Burgan Bank

ESG Policy

بنک بروقان
BURGAN BANK

Introduction

This Policy has been developed by and is exclusive property of Burgan Bank. The Policy is publicly intended solely for informational purposes. No part of this Policy may be copied, reproduced, distributed, modified, or transmitted in any forms or any means without the prior written consent of Burgan Bank. Any unauthorized use, reproduction, distribution, or modification of this Policy may result in legal action in accordance with applicable laws and regulations.

Policy Statement

Burgan Bank Kuwait ("BBK" or the "Bank") recognizes the growing importance of Environmental, Social, and Governance ("ESG") considerations in shaping the financial services industry and its responsibility to contribute towards sustainable economic development. The Bank is committed to integrating ESG principles into its strategy, governance, operations, products, services and risk management frameworks in order to support long-term value creation for its stakeholders while contributing to a sustainable, resilient and inclusive economy.

This Policy establishes the overarching framework for ESG integration across the Bank and shall be supported by detailed policies, procedures, and guidelines, as applicable.

The Bank adheres to all applicable laws and regulations, and aligns its ESG approach with relevant national and international ESG standards and frameworks, including but not limited to:

- United Nations Principles for Responsible Investing ("UNPRI").
- United Nations Sustainable Development Goals ("UNSDGs").
- Boursa Kuwait Sustainability Disclosure Guide.
- Committee of Sponsoring Organizations ("COSO")
- Kuwait Vision 2035 sustainable developmental goals.

Purpose

The purpose of this Policy is to establish the Bank's ESG commitments, governance structure, guiding principles, and implementation approach to ensure the effective integration of ESG considerations into the Bank's activities and decision-making processes. This policy aims to:

- Establish governance structures for ESG oversight and accountability;
- Integrate material ESG risks and opportunities into the bank's strategy, risk management frameworks, and decision-making processes;
- Align its practices with applicable regulatory requirements and internationally recognized ESG standards and frameworks;
- Support sustainable finance by directing capital toward environmentally and socially beneficial activities while managing adverse impacts
- Strengthen stakeholder engagement and communicate ESG performance through regular, transparent, high-quality disclosures
- Enhance ESG disclosures, governance practices, and data management processes to support alignment with recognized ESG rating agencies and sustainability assessment frameworks.
- Promote ethical conduct, transparency, and responsible business practices.
- Support sustainable long-term value creation for shareholders, customers, employees, investors, and the communities in which the Bank operates.

This policy will apply to BBK, and shared with its subsidiaries to apply on best effort basis, provided that there is no conflict with the local regulations. This Policy will be applicable to all Board members, employees, contractors, third-party service providers and suppliers, as necessary.

BBK also encourages its suppliers and value chain partners to adopt sustainable business practices and promote ESG principles throughout their respective operations and supply chains.

Application

Sustainability Commitments

The Bank endeavors to be a purpose driven business by integrating ESG considerations in the evaluation, management and growth of its strategic objectives. It strives to adopt principles and practices that support sustainable development and enable long term value creation.

The Bank's ESG commitments are structured around the following pillars:

- Responsible Banking;
- Environmental Impact;
- Social Impact; and
- Governance and Ethics

1.1 Responsible Banking

BBK is committed to promoting financially and environmentally sustainable banking products and services that support customers at every stage of life while embedding responsible financing and investing practices into its operations and decision-making processes.

Towards this goal, the Bank has established a structured ESG Integration Model that shall integrate its ESG considerations into its financing and investment activities. The ESG Integration Model is broadly based on the following principles:

- Avoiding decisions with adverse ESG implications in alignment with the Bank's Risk Appetite policy;
- Assessing ESG-related risks and opportunities;
- Promoting positive ESG outcomes; and
- Supporting positive environmental and social impact

In furtherance of these commitments, the Bank shall:

- Integrate material ESG considerations into the credit and investment decision making processes.
- Incorporate ESG considerations into the Environmental and Social Risk Assessment Framework
- Promote financial inclusion and support investment in small and medium-sized enterprises (“SME”) sector.
- Develop sustainable banking products and services that support economic opportunity and financial empowerment.
- Provide relevant products and services to the unbanked or underbanked communities as a part of commitment towards financial inclusion.

1.2 ESG screening and exclusion criteria

In alignment with its commitment to responsible banking, prior to undertaking any financing or investment activity, the relevant activity or transaction shall be assessed for alignment with the Bank’s ESG objectives, commitments, principles, and Risk Appetite Policy.

Activities and investments that are likely to pose significant ESG risks or severe adverse impacts will not be supported by BBK, which include but are not limited to:

- Activities involving human trafficking or harmful or exploitative forms of forced labor.
- Activities involving harmful or exploitative forms of child labor.
- Activities that are Illegal under the host country laws or regulations

1.3 Sustainable Financing Framework

To support its responsible banking commitment, BBK has adopted a Sustainable Financing Framework to finance projects that will deliver environment and social benefits in alignment with its vision and business strategy.

The framework provides guidance to the Bank for issuance of green, social, sustainable and sustainability linked financing. It governs the deployment of proceeds obtained from the issuance of Green, Social or Sustainability Bonds and Loans in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.

The Bank will adopt an Environment and Social Risk Management process as part of the credit and investment analysis, applicable to allocation decisions under the Framework.

BBK shall report on allocation of proceeds in its Sustainability Report until full allocation.

1.4 ENVIRONMENTAL IMPACT

BBK is committed to reducing its direct and indirect environmental footprint and support the transition to a low-carbon, climate-resilient economy. The Bank recognises that improving the sustainability of its own operations is an essential component of its ESG commitment and focuses its approach on energy efficiency measures, emissions reduction and waste minimization, among other efforts.

- The Bank is committed to the following to minimize environmental impact:
- Establish environmental targets and Key Performance Indicators (“KPI”) relating to emissions, energy, water and waste.
- Reduce its carbon footprint by monitoring Greenhouse Gas (“GHG”) emissions and report progress in reduction.
- Establish waste management and recycling guidelines to be applied throughout the Bank to support circular economy principles;
- Ensure compliance with applicable environmental laws and regulations in the jurisdictions that BBK and its subsidiaries operate, on best effort basis.

- Identify, assess, monitor and manage climate-related and environmental risks across lending, investment and operational activities to the extent possible.

1.5 SOCIAL IMPACT

BBK aims to make positive contributions towards its customers, employees and the community at large through socially responsible and inclusive business practices.

Customers

The Bank is committed to providing its customers:

- Fair treatment, transparency, and responsible communication;
- Protecting customer data and privacy;
- Accessible and inclusive financial services; and
- Effective grievance and complaint handling mechanisms.

Employees

The Bank shall integrate ESG principles into workforce management practices to enhance employee engagement, diversity, inclusion and capacity building. These include:

- Promoting diversity, equity, and inclusion through appropriate workplace policies including equal opportunity, anti-harassment and pay equity;
- Fostering a safe and healthy workplace and promoting employee well-being;
- Providing training and professional development opportunities; and
- Upholding human rights and fair employment practices, with zero tolerance for forced or child labor.

Community

BBK is committed to contributing positively to the communities in which it operates. The Bank shall:

- Support community development initiatives relating to health, youth, education, environment, and culture.

- Encourage employee participation in community engagement and outreach programs.
- Promote diversity and social inclusion initiatives supporting advancement of the special needs segment of society and women empowerment.
- Promote financial literacy and inclusion through targeted initiatives and community programs.
- Align corporate social responsibility (CSR) activities with national priorities and the bank's CSR strategy.

1.6 GOVERNANCE & ETHICS

BBK recognizes that strong governance, ethical business practices and prudent risk management are fundamental to sustainable growth and long-term value creation. BBK's Code of Conduct and Ethics, applies to all employees and Board members, and serves as the foundation for high standards of integrity and ethics, the deterrence of wrongdoing and the promotion of compliance with the applicable regulations.

The Bank shall maintain strong governance standards by:

- Ensuring Board-level oversight of ESG matters;
- Upholding ethical conduct, integrity, and transparency through Board-approved Codes of Conduct and related policies;
- Maintaining effective anti-corruption, anti-money laundering (AML), and compliance frameworks;
- Maintaining clear policies and effective internal controls relating to data privacy, cybersecurity, whistleblowing, conflict of interest, related party transactions and other key governance issues;
- Promoting transparency and accountability across all levels of the organization through timely and accurate disclosures to stakeholders;
- Conducting periodic reviews and audits relating to Ethical Standards and compliance practices;
- Providing regular ethics and compliance training to all employees

ESG Risk Management

BBK integrates ESG risks into its Enterprise Risk Management (“ERM”) framework and considers the impact of ESG risks over the short, medium, and long term.

The Risk Management Group (”RM”) shall oversee the ESG Risk Management processes and report ESG related risks to the Executive Management Risk Committee (“EMRC”) and where applicable to the Board Risk Committee (“BRC”).

The bank shall monitor ESG risk exposures, including climate-related physical and transition risks, through periodic assessments, scenario analyses, and stress testing exercises. The bank shall monitor sector-specific ESG exposures in the lending portfolio

The ESG risk management process is guided by the overall Risk Management Framework which includes:

- Risk identification: through internal stakeholder consultation.
  The risks covered will include climate related risks being:
  - Physical risk – related to the financial impact arising from climate-related events and environmental changes
  - Transition risk- related to the financial impacts arising from the transition to a lower-carbon and environmentally sustainable economy.
- Risk assessment and prioritization of ESG Risk which includes both qualitative and quantitative measures and prioritisation based on risk rating and strategic importance.
- Risk mitigation and control measures with the responsibility of mitigating the impact of the ESG risk resting with the BRC.

The Executive Management Risk Committee (“EMRC”) shall be responsible for reviewing the Environmental, Social and Governance (“ESG”) risks related to the Bank in adherence to the bank’s risk appetite.

Materiality Assessment and Stakeholder Engagement

In order to define the bank's ESG strategy, BBK engages with its stakeholders to understand their expectations and align its sustainability strategy accordingly. The Bank prioritizes the most important material topics basis interaction with stakeholders, independent analysis and expert advice from specialist external consultants, if required.

The materiality assessment process to identify and prioritize ESG topics shall include:

- Identification of key ESG topics and issues;
- Stakeholder engagement;
- Benchmarking against industry standards and peer institutions;
- Development of a materiality matrix

BBK will conduct a comprehensive stakeholder engagement and materiality assessment exercise at least once every three years. In addition, the Bank will conduct an annual internal review of material topics for any required re-alignments to reflect evolving stakeholder expectations, regulatory developments, and market conditions.

The Bank shall engage with key stakeholders, including regulators, customers, employees, investors, shareholders, suppliers and communities, to:

- Understand stakeholder expectations and priorities;
- Enhance transparency and communication;
- Incorporate stakeholder feedback into ESG strategy and operations

ESG Governance Structure

BBK recognizes that for the ESG policy to be properly integrated, effective governance structures must be implemented to ensure accountability and appropriate controls.

To this end, the Bank has established ESG Governance Structure under the guidance of Board of Directors ("BoD") consisting of Management Environmental, Social and

Governance Committee ("MESGC"), Strategic Solutions, Sustainability & Investor Relations ("SSIR") department. The MESGC shall steer the ESG integration throughout the Bank and monitor the ESG performance of the Bank. The SSIR department is entrusted with the developing and implementing the ESG framework across the bank to meet regulatory expectations and support sustainable business growth. The areas of focus will evolve over time to reflect the changing environmental and social context, community expectations and to account for new regulatory settings.

The roles and responsibilities of the various ESG governance bodies are summarized below:

4.1 BOARD OF DIRECTORS

The Board has ultimate oversight of ESG strategy, reviews ESG ambitions and risk appetite, and monitors progress against defined targets and key performance indicators (KPIs). The Board will be responsible for:

- Endorse ESG policy statements;
- Review and approve the ESG risk mitigation plans, and activities undertaken by the Bank;
- Conduct annual review of the progress on material ESG factors;
- Ensure that transparent reporting on ESG is undertaken continuously.

Relevant Board Committees shall oversee ESG-related matters within their respective mandates such as BCGC for policy and ethics, BRC for ESG risk overview

4.2 MANAGEMENT ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (MESGC)

MESGC supports the Board in overseeing ESG matters, including climate-related risks, sustainable finance, and major ESG initiatives. MESGC will have the responsibility and authority according to its charter to:

- Oversee implementation of ESG strategy and develop guidelines for integration of ESG factors at the Bank;
- Ensure appropriate resource allocation to enable the effective operation and continual improvement of the ESG integration;
- Establish ESG programs, with clear objectives and targets that contribute to the Bank's on-going commitment to environmental, social, governance matters
- Approve the ESG action plan for the ESG activities to be undertaken by the Bank as identified by the stakeholders and related ESG projects, as necessary
- Monitor and review the progress of ESG initiatives as per the approved ESG action plan addressing issues as and when necessary
- Monitor and review the bank's ESG rating by various agencies and ensure continuous progression
- Provide updates to the Board on ESG matters through the established reporting channels
- Review and approve the Bank's ESG reporting guidelines including the annual Sustainability report in line with international and local reporting guidelines and frameworks

4.3 Strategic Solutions, Sustainability & Investor Relations (SSIR) department

The SSIR department shall be responsible for:

- Developing plans for ESG activities to be undertaken by the Bank, and present the plan to the MESGC;
- Coordinating and monitoring implementation of ESG initiatives in collaboration with business partners across the Bank;
- Developing the bank's ESG policy and procedures and guide process owners on embedding ESG elements across other policies in the Bank;
- Coordinating engagement with ESG rating agencies and external assessment bodies, including the management of ESG data, disclosures, questionnaires, and improvement initiatives relating to sustainability ratings and benchmarking assessments;
- Report on ESG progress and escalate any issues to the MESGC

4.4 Training and Capacity Building

BBK will organize training and learning across the Bank to build awareness on ESG Framework as part of its annual engagement exercise. Furthermore, specialized training will also be conducted for relevant employees who regularly deal with specific ESG issues to understand environmental risks and opportunities and integrate ESG considerations into their decision-making and work practices.

Reporting and Transparency

BBK is committed to maintaining transparent and high-quality ESG reporting and disclosures. The Bank shall ensure transparent ESG reporting by:

- Publishing an annual ESG /Sustainability Report;
- Disclosing ESG performance metrics and progress against established targets;
- Aligning disclosures with recognized international standards and frameworks, including, Global Reporting Initiative ("GRI") Standards, Sustainability Accounting Standards Board ("SASB"), Boursa Kuwait's ESG disclosure requirements, and Kuwait Vision2035 goals;
- Coordinate engagement with ESG rating agencies and external assessment bodies, including the management of ESG data, disclosures, questionnaires, and improvement initiatives relating to sustainability ratings and benchmarking assessments

All ESG reporting and disclosures shall be subject to the Bank's applicable governance and approval processes prior to publication.

Monitoring & Continuous Improvement

BBK is committed to the continuous enhancement of its ESG performance and practices. ESG performance is monitored through defined KPIs and targets, which are periodically reviewed and reported to the relevant committees and the Board, as applicable. The bank will ensure to:

- Set measurable ESG targets and KPIs (e.g., green financing volume, emissions reduction)
- Periodically review the ESG policy and applicability of frameworks
- Benchmark ESG performance against regional and global peers
- Monitor ESG rating assessments and benchmark the Bank's ESG performance against evolving market practices and stakeholder expectations to identify opportunities for continuous improvement

Abbreviations

Abbreviation	Description
COSO	Committee of Sponsoring Organizations
BBK	Burgan Bank Kuwait
SME	Small and Midsize Enterprises
BRC	Board Risk Committee
BoD	Board of Directors
GRI	Global Reporting Initiative
SASB	Sustainability Accounting Standards Board
CSR	Customer Service Representative
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
RM	Risk Management
KPI	Key Performance Indicator
MESGC	Management, Environmental, Social and Governance Committee
UNDP	United Nations Development Programme
UNPRI	United Nations Principles for Responsible Investing