



ESG Report 2022/2023



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ADQ at a Glance

Established in 2018, ADQ is a long-term investor managing a broad portfolio of major enterprises. Its investments span across key sectors of the UAE's diversified economy including energy and utilities, food and agriculture, healthcare and life sciences, mobility and logistics, amongst others. As a strategic partner of the Government of Abu Dhabi, ADQ is committed to helping to create a vibrant, diversified and resilient economy that supports and enriches the lives of those within the Emirate.

Our economic clusters

We develop economic clusters that capture synergies and enhance trade flows to create long-term value.

Priority clusters



Energy & Utilities



Food & Agriculture



Healthcare & Life Sciences



Mobility & Logistics

Spearheading the growth and development of over 25 portfolio companies, ADQ is uniquely positioned to encourage and accelerate sustainable outcomes.

Our impact today extends beyond our portfolio. Through our investments, we not only generate financial returns for our shareholder but also positively impact the communities around us.

Emerging clusters



Financial Services



Tourism, Entertainment & Real Estate



Sustainable Manufacturing

ADQ in figures

25+
Portfolio companies

7
Economic clusters

2021
The year ADQ published its
ESG Policy

7
ESG Position Statements
published as of December 2023

~22%
Contribution to Abu Dhabi's
non-oil GDP in 2022



Our ESG Journey

Leading by example

As Abu Dhabi transitions to a diversified, knowledge-based economy guided by national ambition and visionary leadership, we play a role in ensuring its transformation is delivered sustainably.

ADQ's journey to ESG excellence is defined by two different lenses: our approach to ESG as an investor seeking to consider ESG throughout its investment process; and our approach to ESG as an asset owner overseeing the growth and development of its portfolio companies, an increasing number of which are publicly listed entities.

We have taken steps to align with, and contribute to, both global and local ESG initiatives and policies. Accordingly, related considerations are included across our investment activities and operations. This includes identifying, monitoring, managing and mitigating ESG risks and opportunities for direct operations as well as our portfolio companies. It incorporates the management of our direct environmental impact, promotes training and development and ensures diversity and inclusion.

We contribute to Abu Dhabi's national plans and policies, which enables us to look to the future with confidence as ESG considerations gain further significance.

Our approach to ESG as a sustainable investor



As a long-term investor, the resilience of our organization is essential to our success. ADQ's sustainable investment approach considers ESG factors in our investment decisions, aiming to generate long-term financial returns while promoting positive social and environmental impact.

This ensures that broader implications of investment decisions are considered and gives ADQ, through its portfolio, a role in addressing macro challenges such as climate change, energy security, food security and access to high-quality healthcare. It also ensures we future proof our portfolio by mitigating related risks and act responsibly, in line with our values.

Our approach to ESG as an asset owner



As a holding company, we unite a large number of portfolio companies cutting across diverse sectors under our umbrella. ESG represents an opportunity to align the operations of our portfolio with rising stakeholder expectations, while potentially mitigating risks and setting our companies up for success in the long term. From an asset owner's perspective, we acknowledge that ESG factors are intrinsically linked with value creation. It is why we have embarked on a journey to ensure that ESG principles are considered across the operations of our portfolio companies.

Our approach seeks to ensure that we are prepared to compete in a global environment where ESG plays an increasingly important role, protecting our investments as well as safeguarding the performance of our companies in a rapidly changing world. Collectively, we recognize our responsibility to make a positive impact on the environment, the society and the communities in which we operate.

“As a long-term investor and an asset owner, we acknowledge the role ESG can play in future-proofing our portfolio. We consider ESG factors in our investment process and work towards their integration in the operations of our companies. While we continue striving for financial growth, these ESG considerations will improve our resilience and align our performance with the economic aspirations of the Emirate.”

LOUAY ABOU CHANAB
Chief Strategy Officer

ESG highlights 2022/2023

In the past two years, we implemented several key initiatives that are aimed at supporting the achievement of our ESG ambitions. We recognize that our portfolio encapsulates the largest potential for impact. As such, realizing this potential lies at the heart of our efforts. In addition to continuing to uplift our portfolio companies' ESG performance, we support them in identifying opportunities for value creation through our ESG framework. We are also working to enhance collaboration across our portfolio to promote synergies and increase the collective footprint of our ESG efforts.

Portfolio emissions baseline

We completed a full baseline measurement of our portfolio companies' scope 1 and scope 2 emissions*, utilizing the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, which sets out requirements and guidance for organizations preparing a corporate-level GHG emissions inventory. This baseline measurement provides a frame of reference for all current and future efforts to reduce emissions in ways that support ADQ's vision and mandate.



ESG performance evaluation

We conduct a comprehensive evaluation of our portfolio companies' ESG performance on an annual basis. Over the past two years, the methodology was overhauled to include new metrics as well as reflect emerging ESG trends and evolving disclosure requirements. The latter two factors gain increasing significance as ADQ is expanding its global footprint. In addition to capturing ESG policies and targets and relevant data, in 2022/2023, we assessed the effectiveness of our portfolio companies' ESG activities against KPIs and also identified various ESG-related risks. To track the development of these risks, a risk register was developed which will form the basis for high-level action plans, if required at any point.



Enhancing ESG institutionalization, disclosures and transparency

Following the publication of our ESG Policy in 2021, we published seven ESG Position Statements over the course of the past two years which outline our stance on material topics, namely Climate Change; Biodiversity; Diversity and Inclusion; Health, Safety and Wellbeing; Transition to Clean Energy; Food and Agriculture; and Healthcare and Life Sciences. Additionally, we laid the foundation for best practice-led internal reporting on ESG matters by putting in place internal reporting guidelines for portfolio companies.



Sustainable Finance Framework

In alignment with globally acknowledged principles and taxonomies, ADQ established its Sustainable Finance Framework in September 2023, which sets out eligible categories with environmental and/or social benefits, under which ADQ may raise sustainable financing. The framework was developed with reference to global best practices, including the International Capital Market Association (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. ADQ's Sustainable Finance Framework was assigned the second highest rating (SQS2 - Very Good) by Moody's Investors Service who provided the Second Party Opinion.



ESG Center of Excellence

In January 2023, we institutionalized ESG guidance and best practices for assets as a horizontal enabler. The new ESG Center of Excellence has since been working across our portfolio to support the institutionalization of ESG and elevate capabilities, ultimately accelerating value creation and laying the foundation for the sustainable performance of our assets. In addition to offering ESG advisory and expertise, the Center of Excellence facilitates collaboration amongst the ESG community within ADQ's portfolio through the organization of events, workshops and opportunities to be part of joint initiatives, while ensuring consistent progress towards shared objectives.



*Scope 1 are direct emissions that are owned or controlled by a company, whereas scope 2 are indirect emissions from sources not owned or controlled by the company.

Looking ahead

Building on the strong foundation established in the past years, we will continue to deepen and broaden our efforts to drive ESG excellence through our portfolio in alignment with global best practices.

We will focus our efforts on the following areas to ensure continued progress:

As a sustainable investor:

Implementation:

We will continue to incorporate ESG factors into our investment approach and set clear objectives for each phase of the investment cycle. From pre-investment to due diligence as well as monitoring and execution, we aim to ensure that ESG considerations permeate every stage of the investment process.



Direct impact:

We remain dedicated to initiating and supporting initiatives with direct impact on the world around us. This often takes the form of collaborative efforts, such as the Bridges of Hope program in Egypt in partnership with Zayed Higher Organization for People of Determination; the coral reef restoration project in partnership with Environment Agency - Abu Dhabi and Archireef; or reducing our carbon footprint.



Adaptation:

The dynamic nature of ESG presents a constantly evolving landscape for investors. As ESG factors are influenced by evolving regulations, societal shifts and industry advancements, constant adaptation is required. ADQ conducts regular assessments of ESG indicators, corporate practices and stakeholder expectations. We review the role of ESG in our investment approach according to the findings of this assessment, aiming to embrace shifts early on.



As an asset owner:

Collaboration:

The potential for positive impact from the operations of our portfolio companies is significant. We remain committed to collaborating with our assets to work towards the integration of ESG in their business models, driving progress and value creation.



Measurement:

In particular, we will intensify our efforts in tracking the progress of our portfolio companies against the established goals in our key ESG focus areas, ensuring that they not only meet but exceed expected standards and achieve consistent year-on-year progress.



Excellence:

This also includes continuing to encourage dialogue within our portfolio and drive the adoption of best practices through the ESG Center of Excellence. Collaboratively, we identify innovative solutions that support sustainable revenue streams. With every initiative, we aim to strengthen ADQ's position and accelerate our portfolio companies' growth in the long term.





Our ESG Approach and Commitment

Our ESG Framework

Our ESG Framework was developed to guide the management and disclosure of material ESG topics. Through a materiality assessment, we identified ESG topics and trends that are most relevant to our operations and sectors, reflecting our priorities and impact as both an investor and asset owner. The assessment was aligned with global sustainability standards, regional ESG ambitions and stakeholder insights.

We ensure the implementation of our ESG Framework through our Center of Excellence, which consists of three foundational pillars incorporating material ESG topics managed within ADQ and our portfolio companies.



Alignment with national and international priorities and standards

At ADQ, we take a proactive approach to ESG in alignment with national and international standards, goals and initiatives as part of our sustainable investment strategies.

Aligning with the sustainability visions of Abu Dhabi and the UAE

ADQ supports the sustainability ambitions set forth by the governments of the UAE and Abu Dhabi.



We identified environmental stewardship as a key ESG focus area in investment decision making.



We channel our investments to mitigate climate change and capture financial opportunities.



We explore clean technology investments that target lower environmental impact.



We encourage our companies to understand and manage the environmental footprint related to their operations.



We assess our investments and projects to work towards contributing to net-zero objectives.



We promote economic diversification towards low-carbon, low-ESG risk industries with greater sustainability opportunities throughout the investment cycle.

Aligning with international standards and frameworks

We align with the United Nations Sustainable Development Goals (UNSDGs) as part of our commitment to contribute to global sustainability targets. Embracing these allows us to demonstrate that our portfolio companies play a role in the realization of broader societal and environmental objectives. As a long-term investor, we believe that this fosters transparency, accountability and comparability for our stakeholders. This approach is central to our business strategy, aiming to maximize our impact where it matters most.



We support financing green energy projects, promoting renewable energy solutions and energy efficiency across our investments.



We encourage our portfolio companies to adopt responsible production methods through our governance policies.



We focus our investments in sectors that promote decent work and economic growth.



We integrate climate considerations into our investment decisions and promote carbon reduction initiatives across our portfolio.



We encourage innovation and sustainable infrastructure development, focusing on funding projects that contribute to resilient and green industry practices.



We strive for transparent reporting to strengthen governance and accountability.



We invest in sustainable urban development projects where applicable, enhancing community resilience and sustainability through our Sustainable Finance Framework.



We believe in the power of collaboration and partnerships to enhance the effectiveness of our sustainable investment approach.

ESG in our investment process

Our commitment to making investments that generate lasting value for society and have a positive impact on the environment is reflected in the consideration of ESG in our investment process.

We consider ESG factors throughout the three phases - pre-investment, due diligence, and monitoring and execution.

This systematic approach allows us to promote responsible business practices, mitigate risks, and contribute to a more sustainable, prosperous and equitable future for people in Abu Dhabi and beyond.



Pre-investment

Initial screening of ESG metrics is conducted on prospective investments.

Outputs:

- Key risks
- Impact on ADQ's ESG performance
- Environmental and social outcomes



Due diligence

Detailed due diligence is conducted on identified high-risk deals from an ESG lens.

Outputs:

- A detailed ESG report is provided to ADQ's management to decide on the investment
- ESG red flags are identified and an action plan is put in place



Monitoring & execution

An ESG maturity assessment is conducted on an annual basis.

Outputs:

- ESG performance is reported and continued efforts are made to close identified gaps and address risks

“As a sovereign investor, we adopt an ESG lens to empower our portfolio companies to be drivers of positive change, both locally in the UAE and internationally. They continuously seek ways to accelerate the decarbonization of crucial economic sectors and implement impactful initiatives that leave a lasting mark on society and the environment. We remain committed to fostering this forward-thinking approach and raising the bar for sustainable economic growth.”

HAMAD AL HAMMADI

Chief Executive Officer,
Energy & Utilities and
Sustainable Manufacturing

Highlights from our Portfolio



ADQ amplifying impact

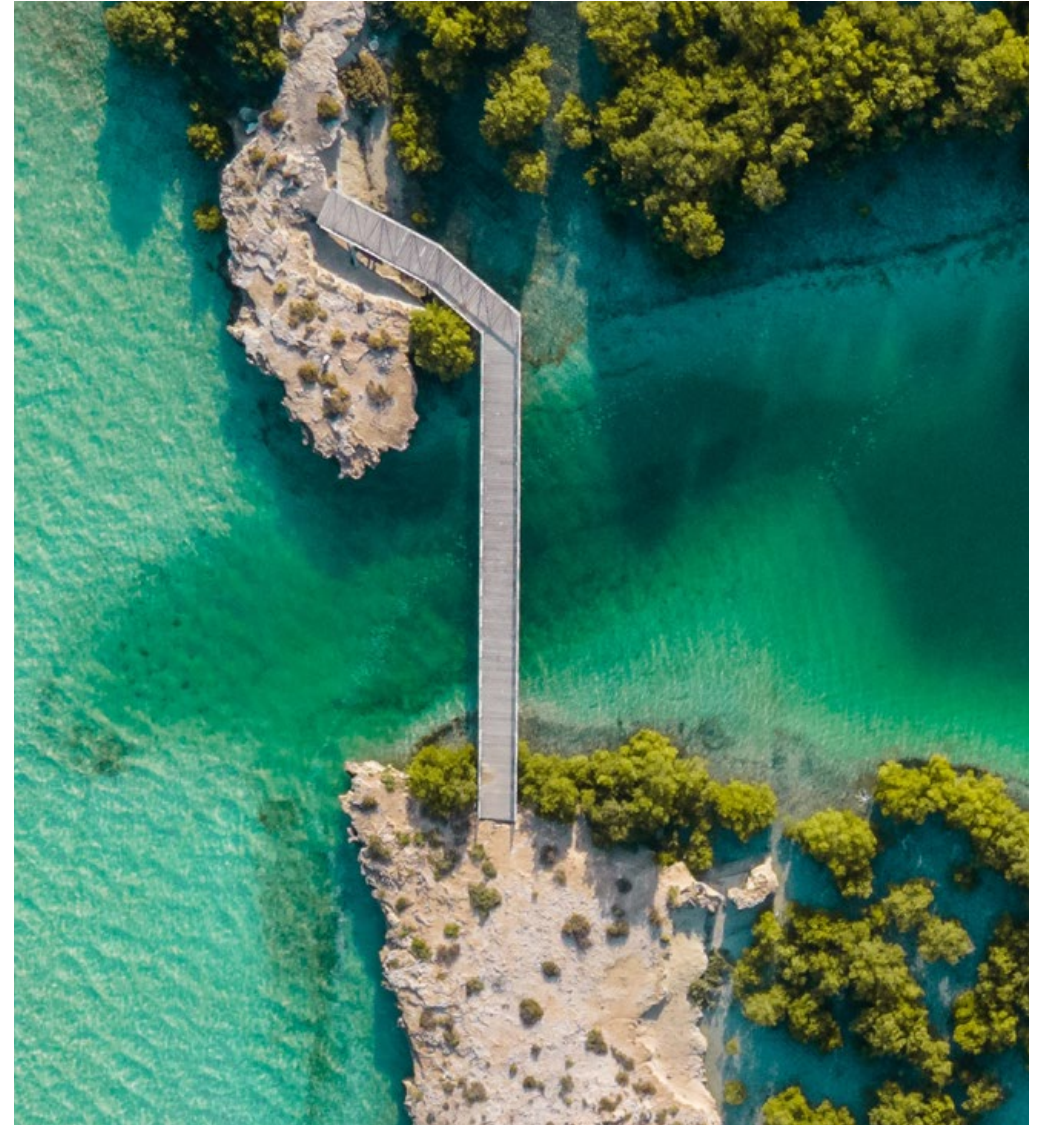
This chapter showcases how ESG considerations have been integrated into the strategy and operations of a range of companies operating under the ADQ umbrella.

Each example is testament to the potential of leveraging our ESG Framework to encourage and enable portfolio companies to achieve tangible progress against joint objectives.

“ Considering ESG factors in our day-to-day operations and investments is our commitment to sustainability. Working with our portfolio companies, we set a high standard in driving and embracing initiatives that seek to positively impact our society and the environment, often as first movers in the sectors we operate in. This embodies the values that we hold dear as ADQ as well as our vision to create sustainable positive change for the long-term.”

NOORA OBAID

Head of Environmental,
Social and Governance (ESG)



Empowering portfolio companies to reduce their carbon footprint

Acknowledging our role in mitigating climate-related impacts, we evaluate the financial and environmental effects of climate change on our portfolio companies and promote initiatives that foster a transition to low-carbon product and service offerings. Through engagement and existing operating model mechanisms, we encourage our portfolio companies to reduce Greenhouse Gas (GHG) emissions and energy consumption. Beyond this, we are focused on resource optimization and enhancing energy, water and material efficiency.

ADQ has introduced a customized tool specifically designed to assist its portfolio companies in measuring, tracking and reporting their scope 1 and 2 emissions. This empowers portfolio companies to align their sustainability efforts, thereby making a collective impact on climate change mitigation.

To lay the foundation for effective usage of the tool, ADQ has organized comprehensive training sessions for all portfolio companies and developed a user-friendly guidebook, ensuring seamless operational integration of the tool.

ADQ also actively collaborates with its portfolio companies and employs external support to process and verify emissions data, to elevate the quality of the data and intends to enable better better delivery of their collective climate change adoption plans and their environmental impact.

25+

portfolio companies empowered to measure, track and monitor their emissions

Portfolio company initiative

TAQA announces 2030 GHG emissions reduction target

Abu Dhabi National Energy Company (TAQA), one of the largest listed integrated utilities companies in the Europe, Middle East and Africa (EMEA) region by market capitalization, announced a comprehensive 2030 ESG strategy.

The strategy outlines TAQA's interim GHG emissions reduction goals and is a credible step towards achieving its net-zero ambitions by 2050. Under the strategy, TAQA has committed to a 25% reduction of scope 1 and 2 emissions by 2030 across the Group, including a 33% reduction of UAE portfolio emissions compared to the 2019 baseline.



National alignment



SDG alignment



Promoting greater female representation in leadership roles

ADQ has made female empowerment a cornerstone of its diversity and inclusion initiatives, particularly targeting senior management positions across its portfolio companies.

Aligning with global best practice, ADQ has set a goal to track the percentage of women in these roles. This proactive approach not only contributes to gender diversity but also enhances decision-making and competitiveness. More broadly, ADQ acknowledges the importance of fostering a workplace culture that is free from discrimination and provides training programs aimed at mitigating unconscious bias. Through its efforts, ADQ contributes to the UAE's long-term vision of an inclusive, balanced and happy society.

14%

Female representation on board levels across 25+ portfolio companies*

Portfolio company initiative

Emirates Steel Arkan's strategic efforts in championing female representation

Paving the way for diversity in the corporate sector, Emirates Steel Arkan has seen a notable increase in female leadership, contributing to ADQ's diversity and equality goal. Women now represent 28% of the company's board positions.

This underscores Emirates Steel Arkan's commitment to fostering an inclusive work environment, reflecting the progressive goals of the UAE government.



National alignment



SDG alignment



*This percentage is calculated based on the boundaries of data for this report.

Driving the consideration of ESG on the board level

In alignment with national initiatives, ADQ endeavors to elevate corporate governance and risk management from legal obligations to impactful strategic instruments, particularly in the context of ESG. ADQ seeks to anchor this approach within its portfolio. One of ADQ's cornerstone initiatives is shaping the corporate mindset by integrating ESG considerations as key indicators into board-level discussions across its portfolio companies. The aim is to evolve the boards to become catalysts for providing guidance and driving ESG maturity and progress.

>50%

of the boards of ADQ's portfolio companies review ESG issues in their regular board process*

*This percentage is calculated based on the boundaries of data for this report.

Portfolio company initiative

Agthia Group's proactive approach to ESG governance

In alignment with ADQ's guidance to consider ESG in board-level discussions, Agthia has established a Sustainability Steering Committee led by the CEO and comprising representatives from diverse business sectors. Meeting monthly, this committee ensures that

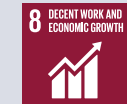
environmental, social, and governance policies at Agthia are consistently implemented. It serves as a platform to gather both internal and external insights on sustainability issues, risks, KPIs and strategies.



National alignment



SDG alignment



Enhancing institutionalization of ESG

To leverage its extensive portfolio for widespread impact, ADQ encourages its portfolio companies to make meaningful commitments on key ESG issues where applicable.

These commitments can be formalized into ESG policies, ensuring a structured approach to sustainability and social responsibility in line with the broader UAE vision. Recognizing the different levels of understanding and practices among its portfolio companies, ADQ has developed specialized ESG guidebooks tailored to various sectors. These guidebooks are toolkits designed to synchronize various levels of ESG comprehension and application, fostering a uniform yet flexible way to adopt effective sustainability governance.

~50%

of ADQ's portfolio companies have adopted an ESG policy as at end of 2023*

Portfolio company initiative

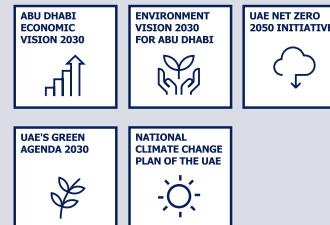
AD Ports Group accelerating its ESG transformation journey

Through its ESG framework, the Group seeks to accelerate its ESG transformation journey and gain exposure to global investors by ensuring that its ESG context reflects regional and international best practices.

The framework also aligns with global reporting and ESG rating frameworks and the requirements of regulators, investors and the UAE's national agendas.



National alignment



SDG alignment



*This percentage is calculated based on the boundaries of data for this report.



Disclaimer:

ADQ's 2022/2023 ESG Report highlights our approach to considering Environmental, Social and Governance (ESG) factors in our investment process and driving the integration of these factors into the operations of our majority-owned portfolio companies. It shares selected information and key highlights of the years 2022 and 2023. Certain statements in this report are forward-looking, including, but not limited to, statements that are predictions of or indicate future events, plans or objectives of ADQ and its portfolio companies. Undue reliance should not be placed on such statements because by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, plans and objectives of ADQ to differ materially from those expressed or implied in the forward-looking statements.