

Environmental, Social and Governance Policy



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1. Introduction

As an active investor and trusted government partner, ADQ's impact is rooted in supporting Abu Dhabi's economic diversity, prosperity, and sustainable development. ADQ brings together some of Abu Dhabi's most dynamic, transformational, and ambitious enterprises through direct and indirect investments in more than 90 companies across key sectors of the emirate's economy. As a strategic partner of the Abu Dhabi Government, ADQ is committed to accelerating the emirate's transformation into a globally competitive and knowledge-based economy. It is both an asset owner and investor in target sectors, locally and internationally, which align with the vision of Abu Dhabi's leadership.

ADQ's operations are guided by its values and mandate. The ADQ portfolio is diversified by both type of investment and by sector and exists to create value and seek global investment opportunities that deliver positive returns. Since establishment, ADQ has focused on accelerating transformation and aligning with Abu Dhabi's vision.

ADQ aims to achieve substantial long-term outcomes for its portfolio companies and will ensure their long-term viability and sustainable financial performance by embedding a performance culture. Responsible investment considerations are integrated into investment planning and risk analysis. Environmental, Social and Governance (SI) integration is one of the core tools in these responsible investment efforts. ADQ partners with its investment team to improve all aspects of a portfolio company's business, from due diligence to exit, with sustainability an integral focus of the entire investment cycle.

1.1 Purpose of ADQ's SI Policy

Through this policy, ADQ seeks to align and contribute to both global and Abu Dhabi initiatives and policies that enhance capabilities and confidence in its SI integration approach, as well as its stature as a responsible investor and asset manager. ADQ also aims to further integrate SI into investment decision-making and portfolio company oversight, emphasizing the mitigation of SI risks.

This policy will be applied across all ADQ's investments and internal operations, thereby supporting ADQ in embedding SI principles in its primary activities. The policy shall be periodically reviewed and updated accordingly. To promote its commitment to responsible investing and ensure adherence, ADQ will provide its employees with annual training on the policy.

2. Roles and Responsibilities

2.1 Overview

Corporate governance is central to achieving ADQ's objectives. ADQ is committed to excellence in governance practices and compliance with all statutory requirements, as well as industry best practices. This is highlighted through the involvement of its senior management in the development and adoption of this SI policy.

2.2 SI Awareness and Training

ADQ's Board of Directors strongly encourages an ongoing learning and awareness process regarding SI at all levels and roles across its organization. Given rapidly evolving sustainability market trends and the increasing integration of sustainability factors and risks, ADQ ensures that its employees are informed of the key issues through training and awareness-raising. In this way, ADQ establishes a common understanding of SI across the organization and develops the expertise needed to understand key stakeholders' agendas, priorities, and decision-making processes.

2.3 Roles and Responsibilities Across ADQ

Board of Directors

ADQ's Board of Directors oversees the company's approach to SI and provides guiding principles.

Management Committee

The Management Committee ensures that all mechanisms necessary to implement decisions made by the members of ADQ's Board of Directors have been put in place. Furthermore, the Management Committee sets SI commitments and targets.

Investment Directors

Investment Directors shall take SI considerations into their investment analysis and decision-making and establish a dialogue about SI issues.

3. Overall SI Strategic Focus and Approach

3.1 Overview

Across all aspects of SI and sustainability management, ADQ aims to establish and maintain a strong standing amongst regional and global peers. ADQ continuously reviews and enhances its approach to SI and sustainability, emphasizing an approach that informs, reinforces, and strengthens its core role as an engine of growth driving Abu Dhabi's economic diversity, prosperity and sustainable development.

As part of the SI strategy, ADQ aligns and contributes to global initiatives that enhance capabilities and confidence in its approach, as well as its stature as a responsible investor and asset manager. ADQ's goal is to help drive Abu Dhabi's regional leadership and global interests in SI and sustainability.

3.2 Strategic Objectives

- Establish and maintain a strong standing amongst regional and global peers in SI and sustainability
- Incorporate SI risk into the ADQ governance structure
- Align and contribute to global initiatives that enhance capabilities and confidence in its SI approach, as well as its stature as a responsible investor and asset manager
- Help drive Abu Dhabi's regional leadership and global interests in SI and sustainability

4. Approach to Integrating SI in Investment Activities

With growing financial materiality considerations and the market's acceleration towards sustainability, ADQ is increasingly aware of the need to steer economic diversification towards lower-carbon businesses, and industries with lower SI risks and greater sustainability-related opportunities at all stages of the investment cycle.

4.1 Screening and Pre-Due Diligence

Overview

Preliminary screening ensures that ADQ avoids investing in sectors that do not align with ADQ's investment philosophy. Integrating SI into the screening process strengthens the long-term resilience of ADQ's portfolio. ADQ integrates SI into the due diligence process in the early stages of investment screening to focus on investing in responsible, ethical and sustainable sectors.

ADQ also seeks to identify sectors with strong sustainability opportunities and aims to increase synergies within and amongst its clusters through clean technology applications, replacement inputs (e.g., green hydrogen), low carbon, circular economy opportunities (e.g., carbon capture and storage) and other SI-related possibilities.

Strategic Objectives

- Considering the increasing focus by stakeholders on sustainability, ADQ aims to steer economic diversification towards sectors with lower carbon use, lower SI risks, and greater SI-related opportunities
- ADQ aims to increase synergies within and amongst its clusters through clean technology applications, replacement inputs, low carbon and circular economy opportunities, and other SI-related possibilities

4.2 Due Diligence and Investment

Overview

ADQ takes continual and substantial measures to ensure accountability and strengthen internal SI capabilities, including rigorous pre- and post-acquisition due diligence, active monitoring of investments, and adherence to industry principles.

ADQ's investment teams are responsible for integrating SI into due diligence. Where needed, ADQ will partner with SI-specialized third parties for due diligence and rating analysis of prospective investments. To ensure that its investment teams can incorporate financially material SI considerations into due diligence, ADQ will provide the necessary tools and training to identify, quantify and assess financially material SI risks and opportunities.

ADQ will integrate SI considerations into investment agreements and in Management Committee discussions. ADQ's due diligence process will be periodically reviewed and updated, while the main conclusions will be reviewed as a fundamental aspect of investment decisions.

Strategic Objectives

ADQ seeks to ensure financially material and other SI criteria are systematically considered in the due diligence process for new investments. This will be achieved by increasing internal capabilities, engaging with third-party specialists, and integrating SI considerations into investment agreements.

4.3 Driving SI Performance Gains and Engagement

Overview

ADQ monitors the sustainability progress of its underlying investments. To ensure that ADQ and its portfolio companies are operating responsibly, ADQ seeks to measure, monitor, and improve the overall SI position of its portfolio companies. This includes monitoring and reporting on material SI indicators.

ADQ aims to continuously develop effective mechanisms for active engagement with portfolio companies. This involves providing SI-related training to investment managers about key considerations, tools and resources to effectively engage with portfolio companies.

ADQ outlines clear expectations to portfolio companies on governance, roles and responsibilities, and provides them with efficient, straightforward tools and training to enhance their SI performance and scores.

To produce and report on annual scoring, ADQ will develop a tool to capture assets' SI data.

Strategic Objectives

- Measure, monitor and improve the overall SI position of ADQ portfolio companies
- Develop effective mechanisms for active engagement with portfolio companies
- Outline clear expectations to portfolio companies on governance, roles and responsibilities
- Provide efficient, clear tools and training to portfolio companies to enhance their SI performance and scores
- Develop tools to consistently track the SI performance of its portfolio companies

4.4 Exits

Overview

ADQ works with its portfolio companies to integrate, measure, and communicate their bespoke approach to SI, as we see these characteristics increasingly valued in investment exits.

Strategic Objectives

- Manage valuation risks of SI-impaired or stranded assets
- Ensure exit readiness from an SI perspective
- Optimize exit valuations using an SI lens
- Maintain strong SI posture of ADQ's portfolio

5. ADQ Position on Key SI Focus Areas

To ensure that ADQ achieves a leading position in sustainability, SI considerations are included across operations and investment activities. This includes identifying, monitoring, managing, reporting and mitigating SI risks and opportunities for direct operations as well as portfolio companies, including the management of its direct environmental impact, preserving human rights, promoting training and development, as well as ensuring diversity and inclusion.

5.1 Mitigating Climate Change

Overview

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.

ADQ encourages a shift towards product or service offerings that incorporate low-carbon differentiation, exploring clean technology investments targeting the emerging low-carbon economy.

ADQ factors in climate risks into investment processes to operate responsibly in a low-carbon, climate-resilient environment by assessing and supporting portfolio companies on climate-related competitiveness and financial risks and opportunities.

Strategic Objectives

- 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

5.2 Environment Stewardship

Overview

ADQ seeks to continually improve environmental stewardship, particularly in energy, water and material usage. ADQ strives to conserve natural resources and ensure proper management of the environmental impacts related to its direct operations. ADQ seeks to ensure the effective monitoring, managing and reporting on the company's progress to minimize greenhouse gas (GHG) emissions, reduce energy consumption and increase recycling. ADQ explores clean technology investments that target lower environmental impacts, promote circular solutions and minimize office waste going to landfill.

ADQ strives to increase awareness of the importance of environmental protection and sustainability for all of the company's stakeholders. This is accomplished through carefully selecting and collaborating with suppliers to ensure they meet environment standards and provide support to portfolio companies for competitiveness in a low environmental impact, low waste and circular economy.

ADQ's employees and portfolio companies are responsible for enforcing environmental stewardship principles during operations and are expected to comply with applicable environmental laws and regulations.

Strategic Objectives

- Demonstrate awareness of financial and competitiveness aspects of environmental impacts
- Assess portfolio companies' competitiveness and financial risks and opportunities based on the cost of environmental impact, and through the lens of circular economy readiness and vulnerability
- Position portfolio companies for competitiveness in a low environmental impact, low waste and circular economy
- Encourage a shift towards product or service offerings that incorporate sustainability-related differentiation
- Explore clean technology investments targeting reduced environmental impacts and the circular economy

5.3 Diversity and Human Capital Development

Overview

ADQ fosters a work environment that is fair and respectful towards every individual regardless of gender, race, ethnicity, age, religion or disability, and does not tolerate any form of discrimination, harassment or abusive behaviour. All employees are encouraged to report any concerns without fear of retaliation.

At ADQ we believe that promoting diversity and inclusion at the company level and across the portfolio will provide a competitive advantage, enhancing decision-making and the overall performance of the workforce. ADQ commits to improving female representation across all levels of operation.

Contributing to Emiratization and the professional development of UAE nationals through training and employment are also priorities for ADQ.

ADQ fosters an innovative work environment to attract and retain talent by investing in diverse training and career development opportunities. ADQ ensures that employees are constantly building on their skills to foster a competitive workforce. ADQ will also provide proactive training plans, including personalized skill-building opportunities, coaching and feedback systems.

Strategic Objectives

- Demonstrate commitment to improving female representation
- Contribute to Emiratization
- Invest in the development of its people
- Create great places to work, enhancing its ability to attract and retain talent

5.4 Health, Safety and Human Rights

ADQ is committed to adopting relevant standards as part of its commitment to sustain a healthy and safe work environment for employees. ADQ believes in the importance of creating a working environment that ensures the well-being of employees.

ADQ is committed to implementing measures to identify and assess all health and safety hazards, and to manage these risks to prevent accidents, fatalities, and occupational illness, as well as to continuously work on enhancing safety awareness. ADQ aims to engage and provide training to its portfolio companies about health and safety.

ADQ aims to identify, analyse, and manage human rights risks within its own operations, supply chain, and investment portfolios. Its employees are the basis of success and are treated with due respect and trust whilst respecting their human rights. ADQ is committed to ensuring that forced, compulsory and child labour to not occur in any of its businesses or supply chains.

Strategic Objectives

- Demonstrate commitment to health, safety and human rights of employees and contractors
- Exhibit good performance relating to health, well-being, and rights of employees and contractors while reducing costs associated with injuries, operational interruptions, and reputational impact of injuries, fatalities, and human rights infractions
- Display commitment to integrating human rights into investment decision-making

5.5 Extended Socio-Economic Positive Impacts

Overview

ADQ respects the communities where it carries out operations and seeks to promote community development. ADQ aims to deliver activities that advance the socioeconomic development of communities through initiatives that align with its values and positively impact people, society and the environment. ADQ’s area of focus depends on various factors, primarily the requirements and needs of the community such as promoting economic growth, creating job opportunities, and youth development.

ADQ aims to conduct business with respect to the traditions of the communities in which it operates and focuses on providing services that are compatible with the community’s standard of living.

Strategic Objectives

- Enhance the extended socio-economic impacts of portfolio companies
- Measure ADQ’s net economic, social and environmental impact
- Capture ADQ’s extended socio-economic impact within Abu Dhabi and the UAE
- Optimize community investment

6. Public Reporting

Overview

ADQ recognizes the importance of reporting and transparent communication of its responsible investment activities. ADQ is committed to publicly disclosing its sustainability performance and places particular emphasis on ensuring high standards of data quality and uses this to drive continuous improvement. ADQ aims to encourage its portfolio companies to issue high-quality internal disclosures and strives to provide essential reporting guidelines for portfolio companies.

Internal reporting to the Board will be conducted and will include SI disclosures and updates on the integration of SI factors into investment activities.

Strategic Objectives

- Demonstrate and reinforce a performance-driven and accountable culture through sustainability reporting
- Foster comprehensive adoption of sustainability reporting by portfolio companies in comparison to peers



Thank you