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Independent Practitioners' Limited Assurance Report

To the Board of Directors of Emirates NBD Bank (P.J.S.C.) ("ENBD")

Limited Assurance Report on Scope 3 (category 15) ("SMI") for the year ended 31 December 2023 contained within *Emirates NBD Group 2024 IFRS S1 and S2 report*

Conclusion

We have performed a limited assurance engagement on whether the subject matter information ("SMI") of Emirates NBD Bank (P.J.S.C.) ("the Company") and its subsidiaries (the "Group" or "ENBD")'s for the year ended 31 December 2023 has been prepared in accordance with the Emirates NBD Financed Emissions Basis of Reporting 2024 ("Applicable Criteria") as set out in Appendix 1.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the SMI of ENBD for the year ended 31 December 2023 is not prepared, in all material respects, in accordance with the Applicable Criteria.

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI and our report (hereafter referred to as "other information"). We have not performed any procedures with respect to the other information.

Subject Matter Information ("SMI")

The Subject Matter Information for our limited assurance engagement were the following Selected Sustainability Metrics for the year ended 31 December 2023, as detailed in ***Emirates NBD Group 2024 IFRS S1 and S2 report*** ("ISSB Report"), as prepared and presented by the Group. The Selected Sustainability Metrics are based on the reporting boundary developed by the Group which consists of the Group including branches under financial control which are detailed in Appendix 2 of this report.

Selected Sustainability Metrics	Unit	Amount	ISSB Report Page Numbers*
Absolute gross financed emissions in metric tons	Metric tons (t) CO_2-e)	11,415,861	61, 62, 63
Percentage of gross exposure included in the financed emissions calculation.	Percentage %	15.8	61, 63

The above Selected Sustainability Metrics over which independent limited assurance is performed are marked with the symbol* **Δ *in* ***Emirates NBD Group 2024 IFRS S1 and S2 report.***

Basis for conclusion

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statement* issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Restriction on use or distribution

Our report is intended solely for the use of Board of Directors of ENBD in connection with the SMI and is not intended to be and should not be used by any other party. It will be released to Board of Directors of ENBD on the basis that our report shall not be copied, referred to or disclosed, in whole (save for ENBD's own internal purposes) or in part, without our prior written consent.

Our report is designed to meet the agreed requirements of Board of Directors of ENBD determined by Board of Directors of ENBD needs at the time. Our report should not, therefore, be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Board of Directors of ENBD for any purpose or in any context. Any party other than Board of Directors of ENBD who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any party, other than Board of Directors of ENBD, for our work, for the assurance report we will issue, and for the conclusions we reach.

Use of our assurance report on a website

We have consented to the publication of our report on ENBD's website at https://www.emiratesnbd.com/en/about-emirates-nbd/sustainability/esg-and-integrated-reports for the purpose of ENBD showing that it has obtained an independent limited assurance report in connection with the SMI.

Responsibilities for the SMI

The Board of Directors of ENBD are responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the SMI that are free from material misstatement, whether due to fraud or error;
- selecting or developing suitable Applicable Criteria for preparing the SMI and appropriately referring to or describing the Applicable Criteria used;
- preparing and properly calculating the SMI in accordance with the Applicable Criteria;
- making the Applicable Criteria available to intended users;
- ensuring compliance with law, regulation or applicable contracts;
- making judgments and estimates that are reasonable in the circumstances;
- identifying and describing any inherent limitations in the measurement or evaluation of information subject to assurance in accordance with the Applicable Criteria;
- preventing and detecting fraud;
- selecting the content of the SMI, including identifying and engaging with intended users to understand their information needs;
- establishing targets, goals and other performance measures, and implementing actions to achieve such targets, goals and performance measures;
- documenting and retaining underlying data and records to support the SMI;
- informing us of other information that will be included with the SMI;
- ensuring that the staff involved with the preparation of the Applicable Criteria and calculation of the SMI are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units; and
- supervision of other staff involved in the preparation of the SMI

Those charged with governance are responsible for overseeing the reporting process for the entity's SMI.

Inherent limitations

For the purposes of this limited assurance engagement, we have not performed any procedures around:

- the nature of non-financial information, the absence of a significant body of established practice on which to draw, and the methods and precision to be used to determine non-financial information allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time;
- establishing the reliability of sources of information by reference to evidence independent of the Group;
- the assessment of accuracy or completeness of the Reporting boundary determined by management and the source documents used in the calculation of the SMI;

Inherent limitations (continued)

- verifying the completeness or accuracy of the information within the ENBD's IT systems or agreeing data to the underlying source documentation. Where ENBD made use of third-party data within the financed emissions calculation, our work has been restricted to agreeing a selection of data back to the third party information, as opposed to confirming the underlying accuracy of the third party data; and
- evaluating compliance of the SMI against any required targets which remains the responsibility of management of ENBD.

For Scope 3 GHG emissions, Category 15 for financed emissions, there are also significant limitations in the availability and quality of GHG emissions data from third parties, which resulted in ENBD's reliance on proxy data in determining estimated Scope 3 GHG emissions. Over time better information may become available from third parties and the principles and methodologies used to measure and report Scope 3 GHG emissions may change based on market practice and regulation. We have not conducted any work outside of the agreed scope and, therefore, restrict our conclusion to the SMI.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI are free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained. The conclusion expressed above relates solely to the SMI; and
- reporting our conclusion to the Board of Directors of ENBD.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- Obtained understanding of the Applicable Criteria and their suitability used by the entity in preparing the SMI;
- Conducted interviews with ENBD's management to obtain an understanding of the key processes, systems and controls in place over the preparation of the SMI;
- Performed recalculation of relevant formulae used in manual calculations and assessed whether the data has been appropriately consolidated;
- Performed selected limited testing, including agreeing a selection of the input data used to calculate the SMI to corresponding source documentation to third party data where applicable;
- Re-performed a selection of the emission factor;
- Assessed the reasonableness of assumptions used in management's estimates; and
- Read the narrative in the ISSB Report with regard to the Applicable Criteria and for consistency with our findings.

Our responsibilities (continued)

Summary of the work we performed as the basis for our conclusion (continued)

The procedures performed in a limited assurance engagement vary in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG

KPMG Lower Gulf Limited

Date: 30 December 2024

Dubai, United Arab Emirates

Appendix 1 - Emirates NBD Financed Emissions Basis of Reporting 2024 ("Applicable Criteria")

1. Introduction

1.1. Purpose

The purpose of this document is to provide a standardized and comprehensive disclosure for calculating and reporting greenhouse gas (GHG) emissions associated with financing activities. Financed emissions connect the funding we offer to our clients with their real-world activities, giving insight into the greenhouse emissions resulting from these business activities. They are included in our Scope 3 Green House Gases (GHG) accounting, which relates to emissions from the use of a company's products and services.

The Group has followed the methodology as detailed in The Global GHG Accounting and Reporting Standard, Part A, issued by the Partnership for Carbon Accounting Financials (PCAF). The data and the methodology used for estimating financed emissions are evolving with regulations and industry practices. We continue to focus on improving the availability and quality of data used in calculating financed emissions.

1.2. Objectives

The primary objective of this document is to explain in detail steps followed by the Emirates NBD Bank (P.J.S.C.) and its subsidiaries, excluding DenizBank (collectively known as "the Group" or "the Bank") to compute financed emissions for its lending portfolio. It also details on the processes adopted for attributing emissions, assignment of data quality score and scope of emissions included. It also explains the methodology and the data sources used for computation of financed emissions.

1.3. Scope

The Bank has only considered performing counterparties for the computation of financed emissions. The scope of financed emissions has been defined across the following dimensions:

- Asset Class Coverage
- Organizational Boundaries
- Emissions Coverage

Asset class coverage

In the current exercise, for the purpose of computation of financed emissions in accordance with Scope 3 Category 15 emissions of the PCAF guidelines, the asset classes included are listed equity, corporate bonds, business loans, unlisted equity and project finance.

Organizational boundary

Organizational boundary is determined by the financial control approach for the measurement and reporting of financed emissions in accordance with the GHG protocol. Under this approach, the Group would include emissions from entities where it can directly influence financial and operational policies and has the potential to benefit economically from companies' activities.

Emissions coverage

The key components of the reported Emissions are provided below:

1. **Direct Emissions (Scope 1):** These emissions originate from sources that are directly owned or controlled by the Customer, such as emissions from company-owned vehicles and on-site fuel combustion e.g., Emissions from our corporate offices, branch operations, and company vehicles.

2. **Indirect Emissions (Scope 2):** These emissions result from the consumption of purchased electricity, steam, heating, and cooling e.g., Emissions associated with the electricity used in office buildings.

3. **Value Chain Emissions (Scope 3):** These include all other indirect emissions occurring in the value chain of the customer, both upstream and downstream.
   - **Upstream Emissions:** e.g. emissions from purchased goods and services, capital goods, waste generated in operations, and employee commuting.
   - **Downstream Emissions:** e.g. emissions from downstream transportation and distribution, processing of sold products, downstream leased assets.

2. Asset Class-Specific Methodologies[1]

The calculation of financed emissions requires tailored approaches for different asset classes to accurately reflect the GHG emissions associated with each type of financial activity. This section

provides detailed methodologies for calculating emissions for the following asset classes: listed equity and corporate bonds, business loans and unlisted equity and project finance.

2.1. Listed Equity and Corporate Bonds

Data Requirements

- **Enterprise Value Including Cash (EVIC)**: The total market value of the company, including debt and including cash.
- **Company Emissions Data**: The total GHG emissions reported by the company.

[1] Retail and Sovereign asset classes have been excluded.

Calculation Approach

1. Determine the proportion of the financial institution's investment in the company relative to the company's EVIC.
2. Multiply this proportion by the company's total emissions to calculate the financed emissions.

   For listed companies:

$$Financed\ Emissions = \left(\frac{Investment\ Amount}{Enterprise\ Value\ Including\ Cash}\right) \times Company\ Emissions$$

   For bonds to private companies:

$$Financed\ Emissions = \left(\frac{Investment\ Amount}{Total\ Equity + Debt}\right) \times Company\ Emissions$$

2.2. Business Loans and Unlisted Equity

Data Requirements

- **Loan Amount**: The total value of the loan provided to the company.
- **EVIC**: The total market value of the company, including debt and including cash.
- **Company Emissions Data**: The total GHG emissions reported by the company.

Calculation Approach

1. Determine the proportion of the loan amount relative to the company's EVIC.

2. Multiply this proportion by the company's total emissions to calculate the financed emissions.

   For Business loans to listed companies

$$Financed\ Emissions = \left(\frac{Loan\ Amount}{Enterprise\ Value\ Including\ Cash}\right) \times Company\ Emissions$$

   For business loans and equity investment in unlisted companies

$$Financed\ Emissions = \left(\frac{Loan\ Amount}{Total\ Equity + Debt}\right) \times Company\ Emissions$$

2.3. Project Finance

Data Requirements

- **Project Equity and Debt**: The total equity and debt financing for the project.
- **Project Emissions Data**: The total GHG emissions associated with the project.

Calculation Approach

1. Determine the proportion of the financial institution's investment in the total project equity and debt.
2. Multiply this proportion by the project's total emissions to calculate the financed emissions.

$$Financed\ Emissions = \left(\frac{Outstanding\ Amount}{Total\ Project\ Equity + Debt^{2}}\right) \times Project\ Emissions$$

2.4. Notes on computation

By following these asset class-specific methodologies, the Bank has ensured alignment with the global standards for calculating financed emission for its diverse portfolio.

The Bank has computed the enterprise value in accordance with the PCAF guidelines as the sum of the market capitalization of ordinary shares, preferred shares, book values of debt and minorities interest. Share price used for the computation of the market cap is the price as at the end of the financial reporting period used for financed emission calculations as provided by S&P.
If the company is not listed, total equity is computed as the sum of the share capital and reserves (both statutory and general). If the share capital is negative due to accumulated losses, total equity is set to zero[3].

Exception is made when the company is listed, but the instrument is illiquid resulting in inefficient price discovery. In such cases, the Bank has used book values to determine enterprise value. This approach is essential as it corrects for any distortion of the attribution factor and resulting financed emissions due to market illiquidity.

For the computation of financed emissions, exposures as of 31st Dec 2023 have been considered. Due to the lag in financial data availability from clients, there is a possibility of either overstating or understating financed emissions as enterprise value would not reflect the latest debt position of the client. Hence, for exposure greater than 10 million, we have adjusted the enterprise value by adding the exposure variance between 2022 and 2023 to eliminate the lag effect.

In case where the financial data and the emission information is not available with the Bank, financed emission is approximated based on financed emission per unit of outstanding for that specific sector.

For measurement of Weighted Average Carbon Intensity (WACI) in the portfolio only Scope 1 emissions of the clients have been considered for computations.

[2] Total debt includes the current and long-term debt on the balance sheet.

[3] This is in accordance with PCAF guidance in Pg.No.70 foot note # 90

3. Data sources and collection

The calculation of financed emissions requires robust, accurate and comprehensive data sources to estimate the GHG emissions associated with the loans and investments held by the Bank. This section outlines the primary data requirements, sources and collection process used for calculating Financed Emissions.

3.1. Customer Information

Customer data provides a detailed profile of the borrowers or investees covering their industry, performing status, operational activities and the Banks' exposure and investment data. The Bank sources this data from the IFRS 9 reporting output data. This data is crucial for identifying the sectors that the customers belong to and the Bank's exposure to accurately calculate their associated financed emissions.

3.2. Financial Information

Financial data includes key Balance Sheet and Income Statement related items and is essential in determining the proportional emissions attribution. The Bank leverages internal credit rating system to obtain this information. In case the system doesn't have latest financials in the system, the Bank uses the information from previous year, and in case the previous year information is also not available, the Bank uses the latest financial statements available in the public domain (if available) for FE calculation. The Bank has built multiple checks for data validation to ensure quality, relevance and reliability of the sourced data from the Financial Statements.

3.3. Emission Information

Emission data plays a crucial role in the calculation of financed emissions which represent the greenhouse gas (GHG) emissions associated with a counterparty. The Bank sources this data from the published annual reports, integrated financial statements, or sustainability report of the counterparties[4]. The Bank updates has designed and built multiple layers of data validation checks to ensure accuracy of this data. As there are no standards for accuracy of emissions reporting, this step comes with a significant challenge which have been discussed in detail in Section 5.1.

3.4. Industry Emissions Data

The Bank uses industry-level emissions factors provided by reputed third-party data providers. The Bank currently uses emissions factor data provided by S&P Global Industry Classification System (GICS) and International Energy Agency (IEA). Given, the emissions factors for sectors like energy, manufacturing, and real estate vary greatly, making sector-based classification is critical. The Bank only uses this information in case the reported emissions are not available, or the Bank is unable to estimate the emission factors using physical activity-based emissions for similar companies. This is to ensure that financed emissions are reasonably representative of the Bank's actual portfolio. Details on the data selection process is provided in the next section.

3.5. Net Zero Benchmarking data

Emission factors and sector benchmarks are crucial in assessing the trajectory of the Bank's financed emissions. The Bank has used International Energy Agency (IEA) Net Zero by 2050 pathway information for monitoring portfolio alignment.

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[4] The total emissions for the client operating in the utility sector is a combination of disclosed emissions and estimated emissions on units procured from the grid using IEA factors.

4. Data Quality and Estimations

4.1. Importance of Data Quality

High-quality data is crucial for accurate GHG emissions calculations and reliable reporting. Ensuring data quality enhances the credibility and comparability of the emissions data, which is essential for stakeholders and decision-makers. Data quality affects the precision and reliability of the emissions estimates, thereby influencing the effectiveness of climate-related strategies and risk assessments.

4.2. Data Quality Scoring

In accordance with PCAF guidelines, to assess and ensure data quality, a systematic scoring system has been used by the Bank, which evaluates the quality of data based on several criteria, including data source, completeness, accuracy, and timeliness.

Data Quality	Options to estimate the financed emissions		When to use each option
Score 1	Option 1: Reported emissions	1a	Outstanding amount in the company and total company equity plus debt are known. Verified emissions of the company are available.
Score 2		1b	Outstanding amount in the company and total company equity plus debt are known. Unverified emissions calculated by the company are available.
	Option 2: Physical activity-based emissions	2a	Outstanding amount in the company and total company equity plus debt are known. Reported company emissions are not known. Emissions are calculated using primary physical activity data for the company's energy consumption and emission factors specific to that primary data. Relevant process emissions are added.
Score 3		2b	Outstanding amount in the company and total company equity plus debt are known. Reported company emissions are not known. Emissions are calculated using primary physical activity data for the company's production and emission factors specific to that primary data.
Score 4	Option 3: Economic activity-based emissions	3a	Outstanding amount in the company, total company equity plus debt, and the company's revenues are known. Emission factors for the sector per unit of revenue are known (e.g., tCO2e per euro or dollar of revenue earned in a sector).
Score 5		3b	Outstanding amount in the company is known. Emission factors for the sector per unit of asset (e.g., tCO2e per euro or dollar of asset in a sector) are known.
		3c	Outstanding amount in the company is known. Emission factors for the sector per unit of revenue (e.g., tCO2e per

Data Quality	Options to estimate the financed emissions	When to use each option
		euro or dollar of revenue earned in a sector) and asset turnover ratios for the sector are known.

Table 1 : Sample of PCAF Data Quality Guidance

The rules provided by PCAF for various asset classes have been used to assign the data quality score applicable to each of them.

The Bank also documents all the data sources and provides data quality score alongside the emissions calculations.

4.3. Proxy Data and Estimations

In situations where primary or high-quality secondary data is not available, the Bank uses proxy data or estimations. The use of proxy data follows a consistent approach to maintain the reliability of the emissions estimates. The Bank follows the following steps for using the Proxy Data:

1. **Identification of Data Gaps**: The Bank first determines the specific data elements that are missing or of low quality.
2. **Selection of Appropriate Proxies**: The Bank chooses the proxy data that closely represents the missing data. This includes industry averages, regional emission factors, or similar benchmarks.
3. **Justification of Proxies**: The Bank documents the rationale for selecting the proxy data, including the source and relevance to the missing data.
4. **Consistent Application of Proxies**: The Bank uses the selected proxy data consistently across similar calculations to ensure comparability.
5. **Assessment and Improvement**: The Bank plans to periodically review the use of proxy data and seek opportunities to replace it with primary or higher-quality secondary data as it becomes available.

4.4. Data Quality Assurance

The Bank's objective is to select the highest quality of data available for emissions calculation and reporting. Some key features of emission reporting are as follows:

- The Bank has tried to ascribe emissions at the most granular level i.e. at a counterparty level.
- If the emissions are not disclosed by the counterparty, the Bank has subscribed to emissions factors based on industry data from reputed third-party data providers like S&P (Standard & Poor's) and emission factors from IEA (International Energy Agency) based on generation of power and heat.

- The Bank has used the Global Warming Potential ('GWP') framework detailed by the GHG Protocol to convert various types of GHGs measured to CO_2 equivalents.
- In some cases, where production data is not available for estimation of emissions, the Bank has used the capacity information for estimation of Scope 1 intensities of the clients.

The flow chart below explains the process of attributing emissions at the counterparty level. Data quality scores discussed in Section 4.2 are assigned in accordance with the PCAF guidelines.

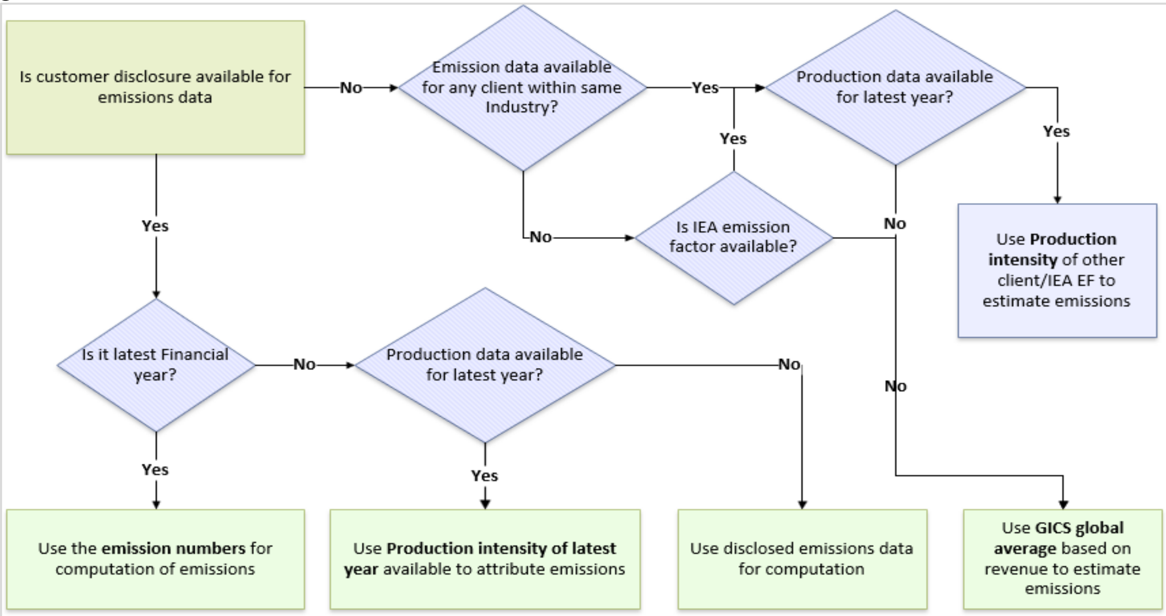

Figure 1: Steps for selecting the data used for estimation of emissions for counterparties.

To maintain high data quality, the Bank has implemented robust data quality assurance processes, including:

- **Data Validation**: Validation of data sources and calculations to identify and correct errors.
- **Documentation**: Maintaining detailed records of data sources, quality assessments, and any assumptions or estimations used in the calculations.
- **Continuous Improvement**: The Bank has established a process for continuous improvement of data quality by integrating new data sources, refining estimation techniques, and updating methodologies as better information becomes available.

4.5. Reporting Data Quality

When reporting GHG emissions, the Bank provides relevant information on the quality of the data used in the calculations. This includes:

- **Data Sources**: Clear identification of the sources of data.
- **Data Quality Scores**: Reporting the quality scores assigned to the data and any associated uncertainties.
- **Methodology for Proxy Data**: Methodology used for selecting and applying proxy data, including any assumptions made.

By adhering to this framework, the Bank has ensured that its GHG emissions calculations are based on the best quality available data, enhancing the reliability and credibility of its emissions reporting, and supporting informed decision-making in the transition to a low-carbon economy. Also, the Bank has performed reconciliation with finance department data for customer balances to ensure accuracy of the reported numbers and the differences are within the acceptable threshold of less than 0.4% of the outstanding amount.

5. Challenges and Limitations

Implementing the guidelines for calculating and reporting GHG emissions can present several challenges for a Bank. Recognizing and addressing these challenges is crucial for ensuring accurate, reliable, and comprehensive emissions reporting. This section outlines some of the key challenges that the Bank has faced during the current implementation of these guidelines.

5.1. Data Availability and Quality[5]

Reporting on financed emissions requires data availability on emissions of the counterparty, production metrics, financials, market data, intensity metrics for specific industry operating in specific geographies, and emission factors as explained in previous sections.
Such diverse information from various sources with different data structures, complicates data consolidation at portfolio level. Some specific data related challenges and the Bank's actions to counter these limitations have been discussed below:

Incomplete Data: Obtaining comprehensive and reliable data for all financed activities can be difficult. Some companies and projects may not disclose their emissions data, or the data may be incomplete or outdated. Where primary emissions data is unavailable, the Bank uses proxy data based on production activity or third-party data providers. The Bank clearly documents the data quality score, assumptions and sources used. Further, for some counterparties, recent financial data might not be available. In such cases, the Bank uses the latest data available from the client for computation of financed emissions.

Inconsistent Data: The Bank is using data from multiple sources such as emissions data from client's sustainability/annual reports, financial data from internal credit rating system wherever available, financial data from annual reports if the customer doesn't have latest financials in the system and industry-wise emissions data from reputed third parties. Data from different sources may vary in quality and format, making it challenging to ensure consistency in emissions calculations. The Bank has implemented a standardized data quality scoring system and data validation process to assess and harmonize data from various sources. The Bank is currently using the latest updated data for the financed emissions calculations and the Bank plans to regularly update methodologies and data sources to reflect the best available information.

5.2. Methodological Complexity

Grouping of clients for monitoring of credit risk is based on the credit policy parameters defined which might not be aligned with the organizational boundaries defined in PCAF which could result in variances and inconsistencies in reporting of financed emissions. Customer disclosures on emissions are not consistent within the same sector and across sectors as well. Their sustainability reporting might not be in alignment with the GRI (Global Reporting Initiative) standards and could result in inconsistencies of our financed emission computations. Some key methodological related challenges and the Bank's actions to address these limitations have been discussed below:

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[5] The calculation of financed emissions provided in this section are based on information and data available at the time of computation. While every effort has been made to ensure accuracy, there could be potential errors arising from manual sourcing of emission, financial data and market data from wide range of sources.

Diverse Asset Classes: Different asset classes require specific methodologies for calculating financed emissions as discussed in Section 2, which can be complex and resource-intensive to implement. The Bank has developed clear, detailed guidelines for each asset class and provided requisite training to staff involved in the emissions calculation process. The Bank is developing internal software tools and automated systems to streamline data collection and calculation process.

Proxy Data and Estimations: The Bank relies on proxy data and estimations wherever actual data is not available. Also, the proxies might not be available for the exact nature of business of the client and the closest available match is used for emission attribution. This can introduce uncertainties and affect the accuracy of emissions calculations. To tackle this, the Bank uses well-established proxies and estimation techniques and regularly reviews and updates these sources as more accurate data becomes available. The Bank unambiguously and clearly documents the use of proxy data and the rationale behind its selection.

Organizational and Operational Challenges: Implementing comprehensive GHG accounting and reporting processes is resource intensive, and requires significant resources such as staff time, adequate planning, requisite training, and financial investment. To inculcate and foster a culture of sustainability within the organization, the Bank has ensured buy-in from all levels of management and staff. The Bank has allocated dedicated resources and budget for GHG accounting and reporting activities. As of July 2024, Group Enterprise and Regulatory Risk team has successfully conducted over 10 training sessions on the ESR framework and scorecard, engaging more than 200 colleagues from various departments including Business, Risk, and Credit. These training initiatives followed the rollout of the framework and scorecard in March 2024. These efforts have been pivotal in ensuring that employees are well-versed with the framework and scorecard, which are essential for aligning the organization's practices with the latest standards and expectations in environmental, social, and governance (ESG) criteria. Through these sessions, Group Enterprise and Regulatory Risk has played a crucial role in embedding the framework into the company's operations, fostering a deeper understanding of the scorecard's application.

Integration with Existing Systems: Integrating GHG emissions reporting with existing financial and risk management systems can be complex as a lot of data is gathered manually from counterparties disclosures. The Enterprise Risk Management Team is working closely with IT and data management teams to ensure that GHG accounting processes are integrated into the Bank's existing systems. The Team is developing modular and flexible software solutions that can be adapted to the Bank's specific needs.

5.3. Regulatory and Compliance Issues

Evolving Standards and Regulations: GHG accounting and reporting standards and regulations are continuously evolving, which can make compliance challenging. The Bank is closely following the latest developments in GHG accounting standards and regulations. Further, the Bank is participating in industry forums and working groups to stay ahead of changes and ensure the Bank's methodologies remain compliant.

5.4. Stakeholder Engagement

Client and Investees Co-operation: Engaging clients and investees to obtain necessary emissions data and encourage transparent reporting can be difficult e.g. counterparty disclosures are inconsistent as some disclose emissions as Carbon dioxide equivalents (CO_2e) while others include only Carbon dioxide (CO_2). Further, there might a considerable lag in publishing the emissions results by the counterparties. The Bank is focussed in developing strong relationships with clients and investees, emphasizing the importance of GHG emissions data for both regulatory compliance and sustainability goals.

Communication and Transparency: Effectively communicating complex GHG emissions data to stakeholders, including investors, regulators, and the public, can be challenging e.g. the Bank is currently unable to attribute changes to financed emissions on a year-on-year basis, as the computations are sensitive to changes in the draw-down amounts or market fluctuations. The Bank has developed clear and concise reporting formats and communication strategies leveraging visual aids, such as charts and graphs, to help stakeholders understand the data. The Bank strives to provide context and explanations to ensure transparency and build trust.

5.5. Scenario and baseline recalculation

In the absence of regulations around disclosure of emissions, computation of financed emissions is done based on best effort basis. Financed emissions computed and reported could be impacted by evolving regulations, changes in data quality or changes in methodology used for computations. Also, since we use enterprise value in computation of financed emissions, there could be substantial variations in absolute financed emissions reported due to movements in market prices hindering year on year comparison. Hence, our internal calculations may be restated because of changes in methodologies, regulations or availability of better quality of data or other changes that may occur and impact our alignment scoring.

By recognizing and proactively addressing these challenges, the Bank plans to enhance the accuracy, reliability, and transparency of its GHG emissions reporting, supporting its commitment to sustainability and climate action. The Bank continues to enhance its capabilities around data and analytics to ensure it has appropriate processes, systems, controls, and governance in place. The methodology will be continually updated and reviewed in accordance with the evolving regulations and industry best practices. The Bank is also actively working on automation of processes, with a specific focus on climate risk measurement for transition risk.

6. Portfolio Overview

The Bank has implemented the discussed methodology for calculation and reporting of financial emissions as an effort to identify climate-related risks and opportunities. This section presents a high-level overview on the scope and financed emission metrics computed for exposures as of Dec-2023.

6.1. Portfolio Scoping

The primary focus of this analysis is to ensure that sectors resulting in high impact on the climate system and those that have the greatest potential to effect change are included in the financial emissions reporting. To identify these crucial sectors, the Bank has followed the following criteria for inclusion of sectors for baselining financed emissions:

1. Hard to abate sectors or sectors which are emissions intensive.
2. Sectors considered material by the Bank with focus on customer exposures greater than AED 10 Mn[6].
3. Sectors where appropriate and relevant data and methodology is available to baseline financed emissions.

The focus of this analysis is to ensure sectors that have a high impact on the climate system and greatest potential to effect change are covered. In the current exercise, the Bank has calculated and reported the financial Emissions for listed equity and corporate bonds, business loans and unlisted equity and project finance. Coverage for financed emissions is provided in the figure below:

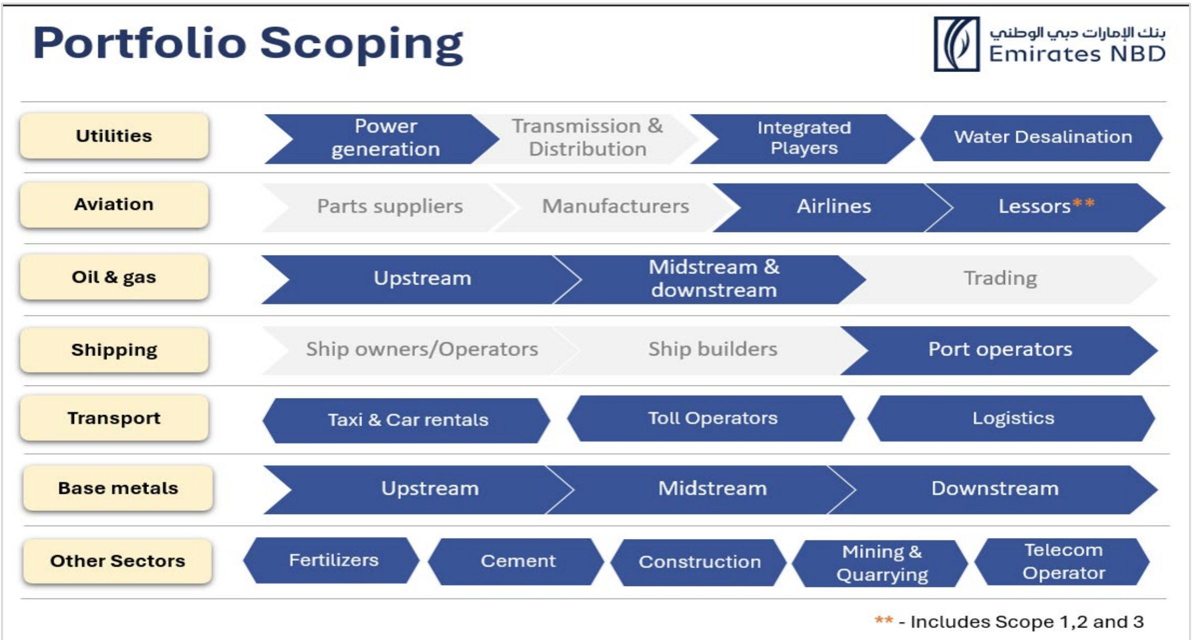

Figure 2: Portfolio Scoping for Financed Emissions Calculation

6.2. Portfolio Details

The focus of the current approach is on the corporate clientele. Portfolio split across various sectors provided in the figure below:

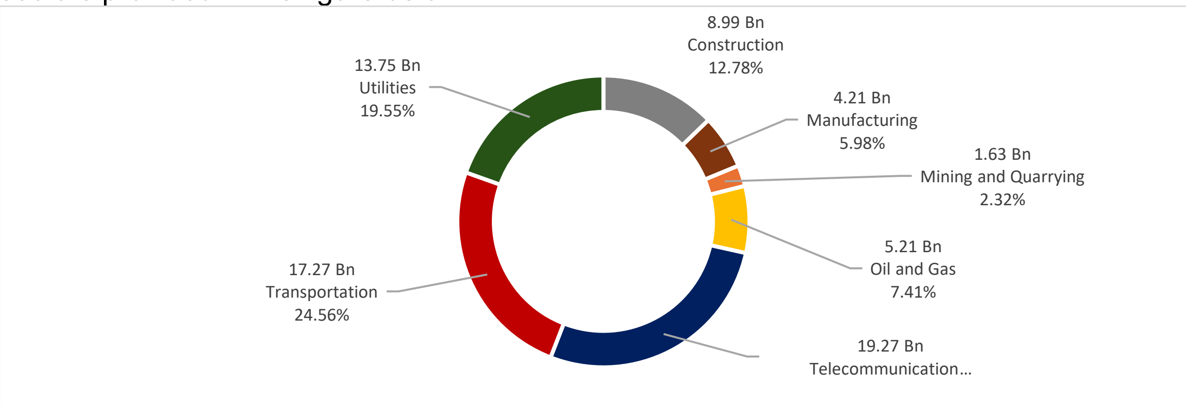

Figure 3: Portfolio Composition for Financed emission computation

[6] The total portfolio value with exposure less than AED 10 Mn amounts to 0.57% of the portfolio

The Bank aims to increase the coverage across sectors wherever methodologies and data are available. The Bank is in early stages of embedding transition plans alongside financed emissions and continues to enhance the risk appetite measure around climate risk. The Bank is in the process of strategically phasing out its exposures to companies which are highly dependent on coal for power generation and has restricted funding to coal producers and mines.
The organizational boundary is determined by the Financial Control approach for the measurement and reporting of financed emissions in accordance with the GHG protocol. Under this approach, the Group would include emissions from entities where it can directly influence financial and operational policies and has the potential to benefit economically from companies' activities.

6.3. Enhancements to coverage

In 2023 Financed Emissions Reporting exercise, the Bank has improved and enhanced its computation and reporting methodology:

- Included investments along with funded exposures which ensures that total funded exposure to the client is considered for measurement of financed emissions.
- Enhanced emission intensity computations, where the movements in emission intensities are not only driven by efficiencies of the client but also based on the movements within the portfolio.
- The Bank has also included Telecommunications sector in Financed Emissions calculation.

6.4. Portfolio Exclusions

For any data-based analysis, it is very important to ensure that the complete portfolio is used for the reporting exercise. The data used for FE calculation was for the entire portfolio including new accounts and currently defaulted accounts. The Bank has applied the following exclusions to identify the right population for calculation and reporting of the FE Emissions:

- Already defaulted accounts as of 31st Dec'23
- Accounts with negative outstanding Balance
- Companies operating across multiple sectors and holding companies due to lack of disclosures at a sector or company level
- Companies which have been funded but not yet operational

The table below provides a summary of the entire portfolio and exclusions applied for this exercise:

Exclusion Summary	Outstanding Balance
Total Exposure of the Corporate Book[7]	**483.56 Bn**
(-) Non-Performing Exposures	*38.40 Bn*
(-) Portfolios removed as part of the scoping exercise[8]	*374.83 Bn*
Total Exposure for Financed Emissions Reporting	***70.33 Bn***[9]

[7] All negative balances have been floored to 0 in calculation of Total Exposure
[8] This also includes counterparties that are Holding Companies, conglomerates, or companies that have been funded but are not operational yet.
[9] The total coverage of the portfolio is 15.80 % which is calculated as total exposure of FE reported divided by the Total exposure net of non-performing exposures.

Exclusion Summary	Outstanding Balance
Sector 1: Construction	*8.99 Bn*
Sector 2: Manufacturing	*4.21 Bn*
Sector 3: Mining and Quarrying	*1.63 Bn*
Sector 4: Oil and Gas	*5.21 Bn*
Sector 5: Telecommunication	*19.27 Bn*
Sector 6: Transportation	*17.27 Bn*
Sector 7: Utility	*13.75 Bn*

Table 2: Exclusion Waterfall (Dec'23 Data) for FE Calculation and Reporting

Below table provides a summary of the computations done and sector wise financed emissions for exposures as of Dec-2023

SECTOR (NACE CLASSIFICATION)	TOTAL EXPOSURE (AED in Mn's)	TOTAL EMISSIONS (tCO2e)	FINANCED EMISSIONS (tCO2e)	WEIGHTED DATA QUALITY SCORE
Construction	8,987	21,059,835	380,468	4.01
Manufacturing	4,209	83,948,847	3,088,750	2.68
Mining and Quarrying	1,631	365,214,284	617,123	1.61
Oil and Gas	5,209	369,810,841	2,307,907	2.53
Telecommunication	19,272	4,935,051	167,930	2.05
Transportation	17,270	70,742,213	2,848,112	3.11
Utilities	13,747	408,922,361	2,005,571	2.52
TOTAL	***70,325***	***1,324,633,432***	***11,415,861***	***2.71***

Table 3: Financed emissions by sector

Nearly 64% of the total exposures fall within the data quality score of 2b and 36% of the exposures fall under the category of 3a/3b. Exposures by data quality score provided in the table below:

DATA QUALTIY SCORE	%AGE OF TOTAL FINANCED EMISSION PORTFOLIO
1a	10.27%
1b	43.98%
2b	9.89%
3a	35.74%
3b	0.12%
TOTAL	***100.00%***

Table 4: Summary of Data Quality Score

There are still substantial data challenges owing to non-disclosure of emissions information from clients and inconsistent reporting by various entities such as lack of coverage of all the scope mentioned in GHG protocol, inadequate break-down of emission information across various activities and reporting not done for CO_2 equivalents. With increased focus from regulators and need for information from financial institutions we hope to obtain better quality of data in future for analysing climate related risks and opportunities.

Appendix 2 – List of entities covered in scope of engagement (excluding DenizBank)

1) Emirates NBD Bank (P.J.S.C)
2) Emirates Islamic Bank P.J.S.C.
3) Emirates NBD Egypt S.A.E.
4) Emirates NBD Branch - A Branch of Emirates NBD P.J.S.C.
5) Emirates NBD Bank (P.J.S.C) India Branch