



Sustainability and Environmental, Social & Governance (“ESG”) Policy

October 2023

Classification:

External

This document details the Sustainability and Environmental, Social & Governance (“ESG”) Policy of United Bank for Africa (UK) Limited (“UBA UK” or the “Bank”). It is the property of UBA UK and shall, under no circumstances, be copied, sold or reproduced for private or commercial use without the express permission of the Bank. The framework is subject to regular review and update and shall remain in force until it is superseded.

UBA UK has developed a set of frameworks, policies, procedures, charters and statements ("Policy #Documents") under its Corporate Governance and Risk Management Frameworks which cover the Key Principles & Risks (Level 1 outlined in the Risk Appetite Statement) within which it should as a firm operate.

Each Policy Document has a clearly defined owner who has responsibility for ensuring:

- The Policy Document is current;
- it covers all relevant areas and legislation;
- it is circulated to all members of staff who are affected by it, and all key Stakeholders, (e.g. Customers, Staff, Society); and
- The Policy Document is backed up by necessary, appropriate procedures which comply with the Policy Document's principles and objectives.

Each Policy Document must be reviewed on a regular basis as outlined within the Bank's annual Policy Schedule and more frequently as business changes and/or legal and regulatory requirements dictate.

Policy Documents should be adhered to by all members of staff in order to ensure that UBA UK business is conducted with as little risk as possible, and in line with relevant legislation/regulation and the Bank's position on key ethical issues.

Document Information

Name of Policy Document:	Sustainability and Environmental, Social & Governance ("ESG") Policy
Policy Owner:	Chief Risk Officer
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Signed off (Name of Approver):	K. Uzoka

Document Location

After sign-off, this document will be stored within the Policies and Procedures SharePoint site.

Document History

Author	Date	Version	Comment
Head of Operational Risk	12/03/2022	1.0	New Sustainability and Environmental, Social & Governance Policy.
CRO	February 2023	2.0	<p>Annual review – with the following amendments being noted:</p> <p>1.3.1. – Widening applicability of the Policy from Risk Management only to All Staff</p> <p>1.5.1. – Remove reference to lapsed “Managing the Financial Risks from Climate Change Policy “, pending its review and re-approval</p> <p>1.7.1. – Remove text of the 1948 UN resolution on Human Rights and replace with the source web page reference</p> <p>1.7.6. – Requirement to develop a Water Efficiency Plan is removed as per COO's request. UBA UK's water usage is limited and cannot be reasonably reduced further.</p> <p>2.3.1. – Widening applicability of the Policy from Risk Management only to All Staff</p> <p>2.8.6 – Removed the following sentence as it contradicts both the opening and the closing sentence of the same paragraph: “UBA UK has no tolerance for taking ESG risk as such exposure is detrimental to the achievement of its strategic objectives.”</p> <p>Page 21- Added is a summary of self-identified procedural gaps that will need closing through 2023</p>
CRO	October 2023	2.1	<p>Aligning with UBA Group ESG Policy. Section Its section 2.8.11 Governance (page 20-21) has been amended to describe internal procedures in additional detail.</p> <p>Replacing Annex 1 “Summary of procedural gaps” (addressed) with Implementation Plan</p>

			Updating format to comply with new Policy Management Framework requirements.
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Glossary of Policy Definitions

BARCC	Board Audit Risk & Compliance Committee
Board	UBA UK Board Committee
CRO	Chief Risk Officer
Environment	<p>The surroundings within which humans exist are made up of:</p> <ul style="list-style-type: none"> • The land, water, and atmosphere of the earth. • Micro-organisms, plant, and animal life. • Any part or combination of the above and the interrelationships among and between them; and • The physical, chemical, aesthetic, and cultural properties and conditions of the foregoing that influence human health and well-being.
Environmental and Social Risk	<p>Environmental and social risk to a financial institution (FI) stem from the environmental and social issues that are related to a client's/investee's operations. A financial institution's transaction with a client/investee can represent a financial, legal and/or reputational risk to the financial institution. Given that environmental and social issues are inherent in client/investee operations, almost all transactions are exposed to some degree of environmental and social risk.</p>
Environmental Management System (EMS)	<p>An Environmental Management System is a set of internally established policies, common procedures and resources that will enable UBA UK to ensure that the environmental and social impacts of our clients' projects are addressed and that appropriate mitigation measures are incorporated to make the projects sustainable.</p>
ExCo	Executive Management Committee.
ICAAP	Internal Capital Adequacy Assessment Process.
ORR	Operational Risk Register.
RC	Risk Committee.
RCSA	Risk Control Self-Assessment.
Risk Appetite	<p>The nature and extent of the material risks that the Bank is prepared to accept to meet its strategic objectives, business plan and regulatory obligations.</p>
Risk Appetite Statement / RAS	<p>The articulation of the level and types of risk that the Bank is willing to accept, or avoid, to achieve its business objectives. The RAS considers</p>

	material risks to the Bank as well as to the Bank's reputation and is aligned with the Bank's business strategy. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, liquidity, and other relevant measures as appropriate. It also addresses more difficult to quantify reputational and business conduct risks.
Risk Management Framework / RMF	The framework for the management of risk, including policies, procedures, controls, and systems through which risk is identified, managed, and reported against risk appetite.
Sustainable Development	Development that meets the needs of the present without compromising the ability of future generations to meet their needs. This encompasses the economic, social and environment dimensions of development.
UBA UK or the Bank	United Bank for Africa (UK) Limited.
Group / Plc	UBA Group / UBA Plc.

1. Sustainability Principles Framework

1.1 Introduction

Sustainable practices are those that meet the needs of the present without compromising the ability of future generations to meet their own needs. It embodies the following key concepts:

- (i) Corporate Social Responsibility (CSR)
- (ii) Environmental, Social and Governance Risk Management (ESG)
- (iii) Economic consideration

Sustainability is related to the relationship between UBA UK and the environment and is a strategic consideration for modern firms and executive teams. Sustainability risk management deals with emerging environmental and social justice risks. UBA UK's Risk Management department seeks to anticipate these risks and to develop appropriate risk mitigation. By doing so UBA UK aims to minimize potential losses. UBA UK will also exploit new business opportunities arising from the sustainability agenda. These may include new products and services to meet developing sustainability needs.

Boycotts against a firm's products are similar to business interruption risks, except no insurance is available to compensate for loss of revenues. Boycotts are often triggered by sustainability risk events.

Global warming/climate change may be the most significant sustainability risk and almost all climate models predict increasing storm severity with greater precipitation levels and higher wind velocities. The property risk exposure of UBA UK's building, which is close to the river Thames, increases this risk.

Corporate sustainability requires that the Bank pursues societal goals, specifically those related to sustainable development, environmental protection, social justice, and equity. It is defined as a "profit driven corporate response to environmental and social issues that are caused through the organization's primary and secondary activities". From a more focused business perspective, corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks derived from environmental and social developments.

1.2 Purpose

This policy adopts International best practice so is to ensure that the following:

- Understand the linkages between our Bank's operations and the community that we serve.
- Fulfil regulatory obligations.
- Integrate environmental and social considerations into the Bank's activities and business operations.
- Where possible, avoid or mitigate negative impacts of the Bank's facilities and operations on the environment and local communities.
- Respect human rights in our business operations and activities.
- Implement robust and transparent governance practices and assessment of governance practices of customers and third parties as may be applicable.
- Promote and embed the sustainability culture is within the Bank.

1.3 Applicability and Scope

1.3.1 It is the responsibility of all staff and particularly those involved in Risk Management and Business Development, to fully acquaint themselves with the requirements of UBA UK's Sustainability & Environmental Social & Governance (ESG) Policy.

1.3.2 In case of doubt, the Chief Risk Officer ("CRO") determines how best to comply with this Policy. To the extent required, the Policy will be amended to provide clarification. Any amendments will be subject to the approval process described below.

1.3.3 Where exceptions to requirements set out in this Policy are permitted, this is specified together with details of the extent to which requirements can be amended or exceeded and who is authorised to provide permission. Any such exceptions must be recorded as such, monitored until they are no longer required and reported to the relevant governance committee(s).

1.3.4 The Sustainability & ESG Policy should be read in collaboration with ancillary policies and procedures including but not limited to the Operational Risk Management Policy, Credit Risk Management Policy, Outsourcing Policy, and Corporate Governance Framework.

1.4 Approval and Awareness

1.4.1 The Policy is owned and maintained by the CRO.

1.4.2 Approval authority for this Policy is with the Board.

1.4.3 The Risk Committee ("RC") and Executive Committee ("ExCo") will review and recommend the Policy for approval to the Board Audit Risk & Compliance Committee ("BARCC"). The BARCC in turn will recommend the Policy for approval to the Board.

1.4. The Policy is reviewed and approved on an annual basis though interim updates will be submitted for approval where a material change is required between review dates.

1.5 UBA UK's Sustainability principles

1.5.1 Principle 1: (Our business activities: Environmental & Social Risk Management).

UBA UK will integrate environmental and social considerations into decision making process relating to our Business Activities to avoid, minimize or offset the negative impacts. The sustainability principles are reflected in the following existing UBA UK policies:

- Credit Risk Management Policy
- Operational Risk Management Policy
- Internal Capital Adequacy Assessment Process Policy
- Outsourcing Policy
- Physical Security Policy
- HR Policies
- Premises Policy

1.5.2 Principle 2: (Our business activities: Environmental & Social Risk Management).

We will avoid, minimize, or offset the negative impacts of our business operations on the environment and local communities in which we operate and, where possible, promote positive impacts. The sustainability principles are reflected in the following existing UBA UK policies:

- Operational Risk Management Policy
- Internal Capital Adequacy Assessment Process Policy

- Outsourcing Policy
- Physical Security Policy
- Credit Risk Management Policy
- HR Policies
- Premises Policy

1.5.3 Principle 3 (Human Rights)

We will respect Human rights in our business operations and business activities.

1.5.4 Principle 4 (Women's Economic Empowerment)

We will promote women's economic empowerment through a gender balanced and inclusive workplace culture in our business operations.

1.5.5 Principle 5 (Environmental and Social Governance)

We will implement robust and transparent Environmental and Social practices in our institution and access the governance practice of our clients.

1.5.6 Principle 6 (Reporting)

We will regularly review and report on our progress in meeting these principles and UBA UK acknowledges that a sustainable approach to business is increasingly material to businesses doing well.

1.6 Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) refers to the self-imposed responsibility of companies to society in areas such as the environment, the economy, employee well-being, and competition ethics. Many companies use internal CSR regulation as a form of moral compass to positively influence the ethical development of their business. CSR is good for the planet, our employees, customers and communities and there are 4 main strands to our CSR activities.

1.6.1 Environment (estates and environment)

UBA UK is committed to reducing our direct impact on the environment by actively managing our waste, emissions, and consumption of natural resources.

1.6.2 Procurement (finance and purchasing)

Supply chain contracts are checked against important criteria like financial stability and environmental compliance.

1.6.3 Community (volunteering, skills matching and fundraising)

UBA UK shall ensure that we are socially responsible in the communities and environments within which we operate. Playing a positive role in society shall be demonstrated by UBA UK instituting a mentoring program that involves employees volunteering time and other support to community initiatives in the communities within which we operate. These initiatives shall demonstrate clear positive social outcomes and shall be supported by senior management.

1.7 Workplace

1.7.1 Human Rights

UBA UK supports the 1948 United Nations Universal Declaration of Human Rights (UDHR)³ and shall respect all the fundamental human rights as enshrined therein¹). These rights shall include but are not limited to:

- Freedom from discrimination based on race, gender, religion, culture, politics, and economic background.
- Right to safe and fair labour conditions.
- Freedom of association and speech.
- Freedom from cruel, inhumane, or degrading treatment.
- Issues of human rights violation among staff members shall be dealt with in accordance with extant UBA UK's HR policy on same.
- The Bank deal will not deal with customers/vendors/agents who are known to engage in child/forced labour.
- UBA UK shall ensure that human rights considerations are taken into account in all business operations and activities.
- UBA UK shall not negatively impact the enjoyment of human rights, particularly of the people directly affected by its operations i.e., customers and members of the community within which it operates.

1.7.2 Work/Life balance

- UBA UK shall create a productive work culture where the potential for tensions between work and other parts of people's lives is minimised. The Bank shall have appropriate employment provisions in place and organisational systems with supportive management underpinning them.
- UBA UK shall, to the best of its ability, ensure that its staff members maintain an adequate work life balance that takes into consideration family life, recreation, fitness regime and personal development.
- UBA UK shall ensure that its policies are fair to both Management and staff members. Policies would be responsive to the needs of the Bank (nature of the business, operating hours etc.) and demands of staff members.

1.7.3 Health and Safety

- UBA UK shall ensure that the health, and safety, of its staff members and customers is not compromised in any way.
- UBA UK shall not knowingly put members of staff in situations that will compromise their health and/or safety.
- Refer to the Bank's Physical Security Policy for more details regarding Health & Safety.

¹ <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

1.7.4 Employee Engagement

UBA UK recognises that staff is the Bank's greatest asset and as such shall do its best to recruit and retain the best in the industry. This shall include putting processes in place to enhance staff satisfaction, loyalty, motivation, and morale.

1.7.5 Diversity

UBA UK shall implement a culture that is free of prejudice and will allow staff to develop to their full potential regardless of their gender, race, or religion.

Staff members:

- UBA shall promote a workplace culture that supports the leadership, development, and positive contribution of female employees at all levels of the bank.
- UBA shall promote a gender inclusive culture and female talent management that includes leave schemes and other family benefits.
- UBA UK's Board shall oversee accountability for gender diversity and to steer gender inclusive strategies consistent with the Bank's core activities.

1.7.6 Environmental Risk Management

Waste management

- UBA UK shall maintain clean litter bins and receptacles. The Bank will also ensure that all waste is sorted into recyclable waste and non-recyclable waste.
- Where feasible, UBA UK will look to using renewable and sustainable energy sources.

Water Efficiency

UBA UK shall ensure that its facilities are used in such a way as to ensure the utmost water efficiency. This shall be aimed at reducing water wastage in the bank's facilities. For example, the Bank will install water filters to provide drinking water and to reduce bottled water consumption; and the High Efficiency Toilets will be operated on the bank's premises.

Environmentally friendly facilities construction and management/proper housekeeping

UBA UK shall ensure that:

- Its surroundings are kept clean at all times.
- There are adequate toilet facilities in all its buildings with male and female toilets clearly separated and marked. These toilets shall have disposal wipes and hand washing facilities which include soap and water.
- Eating areas are clearly separated from work areas and that both areas are kept clean and free of cables and obstructions.

Vendor Management:

This relates to all of UBA UK's suppliers, contractors, and any third-party service providers.

- UBA UK shall not patronise vendors that exploit or engage in child/forced labour.
- UBA UK shall give preference to vendors that can demonstrate that they have incorporated sustainable business practices in their processes and procedures.

- The Finance team shall include a review of the intended vendor's sustainability policy in the vendor selection process. This should be properly documented.

1.8 Sustainable Lending/Economic Considerations

When providing finance, UBA UK shall act as an agent of change in our customer's business practices by incorporating Environmental and Social considerations. UBA UK shall require that its new product and credit approval processes consider relevant ESG issues. UBA UK shall require:

- For loans or borrowers associated with a higher ESG risk, a more intensive analysis of the actual Business Model of the borrower, including a review of current and projected greenhouse gas emissions, the market environment, supervisory ESG requirements for the companies under consideration, and the likely impacts of ESG regulation on the borrower's financial position.
- Where the Bank takes possession of collateral, it may be faced with fines, fees or legal suits relating to Social or Environmental damages resulting from such collateral. To this end, collaterals is to be examined with a view to determining their Environmental and Social effects.
- Business Development will engage with its customers to encourage good environmental and social risk management practices and to promote sustainable best practices.

2. UBA UK Environmental, Social & Governance (“ESG”) Management System

2.1 Introduction

The consideration of Environmental, Social and Governance (“ESG”) factors has become critical to the success of businesses across all sectors. Customers, employees, shareholders, lenders, rating agencies and regulators are demanding companies consider how their businesses impact the world, their contribution to society and how they conduct themselves.

Businesses that do not take ESG seriously are likely to lose customers, employees, and financing and eventually they will become unviable. Market leaders are taking a strategic response to ESG, changing their products and services, processes, operations, and supply chains. ESG risks could potentially adversely impact the financial performance or solvency of the Bank and it is hard to quantify ESG factors as key drivers of prudential risk.

The first step to embed ESG into a business must be taken by the Board, taking on the responsibility and accountability to drive the transition towards becoming an Environmentally and Socially responsible business.

Stakeholders are pushing for increased transparency with new mandatory reporting standards fast approaching. The COVID-19 pandemic highlighted the Social and Governance elements within ESG as businesses sought to protect jobs, support efforts to control the spread of the virus, and ‘do the right thing’. It pandemic also highlighted the importance of resilience to extreme change and our ability to undertake radical transformation; aside from providing an opportunity to embed ESG into future board level decisions.

Today, companies are confronted with several significant Environmental and Social challenges. None of them is insurmountable, but if not effectively assessed and managed, they will hurt profitability, reputation, and prospects for future business. An ESG system will help the Bank to integrate the rules and objectives into its core business operations, through a set of clearly defined and repeatable processes.

ESG related risks/issues

Environmental (Impact on the world): Climate change, Deforestation, Greenhouse gas emissions, sustainable use and protection of water and marine resources, transition to a circular economy, waste prevention and pollution, recycling, and protection of healthy ecosystems.

Social (Contribution to communities): Equality and social cohesion, social integration and labour relations, Data Protection, Conflict regions, impact on local communities, working conditions including slavery and child labour, Anti Bribery & Corruption and Human Rights. There could be litigation against UBA UK due to environmental impacts.

Governance (How the Bank conducts itself): Remuneration of staff, Tax Compliance/Strategy, Governance risk, Bribery and Corruption, diversity and structure, political lobbying and donations, data breaches, being primary examples.

2.2 Purpose

UBA UK is committed to creating and sustaining best practice in ESG Management that meets legal requirements, regulatory expectations, and market standards, while applying proportionality principle:

- Proactively identify and manage identified risks that may impact ESG Management objectives in the Bank, by striving to meet best practice standards in risk management as defined by local and international regulatory bodies and market leaders.
- Integrate ESG risks into the business strategy and factor it into the Bank's operating model.

- Promote an enterprise-wide risk management culture and ensure that every member of staff is involved in the process.
- Recognise that the long-term survival of our institution depends on our resolve and discipline to abide by sound risk management practices and corporate governance principles and ensure that where there is a conflict between risk and revenue considerations, we have the courage of conviction to make risk management take pre-eminence.
- Engage the Board of Directors and senior management, and other personnel of UBA UK, in the ESG Risk Management and control process.

2.3 Applicability and Scope

2.3.1 It is the responsibility of all staff, including but not limited to those involved in Risk Management and Business Development, to fully acquaint themselves with the requirements of UBA UK's Sustainability & ESG Policy.

2.3.2 In case of doubt, the Chief Risk Officer ("CRO") determines how best to comply with this Policy. To the extent required, the Policy will be amended to provide clarification. Any amendments will be subject to the approval process described below.

2.3.3 Where exceptions to requirements set out in this Policy are permitted, this is specified together with details of the extent to which requirements can be amended or exceeded and who is authorised to provide permission. Any such exceptions must be recorded as such, monitored until they are no longer required and reported to the relevant governance committee(s).

2.3.3 The ESG Policy should be read in collaboration with ancillary policies and procedures including but not limited to the Operational Risk Management Policy, Managing the Financial Risks from Climate Change, Credit Risk Management Policy, Outsourcing Policy, New Product and Change Policy, HR Policy, and the Corporate Governance Framework

2.4 Objectives of ESG Risk Management Framework

2.6.1 The objective of this document/ ESG Risk Management Framework is to ensure that UBA UK shall be able to protect its assets, shareholders, clients, and other stakeholders and support sustainable development of the environment.

2.6.2 The ESG Risk Management Framework helps to assess and control our risks and is the key to lasting improvement. A key feature is the idea of continual improvement – an ongoing process of reviewing, correcting and improving our system.

2.6.3 The ESG Risk Management Framework ensures that UBA UK shall remain sensitive to the protection and conservation of the environment and social values when dealing with third parties and clients whose activities may influence Environmental and Social matters.

2.5 Roles and Responsibilities

2.5.1 BARCC / Board

Set ESG Risk Appetite, ESG-related objectives, and targets, including those related to Climate Risk.

2.5.2 ExCo

Set guidelines and minimum standards for reviewing ESG objectives and targets and assessing performance against such targets.

2.5.3 Risk Department

Develop ESG Risk Management Framework to ensure that ESG risks are identified, captured, monitored, and managed within risk appetite.

Design and coordinate the ESG Policy review process. Co-ordinate reporting of ESG Risk Management System performance information. Provide support to the business units regarding decisions involving potential Environmental /Social risk.

2.5.4 Business Development Officers

- Ensure that new business requests comply with the provisions of the New Instrument, New Product Program and Credit Limit Application Templates.
- Risk Analysis / ESG risk Due Diligence - The process comprises of the following activities:
 - Documentation review – KYC and financial documents as well as legal documentation and disclosures submitted by the customer shall be reviewed by the Business Development officer(s) for completeness.
 - Submissions and disclosures should be checked against the reliable information sources available to the Business Development team.

The outcome of this process shall enable the Business Development team to ascertain whether the credit should be approved or rejected on the basis of ESG considerations.

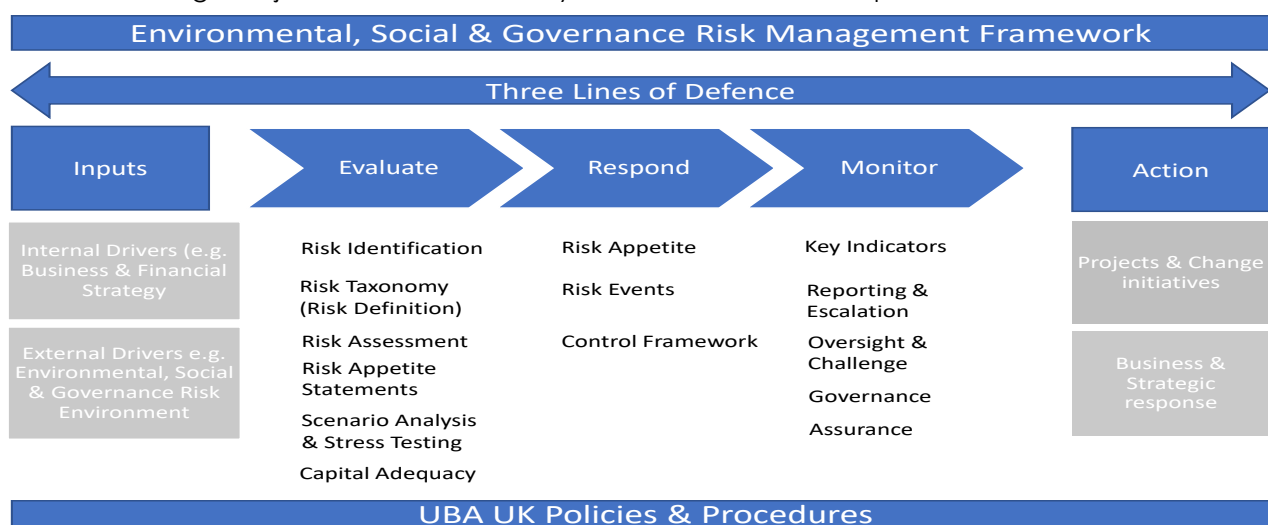
2.5.5 Head of Credit Risk

- Review the Credit Request Templates to ensure that the ESG risk section has been completed by the Business Development team.
- Review ESG risks of clients and transactions escalated for approval from the Business Development department.
- Refer clients and transactions to the ExCo where material ESG issues require further review.

2.6 Environmental, Social & Governance Risk Management Framework

The Bank's ESG risk framework “the Framework,” is comprised of integrated components that work together, enhancing UBA UK's capability to manage, monitor and measure ESG risk.

The Framework is therefore at the heart of how ESG risks are anticipated, evaluated, responded to, and monitored. It drives insights and actions that support business decisions and strategic objectives, and ultimately enhances the Bank's operational resilience.



2.8.1 Risk Identification

The ESG risk profile is informed by, *inter alia*, risk events, open issues as well as the external risk environment. Emerging/horizon risks are identified which may require management review and action. Identification of key ESG risks and opportunities, including their materiality and interdependencies.

2.8.2 Risk Taxonomy

ESG risks are grouped logically into risk categories to support effective risk management, measurement, and reporting. Risk categories are managed and overseen through the Control Framework. The Taxonomy facilitates a clear and consistent articulation of ESG risks to which UBA UK is exposed.

2.8.3 Risk Assessment

The Bank's primary Risk assessment tool is the RCSA that provides management with a comprehensive understanding of UBA UK's risk and control profile.

An RCSA, (i) identifies the ESG risks inherent to the Bank, (ii) enables the self-identification of ESG risks per business line, classified by the frequency and severity of the risks to enable an overall risk rating to be derived, (iii) drives the implementation of controls to mitigate inherent risks, and (iv) determines the residual risk.

The primary objective of a risk assessment is to identify the potential negative ESG risks so that we can develop the appropriate strategies to address the risks and their potential impacts.

Business areas assess UBA UK's Suppliers, Vendors, and other 3rd Parties against our own ESG policies and procedures.

2.8.4 Risk Appetite Statement

UBA UK's business strategy is supported by a concise, clearly articulated, and measurable Risk Appetite Statement ("RAS").

The RAS is, (i) owned by the Board, (ii) integral to the strategy, (iii) approved by the Board, and (iv) actively used by the Board to monitor and control current and potential risks, which in turn informs key business decisions.

UBA UK's RAS, therefore, goes to the heart of how the Bank conducts business. It is how UBA UK wishes to be perceived by key stakeholders - customers, regulators, employees, and investors.

2.8.5 Capital Adequacy

The Internal Capital Adequacy Assessment Process ("ICAAP") is a process which identifies all risks within UBA UK including ESG risks and explains how those risks are measured, managed, and monitored. A regulatory capital charge is then applied, based on the identified risks to ensure that there is enough capital in the event of a loss to the Bank. The capital of the Bank is calculated in accordance with regulatory requirements and reflects the risk profile of the organisation.

2.8.6 Risk Appetite

Defined as the level of losses that UBA UK is willing to accept in pursuit of the Bank's strategic goals and objectives. The Bank's financial risk appetite is approved by the Board, together with any tolerance thresholds for risk exposures. Business areas are required to manage their losses within approved risk appetites and to operate processes, controls and provide management oversight

so that risk appetites are not exceeded. Risk appetites and tolerances related to ESG risks must be considered as part of key decision processes including new product and change initiatives.

- UBA UK recognizes that some significant risks are uncontrollable (e.g., terrorism, natural disasters, consequence of economic downturn). It is therefore accepted that some level of risk must be tolerated to avoid stifling or curtailing business operations. The level of risk is monitored on an ongoing basis and reported to the BARCC monthly using the same metrics and grading as detailed in the Bank's RAS.
- UBA UK does not have an appetite for unacceptable behaviour including employees knowingly not adhering to Environmental and Social regulations, laws, and Bank policies.
- UBA UK has zero tolerance for material errors, or compliance/regulatory breaches.

By nature, not all risks can be mitigated, and certain risks are accepted, monitored and managed within agreed parameters. Accepted risks are recorded on the Accepted Risk Register which details when the risk was identified, raised and the date of acceptance. All accepted risks are subject to RC challenge and approval, including a half yearly review process. Accepted risks are typically identified during the RCSA process.

2.8.7 Risk Events

The Risk incident reporting process allows staff to self- identify and report ESG risk events.

ESG reported risk events shall be recorded in the Risk Events Register which is reviewed monthly by the RC and at least quarterly by the BARCC.

All risk event reports must be completed within five business days from the discovery of the event without exception. Escalation is required within 24 hours for significant rated events. The omission to report risk events timeously and accurately is considered a serious breach of the Bank's governance structure.

2.8.8 Control Framework

The control framework enables a consistent approach to managing ESG risks. It amongst others:

- Establishes controls that mitigate ESG risks to within the Bank's risk appetite and tolerance.
- Ensures that controls are embedded in the Bank's day-to-day business activities and processes.
- Classifies and integrates controls within the UBA Controls Catalogue.
- Monitors the performance of controls via Key Control Indicators and reporting.
- Assesses the design and performance of controls on a regular basis with Control Assurance testing and control assessments as part of the RCSA process to determine residual risk exposures; and
- Record ESG risk events where there are deficiencies in the control environment that require improvement and details the remediation process.
- There should be controls to ensure that our third parties are compliant with existing and incoming ESG regulation.

2.8.9 Monitoring

Details how the risk profile is reported, overseen, escalated and managed, to ensure that risk exposure remains within approved risk appetite. The monitoring of risks is captured on Excel spreadsheets and all data is stored for examination by Audit, if required.

ESG risks shall be a standing agenda item in Risk Committee and BARCC meetings.

2.8.9 Key Indicators

Key indicators (KI's) are identified and established as part of regular reporting and oversight of the Bank's risk profile to enable the proactive monitoring of ESG exposures to certain risks against appetite and tolerance limits. This supports the reporting of the ESG risk profile and acts as an early warning signal to manage risks before they crystallise.

KI's are predominantly established as part of the RCSA process. Business areas are required to monitor KI's with regular reporting to Operational Risk, for further reporting to RC.

2.8.10 Reporting and Escalation

Effective risk management requires the reporting of ESG incidents and the subsequent escalation of ESG risks as a priority.

Business Heads are responsible for the reporting of ESG incidents to Risk Management as soon as possible. Reported ESG risk events are recorded in the Risk Events Register which is reviewed monthly by the RC and at least quarterly by the BARCC.

Further details regarding the escalation criteria to the BARCC can be found in the Operational Risk Policy and Procedures.

2.8.11 Governance

The governance of ESG risk within UBA UK is achieved through the RC with clear escalation and reporting lines via the BARCC to the Board.

a. Engagement: Initial Screening

The RC delegates certain responsibilities to one of its operating sub-committees, the Engagement Committee. Delegated tasks are limited to considering the ESG Due Diligence performed by the 1st Line of Defence and the initial screening of a risk-taking proposal:

- against the Board-approved Strategic Business Plan; and
- against the Board's Risk Appetite Statement, incl. ESG Risk Appetite Statement; and
- against the EXCO-approved Exclusion List, which documents products and/or services that are not eligible for transaction; and

The Engagement Committee is chaired by the Head of Compliance/MLRO and has four other members, all of whom are voting members of the RC with individual veto rights: CEO, CRO, CFO, COO. Head of Legal is invited to provide advice.

b. Decision Making

Both Compliance and Credit Risk Management functions will perform additional independent ESG reviews,

Compliance is guided in this matter by the Banks' Client Onboarding and Anti-Money Laundering Policy.

The RC will not consider any requests vetoed by the Head of Compliance / MLRO.

ESG-related findings by Credit Risk Management will be incorporated into the Credit Risk analysis and recommendation to the RC.

The RC will consider these findings as part of its credit risk approval process.

c. Continuous Monitoring & Reporting

Business Development is responsible for the continuous monitoring of the legal entities in their portfolios. This involves monitoring for any negative ESG developments. It is the RM's responsibility to immediately inform the Head of Compliance/MLRO and the CRO of any material ESG risks.

In the 2nd Line of Defence, both Credit Risk Management and the KYC team will perform schedule periodic reviews of all accounts, as per their respective policies. ESG assessment will form part of those reviews. It is their responsibility to immediately inform the Head of Compliance/MLRO and the CRO of any material ESG risks.

Depending on the nature of the risk, a decision will be made whether relationship and/or credit facilities should be maintained. Decision making forums are the Conduct, Compliance and Audit Committee and the Risk Committee, respectively.

Escalation is to EXCO and subsequently BARCC, if required.

d. Grievance Redress

The Bank's Conduct, Compliance and Audit Committee will review all grievances and will escalate them as prescribed in the Bank's Complaints Handling Policy.