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Bank al Etihad

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السادة إدارة بورصة عمان المحترمون،

تحية طيبة وبعد،

نرفق لكم تقريرنا الأول المتعلق بالمناخ والصادر عن بنك الاتحاد، وذلك وفقاً للدليل والإطار التنظيمي والسياسة الخاصة بالإفصاح عن المعلومات المتعلقة بالتغير المناخي الصادرة عن بورصة عمان في كانون الأول 2024، وتماشياً مع أفضل الممارسات العالمية، وبالأخص معايير الإفصاح الخاصة بالاستدامة الصادرة عن مجلس معايير الاستدامة الدولية (ISSB)، مثل معايير IFRS S1 وIFRS S2.

نشكر لكم تعاونكم ودعمكم المستمر

وتفضلوا بقبول فائق الاحترام والتقدير،

بنك الاتحاد

بورصة عمان  
الدائرة المالية والادارية  
الديوان  
١ تموز ٢٠٢٥

الرقم المتسلسل : 1038

رقم الملف : 11007

الجهة المختصة : 106. الادراج



بنك الاتحاد  
Bank al Etihad

# 2024

# CLIMATE REPORT

**Paving the way**



# Chairman Letter



# Message from Our Chairman

## Basem Isam Salfiti

2024 marks my first year addressing you as Chairman, a role I embrace with deep gratitude and a renewed sense of responsibility. Bank al Etihad's journey has always been about more than banking. It is about creating meaningful impact. That impact now centres on one of the most urgent challenges of our time: climate change.

This year, we are proud to present Jordan's first IFRS-aligned Climate Report, a significant milestone that reflects our commitment to aligning financial flows with the goals of the Paris Agreement. By quantifying climate risks and identifying opportunities, we are strengthening our long-term resilience while preparing to meet the Amman Stock Exchange's upcoming climate disclosure requirements. We are ahead of the curve, integrating global sustainability standards before they become regulatory obligations.

Understanding and addressing climate risk has also allowed us to respond effectively to the growing demand for green finance. Today, 6.28% of our portfolio is dedicated to green financing, driven by our work to support clients in their transition toward more sustainable business models.

We are embedding sustainability at every level of the bank. With 90% of our workforce trained in sustainability, including 100% of our frontline employees and executive leadership, we are building the capacity to deliver green financial

solutions that support the transition to a low-carbon economy. At the governance level, a dedicated sustainability mandate within our Risk Board Committee ensures climate risk is fully integrated into decision-making at the highest levels.

Our partnerships with the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) have been instrumental in enabling us to channel green funding schemes and targeted credit lines to SMEs. These efforts not only help businesses implement sustainable practices but also directly support Jordan's Nationally Determined Contributions (NDCs), reinforcing our role as a catalyst for both economic growth and climate resilience.

Our ambition is clear: to lead by example, set a benchmark for sustainable banking in Jordan, and position Bank al Etihad as a catalyst for climate action and inclusive development. We are not only responding to global trends but also helping to shape them with a long-term commitment to building a sustainable future for generations to come.

On behalf of the Board, I extend my sincere appreciation to our management team, employees, clients, and partners for their continued trust and collaboration. Together, we are making meaningful progress toward a more inclusive, resilient, and low-carbon economy for Jordan.



# Introduction to **Bank al Etihad**

# About Bank al Etihad

Founded in 1987, Bank al Etihad continues to be a leading customer-centric financial services group in Jordan, encompassing a diverse portfolio of services. The group includes a central exchange unit, Etihad Brokerage for financial brokerage services, Etihad Leasing for financial leasing, and Etihad Financial Technology Company, specialising in fintech solutions. Moreover, Bank al Etihad maintains a 10% interest in The National Bank (TNB) in Palestine, with representation on its board, and gained a majority stake in Safwa Islamic Bank in 2017.

Our ongoing commitment to digital innovation and empowerment fuels our collaboration with individuals, entrepreneurs, and businesses, aiding them on their journey to success. With a dedicated workforce of 1,407 employees, we play a significant role in boosting the local economy. Our comprehensive suite of banking services includes savings and current accounts, loans, credit cards, and insurance products. To cater to our customers' needs, we operate 57 branches throughout the Kingdom, complemented by user-friendly mobile banking solutions, ensuring convenient and seamless access to financial services.

## Our Values

### Endlessly Entrepreneurial

We're courageous by nature. We didn't get to where we are today by following the herd. We relentlessly seek new business opportunities, markets, and ideas. When we recognise that spirit in others, we're prepared to back them up.

### Championing Creativity

The financial landscape is in a constant state of flux. We're always looking to expand our knowledge and use new technologies to evolve and grow with it. We're just as passionate about sharing what we learn.

### Family Values

We consider our customers an integral part of our family and always prioritise their best interests. Our commitment is to support them through any challenges they encounter, offering our extensive business network, banking tools, and expertise to assist them in achieving success.

### Always Learning

The financial landscape is in a constant state of flux. We're always looking to expand our knowledge and use new technologies to evolve and grow with it. We're just as passionate about sharing what we learn.



## OUR PURPOSE

### To empower and engage

We're rooted in assisting our clients to flourish and meet their goals by offering banking services that are accessible on their terms, anytime and anywhere. From investing in education, renovating a home, to expanding a business, we're devoted to supporting their journey towards success.



## OUR PROMISE

### Shape your future

We enable our customers to craft their own destiny. Through a commitment to innovation, entrepreneurial spirit, and embracing new technologies, we offer forward-thinking services designed to fulfil individual needs and ambitions. Recognising life's various obstacles, we strive to simplify financial management. Prioritising our customers at every step, we're devoted to assisting them in creating a promising future.



## Our DNA

### Become Jordan's leading digital bank

We have a clear mission – to be the leading digital bank in Jordan. Our strategy is all about empowering people through digitalisation and making finance accessible to all. We're dedicated to providing efficient and dynamic service while staying ahead of the game with new products and services. Sustainability is at the heart of everything we do, from supporting entrepreneurs and SMEs, promoting diversity and inclusion to paving the way for sustainable finance.

### We're agile and innovative

We're passionate about growth and innovation. That's why we take an agile approach, finding the perfect balance between our business and continuous innovation. We encourage our team to think outside the box and bring their ideas to life. We listen to our customers and use technology to serve them better.

### We're here for our customers every day

We want to be a part of our customers' daily lives. That's why we strive to provide the best experience through our employees, digital channels, and automated banking services. We're always available, anytime and anywhere.

### Efficiency and productivity are key

We're committed to keeping up with the latest developments to serve our customers better. We optimise our resources, reduce costs, and increase efficiency all without compromising the customer experience.

### Sustainable growth is our priority

We grow strategically, taking calculated risks and using the latest technologies to protect our environment and comply with regulations. We aim for growth and prosperity while remaining cost-effective.

### Data driven decision-making

We analyse data to design products and services that meet the needs of our customers. We're constantly improving and upgrading to meet market demands. Our aim is to provide unique services and gain our customers' trust.

### Building a positive culture

We value diversity and strive to create a safe and encouraging workplace. We're always looking for new talent to join our team and help us innovate. We believe in giving our team the freedom to reach their goals and fulfil their ambitions.

### Committed to sustainability

We hold ourselves to high standards of sustainability. We prioritise access to finance, support SMEs, and embed sustainability in every aspect of our business.

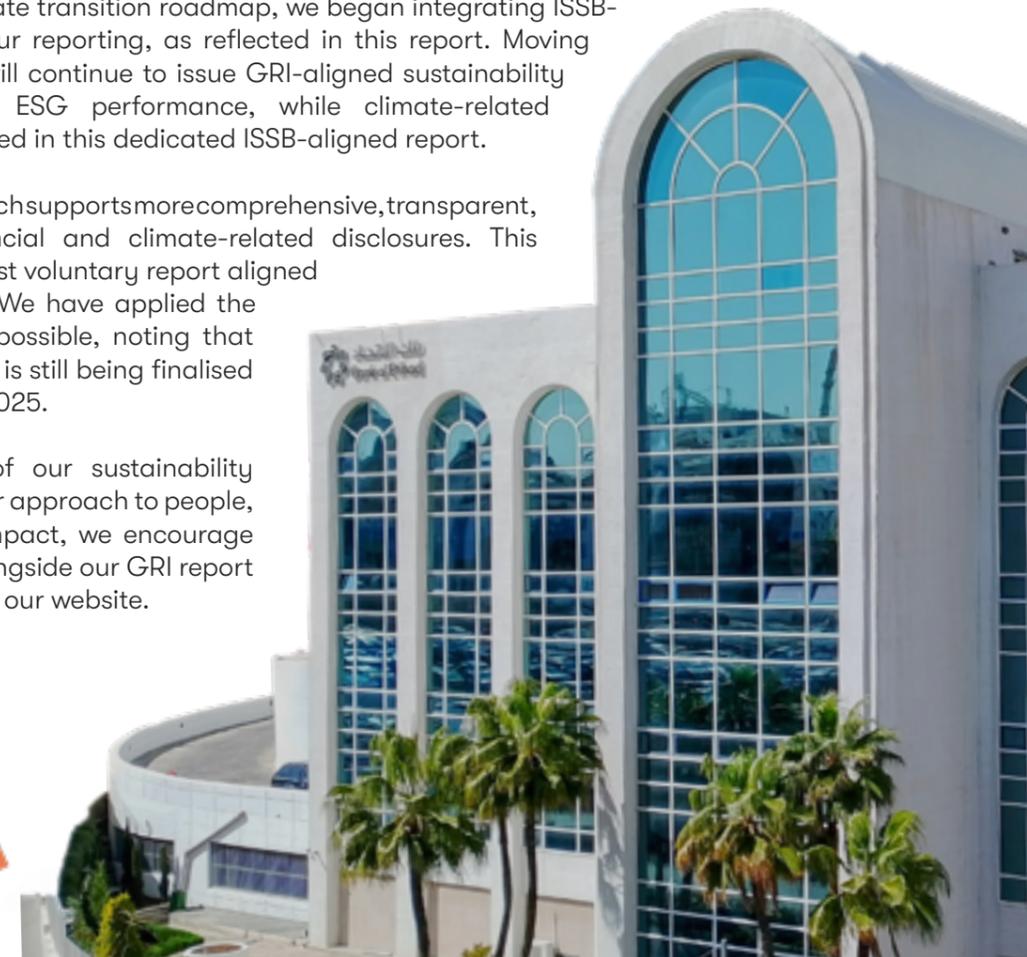
# About Bank al Etihad

In 2024, the Amman Stock Exchange introduced climate-related disclosure requirements for all companies listed on the ASE20 Index, which represents the largest firms by market capitalisation. This initiative supports Jordan's commitment to the Paris Agreement and its national climate goals, including a target to reduce emissions by 31% by 2030. It also positions Jordan as a regional leader in adopting the ISSB Standards.

As a leading financial institution in Jordan, Bank al Etihad remains firmly committed to implementing evolving regulatory guidelines and advancing sustainability within the financial sector. Demonstrating this commitment, the bank is actively integrating climate considerations into its operations through the development of a climate transition plan aligned with the ISSB Standards. Since 2021, we have published non-financial disclosures in line with the Global Reporting Initiative (GRI) Standards. As our sustainability and climate strategy continues to evolve, we are enhancing our reporting practices to better meet the expectations of our stakeholders – particularly investors. In 2024, in alignment with our climate transition roadmap, we began integrating ISSB-aligned disclosures into our reporting, as reflected in this report. Moving forward, Bank al Etihad will continue to issue GRI-aligned sustainability reports covering overall ESG performance, while climate-related disclosures will be addressed in this dedicated ISSB-aligned report.

This dual-reporting approach supports more comprehensive, transparent, and consistent non-financial and climate-related disclosures. This report marks the bank's first voluntary report aligned with the ISSB Standards. We have applied the requirements as fully as possible, noting that our climate transition plan is still being finalised and will be completed in 2025.

To gain a full picture of our sustainability performance, including our approach to people, community, and social impact, we encourage you to read this report alongside our GRI report which can be accessed on our website.



# Conceptual Foundations

The bank aimed at integrating fundamental qualitative characteristics to ensure the development of useful and understandable non-financial disclosures.

## 01 Fair Representation

Information reported in this report represents the bank's sustainability and financial performance in 2024. To the best of our ability and with available resources, the bank ensured that information disclosed within this report is complete, accurate, verifiable, timely and understandable for a wide range of readers. For our readers, it is important to note that:

- The bank is still in a transitional phase of its climate aligned transformation, commitments, and disclosure.
- The bank established a data and performance taskforce dedicated to strengthening ESG data governance and ensuring the reliability, consistency, and accessibility of sustainability-related data across the bank.
- The bank included all material available information to provide a complete and clear depiction of its sustainability-related risks and opportunities.

## 02 Materiality

We view materiality as a crucial tool in our sustainability and climate transition journey as it helps us to identify and prioritise the sustainability and climate issues that are most relevant to our operations, stakeholders, and long-term success. By focusing on what matters most, we can allocate resources effectively, align our strategies, and align better with stakeholder expectations.

In 2024, we carried out two types of materiality assessments. The first focused on identifying our climate-related risks and opportunities — both physical and transition — as part of developing our climate transition plan. The second involved engaging with key external stakeholders, such as investors, partners, and regulators, who have a strong interest in our climate reporting, and internal stakeholders. This helped us better understand their information needs and expectations regarding the bank's climate risk management and disclosure.

Our engagement with external stakeholders focused on introducing them to our climate transition plan, along with the key risks and opportunities we have identified. We sought to understand which of these they believe should be prioritised in our disclosure journey. Additionally, we explored their information needs, including the reporting frameworks and standards they value most, as well as their preferred communication channels.

In parallel, our engagement with internal stakeholders aimed to assess employees' understanding of how identified climate risks affect the bank's operations and its ability to create long-term value. We also explored how well our people are informed and aligned with our sustainability strategy and gathered their expectations for the bank's performance in this area.

**External Stakeholder Engagements** | Through our engagements with our external stakeholders, we identified the topics they prioritise and the types of non-financial sustainability information they are most interested in. We found that the majority of our stakeholders are interested in learning about our financial investments in sustainable projects, ESG risks and how the bank is managing them, and the actions and impact of the bank in tackling climate change. Stakeholders demonstrated strong interest and understanding of our sustainability performance and commitment to climate transition, emphasising on opportunities for collective transition.

**Internal Stakeholder Engagement** | Through our engagements with our internal stakeholders, we sought to understand how aligned our employees are with our sustainability strategy and gain insight into what they think we should focus on based on how identified climate related issues can financially affect our business.

Through these engagements that focused on discussing climate related issues and their financial impact on our business, we were able to better understand our stakeholders' level of awareness and understanding of how our bank is impacted by climate change, onboarded them on the actions taken by the bank to tackle these issues, and collected general insights on how it's best to communicate our climate efforts with our stakeholders in a clear and transparent manner.

## 03 Reporting Entity

As a first-time voluntary report, Bank al Etihad included the operations of the bank only within the scope of this report. The bank opted for this approach to facilitate the integration of the ISSB Standards and plans to further develop its scope to align with its financial reporting as this practice matures.

## 04 Connected Information

Whenever applicable, the bank highlights the connections between disclosures on governance, strategy, risk management, and metrics and targets, recognising that achieving any one goal or process often involves overlaps and interdependencies across these pillars.

## 05 Reporting Entity

Whenever possible, the bank disclosed the sources of guidance and data used in identifying and assessing sustainability and climate-related risks and opportunities.

## 06 Statement of Compliance

Bank al Etihad is committed to integrating the ISSB Sustainability Standards into our reporting practices, and to the continued improvement of our approach and processes for non-financial disclosures in the future.



# Climate Highlights

**206.6 MN**  
JOD in booked green loans

**55.8%**  
of newly booked loans in 2024 were for e-mobility, up from 46% in 2023, a clear indication of growing customer demand.

**3.2 MW** Solar Stations Capacity

**75%** of our transition plan completed

**2,487** savings annually from our investment in our solar stations

**Joined Partnership for Carbon Accounting Financials**

**100%** of our **non-executive management** have received sustainability related trainings

**100%** of our **frontline employees** have received sustainable finance trainings.

**90%** of our overall employees received sustainability related trainings

**13%** Green bonds of our total bonds portfolio excluding HKJ Sovereign

**42%** of the auto loan portfolio directed towards e-mobility.

## Climate Policies

Developed our **Sustainable Finance Framework**

Developed our **Carbon Footprint Management Framework**

Created our **Sustainability Policy**

## Climate Organizational Governance:

Sustainability Mandate at **Risk Board Committee**

Implemented our **Sustainability working groups and taskforces**

Developed **Climate KPIs**

# Our Climate Journey



## 2014-2020

- Launched initial solar energy projects supporting renewable infrastructure growth
- Joined EDAMA to advocate for clean energy transition and policy collaboration



## 2021

- Published the Bank's first ESG Report in alignment with GRI Standards
- Formally committed to the UN Global Compact, aligning with international sustainability principles
- Initiated internal environmental efforts through our "Plastiqua" program
- Expanded solar energy investments to deepen the Bank's renewable energy footprint



## 2022

- Became the first Jordanian bank to sign a \$10M EBRD Green Economy Financing Facility
- Established the Environmental and Social (E&S) Risk Policy as part of enhanced risk governance
- Developed the Bank's first formal Sustainability Strategy
- Signed the first Paris-aligned financing agreement
- Expanded solar energy generation capacity to reinforce energy efficiency commitments
- Launched ESG-focused financial products and services
- Disbursed JOD 32M in Green Finance Loans



## 2023

- Established the Bank's dedicated Sustainability Unit
- Refined and updated the Bank's Sustainability Strategy to align with emerging climate expectations
- Completed Phase I of Paris alignment with measurable impact milestones
- Increased solar generation capacity to 3.2 MW across our facilities
- Developed and launched a full suite of green financial products
- Disbursed JOD 100M in green lending, reinforcing commitment to climate-positive portfolios
- Launched the Green SME Awards
- Signed a €90M Paris-aligned SME financing facility with the European Investment Bank (EIB)
- Secured a \$50M Paris-aligned guarantee limit agreement with EIB



## 2024

- Published the Bank's first Climate Report aligned with IFRS S2
- Achieved 6.28% green asset allocation across the portfolio
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Implemented carbon footprint measurement across Scope 1, 2, and 3 categories
- Developed a Climate Risk Management Plan
- Rolled out the Sustainable Finance Framework aligned with ICMA and EU Taxonomy principles
- Participated in COP29, contributing to global financial-sector climate dialogue
- Formalised the Bank's sustainability governance structure through new committees and mandates
- Initiated the portfolio decarbonisation planning

# Our Progress

Having laid a solid foundation through a decade of strategic sustainability actions, Bank al Etihad is now entering a structured climate execution phase. The following roadmap outlines both our recent progress and forward-looking commitments, focused on deepening integration across governance, strategy, risk management, and performance measurement

## 2022-2023

## 2024

## Planned for 2025 and beyond

### Strengthening Climate Governance and Oversight

- Establishment of cross-functional sustainability working group from Credit Risk and Sustainability teams to start our climate journey
- Established Environmental & Social Risk (E&S) Policy

- Activated Board-level climate oversight through Risk Board Committee
- Formed the Chief Sustainability Steering Committee to oversee cross-departmental climate and sustainability implementation
- Integration of climate KPIs into executive performance frameworks
- Completed IFRS S1 and S2 readiness assessment and initiated phased implementation of gap areas
- Initiated the drafting and institutionalisation of a climate & Sustainability management policy
- Initiated development of a Carbon Emission Management Framework covering Scope 1, 2, and 3 (Categories 1–15)
- Completed development of a Sustainable Finance Framework
- Created cross-functional sustainability taskforces and working groups
- Expanded the scope and mandate of the main sustainability working group
- IFRS-aligned reporting structure established and disclosures initiated

- Expand the Risk Board Committee's oversight mandate to encompass broader climate governance responsibilities
- Activate the Chief Sustainability Steering Committee with formal authority and integration into the Bank's governance structure
- Refine and recalibrate climate-related KPIs for executive leadership in line with updated transition priorities
- Develop methodology to link executive remuneration to performance against climate KPIs
- Formalise the mandates and operating protocols of sustainability taskforces and cross-functional working groups
- Conduct an annual review and update of the E&S Risk Policy in accordance with emerging best practices
- Complete Phase II integration of IFRS S1 and S2 into the Bank's reporting framework
- Enhance the Bank's climate and sustainability policy suite to reflect evolving frameworks and supervisory expectations

### Advancing Strategic Alignment with Climate Targets

- Developed and secured Board endorsement for the Bank's Sustainability Strategy
- Became the first financial institution in the country to sign a Paris-aligned financial sector commitment
- Signed a USD 10 million agreement under the EBRD Green Economy Financing Facility, the first of its kind locally
- Introduced ESG-integrated financial products and services in priority sectors
- Achieved JOD 32 million in green loan disbursements to support sustainable economic activity
- Expanded the Bank's own renewable energy infrastructure through solar farm investments

- Enhanced and expanded the Bank's Sustainability Strategy to reflect evolving priorities, regulatory expectations, and sectoral insights
- Finalised and approved the Bank's Climate Transition Plan
- Initiated the development of a decarbonisation roadmap
- Engaged clients in climate-related conversations to inform product development and strategic alignment
- Expanded ESG product offerings to broader client segments
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Began aligning financed emissions methodology with PCAF standards
- Integrated qualitative climate scenario analysis into business planning

- Align the Bank's Sustainability Strategy with Jordan's decarbonisation pathways
- Integrate the Climate Transition Plan into group-level strategic, financial, and capital planning processes
- Expand stakeholder and client engagement to include SMEs, high-emitting clients, and supply chains
- Launch sector-specific green financing solutions tailored to transition risk and opportunity profiles
- Operationalise the Sustainable Finance Framework across product design, client screening, and risk functions
- Transition from qualitative to quantitative scenario analysis by developing internally calibrated models and integrating outputs into strategic and financial planning

### Strengthening Climate Risk Integration Across the Risk Management Framework

- Operationalised the Bank's Environmental and Social Risk (ESR) Policy as a foundational risk management control
- Initiated internal capacity building to embed E&S considerations into enterprise-wide risk thinking

- Integrated climate physical and transition risks into overall Risk Management Framework
- Embedded E&S considerations into credit risk due diligence processes through our E&S Risk policy
- Initiated physical risk exposure assessment to evaluate asset-level climate vulnerabilities
- Initiated transition risk exposure assessment to examine policy, legal, and market risks
- Integrated climate risk into the Bank's ICAAP, embedding it into capital adequacy planning

- Finalise the Bank's physical and transition risk exposure assessments and embed insights into sectoral credit and portfolio strategies
- Recalibrate the Risk Appetite Framework
- Develop and operationalise internal climate stress testing methodologies, integrating outputs into capital planning and risk strategy
- Embed climate risk factors and indicators into credit scoring models and internal risk analytics

### Enhancing Climate Metrics and Targets

- Initiated the Bank's climate data journey by reporting green finance disbursements as a preliminary climate performance indicator
- Calculation of Scope 1 and 2 emissions

- Advanced implementation of Scope 1 and 2 carbon accounting methodology, including ongoing data validation, boundary setting, and alignment with international reporting standards
- Initiated baseline development for Scope 3 emissions (Categories 1–14)
- Started the calculation of financed emissions calculations with PCAF standards
- Mapped internal climate-related metrics against the disclosure requirements of ISSB (IFRS S2) to prepare for regulatory reporting and ensure consistency across climate disclosures

- Establish a Group-wide GHG emissions baseline covering Scope 1, 2, and operational Scope 3 categories, forming the foundation for future reduction targets
- Finalise a Group-wide financed emissions baseline (Scope 3, Category 15) and integrate results into portfolio monitoring and strategic planning dashboards
- Advance Scope 3 operational emissions mapping (Categories 1–14) by prioritising material categories
- Launch internal and external climate performance dashboards
- Set near- and long-term GHG reduction targets after finalization of baselines



# Our Governance



**Governance is not just about oversight** — it's about building systems that empower action, embed trust, and prepare institutions to lead through change.



## Sustainability Governance Structure at Bank al Etihad



Sustainability governance at Bank al Etihad is embedded at the highest levels of our organisational structure, ensuring ESG considerations are fully integrated into strategic planning, operational decision-making, and long-term risk management.

At the top of our model, the Risk Board Committee provides oversight of our sustainability direction, ensuring alignment with our strategic priorities and risk appetite. In 2024, we updated our Risk Committee Charter to include a new mandate focused on integrating environmental and social risk responsibilities, climate change risk oversight and reporting, and climate-related stress testing, further solidifying our commitment to sustainability and climate governance integration. The committee is now responsible for overseeing the bank’s progress in terms of sustainability and ensures integration between the bank’s E&S risk management and general business strategies. The Executive Management team is responsible for implementing this vision, driving sustainability across all core business areas.

### Sustainability Unit

Given that our sustainability governance structure is still relatively new and continues to evolve alongside our broader sustainability journey, we consider ourselves to be in a transitional phase. During this period, our teams continue to require targeted capacity building and expert guidance. Hence, we established the Sustainability Unit to play a pivotal role as a central enabler, driving the implementation of our ESG vision and embedding sustainability across the bank.

The team integrates sustainability into departmental strategies, manages ESG data collection and reporting, and drives internal training initiatives. It leads the development of both financial and non-financial products and services aligned with ESG principles, while also supporting business growth through sustainable finance opportunities. Additionally, the unit focuses on managing and reducing the bank’s operational and financed carbon emissions, ensuring that internal practices align with environmental goals. The team stays ahead of emerging ESG trends, fosters strategic partnerships, and ensures compliance with global standards like the GRI and IFRS Sustainability Disclosure Standards.

### Strengthening ESG Data Governance: The Data & Performance Taskforce

As part of our commitment to transparency and continuous improvement in sustainability reporting, Bank al Etihad established the Data & Performance Taskforce – a cross-functional team comprising employees from various departments. The taskforce plays a central role in strengthening ESG data governance and ensuring the reliability, consistency, and accessibility of sustainability-related data across the bank.

The taskforce’s scope covers a wide range of data streams critical to our ESG performance. This includes internal operational data (e.g., energy, water, waste), customer-related environmental data (such as energy consumption or emissions, where available), and portfolio-level metrics across business lines. A core responsibility is to assess current data availability, identify key gaps, and lead process and system improvements to ensure robust, timely, and decision-useful data.

In addition to internal data, the taskforce also monitors dependencies on third-party data sources, which are essential for evaluating products such as credit card instalment programmes or sustainability-linked financing. Where such data is incomplete or unavailable, the taskforce ensures these limitations are transparently disclosed and that the relevant products are excluded from green classifications until data quality thresholds are met.

By institutionalising this taskforce, we are laying the foundation for a more rigorous and integrated ESG data ecosystem – one that supports informed decision-making, enhances stakeholder confidence, and ensures our disclosures align with global reporting standards and best practices.





## Executive Steering Committee

To reinforce leadership and drive cross-functional alignment, we established the Executive Sustainability Steering Committee – a high-level governance body chaired by the CEO and co-chaired by the Chief Risk Officer (CRO), with membership including senior executives from key functions, tasked with steering the bank toward sustainable banking excellence.

The Committee provides strategic oversight on the integration of sustainability principles across all business units, ensuring alignment with ESG standards, the goals of the Paris Agreement, and the Central Bank of Jordan’s Green Finance Strategy. The Committee also plays a critical role in shaping the bank’s sustainability vision – identifying long-term opportunities, setting targets, and guiding the deployment of our sustainable finance framework across traditional and digital channels. This distributed leadership model ensures that sustainability is not siloed, but integrated into the bank’s core operations, governance structures, and long-term strategy.

The work of the Committee is enabled by a dedicated Sustainability Lead who drives cross-functional alignment, ensures execution against the bank’s sustainability strategy, and translates high-level ESG commitments into measurable action. In this role, the Lead oversees the integration of sustainability targets into business functions, facilitates enterprise-wide collaboration, and ensures consistent progress tracking against both internal goals and external regulatory frameworks. The Lead also acts as a strategic advisor to the Committee – consolidating insights, guiding ESG-related decision-making, and fostering a culture of accountability, innovation, and transparency across the bank.



## Supervisory Committee

Established under the guidance of the Executive Sustainability Steering Committee, the Sustainability Supervisory Committee plays a critical role in operationalising the bank’s sustainability strategy. Composed of senior non-executive leaders from across functions, the Committee serves as the engine driving day-to-day implementation of the bank’s ESG agenda.

Meeting on a quarterly basis, it ensures that sustainability objectives are embedded across operations in alignment with the Paris Agreement, the Central Bank of Jordan’s Green Finance Strategy, and the National Financial Inclusion Strategy.



## Working Groups and Task Forces

To support the work of the Supervisory Committee and drive the practical implementation of our sustainability strategy, we have established a series of Working Groups and Task Forces. These cross-functional teams are responsible for operationalising our sustainability ambitions across core strategic business areas. They ensure that sustainability principles are translated into concrete actions with clearly defined roles and responsibilities, performance tracking and collaboration across departments.

Each group is chaired or co-chaired by senior representatives from relevant departments and is aligned with our strategic goals, regulatory commitments and the Paris Agreement. These Working Groups and Task Forces allow us to create a culture of sustainability throughout the bank, enabling coordination, accountability and measurable progress in each focus area.

| Working Groups                                    | Purpose  | Key Responsibilities  |
|---|--|---|
| <b>Product Development &amp; Business Drivers</b> | Develop & enhance sustainable banking by leading product development, expanding sustainable lending, and championing ESG integration | Aimed at embedding ESG frameworks into operations, build a strong pipeline for sustainable lending, and launch tailored sustainable products for diverse customer segments.   |
| <b>Investments</b>                                | Align investment strategies with ESG principles and the bank’s sustainability goals  | Aimed at evaluating ESG-aligned investment opportunities, developing sustainable investment portfolios, and actively engaging both internal and external stakeholders to promote responsible investing practices.                 |
| <b>Climate Risk Management</b>                    | Manage and mitigate climate-related risks across operations and the bank’s portfolio   | Aimed at developing climate risk strategies that ensure regulatory compliance, conducting climate risk assessments and scenario analyses, and evaluating the potential financial impact of climate risks on the bank’s portfolio. |

| Task Forces                                    | Purpose   | Key Responsibilities  |
|--|---|---|
| <b>Data Flags Measurement &amp; Reporting</b>  | Strengthen ESG data systems for tracking, measurement, and reporting.   | Define sustainability metrics, build data processes, and analyse ESG performance.   |
| <b>Operation Changes</b>                       | Integrate ESG considerations across our operations, procurement, and facilities.  | Revise procurement policies, reduce environmental impact and implement sustainable practices.   |
| <b>Activation of Sustainable Trade Finance</b> | Integrate sustainability into the bank's trade finance offerings by embedding green principles across products, processes, and client engagement. | Work on developing green trade finance products aligned with ICC principles, integrate system flags to identify eligible sustainable transactions, and empower Relationship Managers to assess and promote sustainable trade opportunities. |

These working groups and task forces are an essential part of our sustainability governance model. They allow for collaboration across departments, embed ESG principles into daily operations and provide the technical and strategic support needed to achieve measurable results. Each group contributes to our sustainability objectives and ensures our regulatory alignment, market relevance and stakeholder impact.



# Sustainability and ESG Management Policy

To bring consistency to our sustainability efforts, we introduced the Sustainability and ESG Management Policy. It's a practical framework that embeds ESG principles across the bank's operations. The policy reflects our commitment to responsible growth – balancing business goals with environmental and social impact – while aligning with key national and global priorities like the Paris Agreement and the Central Bank of Jordan's Green Finance Strategy.

The policy is grounded in core values including leadership, compliance, accountability, environmental responsibility, inclusive development, and collaboration. It defines clear departmental roles, embeds ESG risk management, encourages stakeholder engagement, and drives performance through continuous monitoring.

Our sustainability objectives are built around five strategic pillars: Finance, Manage, Govern, Innovate and Engage, which guide our efforts to integrate ESG into finance, governance, innovation and stakeholder relations. Sustainability is a shared responsibility across the bank, with active collaboration led by the Sustainability Unit. Departments and teams that contribute to the implementation of this policy include:



### Environmental and Social Grievance Process:

In 2024, we formalised our Environmental & Social (E&S) grievance mechanisms to reinforce accountability, enable meaningful stakeholder engagement, and strengthen our risk management framework. This represents a pivotal step in operationalising our commitment to responsible business conduct – progressing from policy to practice.

These mechanisms provide a structured, confidential, and accessible channel for employees, customers, communities, and other stakeholders to raise concerns regarding environmental or social impacts associated with our operations, financing activities, or supply chain.

By embedding E&S grievance mechanisms into our governance processes, our objectives are to:

- Identify and address E&S risks promptly and systematically
- Uphold our commitment to human rights and environmental stewardship
- Enhance transparency and build trust with stakeholders
- Align with global standards such as the IFC Performance Standards and the Equator Principles

These mechanisms not only serve as a risk mitigation tool but also signify our dedication to listen, respond, and continually enhance our sustainability performance.



# Our Strategy



**A vision without a strategy  
remains an illusion. Real  
progress is measured by how  
we turn ambition into action —  
and how we ensure that action  
delivers lasting impact.**

# Our Sustainability Strategy: From Commitment to Action

The years 2022 and 2023 were instrumental in laying the foundation of our sustainability journey. These years were marked by the development and refinement of our ESG strategy — aligning our direction, setting priorities, and identifying areas where we could deliver the greatest value and impact.

With this groundwork in place, 2024 represented a turning point. It was a year of acceleration — where strategy moves from planning to execution, and commitments evolve into measurable outcomes. We are focused on deepening ESG integration, enhancing governance, driving sustainable finance across our products, operations, and stakeholder relationships.

This transition is guided by core beliefs that shape our long-term vision and approach to sustainability.

## Our Beliefs



**A sustainable economy depends on responsible practices across all sectors** | We recognise that sustainability is an economy-wide effort, and our role as a financial institution places us at the heart of this transition.



**Sustainable growth requires deliberate influence and commitment** | We integrate ESG risk management into our operations to promote financial stability, resilience, and long-term value.



**Lasting impact demands long-term dedication** | Our commitment is not short-term or reactive — it is focused on delivering value for our customers, communities, and the environment over time.



**Responsible finance drives real-world change** | We empower clients and partners to adopt greener, more inclusive models — supporting progress that benefits everyone.



**Continuous learning and adaptation are essential** | We evolve with purpose — informed by ESG frameworks, global trends, local regulatory shifts, and ongoing stakeholder dialogue — ensuring our strategy remains relevant, responsive, and resilient in a changing world.

These beliefs form the foundation of our strategy and the lens through which we define impact. They guide how we operate, where we focus our efforts, and how we measure success. Grounded in these principles, our sustainability vision is bold, practical, and action-oriented.

## Our Sustainability Vision



### Trailblaze in Sustainability

Lead the region by pioneering innovative and impactful sustainable finance solutions, driving a positive environmental and social impact through all banking services.



### Master Sustainability Data

Leveraging data to drive informed decisions - encompassing CO2 emissions, EU taxonomy compliance, and climate risk - while minimizing financial and environmental risks to ensure business resilience.



### Lead by Example

Walk the talk by embedding sustainability into every area of our operations.

Translating this vision into action requires a clear, structured, and integrated strategy — one that connects ambition with execution. Our approach focuses on accelerating ESG integration across the bank, embedding sustainability into every layer of our operations, and delivering measurable impact. It is through this strategy that we turn belief into progress and vision into results.

## Our Strategic Pillars

Our sustainability strategy is built around five pillars that drive action across every area of the bank. Each pillar represents a key domain where we turn our vision into measurable impact.



**Finance**

**Mobilising Capital for Sustainable Impact** | We design and deliver financial solutions that enable the transition to a low-carbon, inclusive economy – supporting clients across sectors with sustainable products.



**Manage**

**Addressing Climate Risks and Managing Our Footprint** | We manage climate-related risks across our portfolio and operations to ensure long-term resilience. This includes integrating climate risk into decision-making, measuring and reducing our operational emissions, and taking steps to assess and manage financed emissions in line with emerging standards and our transition objectives.



**Innovate**

**Reimagining Sustainability Through Banking** | We design solutions that blend sustainable finance, non-financial services, and digital tools into a unified offering – empowering clients to take meaningful climate action, enhance ESG performance, and build future-ready business models.



**Engage**

**Empowering Collective Action, Inside and Out** | We engage employees, clients, regulators, and communities to align around shared sustainability goals. Through open dialogue, awareness-building, and capacity development, we foster a culture of sustainability that drives both institutional transformation and national progress.



**Govern**

**Strengthening ESG Oversight and Accountability** | We uphold strong governance to ensure sustainability is integrated into decision-making, risk management, and oversight processes. Through clear roles, policies, and transparent reporting, we strengthen ESG accountability and align with both national regulations and global standards.

## Looking Ahead: Strategy for 2025

Our sustainability strategy is designed to grow in both depth and reach – scaling across business lines, subsidiaries, and group entities to ensure full alignment with our long-term vision. As we continue embedding ESG into the core of our operations, we are focused on enhancing the quality of our data, frameworks, and outcomes to enable better decision-making and long-term value creation. In 2025, we are entering a phase of deepened execution – improving ESG data granularity, strengthening internal systems, and expanding coverage to support a more integrated and performance-driven approach to sustainability. These efforts are critical to delivering credible, decision-useful disclosures that meet evolving regulatory requirements and stakeholder expectations. Building on the strategic foundation laid in 2024, our focus remains on five core pillars – each advancing to reflect greater maturity, integration, and impact.

# Our Climate Transition Journey

We began our climate transition journey with a clear understanding of the role we must play as a financial institution. Over the past two years, we've worked to develop a practical, organisation-wide strategy that addresses climate-related risks and opportunities. This effort reflects both our internal commitment to responsible banking and the shifting regulatory landscape in Jordan.

We moved early – by asking difficult questions, challenging our own assumptions, and acting decisively on what matters most. Our focus has been on building the right foundations: measuring emissions, identifying exposures, and integrating climate considerations into governance and decision-making across the bank.

Our Transition Plan aligns Bank al Etihad's efforts with both national and global standards. Domestically, it reflects our commitment to the Central Bank of Jordan's Climate Strategy and Climate-Related Supervisory Guidance. Globally, the Plan is built in line with the TPT Framework and the Climate-related Disclosure Standard (IFRS S2) issued by the International Sustainability Standards Board (ISSB).

We also follow the guidance and structure of the GFANZ framework to ensure our strategy is credible, comprehensive, and comparable. These references help us translate ambition into action – ensuring our transition is grounded in robust data, informed by risk, and embedded across the institution.

In our climate transition plan, we focus on two main pillars: identifying and managing climate-related risks, and supporting our clients in their transition. While we are committed to meeting our climate and sustainability goals, we recognise that we are still at the early stages of this journey. This means we are actively investing in the tools, capabilities, and partnerships needed to move from planning to measurable impact.



**Identifying and Managing Climate Risks**

Integrating climate considerations into our overall strategy, business lines, and risk management processes. This includes addressing environmental<sup>1</sup> and social risks, including climate change<sup>2</sup>-related risks at both the borrower and portfolio levels.

**Assisting Our Clients in Their Transition**

Collaborating with clients to navigate the transition to a low-carbon economy, including mobilising capital and providing expert guidance for a sustainable transition.

Pursuing strategic opportunities created by climate change  
Increasing the resilience of our business to climate risks

<sup>1</sup>Environmental risks include climate change risks, but also other risks related to pollution, resource use, biodiversity, etc.  
<sup>2</sup>Climate change risks are a specific subset focused on the effects and challenges posed by climate change itself.

We view this transition not as a one-time shift, but as a continuous process — one that requires adaptability, transparency, and collaboration. Our next steps include deepening our understanding of financed emissions, integrating climate metrics into decision-making, and expanding support for clients to adopt lower-carbon business models. We know the road ahead is complex, but we believe progress starts with clarity of purpose and consistency in action.

**Our Our Climate Context**

**Climate change is not a distant risk — it is already reshaping Jordan's economy, environment, and financial system.** Rising temperatures, extended periods of drought, and chronic water scarcity are disrupting economic activity and damaging assets, communities, and infrastructure. These impacts translate into real financial risks, amplifying traditional categories like credit, operational, market, liquidity, and reputational risk that must be managed today, not tomorrow.

But with the right approach, these risks can be transformed into long-term opportunities. Supporting the shift to a low-carbon and climate-resilient economy allows us to create value for our clients, strengthen our portfolio, and unlock new areas of growth.

At Bank al Etihad, we see this clearly. Our climate transition plan is built on this dual perspective: aligning with Jordan's Nationally Determined Contributions (NDCs) while actively managing climate-related risks. The two are not separate tracks — they reinforce each other, guiding how we prioritise, invest, and move forward.

**Our Approach to Climate Transition**

We view our climate transition plan as a foundation for aligning our business with a low-carbon future. It outlines the goals, actions, and accountability mechanisms we are putting in place to support real-economy emissions reductions and to position Bank al Etihad in line with global efforts to reach net-zero GHG by 2050. While we have not yet committed to a formal net-zero target, our plan is structured to be consistent with the ambition of limiting global warming to 1.5°C above pre-industrial levels. To ensure its credibility and impact, we are guided by the six principles of effective climate transition planning:

01

**Accountability**

The plan has clearly defined roles and responsibilities. This includes effective governance mechanisms, where the board and C-suite executives are accountable for implementation of the plan.

02

**Internally Coherent**

The plan has clearly defined roles and responsibilities. This includes effective governance mechanisms, where the board and C-suite executives are accountable for implementation of the plan.

03

**Forward Looking**

The plan should reflect considerations of the short- and long-term, trending towards 2050. However, an emphasis on the short-term (the next 5-year timeframe) is critical to achieve long-term climate ambitions, which should be supported by governance mechanisms (new or existing).

04

**Time-Bound & Quantitative**

The plan's KPIs are quantifiable and are outlined for defined timeframes.

05

**Flexible & Responsive**

The plan is reviewed and updated periodically, with a defined stakeholder feedback mechanism in place (e.g., shareholders, investors, regulators, etc.).

03

**Complete**

The plan covers the whole organisation and its value chain. For example, any exclusions from the plan must not be material to the organisation and/or its impact on the natural environment (ensuring the double materiality principle applies to disclosure of exclusions).

We recognise that climate-related risks and opportunities are interconnected and essential to creating long-term value for our clients. This includes expanding within current markets and exploring new growth areas aligned with the low-carbon transition. To address these complexities, we are enhancing our governance, strategy, risk management, and disclosures to fully embed climate considerations throughout the bank. In 2024, we advanced key actions that reinforce our leadership in driving the climate transition.

## How We Are Guaranteeing the Success of Our Transition Plan

**Position Senior Exco Member as the Owner** | To ensure buy-in from business decision-makers and to inspire the organisation, the instruction for and endorsement of a transition plan needs to come from the top level of a business.

**Mobilise the Business as a Whole** | It is crucial that plans are not prepared in isolation by the sustainability team, as for plans to be actioned, the backing of the entire business will be required. Therefore, we involve all decision-makers throughout the business via Transition Plan Working Group (TP WG) in setting the objectives, priorities, and actions, as well as in executing these actions and monitoring progress.

**Identify Benefits for the Business** | Responding to climate risks and opportunities is central to our approach, but while the risks climate poses to businesses are becoming increasingly clear, the benefits can be more challenging to evaluate. Throughout our transition journey, we will keep track of the opportunities to understand how they are generating value for the bank, and which will allow for climate strategies to continuously improve. This in turn will lead to further business opportunities.

**Organisational and Cultural Redesign** | Delivering the transition plan will require the integration of climate and sustainability capabilities into job roles and business units. We initiated an organisation-wide cultural shift that will require a compelling case for change, the upskilling of leadership to raise awareness and shift mindsets.

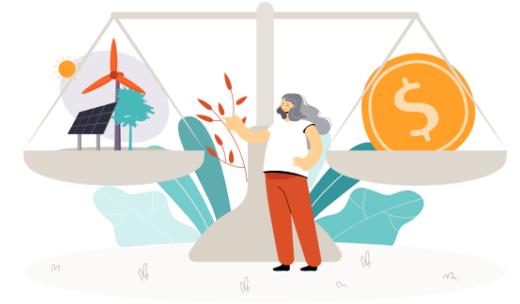
## How We Are Rethinking Our Stakeholder Relations

Our climate transition plan is underpinned by our objective to drive and support our clients and other stakeholders in their transition journey. To achieve this, we are rethinking our relationships with our stakeholders across our bank's divisions:

- Our clients operating in the real economy are at the forefront of the transformation. They will need advice on their transition pathways, along with suitable and innovative products and services to realise transition goals and remain competitive.
- Our investors increasingly want to entrust their capital to financial institutions with a credible sustainability strategy, ensuring financial intermediation across the economy is done with a climate and sustainability lens and in full alignment with the Paris agreement.
- Our employees want to work for purpose-driven institutions. They are critical to the realisation of our sustainability goals. Financial institutions and companies generally must embrace sustainability to retain top talent and recruit the best and the brightest.
- Our regulatory authorities increasingly refer to the financial sector as a key pillar to enabling the transition. With several government-driven sustainability visions and initiatives activated, we intend to ensure Bank al Etihad is strengthening climate resilience and adhering to regulatory requirements related to sustainability risks and the transition.

## Our Climate Risks and Opportunities

Our transition plan is grounded in achieving a broader understanding of our material climate-related risks and opportunities and emissions footprint. A climate materiality assessment helps us identify and prioritise vulnerabilities that need to be addressed and opportunities that can be leveraged. As part of this assessment, we examined our available data and reviewed our governance framework, internal processes, and climate-related data collection practices.



This initial exercise highlighted a key challenge: significant data gaps, particularly due to the limited availability of national sectoral data in Jordan, which complicates efforts to collect and analyse climate-related information effectively. As we progress in our transition journey, we are focused on overcoming our data challenges by comprehensively reviewing our data gaps and quality, and refining our data sources to rely more on reported rather than estimated figures.

### Our Climate Time Horizons

When considering climate-related transitional and physical risks, Bank al Etihad assesses them through the following time horizons:

| Horizon            | Short term  | Medium term   | Long term   |
|--------------------|---|---|---|
| <b>Duration</b>    | <b>0-3 years</b>  | <b>3-10 years</b>   | <b>10-30 years</b>  |
| <b>Explanation</b> | This period focuses on immediate climate-related financial risks, such as regulatory compliance, ESG risk identification, and internal capacity building. Activities include incorporating climate considerations into governance, controls, and early-stage reporting processes. | The medium-term horizon reflects our strategic planning cycle and risk management processes. It is used to manage transition risks related to Jordan's climate policies, develop green financing products, and align our portfolio with evolving market expectations and Jordan's Nationally Determined Contributions (NDCs). | This horizon supports scenario analysis and the assessment of long-term physical and transition risks under various climate pathways (e.g., 1.5°C or 2°C scenarios). It guides our strategic resilience planning, capital investment decisions, and net-zero roadmap. |

## Our Climate Physical Risks & Opportunities

|   | Risk Description  | Impact on Bank al Etihad's Clients and Business   | Potential Opportunities   |
|---|---|---|---|
|  <p><b>Drought, Water Scarcity Risk</b></p>      | <p><b>Water scarcity is the most critical issue – Jordan ranks among the top five water-stressed nations with declining rainfall and increasing water demand.</b></p> | <ul style="list-style-type: none"> <li>• Reduced industrial productivity (Manufacturing, Utilities).</li> <li>• Higher operational costs for businesses.</li> <li>• Increased risk of agricultural losses affecting food supply and retail.</li> </ul>  | <ul style="list-style-type: none"> <li>• Financing water efficiency projects (e.g., smart irrigation, water recycling).</li> <li>• Providing green loans for businesses to adopt water-saving technologies.</li> <li>• Investing in desalination and wastewater treatment projects.</li> </ul>      |
|  <p><b>Extreme Heat and Heatwaves Risk</b></p> | <p><b>Average temperatures are rising, with more frequent and intense heatwaves, affecting outdoor workers and energy demand.</b></p>                                 | <ul style="list-style-type: none"> <li>• Reduced labour productivity, especially in Construction, Retail, and Transportation.</li> <li>• Increased energy consumption for cooling, raising operational costs.</li> <li>• Higher healthcare costs due to heat-related illnesses.</li> </ul>  | <ul style="list-style-type: none"> <li>• Financing energy-efficient cooling systems in commercial and residential buildings.</li> <li>• Promoting solar-powered air conditioning solutions.</li> <li>• Supporting workforce adaptation programs, such as heat-protective infrastructure.</li> </ul> |
|  <p><b>Flood/Flash-Flood Risk</b></p>          | <p><b>While rare, sudden heavy rainfall events can cause urban and infrastructure flooding, damaging roads, businesses, and homes.</b></p>                            | <ul style="list-style-type: none"> <li>• Transportation &amp; Warehousing: Supply chain disruptions due to damaged roads and logistics delays.</li> <li>• Real Estate &amp; Construction: Property damage and loss of asset value in flood-prone areas.</li> <li>• Retail &amp; Banking: Temporary business closures and higher insurance claims.</li> <li>• Tourism &amp; Hospitality: Evacuations, cancellations, and reputational damage during flood events in key destinations such as Petra, Wadi Rum, and the Dead Sea area</li> </ul> | <ul style="list-style-type: none"> <li>• Financing urban flood defence projects (e.g., drainage systems, flood barriers).</li> <li>• Expanding parametric insurance to protect businesses from extreme weather-related losses.</li> </ul>   |

## Our Climate Transition Risks & Opportunities

|   | Risk Description   | Impact on Bank al Etihad's Clients and Business  | Potential Opportunities   |
|---|--|--|---|
|  <p><b>Carbon Pricing and Border Tariffs</b></p> | <p><b>The EU's Carbon Border Adjustment Mechanism (CBAM) imposes tariffs on high-carbon imports (e.g., cement, steel, fertilisers), affecting Jordanian exporters.</b></p> | <ul style="list-style-type: none"> <li>Higher costs for Manufacturing &amp; Exporting industries (e.g., cement, phosphate fertilisers, aluminium).</li> <li>Increased supply chain costs for businesses reliant on imported carbon-intensive materials.</li> <li>Reduced competitiveness of non-compliant industries in global markets.</li> </ul>                               | <ul style="list-style-type: none"> <li>Financing low-carbon technology upgrades for manufacturers to comply with CBAM.</li> <li>Providing sustainability-linked loans with incentives for carbon reduction.</li> <li>Supporting businesses in adopting carbon credit trading and offset strategies.</li> </ul>  |
|  <p><b>Regulatory &amp; Compliance</b></p>      | <p><b>The Central Bank of Jordan (CBJ), national and global regulators are enforcing climate disclosure requirements aligned with IFRS Sustainability Standards</b></p>    | <ul style="list-style-type: none"> <li>Higher compliance costs for financial institutions and corporations.</li> <li>Increased regulatory scrutiny of loan portfolios, requiring banks to integrate climate risk into credit assessments.</li> <li>Potential credit rating downgrades if climate risks are not managed.</li> </ul>   | <ul style="list-style-type: none"> <li>Developing climate stress testing tools for corporate clients.</li> <li>Offering ESG advisory services to help businesses comply with regulations.</li> <li>Creating green investment funds aligned with sustainable finance frameworks.</li> </ul>  |
|  <p><b>Technology Disruptions</b></p>          | <p><b>Rapid advances in renewable energy, electric mobility, and low-carbon tech could render traditional industries obsolete.</b></p>                                     | <ul style="list-style-type: none"> <li>Utilities &amp; Transportation: Fossil fuel-dependent businesses may face stranded assets.</li> <li>Auto &amp; Transport Industry: Shift towards electric vehicles (EVs) and sustainable logistics reduces demand for gasoline-dependent fleets.</li> <li>Manufacturing: Need for clean energy adoption to remain competitive.</li> </ul> | <ul style="list-style-type: none"> <li>Financing EV infrastructure, charging stations, and clean transport fleets.</li> <li>Supporting hydrogen and renewable energy projects.</li> <li>Offering sustainability-linked corporate loans for green industrial transformation...</li> </ul>  |
|  <p><b>Energy Price</b></p>                    | <p><b>Rising global and regional energy prices due to the transition away from fossil fuels, affecting power generation and industrial energy consumption</b></p>          | <ul style="list-style-type: none"> <li>Higher operational costs for Manufacturing, Utilities, Retail, and Transportation sectors.</li> <li>Increased cost of production and logistics, affecting profitability and pricing of goods/services.</li> <li>Potential shutdowns or downsizing of energy-intensive industries unable to absorb cost increases.</li> </ul>              | <ul style="list-style-type: none"> <li>Offering energy efficiency loans for businesses to invest in renewable energy and smart energy systems.</li> <li>Financing solar, wind, and battery storage solutions to reduce long-term energy dependency.</li> <li>Developing corporate Power Purchase Agreement (PPA) financing for large consumers to buy renewable energy directly.</li> </ul> |

## Climate Risk Materiality by Sector

In 2024, we assessed our credit portfolio to identify sectors inherently vulnerable to climate-related risks. This materiality assessment established the foundation for our forward-looking climate scenario analysis, helping us understand which sectors may be most exposed to transition or physical climate risks. We segmented our outstanding credit portfolio by sector and applied expert judgment across several dimensions:

- Jordan’s national GHG inventory, used as a proxy for sectoral transition risk;
- An analysis of Scope 1 and 2 emission pathways across sectors;
- Global climate risk pathways relevant to our sectoral mix;
- A comprehensive understanding of the Jordanian context, including regions exposed to climate hazards.

| Sector                      | Emissions Profile  | Indicative Climate Risks   |
|-----------------------------|--|--|
| <b>Heating &amp; Energy</b> | <p><b>Scope 1:</b> Emissions from the combustion of fossil fuels for power generation</p> <p><b>Scope 2:</b> Emissions from electricity consumed during distribution and transmission to consumers</p> | <p><b>Transition risks:</b></p> <ul style="list-style-type: none"> <li>• Unachievable decarbonisation targets</li> <li>• Costly renewable energy</li> <li>• Investor scrutiny on climate risks</li> </ul> <p><b>Physical risk: Dependent on the location of power-generating assets</b></p> <ul style="list-style-type: none"> <li>• Utilities could come under strain from heatwaves (both efficiency of assets and demand rise), as well as water scarcity used for cooling</li> </ul> |
| <b>Oil &amp; Gas</b>        | <p><b>Scope 3:</b> Upstream emissions from the extraction, processing, and transportation of fossil fuels</p>  | <p><b>Transition risk:</b></p> <ul style="list-style-type: none"> <li>• Extraction and downstream activities. It could be an inhibitor to being considered Paris-Aligned by some investors, although Jordan NDCs do not indicate phase-out</li> </ul> <p><b>Physical risk: Dependent on the location of assets</b></p> <ul style="list-style-type: none"> <li>• Could come under strain from heatwaves (efficiency of assets and resource efficiency)</li> </ul>                         |
| <b>Chemicals</b>            | <p>GHG emissions come from fossil fuel combustion, electricity use, and fossil fuels used as chemical feedstocks. GHG emissions are also by-products of chemical reactions</p>                         | <p><b>Transition risk:</b></p> <ul style="list-style-type: none"> <li>• GWP of products could lead to more scrutiny in future. CBAM indirect exposure</li> </ul> <p><b>Physical risk:</b></p> <ul style="list-style-type: none"> <li>• Chemical pollution and wider environmental impacts</li> <li>• Increased droughts and flooding leading to increase demand and consequently emissions</li> </ul>  |

| Sector              | Emissions Profile  | Indicative Climate Risks   |
|---------------------|--|--|
| <b>Real Estate</b>  | <p><b>Scope 1:</b> On-site fuel combustion and refrigerant leaks</p>   | <p><b>Market risks:</b></p> <ul style="list-style-type: none"> <li>• Increased cost of raw material</li> <li>• Changes in demand for certain types of buildings</li> <li>• Increase in stranded assets</li> </ul> <p><b>Reputational risk:</b></p> <ul style="list-style-type: none"> <li>• Failure to keep up with stakeholder sustainability expectations and low sustainability performance leading to loss of customers</li> </ul>   |
| <b>Construction</b> | <p><b>Scope 2:</b> Emissions from electricity purchased</p> <p><b>Scope 3:</b> Material extraction and production, waste disposal, and water consumption</p>   |  |
| <b>Agriculture</b>  | <p><b>Scope 1:</b> Land use, livestock, fossil fuel on-site conversion</p> <p><b>Scope 2:</b> Electricity purchased</p> <p><b>Scope 3:</b> Emissions from fertiliser use and other raw materials</p> | <p><b>Physical risk:</b></p> <ul style="list-style-type: none"> <li>• Extreme heat and weather events causing significant damage to crops and production capacity</li> <li>• Water scarcity increases</li> <li>• Impacts of climate change on crop seasonality and quality increasing production costs and yields</li> <li>• Increased risk of disease and pests spreading</li> </ul>  |
| <b>Transport</b>    | <p><b>Scope 1 and 2:</b> Emissions from the generation of electricity purchased and consumed by the end consumer</p> <p><b>Scope 3:</b> Upstream and downstream emissions</p>                        | <p><b>Transition risks:</b></p> <ul style="list-style-type: none"> <li>• Higher fuel prices are causing higher costs of operation</li> <li>• Insufficient adaptive capacity, like a lack of necessary technologies</li> <li>• Expanding regulations and policies</li> </ul> <p><b>Reputational risk:</b></p> <ul style="list-style-type: none"> <li>• Failure to transform into a more sustainable business</li> </ul> <p><b>Physical risk:</b></p> <ul style="list-style-type: none"> <li>• Extreme weather conditions like floods and storms cause business interruption and disruption</li> </ul> |

Building on this sector-level materiality assessment, we conducted forward-looking scenario analysis to evaluate the potential financial and strategic implications of climate change on our portfolio. This approach allows us to test resilience under multiple climate futures and identify key vulnerabilities and opportunities – supporting the development of targeted mitigation strategies and informed decision-making.

## Scenario Analysis

Following our 2024 climate materiality assessment, which identified the most climate-vulnerable sectors across our portfolio, we began developing forward-looking tools and approaches in 2025 – including scenario analysis, climate stress testing, and sensitivity analysis.

Scenario analysis plays a central role in assessing the resilience of our portfolio under different climate futures. By exploring a range of plausible pathways, we aim to better understand our exposure to physical and transition risks – and translate these insights into actionable strategies for mitigation, adaptation, and innovation.

In line with international best practices, our scenario analysis will be guided by the Network for Greening the Financial System (NGFS) scenarios – widely recognised for their credibility, consistency, and relevance.

While full implementation is targeted for 2025, we have conducted a preliminary qualitative assessment to establish a foundational understanding. Drawing on NGFS-aligned narratives, expert judgment, and sectoral analysis, we evaluated how our portfolio may be impacted under two divergent scenarios:

- **Disorderly Transition** – characterised by delayed policy action and economic disruption
- **Hot House World** – where insufficient climate action leads to severe physical consequences

If you wish to learn more about the socio-economic impacts and opportunities identified, please refer to the annexe section of this report.



## Scenario 1:

### Disorderly Transition – High Transition Risk Due to Delayed or Divergent Policies

Policies are implemented late and inconsistently, causing economic shocks, high carbon pricing, and costly compliance measures. Jordan faces high import tariffs, unstable energy markets, and financial strain on carbon-intensive industries.

| Transition Risks  |        |            | Physical Risks  |              |                       |
|---|--------|------------|---|--------------|-----------------------|
| Policy and Regulations  | Market | Technology | Water scarcity  | Extreme heat | Infrastructure damage |
| <b>Retail Portfolio Impacts</b> (households)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>Higher energy bills due to fossil fuel subsidy cuts.</li> <li>Higher food prices due to increased costs for agriculture and logistics.</li> <li>Mandatory home energy efficiency upgrades create additional costs.</li> </ul>  |        |            | <ul style="list-style-type: none"> <li>Water prices surge due to scarcity.</li> <li>Extreme heat increases electricity demand, leading to blackouts.</li> </ul>   |              |                       |
| <b>SME Portfolio Impact</b> (manufacturing, transport, and logistics)   |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>The EU Carbon Border Adjustment Mechanism (CBAM) penalises high-carbon exports.</li> <li>Costly shift to renewable energy and new efficiency standards.</li> <li>Carbon price expected to reach \$75-100/ton by 2030.</li> </ul>   |        |            | <ul style="list-style-type: none"> <li>Water-intensive industries struggle with supply disruptions.</li> <li>Heat stress reduces worker productivity.</li> <li>Rising temperatures damage roads &amp; increase cooling needs for perishable goods.</li> </ul> |              |                       |
| <b>Corporate Portfolio Impact</b> (energy and utilities, construction and real estate)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>Fossil fuel phase-out accelerates, reducing asset value.</li> <li>High carbon prices make gas &amp; oil projects unviable.</li> <li>Electricity prices are volatile due to transition uncertainty.</li> <li>Traditional materials in construction and real estate face high carbon tariffs.</li> </ul> |        |            | <ul style="list-style-type: none"> <li>Water scarcity affects hydroelectric capacity.</li> <li>Extreme heat spikes electricity demand, increasing blackouts</li> <li>Heat stress reduces building lifespan &amp; increases cooling needs.</li> </ul>          |              |                       |
| <b>Wealth and Investment</b> (institutional investors)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>Carbon heavy assets devalue rapidly</li> <li>Investors demand for low-carbon portfolios</li> </ul>   |        |            | <ul style="list-style-type: none"> <li>Real estate investments depreciate in high-risk areas.</li> </ul>  |              |                       |

**Scenario 2:**  
Hot House World – Severe Physical Risks Due to Limited Climate Action

Weak policies lead to severe heat waves, prolonged droughts, and water shortages. Economic instability worsens as food security, water availability, and infrastructure resilience deteriorate.

| Transition Risks  |        |            | Physical Risks  |              |                       |
|---|--------|------------|---|--------------|-----------------------|
| Policy and Regulations  | Market | Technology | Water scarcity  | Extreme heat | Infrastructure damage |
| <b>Retail Portfolio Impacts</b> (households)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>Weak policy action = low transition risk, but no climate resilience.</li> </ul>  |        |            | <ul style="list-style-type: none"> <li>Extreme heat, water shortages, and food inflation worsen living conditions.</li> </ul>   |              |                       |
| <b>SME Portfolio Impact</b> (agriculture and food processing, tourism and hospitality)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>No major transition risk, but weak climate adaptation financing.</li> <li>Delayed green policies keep emissions high.</li> </ul> |        |            | <ul style="list-style-type: none"> <li>Severe droughts reduce crop yields</li> <li>Livestock &amp; food production struggle with water shortages.</li> <li>Extreme heat &amp; rising temperatures reduce tourist demand.</li> <li>Water shortages impact hotels.</li> </ul> |              |                       |
| <b>Corporate Portfolio Impact</b> (utilities and infrastructure)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>Weak policies fail to incentivise investment.</li> </ul>   |        |            | <ul style="list-style-type: none"> <li>Severe water shortages &amp; infrastructure failures.</li> </ul>   |              |                       |
| <b>Wealth and Investment</b> (institutional investors)  |        |            |   |              |                       |
| <ul style="list-style-type: none"> <li>High-carbon assets still hold value but face long-term risk.</li> </ul>  |        |            | <ul style="list-style-type: none"> <li>Severe real estate devaluation in heat-stressed areas.</li> </ul>  |              |                       |

**How Do Climate-Related Risks and Opportunities Impact Our Decision-Making?**

At Bank al Etihad, climate-related risks and opportunities are becoming core to how we plan, prioritise, and allocate capital. In 2024, we began systematically integrating climate considerations across our business strategy – particularly within business, product development, and risk governance. This shift is guided by our commitment to align with IFRS S1 and S2 and anticipate Central Bank of Jordan (CBJ) regulatory expectations.

- **Risk Management & Portfolio Strategy:** We use climate materiality assessments and stress testing to evaluate our exposure to physical and transition risks. These findings influence our sectoral lending strategies, and client engagement priorities – for instance, we are now focusing on sectors with decarbonisation potential or resilience to physical hazards.
- **Product Innovation:** Identified opportunities are driving the development of green financial solutions
- **Strategic Planning:** Scenario analysis under NGFS models helps us test our portfolio under multiple climate futures. These insights inform capital allocation, policy responses, and our medium-term business strategy.
- **Capacity Building & Partnerships:** Decision-making is also shaped by internal training and ecosystem partnerships. We are investing in ESG capacity across teams, building sectoral expertise, and collaborating with local institutions for sustainable partnerships and international DFIs to extend our green and sustainable financing reach.
- **Governance Integration:** Climate considerations are now embedded in board reporting, strategy reviews, and product decisions – ensuring sustainability is not a side conversation but a core performance driver.



# Unlocking Climate Opportunities

Climate finance unlocks new pathways for economic development, growth, and resilience—turning ambition into action and risks into opportunities.

## Driving Climate Action Through Green Finance

At Bank al Etihad, green finance is not a niche offering — it is a central pillar of our strategy to support a just, inclusive, and climate-resilient economy. From structured financing to global partnerships, and from innovative loan products to capacity building, we embed environmental sustainability into our core lending activities. This comprehensive approach enables us to catalyse climate action across multiple sectors, accelerate low-carbon transitions, and provide clients with impactful tools to strengthen both their financial and environmental performance.

In 2024, we committed to allocating 6% of our lending portfolio to green and sustainable finance by the end of the year, aligning with Jordan’s Nationally Determined Contributions, the National Green Growth Plan, the UN Global Compact principles, and the UN Sustainable Development Goals. Our financing supports renewable energy, water and energy efficiency, waste reduction, green buildings, e-mobility, and sustainable agriculture. Collaborations with institutions like the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) enable tailored financial products that help businesses lower carbon footprints, reduce costs, and adopt sustainable practices.

## Green Lending Performance (2023–2024)

We continued to scale our green lending portfolio in 2024, achieving strong year-on-year growth in both loan balances and booked amounts. By aligning our efforts with the EU Taxonomy, we ensured that our financing strategy meets international

sustainability standards while preparing for the implementation of Jordan’s national taxonomy. Our expanding e-mobility offering further demonstrates our commitment to accelerating the transition to a low-carbon economy. The table below highlights our achievements for the period spanning 2023 and 2024.



### Green Lending Performance Snapshot

| Category                                | 2023                                     | 2024  |
|---|--|---|
| <b>Green Lending Share of Portfolio</b> | -  | <b>6.28%</b><br>of total portfolio (as of 31/12/2024) |
| <b>Growth in Green Loan Balances</b>    | Baseline year                            | <b>+50.1%</b><br>increase compared to 2023            |
| <b>Growth in Booked Green Loans</b>     | Baseline year                            | <b>+69.3%</b><br>increase in booked green loans       |
| <b>Booked Green Loans (Amount)</b>      | <b>122</b><br>MILLION JOD                | <b>206.6</b><br>MILLION JOD                           |
| <b>E-mobility Loan Share</b>            | <b>46%</b><br>of newly booked auto loans | <b>55.8%</b><br>of newly booked auto loans            |
| <b>E-mobility Portfolio Share</b>       | -  | <b>40.2%</b><br>of total auto loan portfolio          |

## EBRD's Green Economy Financing Facility

In collaboration with the European Bank for Reconstruction and Development (EBRD), we successfully implemented the Green Economy Financing Facility (GEFF), offering cashback incentives of 10%-15% for businesses that invest in energy efficiency, renewable energy, sustainable agriculture, and green buildings. This programme enables businesses not only to improve their environmental performance but also to reduce operating costs by adopting sustainable technologies.

This initiative reflects our broader goal of providing accessible, impactful financing to both large enterprises and small businesses, driving economic resilience and sustainability. The cashback incentives are designed to alleviate the upfront costs of green investments, making it easier for businesses to embrace a low-carbon, resource-efficient future while enhancing their financial performance.

For example, one of our clients operating in the electric vehicle (EV) charging sector significantly contributed to emissions reduction by expanding Jordan's EV charging network, encouraging greater EV adoption and reducing transportation-related emissions. This resulted in an annual reduction of 904,022 tonnes of GHG emissions.

In the food industry, a major frozen food manufacturer upgraded its machinery with our financing, improving water, energy, and waste efficiency, and increasing its production capacity from 150 tonnes to over 1,000 tonnes per month. In another case, a construction firm introduced Jordan's first concrete 3D printer for cement in a rural area, minimising material waste and energy use compared to traditional building methods. This led to 534 tonnes of GHG emissions avoided annually.

A company specialising in water bottle manufacturing has scaled its sustainable water solutions, leading to 195 tonnes of water and material use avoided per year. As part of its sustainability efforts, the company transitioned from plastic to glass bottles, contributing to circular economy principles and promoting sustainable material usage.

By integrating sustainable financing solutions like GEFF, we are making green investments more accessible and impactful, ensuring that businesses of all sizes can transition toward a low-carbon, resource-efficient future while strengthening their financial performance.

## European Investment Bank Partnership

As part of our broader effort to direct capital toward sustainable, future-ready sectors, Bank al Etihad partnered with the European Investment Bank (EIB) to launch a 90 million EUR financing facility dedicated to supporting SMEs. The EIB's facility is fully aligned with the Paris Agreement, incorporating strict sector-based exclusions that ensure that financing flows only to environmentally responsible and transition-oriented businesses.

To date, 50% of the available line has been withdrawn and deployed, with a focus on sectors that are inherently low-carbon or actively transitioning — including clean manufacturing, circular economy activities, green buildings, and efficient logistics. This sector-based approach reinforces our internal ESG screening processes and accelerates our alignment with climate-positive financing principles.

Beyond capital deployment, the partnership has enhanced internal capacity in sustainable finance and deepened our understanding of sector-level risk mitigation and opportunity mapping. It stands as a model for future climate-aligned lending partnerships that are both practical and impactful.

## Sectoral Transition

As part of our commitment to a structured transition strategy, Bank al Etihad is significantly broadening its sustainable finance outreach to include key sectors critical to Jordan's Nationally Determined Contributions (NDCs). While our efforts span multiple industries, these initiatives directly support our decarbonisation roadmap by enabling high-impact sectors to transition toward sustainability, aligned with both Jordan's national goals and global climate targets.

### 01 Financing Water-Intensive Sectors

Given Jordan's acute water scarcity, Bank al Etihad is prioritising financing solutions for water-intensive industries that emphasise conservation, efficiency, and sustainable use:

- **Water Efficiency Projects:** We are financing technologies and practices that promote water savings in agriculture, manufacturing, and hospitality.
- **Agribusinesses:** Our support extends to agribusinesses implementing water-efficient irrigation systems and sustainable farming methods that optimise water usage.

### 02 Expanding the Building and Retrofitting Sector

We are extending our sustainable finance outreach to the building sector, a major contributor to energy consumption and emissions:

- **Energy-Efficient Retrofitting:** We finance retrofitting projects for residential and commercial buildings to improve energy efficiency and sustainability.
- **Green Construction Financing:** In addition to retrofitting, we support new developments that follow green building standards and certifications such as LEED, contributing to energy savings and emissions reductions.

### 03 Supporting the Agribusiness Value Chain

Agribusiness plays a vital role in Jordan's economy. We are expanding financial support across the entire value chain to promote sustainability and resilience:

- **Sustainable Farming Techniques:** We finance projects focused on sustainable farming methods, such as precision agriculture, that contribute to both environmental and economic resilience.
- **Green Supply Chains:** We collaborate with agribusinesses to implement green practices throughout their supply chains, from procurement to packaging and distribution.

## 04 Financing the Energy Transition

We continue to expand our reach in financing Jordan's energy transition, particularly in the renewable energy space:

- **Renewable Energy Projects:** We finance a range of renewable energy initiatives, with a strong focus on solar energy providers and contractors. These projects support Jordan's NDCs and national energy targets.
- **Energy Efficiency in Industry:** In addition to renewable energy, we support energy efficiency upgrades in industrial sectors that drive environmental sustainability and cost savings.

## 05 Sector-Specific Outreach Across the Sustainable Finance Ecosystem

In line with Jordan's transition to greener mobility, we are increasing our focus on the transport sector, especially electric vehicles (EVs):

- **EV Auto Loans:** Our retail auto loan portfolio now includes dedicated financing for electric vehicles, supporting broader adoption of cleaner transport options.
- **Financing EV Suppliers:** We provide financing to EV importers, dealerships, and charging infrastructure providers to help strengthen Jordan's growing EV ecosystem.

## 06 Sector-Specific Outreach Across the Sustainable Finance Ecosystem

Our expanded sustainable finance outreach spans water, energy, transport, agriculture, and other sectors. By offering tailored financing solutions, we enable businesses to transition toward more sustainable business models. These efforts support Jordan's NDC targets and foster sustainable economic growth.

While not all initiatives are purely decarbonisation-focused, they contribute to our decarbonisation roadmap by facilitating the transition of high-emission sectors to low-carbon, more sustainable practices. Through our financing programmes, we empower businesses to reduce their environmental footprint, strengthen resilience, and advance Jordan's broader climate goals.

## Climate-Focused Financial Solutions

| Client Segment   | Product                             | Purpose  | Features   | % distributed |
|------------------|-------------------------------------|--|--|---------------|
| Business Clients | <b>SME Green Loans (GEFF)</b>       | Support SMEs in adopting sustainable practices               | Competitive interest rates with cashback incentives (10%-15%) on up to \$1M per loan and \$2M per client exposure        | 1.3%          |
|                  | <b>EIB-Funded Credit Lines</b>      | Finance sustainable sectors in line with the Paris Agreement | €90 million in EIB credit lines and a \$50 million EIB portfolio guarantee secured                                       | 0.13%         |
|                  | <b>CBJ Sector Financing</b>         | Promote energy efficiency, renewables, and green buildings   | Up to 3 million JOD; interest rates up to 4.5%; repayment terms up to 10 years including a grace period of up to 2 years | 4.36%         |
|                  | <b>Internal Green Financing</b>     | Fund projects in the circular economy and green production   | Tailored to the specific sustainability objective, as per our sustainable finance framework                              | 19.84%        |
|                  | <b>Green Fleet Financing</b>        | Help businesses transition to energy-efficient transport     | Flexible terms and competitive rates   | 0.39%         |
|                  | <b>Supply Chain Finance (Green)</b> | Encourage suppliers to adopt sustainable practices           | Structured as revolving facilities   | 2.53%         |
|                  | <b>Green Leasing</b>                | Lease energy-efficient equipment and electric vehicles       | Helps manage costs while adopting green technologies   | 0%            |
| Business Clients | <b>EV Loans</b>                     | Finance electric vehicle purchases                           | Flexible and competitive financing terms   | 70.37%        |
|                  | <b>Solar &amp; Renewables Loans</b> | Support installation of renewable energy systems at home     | 0% interest on credit card instalments for up to 24 months   | 0.01%         |
| Employees        | <b>Staff EV Loans</b>               | Promote electric vehicle adoption among employees            | Higher financing amounts, lower interest rates, and longer tenors  | 1.1%          |



# Risk Management



**Every informed decision is rooted in understanding risk — because resilience begins with insight. Risk management is strategy in action.**



Risk management at Bank al Etihad plays a central role in safeguarding our clients, people, operations, and long-term value – while enabling sustainable growth. Our approach is anchored in a strong governance structure and a culture of accountability. We follow global best practices to identify, assess, and manage a wide range of risks – from financial and operational to emerging risks such as climate and cybersecurity. This framework ensures that resilience is built into every part of our business.

# Environmental & Social Risk Management

Our Environmental and Social Risk (E&S Risk) policy is critical to advancing and achieving our E&S goals. Approved by the board of directors, the policy serves as the Bank’s blueprint for identifying, evaluating, and overseeing our environmental and social risks. The policy sets the standards for the Bank’s due diligence and monitoring processes ensuring, to the best of our abilities, that our lending and investment activities under considerations are environmentally and socially responsible and sustainable.

In 2022, our board of directors approved an E&S Risk policy, which serves as the framework for identifying, assessing, and managing environmental and social risks. By establishing this policy, we aim to facilitate responsible decision-making, promote sustainable business practices, enhance transparency, and align our risk management processes with industry best practices.

The E&S policy aims to improve our portfolio and clients risk levels and exposure by facilitating responsible decision-making, enhance transparency, and align our risk management processes with industry best practices.

Our E&S policy is designed to align with the 8 principles of the IFC performance standards outlined below:

|            |  |
|------------|--|
| <b>PS1</b> | Conducting assessment and management of Environmental and Social Risks and Impacts |
| <b>PS2</b> | Upholding Labour and Working Conditions  |
| <b>PS3</b> | Promoting Resource Efficiency and Pollution Prevention                             |
| <b>PS4</b> | Ensuring Community Safety, Health and Security                                     |
| <b>PS5</b> | Addressing Land Acquisition and Involuntary Settlement                             |
| <b>PS6</b> | Encouraging Biodiversity Conservation  |
| <b>PS7</b> | Respecting Indigenous People   |
| <b>PS8</b> | Preserving Cultural Heritage   |

Our E&S policy extends beyond the risk department and is applicable bank-wide, requiring cross-departmental collaboration. To effectively implement and manage our E&S risks, it is vital that all our employees possess comprehensive knowledge and training about sustainability issues, enabling them to execute the required procedures in their daily operations. Our E&S Risk policy is specifically applicable to Corporate and SMEs loans and private equity investments. We also have an exclusion list against which all potential credit and investment activities are screened, preventing business activities that have a potential negative impact on the environment and society from being approved.

## Definition of Environmental and Social Risks

At Bank al Etihad, Environmental and Social (E&S) risks refer to potential adverse impacts that may arise from the business activities we finance, which can affect the environment (such as pollution, resource depletion, biodiversity loss) and society (including labour rights violations, community health and safety issues, and involuntary resettlement). This also includes climate-related risks, both physical (e.g., droughts, floods) and transition risks associated with regulatory, technological, and market changes toward sustainability.

## E&S Risk Prioritisation and Periodic Monitoring

Environmental and Social risks are prioritised based on multiple factors, primarily the sector risk associated with the client’s business activities and the tenor of the loan. The overall E&S risk rating is a combination of these two elements, where higher-risk sectors and longer loan durations increase the potential exposure.

High-risk clients and sectors currently undergo enhanced due diligence as part of our credit approval process. Although the full E&S risk management framework has been developed, its regular monitoring and review processes are still being implemented. Once fully operational, these processes will include periodic assessments of compliance with E&S commitments and climate-related transition plans. This phased approach will enable us to proactively manage risks, adjust risk appetite or credit conditions, track risk mitigation progress and further support sustainable lending practices aligned with our sustainability goals and regulatory expectations.



# Climate Risk Management

“  
**Climate change risk is financial risk. We embed it across our governance, strategy, and decision-making – not to comply, but to remain competitive, resilient, and forward-looking.**

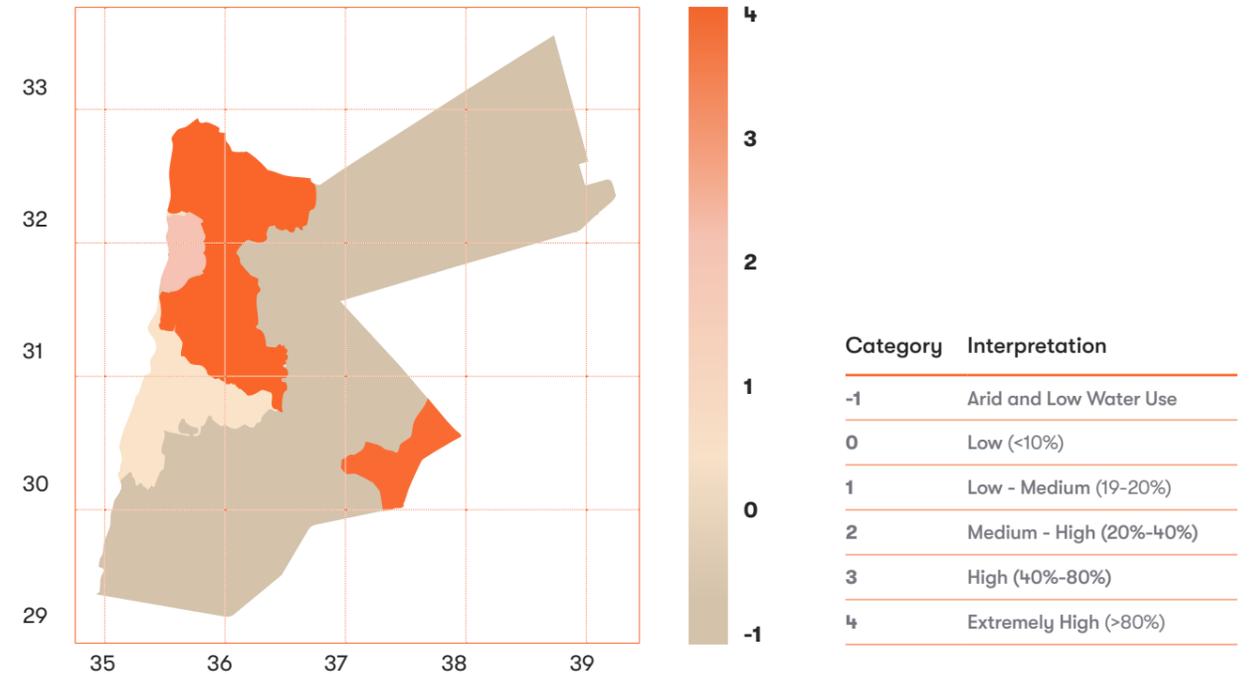
As part of our transition plan, Bank al Etihad is embedding climate-related risk considerations into our broader sustainability and business strategy. Our framework focuses on both our clients and our portfolio. We are actively identifying and assessing both physical risks – such as drought, extreme heat, and water scarcity, which are particularly relevant to Jordan – and transition risks linked to emerging regulations, carbon pricing, technological disruption, and evolving market expectations. These risks impact not only our direct operations but also our clients, especially in high-impact sectors like energy, industry, and agriculture.

Climate-related risks are assessed by our Credit Risk team as part of our Environmental and Social (E&S) risk management framework, reflecting their potential to translate into material financial risks on both loan application level and portfolio level. This integration supports our transition plan by aligning lending practices with low-carbon pathways and helping our clients – and our portfolio – adapt to a changing climate. We are currently developing a dedicated Climate Risk Management Framework and associated policies to institutionalise this approach across the bank.

### Scenario Analysis and Use of Data Sources

To ensure we remain proactive and forward-looking, Bank al Etihad is advancing its climate scenario analysis capabilities to understand how our portfolio may respond under different global warming trajectories (e.g., 1.5°C and 2°C pathways). In 2024, we conducted a qualitative scenario analysis to assess key climate-related risks across our portfolio. This helped us identify high-risk sectors, strategic vulnerabilities, and areas requiring deeper quantitative assessment. Additionally, in alignment with the Central Bank of Jordan’s requirements, the Bank undertook the necessary preparations in 2024 to carry out climate stress testing based on the CBJ’s predefined scenarios.

### Water Scarcity Risk in Jordan



We are now building on this foundation through quantitative scenario analysis to estimate the potential financial impacts and likelihood of material climate risks. This includes integrating emissions data, sectoral exposures, and the risk of stranded assets into our risk assessment framework – allowing us to make more informed and resilient lending and investment decisions.

Our approach relies on robust and widely accepted scenarios developed by the Network for Greening the Financial System (NGFS). The bank has selected the following pathways for assessment:

- **Disorderly:** Higher transition risk due to delayed or uneven policy responses, resulting in sharper carbon pricing and economic shocks.
- **Hot House World:** Limited global policy action leads to significant physical risk and irreversible environmental impacts.

### Use of Data Sources

In developing our transition roadmap and scenario analysis, the bank draws on a range of publicly available and science-based resources, including (but not limited to): the NGFS suite of models, Climate Impact Explorer hosted by Climate Analytics, the NGFS Scenario Database hosted by IIASA, the ISIMIP Project, and the EU Open Data Portal.

## Climate-Related Credit Risk

Climate-related physical and transition risks can impact businesses in multiple ways, raising credit, market, operational, and other financial risks. These, in turn, affect financial institutions that provide services to such businesses. For instance, credit risk can arise from clients facing stricter carbon taxes, water scarcity, fuel efficiency regulations, or technological shifts toward low-carbon solutions. For Bank al Etihad, climate-related risks may impair our borrowers' ability to repay loans, increase default risk, reduce the value of collateral, and heighten our exposure to vulnerable sectors.

| Risk Category      | Definition  | Climate Drivers  |
|--------------------|---|--|
| <b>Credit</b>      | The risk of loss to the bank arising from the failure of clients, customers, or counterparties to fully meet their contractual obligations – this includes the full and timely repayment of principal, interest, collateral, and other receivables.   | Clients in carbon-intensive sectors may face financial challenges as evolving regulations and shifting market preferences undermine their creditworthiness and increase the risk of default. These pressures are further compounded by physical climate risk – such as extreme heat and water scarcity – that can disrupt operations and hinder their ability to maintain business as usual. |
| <b>Market</b>      | The risk of loss resulting from adverse changes in the value of the bank's assets and liabilities due to fluctuations in market variables – including, but not limited to, interest rates, foreign exchange rates, equity and commodity prices, credit spreads, implied volatilities, and asset correlations. | Climate change may give rise to market risk either through a disorderly transition to a low-carbon economy or through physical climate events. These factors can disrupt supply and demand dynamics for financial instruments, potentially affecting market valuations across vulnerable sectors in Jordan.  |
| <b>Operational</b> | The risk of loss to the bank resulting from inadequate or failed internal processes or systems, human error, or external events (such as extreme weather), where the underlying cause is not related to credit or market risk.  | Climate-related events, such as extreme weather, may impact the locations and sites where the bank operates, potentially preventing employee access to premises and/or causing disruptions to critical infrastructure such as data centres.  |

At Bank al Etihad, climate-related risks are embedded within our broader Environmental and Social (E&S) risk management framework, aligning with our transition plan and long-term sustainability objectives. We apply a multi-layered approach to risk screening and mitigation that begins with E&S assessments aligned to the IFC Performance Standards and our internal trigger criteria. In 2024, our risk team integrated climate risk consideration as an integral part of our Internal Capital Adequacy Process (ICAAP) ensuring our Bank takes a proactive approach to assessing climate risks.

Clients undergo E&S risk assessments during credit evaluations. Transactions that exceed predefined thresholds or fall within high-risk sectors require an E&S due diligence prior to approval. To complement this, our credit risk team conducts sector-specific climate exposure analysis, including borrower-level assessments under different climate scenarios. These assessments examine the financial implications of physical and transition risks, such as carbon pricing, renewable energy adoption, and supply chain vulnerabilities.

As part of our forward-looking risk and business strategy, borrowers in high-emission sectors will be required to submit climate transition plans once the bank's climate advisory service is launched. In parallel, we are developing sustainability-linked pricing models that integrate climate risk into credit terms. Clients with strong climate adaptation and mitigation practices may be eligible for preferential interest rates, incentivising more resilient and sustainable business models.



# E&S Risk Assessment

The outlined process below represents the fourth step of our environmental and social risk assessment process for loan applications, after which a credit decision is made.

## 01 General Requirements Check

- **1.1.** Confirm that the client is meeting relevant laws, regulations and standards, including environmental and health and safety regulations, planning permissions, operating licenses and permits
- **1.2.** Search online media for the client’s history of fines or legal action taken against it.
- **1.3.** Check publicly available databases (e.g. through regulators) for any criminal or civil action in recent years (e.g. past three years) and for any liabilities (current or potential).



## 02 Determine Sector/Business Activity Risk

In determining the E&S risks associated with the business activity of our client, we adopt the EBRD’s E&S Risk Categorisation list.

- **(Category A) High Risk Projects:** The client’s business activities may give rise to significant or long-term environmental and social impacts.
- **(Category B) Medium Risk Projects:** The client’s business activities have limited environmental and social risks and impacts, and these are capable of being readily and prevented or mitigated through technical and financially feasible measures.
- **(Category C) Low Risk Projects:** The client’s business activities have minor/few environmental and social risks and impacts associated with them.

## 03

### DETERMINE OVERALL E&S RISK



The length of the loan is determined as follows:

| Loan Tenor  | SME Loans | Corporate Loans |
|-------------|-----------|-----------------|
| Short Term  | <1YR      | <2YR            |
| Medium Term | 1-3 YR    | 2-5 YR          |
| Long Term   | > 3 YRS   | > 5 YRS         |

The Overall E&S Risk is a combination of the E&S “Sector Risk” and the tenor of the loan.





# Metrics and Targets



**What gets  
measured gets  
managed – and  
that’s how we drive  
real change.**



We are committed to aligning with the Paris Agreement; however, we are still in the process of defining what Paris-alignment looks like in terms of quantifiable metrics and targets across our business, with a clear timeline for implementation. To support this, we have prioritised building foundational knowledge on financed emissions, which is closely tied to our data mapping and needs analysis. In developing our metrics and targets, we are focused on clarity, comprehensiveness, and compliance with established standards to best meet the expectations of our stakeholders. We align with the IFRS S2 Standards, SASB, and GRI, alongside our internal climate-related strategies and targets. As we continue to refine our processes and strategies, we remain committed to improving our methodology, with the aim of making our metrics and targets more granular and specific.

| Climate Metric   | Description   | Target  | Target's Timeline | Standard      |
|--|---|---|-------------------|---------------|
| <b>Scope 1 GHG emissions</b>   | <b>Direct emissions from owned/controlled sources.</b>  | Measure 100% of Scope 1 emissions for Bank al Etihad and 100% owned subsidiaries  | 2025              | ISSB          |
| <b>Scope 2 GHG emissions</b>   | <b>Indirect emissions from purchased electricity.</b>   | Measure 100% of Scope 2 emissions and 100% owned subsidiaries   | 2025              | ISSB          |
| <b>Scope 3 GHG emissions (category 1 to 14)</b>  | <b>Indirect emissions across value chain (e.g. travel, waste, suppliers, employee commute, customers visits)</b>    | Disclose at least two material categories   | 2024              | Internal      |
| <b>% of portfolio covered by financed emissions</b>  | <b>Share of lending portfolio included in emissions calculations</b>  | Cover 50% at least of Bank al Etihad's standalone portfolio   | 2024              | Internal      |
| <b>Amount/percentage of assets or business activities vulnerable to physical risks</b>                       | <b>Activities at risk from extreme weather or chronic physical risks</b>  | Complete exposure & quantitative assessment   | 2025              | ISSB          |
| <b>Amount/percentage of assets or business activities vulnerable to transition risks</b>                     | <b>Exposure to policy, legal, tech, or market risks from the transition</b>   | Complete exposure and quantitative assessment   | 2025              | ISSB          |
| <b>The amount and percentage of assets or business activities aligned with climate-related opportunities</b> | <b>Activities aligned with low-carbon solutions or green sectors</b>  | Map opportunities in 2 sectors  | 2025              | ISSB          |
| <b>% of Portfolio exposure to high-carbon sectors</b>  | <b>Lending to sectors with high emissions intensity</b>   | Disclose baseline % of exposure   | 2026              | Internal      |
| <b>% of corporate clients with transition plans</b>  | <b>Engaging with our clients to understand their current standing and needs to integrate their transition plans</b> | 10% of our corporate clients  | 2025              | Internal      |
| <b>% Green Lending Portfolio</b>   | <b>Proportion of lending classified as green per internal sustainable finance framework</b>                         | Reach 6% of bank's lending portfolio  | 2024              | Internal      |
| <b>Climate Risk Training and Capacity Building</b>   | <b>Training management on climate risk identification and mitigation</b>  | Provide mandatory climate risk training annually  | 2024              | Internal      |
| <b>Qualitative Climate Scenario Analysis</b>   | <b>Analysing impacts of different climate scenarios on our portfolio</b>  | Perform climate scenario analysis every 2 years, utilising 2 NGFS scenarios to guide the development of mitigation strategies, including product innovation and sector focus, under different climate futures | 2024              | Internal/ISSB |
| <b>Climate stress testing</b>  | <b>Conducting stress tests to assess resilience under various climate scenarios</b>                                 | Conduct annual climate stress testing as required by the Central Bank of Jordan to assess the resilience of the portfolio against climate-related shocks and inform risk management                           | 2025              | Internal/ISSB |



**Before we reduce emissions, we commit to understanding them. By building the systems and standards today, we prepare for meaningful action tomorrow.**

### Our GHG Accounting Approach

Measuring and managing our GHG emissions is a critical and foundational component of our transition planning. Our approach to carbon footprint measurement and management is aligned with the Greenhouse Gas Protocol standards. This choice is driven not only by its status as the world’s most widely used GHG accounting standard, but also by its reference in IFRS S2 as the basis for greenhouse gas emissions disclosure under the standards. On the other hand, when estimating our financed emissions, we adopted the Partnership for Carbon Accounting Financials (PCAF) methodology, which is handled by the Risk Department. PCAF, the leading greenhouse gas accounting standards body for the financial industry, offers guidance across six asset classes: listed equities and corporate bonds, business loans and unlisted equities, project finance, commercial real estate, mortgages, and motor vehicle loans.

It is important to highlight that the bank’s corporate strategy is centred on expanding our operations and growing our customer base. This strategic focus presents challenges in setting emissions reduction targets at this stage, as our growth trajectory means that our emissions baseline is still evolving. As a result, it is difficult to establish meaningful and reliable targets this year. We aim to align our carbon management approach and target-setting process with our business strategy to ensure maximum effectiveness and impact.

| Scope   | Management of Scope  |
|---|--|
| <b>Scope 1:</b><br>Emissions from bank’s owned or leased assets | Includes direct emissions from all bank-owned or leased vehicles, such as executive cars, delivery scooters, mobile branches, and logistics support vehicles — as well as fuel use from onsite assets like data centers and backup generators.   |
| <b>Scope 2:</b><br>Emissions from purchase of electricity       | <ul style="list-style-type: none"> <li>This includes the bank’s annual electricity use including the total of all electricity bills across all bank-owned or leased sites without discounting from PV generation. It also includes the Chief EV vehicles.</li> <li>Annual PV Generation: Variable value of kWh generated from all PV systems owned or leased by the bank.</li> <li>Grid Emission Factor: Fixed value of 0.382kgCO<sub>2</sub>/kWh for combined margin electricity generation.</li> </ul> |
| <b>Scope 3 (categories 1 – 14)</b>                              | <ul style="list-style-type: none"> <li>Category 1 – purchased goods and services: includes advertising and cleaning services</li> <li>Category 6 – Business Travel: air travel, staff vehicles (EV and Non-EV) emissions for work purposes</li> </ul>  |
| <b>Scope 3 (Category 15)</b>                                    | Financed emissions   |

### Operational Footprint

As a financial institution, our operational footprint is relatively limited in comparison to many other industries. However, as we continue to implement our growth strategy, expanding both our business and customer base, we anticipate a corresponding increase in our operational footprint. This growth presents an opportunity for us to enhance our sustainability practices, ensuring that we manage and mitigate any potential environmental impacts as we scale our operations.

#### Fuel Consumption

During the year, our total fuel consumption amounted to 33,389.98 litres of petrol and 12,206.31 litres of diesel, primarily used for operational vehicles across our network. An additional 19,200 litres of fuel was consumed for heating at our headquarter building and for back-up generator use.

Bank al Etihad operates a fleet of 36 vehicles, approximately 14% of which are fully electric vehicles (EVs), and 22% are plug-in hybrid vehicles. Additionally, 3% are regular hybrid vehicles, marking a notable shift from 2022, when 66% of the fleet were conventional hybrids, and none were electric. Today, all fully electric and plug-in hybrid vehicles are assigned to executive management and are used daily — demonstrating leadership’s commitment to cleaner mobility from the top down. The remainder of our fleet serves essential operational functions:

- **10 scooters** are used for delivering client cards, mail, and legal documentation
- **4 vehicles** support employee use, logistics, and administrative work
- **1 vehicle** is a remote branch
- **The rest are used for** logistics, internal movement, and facility-related tasks



Despite expanding the size of our fleet, we have reduced our emissions. Our Scope 1 emissions decreased from 229 tonnes in 2022 to 173.5 tonnes in 2024 — a 24% reduction, underscoring the effectiveness of our transition to lower-emission vehicles.

### Electricity Consumption

As for our electricity consumption, we recently have taken meaningful steps to reduce our consumption through practical upgrades and smart energy management. These include the installation of LED lighting, the use of timer-controlled equipment, and the replacement of older air conditioning units with high-efficiency alternatives last year.

In 2024, we continued to enhance our approach by integrating Variable Refrigerant Volume (VRV) systems in newly opened branches. These systems are designed to optimise energy use and provide more efficient heating and cooling. Additionally, we launched a new Energy Management System (EMS) to monitor electricity consumption across select branches, enabling more precise tracking and control of usage patterns. At our headquarters, we continue to operate a SIEMENS Building Management System (BMS), which supports real-time environmental control and strengthens our overall environmental governance.

Moreover, thanks to the bank’s financing offers with flexible and competitive terms for electric vehicles, a growing number of our employees transitioned to electric vehicles in 2024. To further support this shift, the bank installed 30 EV charging units for employee use at our HQ parking facility, which in turn contributed to the increase of our electricity consumption.

This has contributed to our total electricity consumption to reach **6,638 MWh**, reflecting a slight increase compared to the previous year due to business growth and operational expansion. Notably, 74% of our energy is from renewable energy sources.

| Emissions <sup>1</sup> (tCO <sub>2</sub> e)   | 2022           | 2023           | 2024           |
|---|----------------|----------------|----------------|
| <b>Direct emissions - scope 1 <sup>2</sup></b>  | <b>229</b>     | <b>155</b>     | <b>173.2</b>   |
| <b>Indirect emissions - scope 2 <sup>3</sup></b>  | <b>2,721.2</b> | <b>2,663.4</b> | <b>2,692.2</b> |
| <b>Indirect emissions - scope 3 <sup>4</sup></b><br>Category 6 – Business Travel              | <b>N/A</b>     | <b>N/A</b>     | <b>125.9</b>   |
| <b>Indirect emissions - scope 3 <sup>5</sup></b><br>Category 1 – Purchased Goods and Services | <b>N/A</b>     | <b>N/A</b>     | <b>505.3</b>   |

<sup>1</sup> Emissions include Bank al Etihad only. Bank al Etihad’s leasing and brokerage are not in scope of calculations this year.

<sup>2</sup> Scope 1 GHG emissions are calculated based on all direct energy consumption from sources owned and controlled by Bank al Etihad. The emission factors are derived from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

<sup>3</sup> Scope 2 GHG emissions are indirect emissions from the generation of purchased energy (electricity) by Bank al Etihad. The emission factor. Applied is sourced from the Carbon Database Initiative: CaDI (2024), Greenhouse Gas Emission Factors for International Grid Electricity (calculated from fuel mix), published by Carbon Footprint Ltd. Retrieved from www.carbondi.com.

<sup>4</sup> Scope 3 GHG emissions under Category 6 Business Travel represent indirect emissions resulting from air travel undertaken by employees for business purposes. Emission factors are based on the methodology provided by myclimate.org, which aligns with internationally recognised GHG accounting standards, including the GHG Protocol.

<sup>5</sup> Scope 3 GHG emissions under Category 1 (Purchased Goods and Services) represent emissions resulting from the purchase of E-assets (laptops, monitors, and tablets) by the bank in 2024. Emissions are calculated using emission factors drawn from each asset’s manufacturing company’s ESG reporting.

### Category 15 – Financed Emissions

As climate change becomes increasingly linked to business financial performance and resilience, financial institutions are placing greater emphasis on assessing and managing their financed emissions – indirect greenhouse gas (GHG) emissions resulting from their lending and investment activities. At Bank al Etihad, we began measuring the baseline for our financed emissions in 2024 under our climate transition plan. Drawing from the Partnership for Carbon Accounting Financials (PCAF) and the IFRS S2 requirements, we developed a practical methodology for identifying, collecting, and improving data quality for our financed emissions management.

We are adopting a phased approach, initially focusing on prioritising high-emitting sectors, and gradually expanding to include all sectors mandated by the NZBA, relevant regulations, and those that represent a significant share of our portfolio. To classify businesses within our financed emissions calculations, we use the North American Industry Classification System (NAICS). While the ISSB recommends using the Global Industry Classification Standard (GICS), the bank has chosen NAICS as it is more closely aligned with our internal systems and reporting practices. Additionally, we use the EXIOBASE sector classification to further support the robustness of our financed emissions methodology.

Additionally, our approach to data sources and data collection is designed to be adaptive and forward-looking, recognising that data sources will evolve and improve over time, the strategy emphasises flexibility in both data management and technological infrastructure. The approach incorporates three primary types of data sources: proxy data, externally acquired customer data, and internally generated customer data. As additional data is acquired, enhancements to the existing data infrastructure will be necessary to support expanding needs and ensure robust data integration and analysis.



| Asset Class                         | Volume | Scope 1 (tCO <sub>2</sub> e) | Scope 2 (tCO <sub>2</sub> e) | Scope 3 (tCO <sub>2</sub> e) | Economic Intensity 3 tCO <sub>2</sub> e/mEUR | Data Quality Score |
|-------------------------------------|--------|------------------------------|------------------------------|------------------------------|--|--------------------|
| <b>Business Loans</b>               | 61.87% | 32.27%                       | 14.42%                       | 53.32%                       | 478.21                                       | 4/3a               |
| <b>Motor Vehicles Loans</b>         | 17.02% | 74.42%                       | 25.58%                       | NA1                          | 35.51  | 3/2b2              |
| <b>Mortgages</b>                    | 16.99% | 44.21%                       | 55.79%                       | NA1                          | 16.10  | 4/2b               |
| <b>Commercial Real Estate (CRE)</b> | 4.13%  | 23.36%                       | 76.64%                       | NA1                          | 11.02  | 4/2b               |

<sup>1</sup> For Motor vehicle loans, commercial real estate, and mortgages portfolios, we have calculated the scope 1 and 2 financed emissions. For these asset classes there is no scope 3 GHG accounting as per the GHG Protocol, as this is only applicable to corporate clients.

<sup>2</sup> The data quality score covers 99.97% of the Motor vehicles loan portfolio.

<sup>3</sup> Intensity figures include scope 1 and scope 2 emissions only.

## Financed Emissions by Sector

Sectors were selected for reporting based on a defined threshold: any sector contributing more than 1% of total carbon emissions was included in the disclosure.



| Sector<br>(NAICS Level 1 Classification)  | Volume (%)   | Carbon Emissions (%) | Economic Intensity <sup>1</sup><br>tCO2e/mEUR | Scope 1<br>(tCO2e) | Scope 2<br>(tCO2e) | Scope 3<br>(tCO2e) |
|---|--------------|----------------------|---|--------------------|--------------------|--------------------|
| <b>Manufacturing</b>  | 30.84%       | 55.95%               | 912.45  | 37%                | 12.2%              | 50.8%              |
| <b>Agriculture, Forestry, Fishing and Hunting</b>                               | 2.34%        | 12.77%               | 4,580.75                                      | 52%                | 30%                | 18%                |
| <b>Retail Trade</b>   | 15.86%       | 10.52%               | 192.69  | 12.7%              | 15.6%              | 71.7%              |
| <b>Wholesale Trade</b>  | 16.69%       | 7.04%                | 107.26  | 20.4%              | 4.4%               | 75.2%              |
| <b>Transportation and Warehousing</b>   | 3.9%         | 2.43%                | 240.78  | 32.8%              | 5%                 | 62.3%              |
| <b>Health Care and Social Assistance</b>  | 5.22%        | 1.82%                | 48.45   | 8.0%               | 5.6%               | 86.4%              |
| <b>Utilities</b>  | 2.69%        | 1.71%                | 412.58  | 2.8%               | 60.5%              | 36.7%              |
| <b>Administrative and Support and Waste Management and Remediation Services</b> | 2.52%        | 1.27%                | 181.62  | 32.1%              | 3%                 | 64.9%              |
| <b>Other</b>  | 3.84%        | 1.64%                | 67.91   | 10.5%              | 5%                 | 84.5%              |
| <b>Total</b>  | <b>83.9%</b> | <b>95.15%</b>        | <b>/</b>                                      | <b>33.23%</b>      | <b>14.71%</b>      | <b>52.05%</b>      |

<sup>1</sup> Emissions intensity covers only scope 1 and scope 2 emissions.



# Appendix



# IFRS Disclosures Index

| Topic                         | IFRS Index         | Report Page                      |
|-------------------------------|--------------------|----------------------------------|
| <b>Conceptual Foundations</b> | <b>IFRS S1. 11</b> | 12                               |
|                               | <b>IFRS S1. 13</b> | 12                               |
|                               | <b>IFRS S1. 17</b> | 12                               |
|                               | <b>IFRS S1. 18</b> | 13                               |
|                               | <b>IFRS S1. 20</b> | 13                               |
|                               | <b>IFRS S1. 21</b> | 13                               |
| <b>Governance</b>             | <b>IFRS S2. 5</b>  | Governance Chapter, page 22      |
|                               | <b>IFRS S2. 6</b>  |                                  |
| <b>Strategy</b>               | <b>IFRS S2. 8</b>  | 30, 31, 32, 33, 34, 35           |
|                               | <b>IFRS S2. 9</b>  | 37, 38, 39, 40, 41, 42           |
|                               | <b>IFRS S2. 10</b> | 37, 38, 39, 40, 41, 42           |
|                               | <b>IFRS S2. 12</b> | 37, 38, 39, 40, 41               |
|                               | <b>IFRS S2. 13</b> | 38, 39, 40, 41                   |
|                               | <b>IFRS S2. 14</b> | 36, 37, 48, 49,                  |
|                               | <b>IFRS S2. 22</b> | 44, 45, 46, 47                   |
| <b>Risk Management</b>        | <b>IFRS S2. 24</b> | Risk Management Chapter, page 56 |
|                               | <b>IFRS S2. 25</b> |                                  |
| <b>Metrics and Targets</b>    | <b>IFRS S2. 27</b> | 66, 67                           |
|                               | <b>IFRS S2. 28</b> | 66, 67                           |
|                               | <b>IFRS S2. 29</b> | 66                               |
|                               | <b>IFRS S2. 30</b> | 68, 69                           |
|                               | <b>IFRS S2. 32</b> | 66                               |
|                               | <b>IFRS S2. 33</b> | 66                               |
|                               | <b>IFRS S2. 36</b> | 68                               |



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