

Climate Change Position Statement



February 2022

Background

ADQ recognizes that the rising greenhouse gas emissions are causing the global climate to change and that scientists project rising sea levels, increasing frequency of droughts, floods, hurricanes, and rising temperaturesⁱ. We acknowledge that the increase in the frequency of such extreme weather events in addition to the global increase of temperature would create considerable risks on our community's way of living and our business.

Because we at ADQ understand these long-term risks and the impact posed by climate change to our society, investments, and the broader economy, we are assuming an active role in the fight against climate change.

Philosophy

Stemming from ADQ's commitment to sustainability embedded in our ESG Policy and recognition of the undeniable severe impacts of climate change, ADQ strives to integrate climate change considerations in decision-making through all strata of the organisation. We support the efforts contributing to the UAE's 2050 net-zero target and ensure our climate goals are aligned with local and international sustainability initiatives such as UAE's National Climate Change Planⁱⁱ, UAE's Green Agenda, and the UN Sustainable Development Goalsⁱⁱⁱ.

In that light, ADQ acknowledges the financial and competitive impact of climate change on the company's operations, as well as the responsibility to help mitigate the climate-related impact on the environment and community. We strive to:

- Demonstrate awareness of the financial and competitiveness aspects of climate change
- Assess portfolio companies' climate-related competitiveness and financial risks and opportunities
- Support portfolio companies' competitiveness in a low-carbon, carbon-priced economy
- Encourage a shift towards product or service offerings that incorporate low-carbon differentiation

Approach

Governance

The assessment and management of all climate-related issues fall under the ADQ Management Committee, who reports directly to the board of directors on a quarterly basis. The board then takes a profound consideration of future climate change risks on the company. It incorporates climate-related issues in its oversight wherever it deems relevant, including but not limited to risk management policies, annual budgets, business plans, and business objectives.

Strategy & Risk Management

ADQ is conscious that most of its climate impact and climate vulnerability is nested in its portfolio assets. Hence, ADQ periodically reviews potential risks, scenarios, and opportunities related to climate change. Such reviews help us understand our level of exposure to climate change risks and assess our resilience plans.

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Assessed risks are grouped into two categories: physical risks due to climate change (e.g. stranded assets due to sea-level rise), and transitional risks from moving to a lower-carbon economy (e.g. regulatory and reputational risks).

ADQ also continuously monitors its portfolio for ESG risks. We commission an annual review of our portfolio performance on ESG issues through a third party and conduct an ESG due diligence before investing in a new company. If an ESG or climate risk is identified in any of our portfolio companies, we engage with the responsible party to understand the risk's scope and encourage and collaborate to address it.

We assert our climate goals and aspirations in our communication with portfolio companies and encourage them to adopt a climate change target and use international standards in their reporting. ADQ's climate stance is also communicated to investors and suppliers. Furthermore, ADQ encourages dealing with suppliers that share the same climate vision and values and work towards increasing awareness and educating the remaining suppliers' pool.

Training is a key factor in allowing us to achieve a climate-friendly business and portfolio. That is why ADQ provides employees, investment managers and the portfolio companies with periodic in-house and external trainings and workshops on ESG topics including climate change risks, resilience, and risk management. It is through these development mechanisms that we build highly skilled climate talents that inform wise decision-making.

Monitoring and disclosure

ADQ is committed to transparency and reporting on all relevant aspects of our climate change risk assessment and risk management process. We assess, review, and monitor our portfolio companies' emissions in accordance with international standards. We also engage with our portfolio companies to gather emissions data and encourage them to use international standards in their reporting.

Review

ADQ Management periodically reviews the company's climate change position and related strategies to ensure coherence with the latest climate change policy trends and international standards. ADQ Management ensures periodic internal reporting to the Board on all ESG related topics.

References:

ⁱ [United States Environmental Protection Agency – Climate Change Indicators: Weather and Climate](#)

ⁱⁱ [National Climate Change Plan of the UAE 2017 – 2015](#)

ⁱⁱⁱ [United Nations: Sustainable Development Goals](#)