



AL RAYAN BANK

Purpose, people and the planet:

Our strategy for sustainability

September 2024

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Foreword

Driving Positive Change



Giles Cunningham
CEO, Al Rayan Bank

Welcome to the first annual Al Rayan Bank sustainability report.

We're sharing this information because we understand that climate change is perhaps the biggest challenge of our time; an existential threat to the way we all live our lives.

As such, it's incumbent on every business to work sustainably, for the benefit of the planet and all the people of the world.

We know that, as a successful bank and commercial financier, we can play a leading role in creating a sustainable economy by embedding our ethical values in everything we do.

As a majority owned subsidiary of Masraf Al Rayan Q.P.S.C, one of Qatar's largest banks, we have the strength, stability and resources to make a real difference.

And we want to be transparent about how our activities impact the environment and society, so all our stakeholders can come on this journey with us.

A lasting positive impact

As a Sharia-compliant bank, doing the right thing is built into our DNA; sustainability isn't just another business buzzword, it's fundamental to our very purpose.

In this report, we'll outline the strategy we have in place and the progress we're making against it, including becoming an operationally carbon-neutral business in 2023.

But we will also explain how sustainability is embedded into our governance at the highest level and the challenging targets we have set ourselves going forward.

To that end, each chapter will conclude with an outline of the relevant objectives from our sustainability strategy.

It's a responsibility we feel very deeply, not least because of the very real material financial risks that climate and social challenges present.

We will never stop working to ensure everything we do has a significant and lasting positive impact on the world around us, and I thank you for your interest in this most important of issues.

Our purpose

Our mission is to be the most trusted Sharia-compliant bank in the UK.

That is underpinned by our unwavering commitment to ethical banking, which is rooted in the principles of Islamic finance and embedded in our system of governance.

We recognise that sustainable business practices are essential for long-term value creation, risk management, and societal well-being.

Our Environmental, Social, and Governance (ESG) strategy serves as a guiding framework, embedding sustainability into our operations, decision-making processes, and interactions with stakeholders.

It's overseen by our ESG Committee, which reports into the Bank's Board and is chaired by our Chief People & Sustainability Officer Harpreet

Dhillon, and is backed up by agreed metrics that mean we can accurately monitor our progress and effectively hold ourselves to account.

The committee is also charged with scrutinising emerging ESG opportunities, to consider if and how they can be incorporated into the Bank's ESG policies and objectives.

And it closely monitors evolving standards and legislation to identify how they will impact on the Bank's strategy and operations.

The Committee's strategy is always assessed and endorsed by the Board, underscoring our commitment to ESG at the very highest level and ensuring alignment with our long-term vision.



Recognising risk

We don't just pursue ethical practices because we know it's the right thing to do in our organisation.

As guardians of our customers' financial interests, there's also a bigger picture to consider.

The long-term financial impact of climate change is difficult to quantify, but it does present a significant and growing economic risk.

Extreme weather events, like storms, floods, heatwaves and droughts, have become more frequent and more extreme as global temperatures have continued to rise, for example.

According to the World Meteorological Organisation, there has been a sevenfold increase in reported losses from extreme weather disasters since the 1970s, which cost at least \$280bn in 2022^[1].

Accordingly, financial risk from climate change is embedded into our Risk Management Framework, which informs everything we do, and is a standing agenda item at our Board Risk Committee meetings.

We undertake scenario modelling to assess the potential impact of climate risk events and have worked with external experts to assess environmental risks to the Bank's real estate finance portfolio, including flood, subsidence and coastal erosion, as far ahead as 2060, which were found to be negligible.

We've also partnered with Carbon Neutral Britain to assess the Greenhouse Gas emissions generated by our own operations - there will be more on this later in the report.

Supporting sustainable investing

We know that our customers want to invest in a responsible, sustainable way.

When we surveyed experienced investors from the GCC for our 2023 UK Property Profile, for example, more than half (58%) said it was access to green investments that made London such an attractive investment target.

And nine out of ten (91%) said environmental concerns were important when choosing a finance partner for their property investments.

As such, we make sure all the residential property investments we help finance comply with Energy Performance Certificate criteria.

We're happy to help investors access investment opportunities that align with their values, and also our own strategy at Al Rayan Bank.

9 in 10
of GCC residents surveyed said environmental concerns were important when choosing a finance partner

58%
of GCC residents surveyed said green investments is what made London such an attractive investment target

Our strategic objectives:

- High ethical conduct; Promote high standards of integrity, transparency and ethics, ensuring compliance with laws, regulations and standards, including anti-greenwashing regulations
- Board oversight; Strengthen Board oversight for ESG matters, integrating ESG considerations into Board discussions and ensuring appropriate reporting and disclosure. Board ESG Champion oversees and regularly attends ESGC meetings
- Effective risk management; Integrate ESG risks into enterprise risk management framework. Regularly assess/monitor risks and establish mechanisms to mitigate and address them effectively
- Performance measurement; Develop KPIs and targets to monitor progress and measure the effectiveness of our ESG initiatives. Disclose relevant information to stakeholders and regulator.

Our planet

We've seen how sustainability is embedded at the very highest level of our strategic governance.

Now let's look at some of the specific policies that we've put in place that have had a positive impact on the planet.

Perhaps the most significant development is that since 2022 Al Rayan Bank has been operationally carbon neutral.

Operationally carbon neutral means that we offset all of our Scope 1 emissions – those that we make directly from our operations, like the electricity we use in our offices, or the fuel used when we travel – and that we use 100% renewable energy.

In fact, in 2022, Al Rayan Bank offset twice as much carbon dioxide equivalent emissions than

we created meaning that for that period we were also "climate positive".

We worked with Carbon Neutral Britain, the UK's Leading Carbon Offsetting Initiative to audit our emissions and purchase high-quality carbon offsets that support reforestation and woodland management projects around the world.

The move has offset more than more than 614,000 tCO2e – which is equivalent to taking almost 133 petrol-powered cars off the road^[2].

But while this is a significant milestone, there is still more to do.

An overview of our tonnes of carbon dioxide equivalent (tCO2e) for the past two years can be found below:

Source of emissions	2022 tCO2e	2023 tCO2e
Gas	0	3,793
Electricity	65,749	107,761
Business Travel	62,499	246,232
Total	128,248	357,786

Electric Car Scheme Impact Highlights

60.6 % of employees who have looked at car quotes	9 Cars ordered	8 Cars delivered
249,000 total committed mileage	5,510 Kg Carbon Dioxide Equivalent (CO2e) savings*	1,874 Kg Carbon Dioxide Equivalent (CO2e) reduction*

Al Rayan Bank's electric car scheme for employees is contributing to its ESG ambitions.

Source: Annual Impact & Tax Report 2023/2024

Zeroing in

Becoming operationally carbon neutral marks the first step in our long-term plan to become a net zero business.

The key difference here is that, while carbon neutral businesses work to limit any increase in future carbon emissions, while offsetting their ongoing emissions, net zero firms are focused on minimising emissions as much as possible, and only using offsetting as a last resort.

To that end, our Pathway to Paperless initiative has seen us reduce our paper usage by almost 30% since we began measuring paper consumption in 2019.

In 2023 we introduced default paperless statements for all our current and savings accounts, so customers must now opt-out if they want to receive paper statements on their accounts and this helped us to reduce paper usage across the Bank by 11% last year.

Statements continue to be generated monthly and quarterly, but physical copies are no longer sent out by post and are instead accessed through our Digital Banking platform.

This will be rolled out to include all joint accounts and business accounts during 2024.

As our customers have changed the way they bank with us, choosing to access their banking services digitally, rather than through a branch, we've been able to transition away from our branch network, which has also helped reduce our carbon footprint.

And we have implemented an Electric Car Scheme for our colleagues, making electric vehicles more accessible by providing the opportunity to sacrifice part of their salary to lease an electric car. That creates a significant cost saving compared to leasing an electric vehicle directly.

Bank's annual paper consumption measured in A4 equivalent

This information, provided by the Bank's main external print suppliers, includes customer communications, account statements, welcome letters, product literature etc. It is not an exhaustive list but illustrates the overall trend of paper usage.

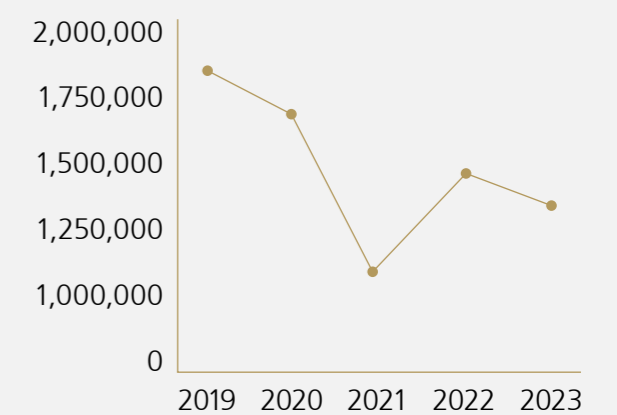
2019	2020	2021	2022	2023
1,818,347	1,728,067	1,112,050	1,473,928	1,311,408

“ Becoming operationally carbon neutral marks the first step in our long-term plan to become a net zero business. ”

Our strategic objectives:

- Become a net zero business; set a clear roadmap and targets to stop greenhouse gas emissions and adopt renewable energy sources
- Maximise resource efficiency; minimise waste generation, optimise resource usage and promote sustainable principles across value chain
- Climate resilience; evaluate and manage climate-related risks to our operations, supply chain and assets.

Annual paper usage



Our people

Our customers, colleagues and communities are incredibly important to us. As a bank, we continue to go from strength to strength, but we couldn't achieve this without our people.

We are a diverse team, but the one thing we all have in common is that we are all driven to do our best for our customers.

To that end, we work hard to create a great work environment where people feel valued and appreciated, so we can recruit and retain some of our industry's most talented, driven and dynamic individuals.

And everything that we do is guided by our "TEAM" values, which were chosen by our colleagues: Trusted, Empowered, Able and Motivated.

Our strong financial position means we have enhanced the package of industry-leading benefits that we offer, including generous holiday entitlements and pension contributions.

The launch of our Wellbeing Group underpins our commitment to nurturing a healthy and supportive work environment, promoting various activities that promote employee wellbeing, and mental health awareness.

This has included sessions to support colleagues' physical and mental health as part of Men's Health Awareness Month.

Opportunity for all

Colleagues' career development is another priority, and we invest heavily in training and qualifications so everyone can achieve their full potential. Our work in this area was recognised in 2015 when Al Rayan Bank was awarded the Investors in People standard accreditation, which was upgraded to a silver accreditation in 2018.

One factor that the judges were keen to highlight was that employees at Al Rayan Bank are proud to work for a financial institution with an ethical conscience, as well as the Bank's focus on developing leadership across the organisation.

That was backed up by our 2023 annual Employee Engagement Survey, which achieved a 97% response rate and an exceeding upper quartile engagement index, reflecting an overwhelmingly positive employee experience.

The survey showed that 93% (2022: 90%) are proud to work for Al Rayan Bank and 96% (2022: 92%) want to develop their career with the Bank.

We are also a Living Wage Employer, voluntarily opting to pay all employees a Living Wage which is significantly higher than the current minimum wage and the mandatory National Living Wage.

And in 2023 we launched our inaugural graduate scheme, which offers graduates of all backgrounds opportunities to advance their careers with us.

It's all part of our commitment to diversity, equality and inclusivity for all our colleagues.

Having a diverse range of experiences, skills and opinions in our organisation allows us to be more innovative, make better decisions and perform better.

That means implementing initiatives to continue to close gender pay gaps, enhance diversity, support hybrid working and deliver leadership and development training.

In line with our commitment to becoming a more inclusive bank, we have conducted diversity and inclusion awareness sessions with all employees. Additionally, we have implemented a women's leadership programme, further demonstrating our dedication to building a diverse and inclusive environment.



A global force for good

We may be a UK bank, but we recognise that we can have a global impact. We appreciate that there are some people who don't have access to the same kind of opportunities we are lucky enough to have here in the UK.

One focus for us is education, which is why we have partnered with Educate a Child International, the charity that works to help young people access education in countries beset by poverty and conflict.

In 2024 we launched the Educate a Child International Fixed Term Deposit – a 36-month Fixed Term Deposit with a market leading expected profit rate which will see the Bank donate an amount equal to 0.1% of the balances in every account to the charity.

In the first year, this initiative will help to fund a project supporting access to education for vulnerable children in Malawi, addressing some of the barriers which prevent children from attending school.

This is just the start of our long-term commitment to have a positive impact on education globally, working in partnership with Educate a Child International.

And it all plays into our overarching philosophy of empowering each other and driving meaningful change.

Our strategic objectives:

- Effective stakeholder engagement; engage with stakeholders to understand their needs, concerns and expectations regarding social impact
- Promote diversity equality and inclusion; ensure equal opportunities, fair treatment and diverse representation at all levels
- Prioritise employee health & wellbeing; through comprehensive programs, training, and a supportive environment.

References

1. <https://www.theguardian.com/environment/2023/oct/09/climate-crisis-cost-extreme-weather-damage-study#:~:text=The%20central%20estimate%20was%20an,being%20seen%20in%20the%20world.>
2. <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results>

Contacts

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