



The National Bank of Ras Al Khaimah (P.S.C.)

Social Finance Framework

September 2023

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1. Sustainability at RAKBANK

About RAKBANK

The National Bank of Ras Al Khaimah (P.S.C) (hereinafter RAKBANK or the Bank) is headquartered in the Emirate of Ras Al Khaimah, in the UAE, with its head office situated in the RAKBANK Building on Sheikh Mohammed Bin Zayed Road in Ras Al Khaimah. The bank's branches are located throughout UAE.

Founded in 1976, RAKBANK is an award-winning public joint stock company in the United Arab Emirates (UAE). RAKBANK is a fully-fledged financial services institution, offering conventional and Islamic banking, insurance and other diversified services offered across RAKBANK's business units and subsidiaries. RAKBANK has been a leading financial institution in the UAE market. It is a clear leader in SME banking, and an established innovator in Personal Banking. In recent years, its Wholesale Banking business has been growing rapidly to now represent a sizeable share of the Bank's financial performance.

The normalisation of economic activity following the pandemic has reinforced RAKBANK's growth opportunities driven by all three segments, namely Business Banking, Personal Banking, and Wholesale Banking. The latter underwent a re-organisation bringing together the Financial Institutions Group and International, Treasury and Corporate Banking. Simultaneously, RAKBANK intends to actively diversify RAKBANK's business and customer base while retaining the focus on its core strengths in Personal and SME Banking.

RAKBANK approach to sustainability

RAKBANK recognizes the importance of integrating sustainability into its core business strategy for long-term financial growth. The bank is actively incorporating strategic sustainability into its fundamental values and improving how it manages and communicates its performance and progress on relevant operational issues.

RAKBANK is dedicated to enhancing its disclosure practices regarding environmental, social, and governance (ESG) factors, aiming to demonstrate the positive relationship between strong ESG practices and financial performance. We are promoting transparency in assessing and reporting non-financial metrics and implementing sound ESG management practices.

To uphold our commitment to ESG, the Board approved a comprehensive strategy in 2022, guided by a materiality assessment conducted in 2021 and aligned with the United Nations' Sustainable Development Goals and the Global Reporting Initiative.

All of RAKBANK's ESG initiatives consider the following aspects:

- Our business strategy, especially with regards to responsible lending and ethical employment. We offer preferential terms for SMEs and start-ups, but also search for ways to enhance the infrastructure and ecosystem in which they operate
- We offer products and services that reduce the collective carbon footprint at preferred rates
- Our commitment towards the community and the UAE's regenerative development agenda
- The Central Bank of the UAE's Consumer Education and Awareness Protection Framework
- The results of our employee engagement survey, which includes feedback on training, career growth and development
- Market trends and gaps

Our ESG Strategy is based on 3 pillars and focuses on 9 areas



Environmental Pillar

RAKBANK offers a green loan portfolio comprising green mortgages and auto loans. The mortgage loans are sourced from properties financed within Dubai's Sustainable City, while the auto loans provide financing for environmentally friendly vehicles.

At RAKBANK, we're proud to be actively involved in the "Year of Sustainability" initiative. We prioritize responsible consumption and are committed to reducing our environmental impact. Through our strategic partnership with Honeywell Middle East, we're implementing energy-saving projects to drive sustainability in our operations. We have achieved a remarkable 11% decrease in direct electricity consumption, a 12% reduction in total water consumption, and a 5% decrease in total paper consumption quarter on quarter in 2023. Together, we aim to lead the way in sustainable banking practices and make positive impact on the planet.

As part of our ongoing commitment to contribute to a sustainable environment, RAKBANK has entered into an agreement with Ras Al-Khaimah Municipality to introduce green financing solutions. The Bank firmly believes that long-term financial growth necessitates the integration of sustainability into its core business strategy.

RAKBANK is actively working towards incorporating sustainability into its core business values and enhancing how it manages and communicates its performance and progress on material operational issues. The Municipality oversees the implementation of the Ras Al-Khaimah Energy Efficiency and Renewables Strategy 2040, which positions sustainability as a competitive advantage for the Emirate, reducing energy and water costs for businesses, residents, and the government. The agreement facilitates preferential financing options for green housing initiatives, the green automotive industry, and green personal financing solutions. Consequently, our customers based in Ras Al-Khaimah enjoy immediate access to green auto loans when purchasing an electric or hybrid vehicle from local dealers in Ras Al-Khaimah. Moreover, they benefit from highly competitive interest rates and exclusive discounts on insurance rates.

RAKBANK has aligned its vision with that of the Ras Al-Khaimah Government by supporting Barjeel, the green building regulations of the Emirate. These regulations aim to reduce energy and water consumption in new buildings by 30%. We offer an exclusive green mortgage loan at a competitive interest rate to customers interested in purchasing homes that comply with Barjeel requirements. Additionally, customers can take advantage of residual financing options, free pre-approvals, attractive discounts on processing and valuation fees, and minimal paperwork.

Furthermore, RAKBANK offers green personal loan, also at exclusive rates, which can be used to finance various green initiatives such as solar panel installations and the purchase of energy-efficient appliances, equipment, and devices from licensed local vendors

To further support market development, our Treasury invests in ESG bonds.

Social Pillar

Supporting SME & entrepreneurs to grow their business

RAKBANK strives to become the preferred partner for SMEs, regardless of their size, and provides a growing range of products to cater to the specific needs of start-ups and entrepreneurs. Our diverse product line-up includes RAKstarter, Quick Apply, and SMEsouk, all designed to assist SMEs right from the beginning and empower them to reach their goals. In line with our commitment to customer satisfaction, the Bank has improved its Quick Apply portal for digital loan applications on the SMEsouk platform and remains dedicated to ongoing enhancements that elevate the overall customer experience.

Partnering on SME financing options

In addition to our current partnerships with Emirates Development Bank, Dubai SME, Abu Dhabi DED, RAK SME, and others, we have forged a collaboration with Tradeling- a B2B marketplace serving businesses in the MENA region. This partnership provides RAKBANK Business customers with access to a Government guarantee program and co-created propositions, ensuring a streamlined process that allows SMEs to maximize their earning potential and take advantage of competitive offerings. Our digital banking and on boarding platform harnesses advanced technology to optimize banking products and services, aligning with RAKBANK's strategy of establishing the necessary ecosystem and infrastructure for sustainable SME development.

Strategic partnerships

RAKBANK forms strategic partnerships with fintech providers such as Versify, Bitnudge and others to augment our range of products and services. These collaborations are instrumental in enabling RAKBANK to expand its presence and influence in the SME market. By joining forces with innovative fintech companies, we are able to enhance our offerings and better serve the evolving needs of SMEs.

SME education and training

As part of SMEsouk, RAKBANK organizes complimentary educational webinars aimed at providing valuable insights to our SME customers, assisting them in their business expansion endeavours. These webinars serve as a supportive platform to equip SMEs with essential knowledge that fuels their growth.

Financial literacy and inclusion

RAKBANK has curated a comprehensive range of solutions designed to support customers in various ways, regardless of their financial standing or level of experience.

- **C3Pay Card:** RAKBANK has partnered with C3, a Prepaid Card service provider and a subsidiary of the renowned Edenred Group, a global leader in prepaid corporate services. This collaboration allows RAKBANK to facilitate swift and secure salary transfers for blue-collar workers. By offering payroll solutions to both banked and unbanked employees and companies, RAKBANK promotes financial inclusion and expands its reach into new markets. The Edenred card represents more than just a product; it reflects RAKBANK's core value of extending banking services across the country, reducing cash dependency, and fostering financial stability among diverse segments of society.
- **Accessible platforms for financial literacy development:** RAKBANK actively invests in community initiatives, engages with local suppliers, and champions financial literacy to enhance overall well-being and empower individuals to make informed financial decisions.
- **RAKMoneyTransfer:** This instant remittance service, powered by RAKBANK in collaboration with Ripple, leverages Block-chain technology to mitigate cash vulnerability and enhance access to banking services. By utilizing this innovative solution, RAKBANK improves the speed, efficiency, and security of cross-border remittances, facilitating seamless financial transactions for its customers.

Through these initiatives, RAKBANK demonstrates its unwavering dedication to enhancing customer experiences, promoting financial literacy, and leveraging advanced technologies for the benefit of its valued clientele.

Supporting local communities through volunteering

In 2021, RAKBANK developed a Corporate Social Responsibility (CSR) policy in accordance with the requirements of the Securities and Commodities Authority (SCA). This policy encompasses Economic, Environmental, and Social dimensions, driving initiatives that foster sustainability, financial inclusion, and awareness campaigns. Additionally, we prioritize employee engagement by offering volunteering opportunities across various significant social causes, carefully selected through the RAKBANK Sustainability Council. As part of our commitment to the community, we provide continuous support to the RAK Autism Centre, contributing to the education of over 45 children with Autism



Spectrum Disorder (ASD) The RAKBANK Sustainability Council is also conducting financial literacy sessions, covering a multitude of highly useful and important topics that are tailored to every audience. These sessions are being conducted externally at schools for middle and high school students and internally for RAKBANK employees.

Governance

RAKBANK recognizes that governance plays a vital role in fostering sustainable business practices within the financial sector, and we are committed to being a trusted bank. We conduct our operations with utmost transparency, accountability, and integrity, upholding the highest standards of corporate governance. We take proactive measures to prevent and eliminate any form of bribery, corruption, and financial crimes, including money laundering, terrorism financing, and fraud.

At RAKBANK, we strive to achieve the highest levels of ethical conduct, ensuring complete transparency and adherence to the laws, rules, and regulations governing our business activities. Our comprehensive Corporate Governance framework outlines the governance structures, principles, policies, and practices that guide our responsibilities to stakeholders and safeguard our business interests. This framework is overseen by the RAKBANK Board of Directors and aligns with the regulatory requirements of the Central Bank of the UAE, the Securities and Commodities Authority, and the RAK Department of Economic Development.

ESG Ratings

In 2022, RAKBANK underwent an evaluation by MSCI to assess its management of significant environmental, social, and governance (ESG) risks. MSCI ESG ratings gauge a company's ability to withstand long-term industry-specific ESG risks and utilize a methodology based on predefined rules to evaluate how effectively companies address those risks compared to their peers. The ratings range from leader (AAA, AA), average (A, BBB, BB), to laggard (B, CCC).

RAKBANK's MSCI rating for 2022: BBB.

Further information on RAKBANK's approach to sustainability can be found on [RAKBANK's website](#).

2. RAKBANK SOCIAL FINANCE FRAMEWORK

Rationale for Social Financing

In line with RAKBANK's overarching sustainability strategy, the Bank has established a social finance framework, referred to as the "**Framework**",

This Framework enables RAKBANK to issue social finance instruments, which will be used to finance and refinance projects that generate positive societal impact and address social challenges. RAKBANK is dedicated to promoting sustainable business activities within the sectors and regions it operates. By issuing social finance instruments, the Bank aims to enhance transparency regarding the funded projects that deliver social benefits. This endeavour seeks to encourage investments in socially sustainable projects, aligning with the goals outlined in the Paris Climate Agreement and the United Nations Sustainable Development Goals (UN SDGs).

Furthermore, the introduction of social finance instruments will contribute to diversifying RAKBANK's investor base, fostering broader engagement with existing investors, and facilitating the growth of the social finance market.

Social Finance Framework

RAKBANK has established a comprehensive Framework that enables RAKBANK Group to issue social finance instruments, collectively known as "Social Finance Instruments." These instruments include senior bonds, subordinated bonds, medium-term notes, Sukuk's, and commercial papers, which will be utilized to finance and/or refinance social loans, which align with the four pillars of the Social Loan Principles (SLP), referred to as "Eligible Social Loans," that deliver social benefits.

The Framework is developed in accordance with the following guidelines:

1. ICMA Social Bond Principles 2023.
2. LMA/APLMA/LSTA Social Loan Principles 2023.

These guidelines provide a structured framework consisting of four key pillars:

1. Use of Proceeds.
2. Process for Project Evaluation and Selection.
3. Management of Proceeds.
4. Reporting.

The Framework also adheres to the recommendations outlined in the ICMA and LMA Principles concerning External Review. Under this Framework, the Eligible Social Loan Portfolio is defined, encompassing social loans, credits, and investments that are eligible to be financed by the proceeds from Social Finance Instruments issued by RAKBANK. The documentation for any Social Finance Instrument issued will make a reference to this Framework in the use of proceeds section.

It should be noted that any future modifications to the eligibility criteria, such as changes to the ICMA Social Bond Principles, the LMA/APLMA/LSTA Social Loan Principles, or developments in sustainable finance regulation, may not necessarily apply to the Social Finance Instruments issued under this Framework.







3. Use of Proceeds

An amount equal to the proceeds generated from the issuance of Social Finance Instruments by RAKBANK under this Framework will be allocated to finance and/or refinance a portfolio of Eligible Social Loans. The Eligible Social Loans are determined based on the criteria specified in this Framework, which governs the financing and/or refinancing of new and/or existing eligible loans.

The Eligibility Criteria outlined in this Framework are designed to align with RAKBANK's broader sustainability strategy and support the United Nations Sustainable Development Goals (UN SDGs) agenda. It is envisioned that the Eligibility Criteria will contribute directly to the achievement of the UN SDGs.

In the event that RAKBANK issues a Sukuk instrument, it will also adhere to the principles of Sharia, ensuring compliance with Islamic finance principles.

Social Eligible Categories

SBP/SLP Category	Description of Social Eligibility Criteria	Target Group(s)	Contribution to UN SDGs ¹
<p>Access to Healthcare</p> 	<p>Loans to finance and/or refinance:</p> <ul style="list-style-type: none"> ✓ Healthcare facilities: construction and/or operation of healthcare facilities such as hospitals and primary care facilities, affiliated to the relevant national healthcare system ✓ Development, manufacturing, wholesale, distribution and retail channels in respect of affordable pharmaceutical products 	<p>General population (UAE), due to these facilities being accessible by general population irrespective of income²</p> <p>General population, in UAE and other countries, including in low and middle income countries as defined by the World Bank</p>	
<p>Employment Generation, and Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing</p> 	<p>Loans to finance and/or refinance Micro, Small and Medium Enterprises (MSMEs) as per the UAE's central bank definition³ meeting any of the following criteria:</p> <ul style="list-style-type: none"> ✓ MSMEs located in socioeconomically disadvantaged regions⁴ ✓ MSMEs facing economic crisis, natural disasters or health pandemics <p>Exclusions: MSMEs involved in the Exclusion List (see appendix 1) are excluded from the Eligible Social Loan Portfolio.</p>	<p>MSMEs in socioeconomically disadvantaged regions</p> <p>Female-owned businesses⁵</p>	  

¹ Alignment with United Nations Sustainable Development Goals - <https://sustainabledevelopment.un.org>

² Provision of healthcare insurance is mandatory in the UAE, ensuring access to healthcare facilities for the entire population irrespective of income.

³ In line with the UAE Central Bank Circular No. 1/2021 dated 26/02/2021 (see here) under Article 1 point a. & b. definition of SMEs, RAKBANK uses the following definitions for SMEs:

micro – annual turnover <AED 3 million for trading and manufacturing clients, <AED 2 million for service sector companies;

small – annual turnover of AED 3-50 million for trading and manufacturing, AED 2-20 million for services;

medium – AED 50-250 million for trading and manufacturing, AED 20-200 million for services.

⁴ Underperforming regions are defined using the United Nations Conference on Trade and Development (UNCTAD) list of developing countries, as per the development status categorization. See [here](#).

⁵ At least 51% ownership by female or, where below, females that assume managerial role by being empowered to act on behalf of the company, indicated through signatory powers bestowed for opening or operating accounts with financial institutions.

⁶ See here rakbank.ae

4. Process for Project Evaluation and Selection

RAKBANK has implemented a structured decision-making process to assess the eligibility of Eligible Social Loans, as described in the Use of Proceeds section of this Framework.

To facilitate this process, RAKBANK has established a dedicated Social Finance Working Group (referred to as the "Social Finance Working Group"), which comprises representatives from various departments including Group Finance, Risk, Strategy and Sustainability Council, as well as subject matter experts from relevant business units such as lending.

The key responsibilities of the Social Finance Working Group include:

1. Reviewing and updating RAKBANK's Social Finance Framework to align with changes in corporate strategy, technology, market dynamics, and regulatory developments to the best of their abilities.
2. Ensuring the accuracy and currency of external documents, such as Second Party Opinions (SPO) and related documents provided by external consultants and accountants.
3. Overseeing, approving, and publishing reports on the allocation and impact of funds, including external assurance statements. RAKBANK may utilize external consultants and data sources, in addition to conducting its own assessments.
4. Monitoring internal processes to identify significant risks or adverse social and/or environmental impacts associated with the Eligible Social Loan Portfolio and implementing appropriate mitigation measures whenever feasible.
5. Maintaining communication with relevant stakeholders regarding the aforementioned responsibilities.

The Social Finance Working Group is scheduled to convene at least on a quarterly basis to ensure effective governance and decision-making.

In addition to the above, RAKBANK complies with official national and international environmental and social standards, as well as local laws and regulations, in all its operations. These regulations are monitored and enforced by local authorities. Further details on RAKBANK's management of environmental and social risks through its policies and standards are outlined below:

1. Code of Conduct and Ethics
2. Whistleblowing Policy
3. Anti-Bribery and Corruption Policy
4. Disclosure and Transparency Policy
5. Internal Capital Adequacy Assessment Process
6. Macro-Economic Stress Testing - Stress testing framework

5. Management of Proceeds

RAKBANK will adopt a portfolio approach to manage the net proceeds derived from the Social Finance Instruments. These proceeds will be carefully tracked and monitored. RAKBANK will allocate the net proceeds to an Eligible Social Loan Portfolio, which will be selected based on the Eligibility Criteria and the Process for Project Evaluation and Selection outlined earlier.

In the pursuit of its sustainability goals, RAKBANK aims to gradually achieve a level of allocation for the Eligible Social Loan Portfolio that equals or surpasses the balance of net proceeds obtained from its outstanding Social Finance Instruments within 12 months of issuing each instrument. As needed, RAKBANK will include or exclude Eligible Social Loans from its portfolio.

Any unallocated net proceeds from the Social Finance Instruments will be held temporarily at the discretion of RAKBANK. These funds may be placed in RAKBANK's liquidity portfolio in the form of cash or other highly liquid instruments with short-term maturity.

6. Reporting

RAKBANK is committed to transparency and will provide regular reports on the allocation of proceeds to the Eligible Social Loan Portfolio, as well as an impact report. These reports will be published annually until full allocation or maturity is achieved.

The allocation and impact of the net use of proceeds to the Eligible Social Loan Portfolio will be reported, at a minimum, at the category level and in an aggregated format encompassing all of RAKBANK’s outstanding Social Finance Instruments.

To ensure comprehensive impact reporting, RAKBANK aims to align its reporting practices with the portfolio approach outlined in the “Handbook - Harmonized Framework for Impact Reporting (June 2023).” Although adherence to this framework is subject to reasonable efforts, RAKBANK will strive to align its impact reporting as closely as possible.

Allocation Reporting

As part of the allocation report, RAKBANK aims to present the following information in an aggregated manner:

- The overall size of the identified Eligible Social Loan Portfolio.
- The balance, if any, of unallocated proceeds.
- The amount or percentage of funds allocated to new financing and refinancing activities.
- Where feasible, the geographic distribution of projects across different Emirates.

These details will provide stakeholders with a comprehensive overview of RAKBANK’s social finance activities and the impact they have across various regions.

Impact Reporting

RAKBANK will strive to include social impact reporting in its annual reports, making its best effort to provide this information until full allocation or maturity of the Eligible Social Loans.

The impact report may encompass the following elements:

- Descriptive details of the relevant Eligible Social Loans.
- Metrics and indicators pertaining to the social impact of the projects, as outlined below.

SBP/SLP Categories	Potential impact reporting indicators at category level
Access to Healthcare	<ul style="list-style-type: none"> • Number of loans granted to healthcare facilities
Employment Generation, and Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing	<ul style="list-style-type: none"> • Number of loans granted to SMEs owned/operated by women • Number of loans to SMEs, micro-enterprises

7. External Review

Pre-issuance verification: Second Party Opinion

RAKBANK has obtained an independent second-party opinion from Sustainable Fitch to assess the alignment of the framework with the ICMA Social Bond Principles 2023 and the LMA/APLMA/LSTA Social Loan Principles 2023. The independent second-party opinion will be published on RAKBANK’s website⁶.

Post-issuance verification: Verification on the allocation of proceeds

RAKBANK intends to request, on an annual basis, starting one year after issuance and until full maturity (or until full allocation), a limited assurance report of the allocation of the net proceeds to the Eligible Social Loan Portfolio, provided by its external auditor (or any subsequent external auditor).

8. Appendix – Exclusion list

The following activities shall be excluded from the RAKBANK's Eligible Social Loans:

- Mining and quarrying
- Alcohol beverage or tobacco production, distribution or trade
- Weapons and defence
- Gambling activities, establishments and equivalent enterprise
- Any other activity that is either illegal or considered socially unacceptable in its home market
- Production or activities violating human rights, involving harmful or exploitative forms of forced labour/child labour
- Manufacture of coke and refined petroleum products
- Processing of nuclear fuel
- Oil & Gas production

Disclaimer

This document has been prepared for informational purposes only. Investors should be able to bear the risk of loss associated with purchase of these Social Finance Instruments. This document does not purport to identify or define all of the risks (direct or indirect) which may be associated with the investment in the Social Finance Instruments. RAKBANK is neither responsible for, nor guarantees or warrants the quality, fitness for purpose, suitability of the Social Finance Instruments. The contents of this document should not be construed as an advice on legal, financial or regulatory issues or as a recommendation to purchase the Social Finance Instruments. No person should rely on the contents of this document without first obtaining independent advice from qualified professionals. RAKBANK, its employees and consultants expressly disclaim all liability and responsibility to any person who reads this document in respect of anything done or omitted to be done by such person in reliance, whether wholly or partially, upon the contents of this document and shall not be responsible for the results of any actions taken on the basis of information provided in this document or for any error in or omission in this document.