact on climate. Both Inclusive, healthy economies and climate are considered high priorities for the countries in which AUB operates. AUB is currently developing an ESG action plan to ensure that SMART targets are met.

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3. CLIENTS & CUSTOMERS:

In line with AUB Group’s commitment to advancing sustainable finance and empowering clients towards more sustainable economic activities, AUB Group has offered its clients several services and products that have encouraged its corporate, retail, and SMEs customers to adopt sustainable practices and businesses.

Products and services range from green finance, tailored services for SMEs, housing schemes, and supporting mega projects. AUB Group also took several initiatives to promote financial inclusion and financial literacy across its subsidiaries.

4. STAKEHOLDERS

At AUB, we form partnerships with governmental bodies, civil society organizations, and international firms to magnify the positive impact on society and create value for our stakeholders, including our clients & society:

- In terms of increasing women’s participation in the digital economy, Ahli United Bank in Egypt sponsored two sessions of the “Anti” initiative of Raye7 Corporation with CTEK, a US government organization, to enable more women to excel in technology through capacity building and matchmaking.
- In 2020, AUB Kuwait partnered with Omnia Factory to recycle plastic waste collected from its branches and head office and EnviroServe to recycle electronic waste products of the bank. Also, AUB Kuwait has partnered with Kuwait Environment Public Authority and Kuwait Company for the Collection of Hazardous Waste to launch an initiative for recycling expired car batteries.
- We partnered with Bahrain Institute for Banking and Finance (BIBF) to provide customized training and development programs based on our business requirements.
- In 2020, AUB participated in one of Tamkeen’s financing schemes, Tamweel Plus. The financing is tailored to the needs of medium and large enterprises established in Bahrain, which aims to support their innovation and assist them in entering international markets.

5. GOVERNANCE & CULTURE:

The Bank recognizes the importance of social and environmental issues within its risk framework. Thus, we continuously revise and update our SEMS policy. The SEMS policy acts as a strainer that filters out projects that significantly negatively impact the environment and society. Accordingly, AUB will only finance projects that will operate in compliance with national and regional laws.

The Group Credit and Risk Committee has been assigned to manage, govern, and monitor ESG material issues. The Committee is responsible for reviewing reports on Environment, Social, and Governance (ESG) compliance on an annual basis. Our Board and Senior Management are regularly updated on implementing the PRB principles.

6. TRANSPARENCY & ACCOUNTABILITY:

We are usually committed to transparent material information about the bank. We publish our annual reports annually, ensuring that the information we release about the bank is correct, clear, and transparent and that we do not provide information that intentionally or unintentionally misleads the investors and shareholders.

AUB has studied existing and emerging good practices regarding implementing the six PRB principles, as reflected in the published reports on the UNEP-FI website, webinars, and guidelines.
APPENDIX
(PRBSelf-AssessmentTemplate)

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.

1.1 Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

• AUB Group at a Glance
Ahli United Bank B.S.C. ("AUB" or the "Bank") is a leading regional bank with operations in eight countries across the Middle East and the United Kingdom. The Bank was founded in Bahrain on May 31, 2000, as a result of a merger between The United Bank of Kuwait PLC ("UBK") and Al-Ahli Commercial Bank B.S.C. ("ACB"), in which UBK and ACB both became fully owned subsidiaries of AUB.

The Bank operates under a retail banking license issued by the Central Bank of Bahrain ("CBB"). This report will focus on three primary subsidiaries: Bahrain, Kuwait, and Egypt.

• Our Multi-country Network
Our network continually expands, and we are delighted to manage subsidiaries and associates in 8 countries, serving 730,989 clients through a network of 157 branches and 3294 team members.

The Group’s ownership structure includes wholly owned subsidiaries in Bahrain, the United Kingdom, and the DIFC in the United Arab Emirates. Additionally, it holds a 95.7 percent stake in AUB (Egypt), a 74.9 percent stake in AUB (Kuwait), and 80.3 percent stake in the United Bank of Commerce & Investment (Libya), and a 35 percent stake in Ahli Bank (Oman). AUB also owns 100 percent of Al Hilal Life, a company that provides life and health insurance.

• Our Business Lines

Our business line is centered on five major categories:

• Corporate Banking
Corporate Banking Group (CBG) is responsible for the bank’s more capital-intensive risk asset generation activities, which include Corporate Loans, Trade Finance, Commercial Property Finance, and Specialized Finance. The division primarily handles corporate and institutional loans, other credit facilities, and deposit and current accounts.

• Treasury and Investments
The Treasury and Investments division of the Group provides money market, trading, and treasury services such as Money Market Services, Foreign Exchange Services, Hedging and Trading Solutions, Structured Products, and Investment Management. It is also in charge of managing the Group’s finance.

• Retail Banking
The Retail Banking division of the Group is primarily responsible for individual customer deposits. It offers current accounts, savings plans, savings certificates, time deposits (both treasury deposits and call deposits), loans (consumer, mortgage, and auto loans), credit card products, internet, and SMS banking.

• Private Banking and Wealth Management
Private Banking and Wealth Management is the Group’s less capital-intensive division that primarily serves high-net-worth clients and offers private banking services (including investment products, trust services, and real estate investment services), asset management services, and real estate fund management services, and Islamic finance products. The division has partnerships with Franklin Templeton, Mellon Global Investments, Henderson Global Investors, Russell Investment Group, All Funds Bank, Aviva Investors, Jones Lang LaSalle, Maple Tree (a Temasek affiliate), and Man Investments. Such partnerships enable the Group to offer various solutions in asset management and real estate fund management to its institutional and high-net-worth clients.

• Islamic Finance
AUB Group offers Shari’a-compliant banking products and services in Bahrain through its specialized Islamic banking subsidiary, Ahli United Bank K.S.C.P., Ahli United Bank (UK) PLC, and the Issuer itself. The Bank of Kuwait and the Middle East was rebranded by Ahli United Bank K.S.C. in April 2010 after being turned into a fully Shari’a-compliant Islamic banking institution.
AUB Group strives to integrate sustainability into our core business operations and to support our clients’ transition towards sustainability. We have always been committed to our role and mission as a responsible bank, to serve the best interests of our customers and shareholders.

Our Group’s mission is to create an unrivalled ability to meet customer needs, provide fulfillment and development for our staff, and delivering outstanding shareholder value.

The bank strives to maximize shareholders’ wealth on a sustainable basis, maintain the highest international standards of corporate governance and regulatory compliance and contribute to the economic, social, and environmental advancement of the communities in which we operate.

We also emphasize treating our clients fairly and becoming their preferred banking partner, ensuring technological, digital and data competitiveness across all functions and developing a cross-cultural meritocratic management structure. The bank has also focused on optimizing staff development through business-driven training and profit-related incentives.

AUB Group is currently developing its ESG Strategy to create value for its stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities.

AUB Kuwait’s Vision is to become a leading innovative Islamic bank operating with international standards while placing our customers consistently “FIRST”. AUBK’s mission is centered on providing innovative Shari’ah-compliant financial solutions, competitive products, and quality services to our customers.

To maintain customer satisfaction, AUBK works diligently to digitalize business processes through customer-centric and advanced technological solutions. To achieve its mission, AUBK aims to remain at the forefront of change necessary through aligning with the view of the direction of national and regional priorities.

AUBK seeks to support Kuwait’s path toward a digital economy, of which the financial sector plays a crucial role in ensuring financial inclusion for both individuals and corporations, especially small and medium enterprises. AUBK leverages on its knowledge and investment in digital transformation to serve the needs of our stakeholders. In line with this,

AUBK also strives to provide an innovative and enabling ecosystem where entrepreneurs in the financial technology industry are encouraged and nurtured.”

To contribute to the social and economic advancement of communities in which the bank operates and fulfill its corporate social responsibility, AUB Kuwait directed its efforts and resources towards six sustainability focus areas which are:

1. Driving Economic Growth;
2. Managing Our Environmental Footprint;
3. Caring for Our Workplace;
4. Engaging with Our Community;
5. Exhibiting Excellent Governance; and
6. Advancing Innovation and Digitization.

In addition, AUBK is dedicated to aligning its business strategy and to keep it consistent with our customers’ needs and society’s goals as expressed in the Kuwait Vision 2035, the Sustainable Development Goals, ISO 26000 standard, the UN Global Compact, and the global efforts in fighting COVID-19, and relevant national and regional frameworks. Where in Egypt, AUB has always aimed to be a dynamic bank with robust product & service propositions, segmented offerings, technologically advanced solutions, and intelligent positioning across its targeted markets.

It also targets to create an unrivaled ability to meet customer needs, provide fulfillment and development for our staff and deliver outstanding shareholders’ value.
In acknowledgment of our impact beyond our internal operations, AUB undertook a holistic impact assessment of its lending and investment portfolios. In this report, we disclose our second impact assessment results that incorporate AUB Bahrain’s, AUB Kuwait’s, and AUB Egypt’s lending and investment portfolios. We utilized the Portfolio Impact Analysis Tool (Version 2) to assess the bank’s portfolio’s environmental, economic, and social impact.

Corporate banking (including business banking), investment banking & consumer banking represent 38%, 51%, and 10% of AUB’s gross income, respectively. For AUBK, Corporate banking (including business banking), investment banking & consumer banking constitute 35%, 38%, and 27% of AUBK’s gross income, respectively.

Concerning AUBE, Corporate banking (including business banking), investment banking, and consumer banking represent 39%, 32% & 29% of the gross income of AUBE, respectively.

The main sectors financed under corporate banking:
- AUB Bahrain: Real Estate Activities (20%), Extraction of crude petroleum and natural gas (11%), Construction of buildings (8%), Wholesale and retail trade (7%), Telecommunications (6%), Manufacture of Basic Metals (5%).
- AUB Kuwait: Real Estate Activities (43%), Wholesale and retail trade (9%), Extraction of crude petroleum and natural gas (7%), Construction of buildings (7%), Retail Trade (6%), Public Administration and Defense (6%).
- AUB Egypt: Real Estate Activities (15%), Manufacture of Machinery and Equipment (15%), Civil Engineering (9%), Human Health Activities (9%), Construction of buildings (8%), Crop and animal production (7%).

AUB PRB report 2021

In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic, and environmental impacts resulting from the bank's activities and provision of products and services. 

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d).

Show that building on this analysis, the bank has:
- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts

The main sectors financed under Business (SMEs) Banking:
- AUBB: Real Estate Activities (23%), Retail Trade (13%), Other professional, scientific, and technical activities (11%), Wholesale and retail trade (9%), Education (5%), Food and Beverage (5%).
- AUBK: Retail Trade (96%), Wholesale and retail trade (4%).
- AUBE: Travel Agency and Tour operator (48%), Real Estate (12%), Activities auxiliary to financial and insurance activities (10%), Extraction of crude oil and natural gas (44%), Manufacture of machinery and equipment (44%), Retail Trade (4%).

For Treasury and Investment, our activities are focused on:
- AUBB: Public administration and defense (37%), Financial service activities (22%), extraction of crude petroleum (15%), electricity, gas, steam and air conditioning (8%), telecommunication (5%), manufacture of chemical and chemical products (4%).
- AUBK: Financial Service Activities except for insurance and pension (44%), Public Administration and Defense (19%), Activities auxiliary to financial service and insurance activities (13%), Electricity, gas, steam, and air conditioning (11%), Manufacture of machinery equipment (4%), Warehousing and support activities for transportation (4%).
- AUBE: Public administration and defense (70%), Financial Service Activities except for insurance and pension (17%), Activities auxiliary to financial service and insurance activities (12%), Electricity, gas, steam, and air conditioning (1%).

Our Consumer Banking activities are focused on Consumer loans & overdrafts, home loans and mortgages, and other specialized credit.

We considered in our analysis AUB’s consolidated operations across its headquarters in Bahrain and other significant subsidiaries, including Kuwait and Egypt, that were covered in the impact assessment. AUB has assessed the level of country needs of different impact areas by tracking relevant indicators for the various impact topics from the baseline resources provided in the tool.

Regarding the indicators whose values were unavailable, we utilized additional sources and consulted with relevant stakeholders to capture sufficient data to satisfy those indicators.
We identified our significant impact areas according to the established sectors’ associations with relevant impact areas provided by the Portfolio Impact Analysis Tool (Version 2); four Areas of Significant Impact were identified:

1. **Climate**
2. **Resource efficiency**
3. **Waste**
4. **Inclusive, healthy economies**

The four Impact Areas selected are recognized to be of high importance, not only on global and regional levels but on the local levels where AUB Group operates. We constructed a heat map of our customer lending portfolio to understand which sectors or activities we provide loans for generating positive and negative impacts on the four selected significant areas of impact.

**1. Climate:** Sectors that have an impact on climate are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, wholesale and retail trade, civil engineering, public administration, and defense as well as financial service activities except for insurance.

**2. Resource efficiency:** Our portfolio has an impact on resource efficiency as a consequence of financing the following sectors/activities: Real estate activities, Extraction of crude petroleum and natural gas, wholesale and retail trade, Construction of buildings, crop production, and manufacture of machinery and equipment.

**3. Waste:** The main sectors in our portfolio that impact waste are Real estate activities, Extraction of crude petroleum and natural gas, construction of buildings, crop production, manufac-ture of machinery and equipment, and defense as well as financial service activities except for insurance.

**4. Inclusive, healthy economies:** The main sectors/activities that contribute to inclusive/healthy economies are: Real estate activities, Extraction of crude petroleum and natural gas, wholesale and retail trade, Construction of buildings, crop production, and manufacture of machinery, public administration, and defense.

To assess the extent of our impact, we developed a scoring methodology to determine the highest positive and negative impacts and set a threshold value to distinguish high impact areas. We relied on Weighted Average (WA) methodology to assess the extent of each impact area associated with our portfolio.

The impact analysis revealed that Climate and Inclusive, healthy economies are our most significant impact areas. Based on the scoring results, Inclusive, healthy economies is a positive impact area with a low score of 0.2. Meanwhile, Climate is a key negative impact area with a high score of 0.6.

AUB chose to target Inclusive, healthy economies as a key positive impact area to intensify its positive impact on the society.

AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate. In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate.

**2.1 Target Setting**

- **Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.**

- **Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national, or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.**

- **Show that the bank has analyzed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SGS/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.**

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding **Impact Analysis.**

We identified our significant impact areas according to the established sectors’ associations with relevant impact areas provided by the Portfolio Impact Analysis Tool (Version 2); Four Areas of Significant Impact were identified:

1. **Climate**
2. **Resource efficiency**
3. **Waste**
4. **Inclusive, healthy economies**

**High-level summary of bank’s response**

1. **Climate**
2. **Resource efficiency**
3. **Waste**
4. **Inclusive, healthy economies**

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AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate. In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate.
AUB is in the current process of developing an ESG action plan to ensure that targets are met. AUB will develop the implementation plan and monitoring procedures that will be used to ensure that targets are met.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

AUB is in the current process of developing an ESG action plan to ensure that targets are met.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

AUB is in the current process of developing an ESG action plan to ensure that targets are met.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.
Customer Privacy & Data Security:

AUB was the first bank to be PCI-DSS certified in Bahrain in 2009 and has maintained its compliance with the PCI-DSS for the eleventh year in 2020, demonstrating its commitment to the security of card payments in the communities to which the Bank belongs. Being ISO 27001 certified for more than 10 years, AUB adhered to the highest international security practices in maintaining its customer data confidentiality and system security across all of its banking services.

To maintain customer satisfaction and trust, the Group has placed customer privacy and data security as a top priority for the bank with the highest care and diligence across all the Group’s entities. AUB took in place several security and privacy measures to protect its customers and facilitate transactions across multiple platforms, including online, mobile, and ATMs. AUB has maintained customer data confidentiality and system security across all of its banking services by adhering to the highest international security practices.

Additionally, the Bank’s staff receives training on privacy awareness. Information security is subjected to periodic audits throughout the year, including an annual external independent audit. Furthermore, AUB maintains a dedicated email account and phone line where clients concerned about their account security can speak with an advisor directly. AUB’s website also contains detailed information about keeping accounts and money safe.

In this respect, AUB Egypt has implemented the InfoSec mechanism to ensure customer privacy and personal information. InfoSec entails using data leakage prevention and Device Control to block removable media, using a layered cyber security approach [defense in depth Strategy] such as layered FW, IPs, NAC, SWG, AV, EDR etc. The mechanism maintains a proper Physical Security Policy, limits Customers’ collected data to mandated fields only, controls access for Sensitive data. The mechanism also provides policies and procedures to ensure access control and employee awareness on dealing with confidential data.

AUB Group is currently studying the adoption of Zero Trust, Data Discovery, and Data Classification solutions along with the Right management

3.2 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

AUB Group has been a pioneer in the region regarding socially responsible lending and has been encouraging sustainable practices from its clients and customers through various and complementary means.

The Group’s SEMS policy cascaded to all AUB’s subsidiaries, screens all proposals to ensure that finance will be directed towards projects that have a minimal negative impact on society and the environment. Accordingly, the bank will finance projects that are consistent with the applicable national laws and environmental standards and will make best efforts to ensure that all projects follow the applicable national laws.

1. Social Lending:

A) SMEs Empowerment:

AUB Bahrain has launched various products and services, specifically focusing on the banking needs of the Small and Medium Enterprises (SME) segment, which included products such as Al-Tajer, and Point of Sale (POS) Merchant Financing.

In addition, AUBK has an SME’s unit that offers the products and services to address the needs of small and medium-sized enterprises (SMEs) to make economies more dynamic, inclusive, and sustainable.

With the enhanced need for remote business operations, the Cash Management & B2B Unit under Corporate Banking has continued to offer its customized services to the clients (including SME clients) benefiting from the Business-to-Business (B2B) online banking service, which offers a secure overall electronic solution aimed at facilitating and streamlining banking transactions through integration between the client’s Enterprise Planning System (ERP) and the Bank’s system.

Furthermore, AUBE provides all initiatives approved by the Central Bank of Egypt (CBE) for SME companies who are approved from a credit perspective. This will support the efficient monitoring of their banking accounts and proper view of their current financial position, in addition to accelerating payments through digital solutions, which will support to decrease the risk of holding cash and the cost of insurance.

B) Mazaya Housing Scheme

AUB Bahrain expanded its support by offering financing of up to 120% of the property value over a period that can reach 30 years as well as levying administration, property evaluation and loan insurance fees.
D) Real Estate and Project Financing:
AUB Group offers a competitive range of mortgage products and structured solutions for all types of commercial & residential properties across different sectors. This support includes services such as arranging payment of household expenses. Also, AUB provides long-term lending for large-scale infrastructure & industrial projects with tailored project finance solutions.

2. Green Finance:
Our Group advocates green finance through actively participating in and providing bilateral financing for the production of water desalination, wastewater treatment, renewable energy & enhancing energy efficiency, with a total of $100 MM. AUB Kuwait continued to support the Kuwait National Focal Point for Environmental Projects by providing all services on liquidity matters of the company by offering current corporate accounts, Wakala-based investment and deposit accounts, other superior cash management products & services, online platform (B2B), and foreign exchange services.

3. Financial Inclusion:
In collaboration with CFA society Bahrain, the AUB Bahrain sponsored Qodwa, CFA Society Bahrain’s Mentorship Program, along with Mutamahin Program, a training program dedicated to equipping university graduates with employability skills to bridge the employability gap between employers and job seekers. Furthermore, AUB Bahrain actively participated in the CBE’s Youth and Savings initiative with several events across the country promoting financial literacy.

The bank is among the top banks contributing to the Deraya program being run under the aegis of CBK to promote financial literacy and financially responsible behavior by customers. In addition, AUB Kuwait is the only bank in Kuwait that currently offers its corporate clients a mobile application for B2B money management. In addition, AUBK has added updates to its mobile application for individual banking clients that offer added features and improve client experience.

Besides, AUB Egypt aims to implement an action plan that includes accommodating customers with special needs in its branches, with the presence of specialized money changers and PB offices, as well as training employees in the branches to deal in sign language, providing banking documents in Braille, launching banking applications that allow people with special needs to deal with, and providing Special signs on the front of the bank, special ATMs, and ramps for wheelchairs, to facilitate the process of people with special needs access to banking services and their inclusion in the banking sector, which contributes to achieving a significant goal for the Egyptian state and the Central Bank under the umbrella of financial inclusion.

### Principle 4: Stakeholders

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

<table>
<thead>
<tr>
<th>Principle 4: Stakeholders</th>
<th>Reporting and Self-Assessment Requirements</th>
<th>High-level summary of bank’s response</th>
<th>Reference(s)/Link(s) to bank’s full response/relevant information</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated, or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</td>
<td>AUB PRB report 2021</td>
<td>AUB PRB report 2020</td>
<td></td>
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</tbody>
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### Principle 5: Governance & Culture

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

<table>
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<tr>
<th>Principle 5: Governance &amp; Culture</th>
<th>Reporting and Self-Assessment Requirements</th>
<th>High-level summary of bank’s response</th>
<th>Reference(s)/Link(s) to bank’s full response/relevant information</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Describe the relevant governance structures, policies, and procedures your bank has in place or planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</td>
<td>AUB PRB report 2021</td>
<td>AUB PRB report 2020</td>
<td></td>
</tr>
</tbody>
</table>

The Bank’s Board of Directors (the “Board”) is committed to implementing robust Corporate Governance practices and to continually reviewing and aligning these practices with international best practices, where appropriate. The Bank’s management is committed to ensuring that procedures and processes are in place to reflect and support the Board-approved Corporate Governance-related policies, to ensure the highest standards of Corporate Governance throughout the AUB Group.

AUB Kuwait started its governance transformation journey in 2012, where the Bank has undertaken significant steps from the year 2013 until the year 2020. This journey showed a substantive initiative, leading in progression in terms of the governance culture, Board of Directors’ effectiveness, and Stakeholders engagement.
in addition to promoting disclosure and transparency and incorporating sustainability and CSR. Moreover, the Bank has developed governance implementation tools and dashboards that reflect quantitative and qualitative measures of the governance implementation and its impact on the Bank, including adopting the Corporate Governance requirements issued by The Central Bank of Kuwait on September 10, 2019.

SEMs Policy
The Bank recognizes the importance of social and environmental issues within its risk framework. Thus, we continuously revise and update our SEMS policy. The SEMS policy acts as a strainer that filters out projects that significantly negatively impact the environment and society. Accordingly, AUB will only finance projects that will operate in compliance with national and regional laws. The Bank will ensure that any projects funded by the bank are reviewed and evaluated against the Social and Environmental requirements of IFC Performance Standards and World Bank Group Environmental, Health & Safety (EHS) guidelines.

- The Group shall continually endeavor to implement effective social and environmental management practices in all its activities, products, and services, with a focus on the applicable national laws on environmental, health, safety, and social issues.
- AUB will only finance projects that will operate in compliance with national and regional laws.
- The Bank will also ensure that client companies understand the policy commitments made by the Bank in this area.
- The SEMS policy is reviewed and approved by the Board of directors (BOD) regularly and is governed by a SEMS manager/coordinator.

To foster a culture for responsible banking, AUB is keen to provide its employees with quality training and awareness-raising sessions on sustainable development to enhance their awareness. AUB aims to enhance their awareness of how crucial sustainable finance is and how to align their business activities with SDGs.

In the light of promoting Responsible Banking of AUB, Senior Management and Staff across the Group attended the Webinar on ESG and Building a Sustainable Economy in May 2021 to remain cognizant of building a Sustainable Economy and the associated challenges and opportunities. This was conducted by the Bahrain Institute of Banking and Finance (BIBF).

In addition, AUB Egypt seeks to instill sustainability into business culture and day-to-day operations through a series of training and awareness sessions, as follows:

1. An Awareness Session held where 52 employees attended about Retail Products.
2. AUBE conducted the E-learning Sustainability Finance Bundle, where 113 employees assigned.
4. Training about Retail Credit Policy & Products where 126 out of 237 employees were assigned and still completion in process for the rest of employees.
5. Sign Language training for front liners (2 employees at each branch) 72 employees to be able to communicate with the handicap.
6. In addition to Customer Protection Rights and credit course (Corporate Finance Credit Professional Certificate).
5.3 Governance Structure for Implementation of the Principles

Show that your bank has a governance structure in place for the implementation of the PRB, including:

a) target-setting and actions to achieve targets set
b) remedial action in the event of targets or milestones not being achieved or unexpect-
ed negative impacts being detected.

The Group Credit and Risk Committee has been assigned to manage, govern, and monitor ESG materi-

al issues. The Committee is responsible for reviewing reports on Environment, Social and Governance (ESG) compliance on an annual basis.

AUBK established approved terms of reference to monitor ESG initiative. Part of the Management Committee established responsibilities is to review and monitor risk aspects including bank’s commit-
ment to ESG initiatives.

6.1 Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

A central part of our disclosure is this annual PRB reporting. This is the second progress report on implementing the Principles for Responsible Banking. At AUB, we commit ourselves to annual reports on our progress on the principles’ implementation, impacts, and target achievements.

We are usually committed to the transparency of material information about the bank. We publish our annual reports annually, ensuring that the information we release about the bank is correct, clear, and transparent and that we do not provide information that intentionally or unintentionally misleads the investors and shareholders. AUBK has a defined disclosure policy committed to the public and regulators such as Capital Market Authority, Bourse, Central Bank of Kuwait etc. through reporting and AUBK’s website.

AUB has studied existing and emerging good practices regarding implementing the six PRB principles, as reflected in the published reports on the UNEP-FI website, webinars, and guidelines.

Our progress in implementing the six principles is illustrated throughout the report. The main highlights of our steps against each of the six principles in the last 12 months are as follows:

1. Alignment:

AUB Group is currently developing its ESG Strategy to create value for its stakeholders, intensify our positive impacts and mitigate the negative impacts associated with our operational and lending activities. AUB aims to align its strategic direction with UNSDGs, Paris Agreement and National Sustainability Agenda. AUB Kuwait’s mission and strategic direction aligned with the Group’s mission and strate-
gic objectives.

AUB Kuwait’s Vision is to become a leading innovative Islamic bank operating with international standards while placing our customers consistently “FIRST”. AUBK’s mission is to provide innovative Shari’ah compliant financial solutions, competitive products, and quality services to our customers.

To achieve its mission, AUBK aims to remain at the forefront of change necessary through aligning with the direction of national and regional priorities. While AUBE has always aimed to be a dynamic bank with robust product & service propositions, segmented offerings, technologically advanced solutions, and intelligent positioning across its targeted markets.
2. Impact Analysis & Target Setting:
AUB extended its impact assessment to cover AUB Bahrain’s, AUB Kuwait’s and AUB Egypt’s lending and investment portfolios. The Bank has assessed the impact of its Corporate banking which entails SMEs banking, Retail Banking, and Investment banking portfolios, on a broad spectrum of economic, environmental, and social impact areas.

Our impact assessment showed that AUB Group has a positive economic and social impact, while a negative environmental impact. As a Group, we collectively identified four impact areas of significant impact: Climate, Resource Efficiency, Waste, and Inclusive, healthy Economies.

The four Impact Areas selected are recognized to be of high importance, not only on global and regional levels but on the local levels where AUB Group operates. We constructed a heat map of our customer lending portfolio to understand which sectors or activities we provide loans for generating positive and negative impacts on the four selected significant areas of impact.

Accordingly, AUB chose to target Inclusive, healthy economies as a key positive impact area to intensify its positive impact on the society. AUB is targeting particularly financial inclusion through increasing loans provided to social housing in the following years. Also, AUB targets to improve and mitigate its negative impact on climate through targeting the sectors that are the largest contributors to climate.

In the upcoming years, AUB targets to start measuring emissions associated with its portfolio to set quantitative targets on climate. Also, AUB targets to release its first TCFD report by 2024, in efforts to mitigate its negative impact on climate. Both Inclusive, healthy economies and climate are considered high priorities for the countries in which AUB operates. AUB is currently developing an ESG action plan to ensure that SMART targets are met.

3. Clients & Customers:
In line with AUB Group’s commitment to advancing sustainable finance and empowering clients towards more sustainable economic activities, AUB Group has offered its clients several services and products that have encouraged its corporate, retail, and SMEs customers to adopt sustainable practices and businesses. Products and services range from green finance, tailored services for SMEs, housing schemes, and supporting mega projects. AUB Group also took several initiatives to promote financial inclusion and financial literacy across its subsidiaries.

3. Stakeholders:
At AUB, we form partnerships with governmental bodies, civil society organizations, and international firms to magnify the positive impact on society and create value for our stakeholders, including our clients & society.

- In terms of increasing women’s participation in the digital economy, Ahli United Bank in Egypt sponsored two sessions of the “Anti” initiative of Fayy7 Corpora
tion with CTEK, a US government organization, to enable more women to excel in technology through capacity building and matchmaking.
- In 2020, AUB Kuwait partnered with Omniaya Factory to recycle plastic waste collected from its branches and head office and Envirosolve to recycle electronic waste products of the bank. Also, AUB Kuwait has partnered with Kuwait Environment Public Authority and Kuwait Company for the Collection of Hazardous Waste to launch an initiative for recycling expired car batteries.
- We partnered with Bahrain Institute for Banking and Finance (BIBF) to provide customized training and development programs based on our business requirements.
- In 2020, AUB participated in one of Tamkeen’s financing schemes, Tamweel Plus. The financing is tailored to the needs of medium and large enterprises established in Bahrain, which aims to support their innovation and assist them in entering international markets.

5. Governance & Culture:
The Bank recognizes the importance of social and environmental issues within its risk framework. Thus, we continuously revise and update our SEMS policy. The SEMS policy acts as a strainer that filters out projects that significantly negatively impact the environment and society. Accordingly, AUB will only finance projects that will operate in compliance with national and regional laws.

The Group Credit and Risk Committee has been assigned the role of managing, governing, and monitoring ESG material issues. The Committee is responsible for reviewing reports on the Environment, Social and Governance (ESG) compliance on annual basis. Our Board and Senior Management are regularly updated on the implementation of the PRB principles.

6. Transparency & Accountability:
We are usually committed to transparent material information about the bank. We publish our annual reports annually, ensuring that the information we release about the bank is correct, clear, and transparent and that we do not provide information that intentionally or unintentionally misleads the investors and shareholders.

AUB has studied existing and emerging good practices concerning implementing the six PRB principles, as reflected in the published reports on the UNEP-FI website, webinars, and guidelines.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

This is the second progress report on implementing the Principles for Responsible Banking. At AUB, we commit ourselves to annual reports on our progress on the principles’ implementation, impacts, and target achievements.