



**ADNOC**  
DISTRIBUTION

# ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT 2019



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ADNOC Distribution's commitment towards Environmental, Social and Governance flows from the legacy of the Founding Father of the United Arab Emirates, Sheikh Zayed bin Sultan Al Nahyan, and with the vision of our wise leadership who pioneered sustainability and the protection of the country's natural ecosystems. We are taking a comprehensive and holistic approach to sustainability in terms of our contribution to the economy, the environment and our most important asset, our people. We are strengthening our environmental performance as we expand our operations to ensure we can deliver more energy with fewer emissions while fueling growth and prosperity for decades to come."

**Dr. Sultan Ahmed Al Jaber**

Chairman, ADNOC Distribution  
ADNOC Group CEO



# NOTE FROM ACTING CHIEF EXECUTIVE OFFICER



**Ahmed Al Shamsi**

Acting Chief Executive Officer



**WE ACKNOWLEDGE OUR RESPONSIBILITY TOWARDS THE ENVIRONMENT, AND WORK HAND IN HAND WITH THE GOVERNMENT IN PROTECTING AND PRESERVING THE ECOSYSTEM.**

I am pleased to present the inaugural edition of ADNOC Distribution's Environmental, Social and Governance (ESG) report for 2019. This report provides an overview of our sustainability initiatives, summarizing our performance highlights, achievements and learnings which support our key stakeholders and are in-line with the visions of the leaders of our nation.

Echoing the global call for action to address the sustainability concerns, ADNOC Distribution plays its part in better understanding its ESG risks and opportunities across its value chain. We are actively responding to market dynamics through the use of advanced technology and digital solutions, to leverage our position as the number one fuel and convenience retailer in the UAE, and to manage our resources efficiently and responsibly.

As one of the leading energy providers in the region, we acknowledge our responsibility towards the environment, and work hand in hand with the government in protecting and preserving the ecosystem. In this regards, we have taken a step forward by commissioning service stations with rooftop solar photovoltaic panels as well as building new service stations using green technology to improve energy and water efficiency. In line with our carbon reduction goal,

we reduced our energy consumption by 5% in 2019, compared to 2017.

ADNOC Distribution is committed to delivering sustainable energy to our customers safely and conveniently. Our service stations and terminals are equipped with vapor recovery units (VRUs) to avoid the health effects of exposure to volatile organic compounds. Our customer-centricity is an integral part of our transformational journey from a fuel retailer to a retail destination. We introduced a series of new digital technologies to improve customer experience, such as an integrated smart system for seamless, contactless payments. We also introduced a unique drive-through concept with tablet-based ordering at our 'ADNOC On the go' stations, a station concept which requires significantly less footprint and minimizes the environmental impact of construction, running on average 50% less power compared to traditional stations.

In driving the profitable and sustainable growth of ADNOC Distribution as a world-class, customer-focused, commercially driven organization, our people continue to be at the core of everything we do. By investing in our people's development and ensuring their workplace safety, we

fuel the successful execution of our strategic priorities and encourage a strong sense of responsibility and commitment. As a result of our efforts, we are proud to report zero fatal accidents in 2019. As part of our broader socio-economic contribution, ADNOC Distribution has successfully achieved 40 % In-Country Value, retaining AED 595 million within the UAE economy, as well as 73% Emiratisation rate in 2019.

Though the energy industry is most scrutinized for its environmental impact, looking at sustainability across the ESG spectrum sheds light on the enormous role played by energy providers in supporting the long-term economic prosperity and vision of the nation. While maintaining a strong focus on greater operating and capital efficiencies, we seek to further enhance the robustness of our governance practices, enabling us to navigate better through newer markets.

We are extremely proud of our achievements and will continue to drive forward with new ideas that further enhance customer experience across our network, as we work towards our common goals of enriching society, satisfying the country's demand for energy and supporting sustainable development.

# ABOUT THIS REPORT

We are pleased to present ADNOC Distribution's Environmental, Social and Governance (ESG) report for 2019. It reflects our commitment to provide insights into our sustainability performance.

## Reporting Period

The scope of this report covers our performance from 1 January 2019 to 31 December 2019.

## Basis for Reporting

This report is based on the ADX guidelines for ESG reporting and covers all 31 ESG Key Performance Indicators (KPIs). Our goal is to align our activities and operations, assess performance across all KPIs, recognize strengths, and acknowledge areas of improvement. We believe that this exercise will help in defining and implementing management practices aimed at bridging gaps and providing an ESG reporting framework to guide and aid our future business activities and operations. Please refer to the ADX index at the end of the report, where ADNOC Distribution's disclosures are mapped. From a global perspective, ADNOC Distribution's ESG report has been developed from insights and considerations taken from the United Nations Sustainable

Development Goals (SDGs) and wider reporting considerations taken from the GRI Standards guidance. From a national and local context, ADNOC Distribution's ESG report has been developed taking into account key considerations of UAE Vision 2021, UAE Energy Strategy 2050, Abu Dhabi Economic Vision 2030 and Abu Dhabi Demand Side Management and Energy Rationalization Strategy (DSM) 2030, while ensuring alignment to all other relevant mandates. As a vital contributor to the energy sector in the country, we want to ensure that our responsible business practices are an inspiration to our regional peers. In line with the UAE National Agenda's vision

of continual growth and sustainable development, and in ensuring that we remain relevant and ahead of the curve, ADNOC Distribution has sought to align its sustainability initiatives with the 2030 Sustainability Strategy of ADNOC – one of the world's leading oil and gas companies and a key contributor to ESG initiatives in the UAE. By joining with ADNOC in the implementation of its 2030 Sustainability Strategy, we believe that will be better placed to maximise our contribution towards UAE's leadership in the global energy industry.



## ADNOC Distribution's 2019 ESG Reporting Boundary and Limitations

The 2019 ESG report forms the reporting baseline moving forward.

This report covers data for all ADNOC Distribution services located within the UAE.

This reporting data covers all ADNOC Distribution operations.



## External Assurance

While this report has not been externally assured by an independent auditor, ADNOC Distribution may seek to obtain the same for future reports, to enhance its data reliability and stakeholder confidence.



## Stakeholder Feedback

We thank all our stakeholders who have played a key role in contributing to our sustainability performance and welcome your valuable feedback on this report, which can be directed to [ir@adnocdistribution.ae](mailto:ir@adnocdistribution.ae).



# ADNOC DISTRIBUTION AT A GLANCE



## OUR VISION

At ADNOC Distribution, our Vision is "Empowering daily life, ADNOC Distribution excels at meeting the nation's energy needs and sustaining its growth".



## OUR MISSION

Our vision is underpinned by a Mission Statement that explains that "our profit-centric orientation and commitment to superior quality allows us to continue meeting the energy needs of our customers".

## OUR VALUES

We have identified five core values that underpin our Vision:



### Progressive

We harness the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry.



### Collaborative

We work in close collaboration with our partners and peers, leveraging our collective strengths to deliver mutually beneficial results.



### Respectful

We encourage a culture of inclusivity and mutual respect, and always operate to the highest professional and ethical standards.



### Responsible

We are committed to identifying ways that can make a difference to our community, while maintaining an unwavering commitment to health, safety and the environment.



### Efficient

We are a performance-driven company, dedicated to maximizing the value of energy resources for the benefit of our people, our community, our partners and our nation.



## STRATEGIC PILLARS

Customer and Digital Leadership

Profitable Growth

World Class Efficiency

Performance Culture



# OUR BUSINESS

In the UAE, ADNOC Distribution is the market leader in downstream marketing of retail fuels, automotive lubes, commercial fuels and lubricants, aviation fuels, compressed natural gas (CNG) for vehicles, liquefied petroleum gas (LPG) along with convenience retailing and allied retail services such as car wash, vehicle inspection.



We are also the leading marketer and distributor of fuels and lubricants for commercial, industrial and government customers in the UAE.

We provide aviation fuel and refueling and related aviation services to strategic customers throughout the UAE, as well as refueling and related services to civil aviation customers at seven airports across the UAE.

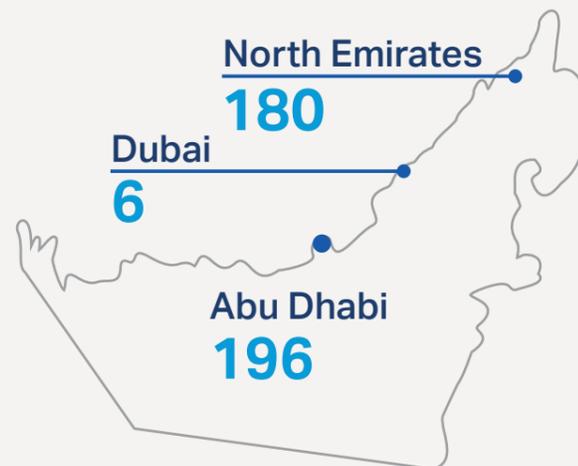
To further complement the services that we offer at our fuel and retail stations, we operate the only government-authorized vehicle inspection centers in Abu Dhabi and car care services such as oil changes, tire changes and car washes at many of our locations.

In addition, we lease space at our service stations to restaurants and other service providers, including brands such as McDonald's, KFC and Starbucks.

In 2019, ADNOC Distribution operated 382 retail fuel service stations and 264 convenience stores across all seven emirates in the UAE, and two retail fuel service stations in the Kingdom of Saudi Arabia (KSA).

We are currently the sole fuel distributor in the emirate of Abu Dhabi and have a dominant market position in the northern emirates of Sharjah, Ras Al Khaimah, Fujairah, Ajman and Umm Al Quwain. In Dubai, we operated six fuel service stations at the end of 2019, with a plan to expand our presence in Dubai and the rest of the UAE in coming years.

**Number of UAE Fuel Stations**  
(31 December 2019)



## Our retail and commercial business service offerings include:

### Retail

**Fuel:** We are the number one retail fuel brand in the UAE, with 382 owned and operated fuel stations as of the end of 2019. We distribute three grades of gasoline, as well as diesel, CNG, LPG and engine lubricants.

**Non-Fuel:** We operate 264 ADNOC Oasis convenience stores located at fuel service stations, which sell a variety of produce such as fresh food, fresh bakery products, refreshments, coffee, snacks, canned and packaged food, newspapers and toys. We also provide value-added services such as car washes and lube changes at our fuel service stations.

### Allied Service

**Rental Properties:** We manage and lease retail space within our service stations.

**Vehicle Inspection:** We manage vehicle inspection centers and are the only providers of government-mandated annual vehicle inspections in Abu Dhabi.

## RETAIL BUSINESS



## COMMERCIAL BUSINESS



### Corporate

We are the largest supplier of diesel and gasoline to commercial, industrial, maritime and government customers in the UAE wholesale fuel market. We also sell lubricants for different types of motor vehicles, as well as for other engines, machinery and equipment.

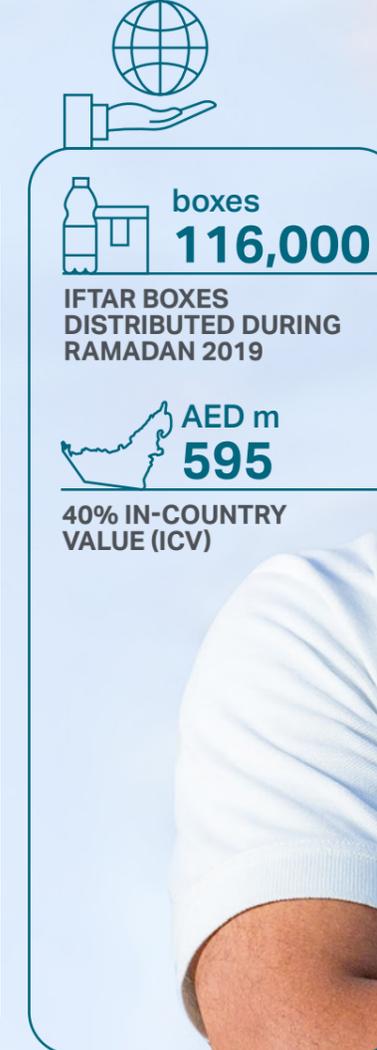
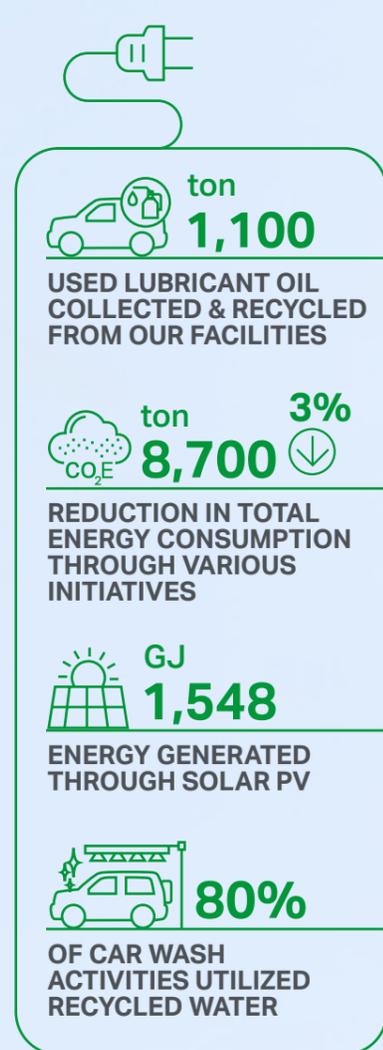
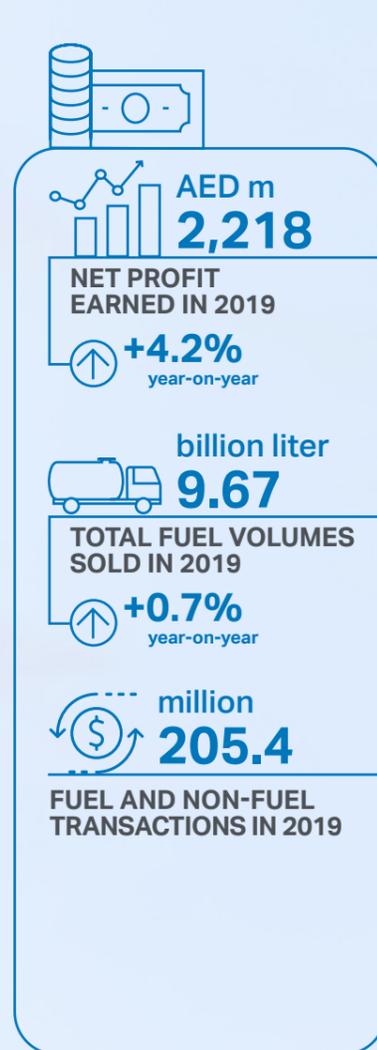


### Aviation

We sell aviation fuel and provide fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers and other strategic aviation customers.

# 2019 PERFORMANCE SNAPSHOT

## Key Highlights



# SUSTAINABILITY



# SUSTAINABILITY

At ADNOC Distribution, we recognize the importance of enhancing sustainability across our value chain and therefore the need for a culture of accountability and transparency - attributes that we aim to demonstrate through our ESG 2019 report.



ADNOC Distribution is currently actively engaged in identifying all material ESG topics and accompanying key performance indicators (KPIs). Shortly, we will include the KPIs in the Organizational Performance Scorecard, which will be adopted by all divisions within ADNOC Distribution. These scorecards are an important part of our internal governance on the progress of our ESG plans and thus oversight by Board of Directors of our sustainability plans. Performance scorecard is reviewed quarterly by ADNOC Distribution's Executive Committee and yearly by the Board. Our Board is involved in the alignment of our strategy with that of ADNOC's 2030 sustainability commitments, as well as exploring how we can best align ourselves with local and global mandates and directives.

Our Sustainable Development (SD) function is integrated within our Business Development and Corporate Strategy Group to ensure sustainability is central to all our business plans and growth initiatives. We have a dedicated Corporate Social Responsibility (CSR) function under our Communication Division and separate HSE division, which directly reports to ADNOC Distribution's CEO.

We have recently established a CSR and SD Steering Committee, which will comprise of members from our Business Development and Corporate Strategy Group, HSE, Marketing, Communications, Legal and Investor Relations departments. The CSR and SD Steering Committee will allow for a proactive approach, taking ownership of all ESG risks and impacts, driving new sustainability initiatives, while

overseeing our contributions to the economy and, more importantly, our people.

The CSR and SD Committee will also be responsible for collecting, reviewing and taking action on feedback from our shareholders and investors on ADNOC Distribution's ESG activities and way forward, while also ensuring alignment to ADNOC's 2030 Sustainability Strategy, external ESG guidelines and regulatory requirements.

By having a dedicated CSR and SD Committee, ADNOC Distribution will be better placed to ensure our ESG considerations and impact are implemented across our operational decision-making processes.

## Our Alignment to ADNOC

Through our ESG considerations, ADNOC Distribution has sought to align its ESG reporting framework and way forward with ADNOC's strategic vision so that we can partner up with ADNOC in our contributions to the UAE's National Agenda. We see ADNOC's 2030 Sustainability Strategy as a foundation to reinforce our commitment and way forward to improve our ESG performance.

ADNOC's 2030 sustainability strategy (to which we will contribute) is based on six sustainability pillars:



As part of our ESG considerations moving forward, we aim to set forth ADNOC Distribution specific KPIs and commitments to better align our downstream marketing and distribution services, ensuring our sustainable growth and contribution to the UAE energy sector.

# ALIGNING WITH NATIONAL POLICIES, FRAMEWORKS AND INITIATIVES

As one of the largest companies in the regional fuel distribution industry, ADNOC Distribution has a responsibility to contribute to the sustainable development and prosperity of the UAE.

Both federal and local governments have introduced sustainability mandates in response to the overall national vision. At the national level, leadership has introduced UAE Vision 2021, UAE Energy Strategy 2050, and the National Climate Change Plan 2017-2050, while at the emirate level there is Abu Dhabi Economic Vision 2030, Abu Dhabi Demand Side Management and Energy Rationalization Strategy (DSM) and Environment Vision 2030. ADNOC Distribution has therefore considered its business activities across these mandates and has aligned its activities as shown below:

## At the UAE Level



### UAE STRATEGY 2050

**AIMS** To achieve an energy mix that combines renewable, nuclear and clean energy sources to meet the UAE's economic requirements and environmental goals.

**FOCUS AREAS**

- Increase the contribution of clean energy in the total energy mix from **25%** to **50%** by 2050
- Reduce carbon footprint of power generation by **70%**

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Solar Energy

Successfully commissioned four new service stations in UAE with rooftop solar photovoltaic power-generation capabilities.



### UAE VISION 2021

**AIMS** To transform the UAE into a diversified and knowledge-based economy

**FOCUS AREAS** Sustainable Environment and Infrastructure

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Green Service Stations

Two service stations in Yas Island have been built using green technology to improve energy and water efficiency, and have been designed and constructed to LEED Silver certification.



### NATIONAL CLIMATE CHANGE PLAN OF THE UAE 2017-50

**AIMS** To address the causes and impacts of climate change; to plan the transition into a climate resilient green economy.

**FOCUS AREAS** Enhance the UAE's economic diversification agenda through innovative solutions.

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Energy Management

We have an ISO 50001:2011 certified energy management system (EMS) in place, which is verified yearly across buildings, service stations, depots and plants. In 2019, our indirect energy consumption dropped by 5%, an equivalent of approx. 9,800 ton of CO<sub>2</sub>.

##### Water saving

Installed aerator water savers across all washrooms and mosque ablution areas in our service stations and other premises. The grid spray pattern produced by this device has reduced per-wash water consumption by more than 80%.

##### Paper Recycling

In 2019, we recycled 1.6 ton of paper thereby contributing to reduction in CO<sub>2</sub> from the environment.



### UAE CENTENNIAL 2071

**AIMS** To strengthen the country's reputation; ensure that government revenue is diversified, relying less on oil; invest in future generations, focusing on transformation of the UAE towards becoming a knowledge-based economy.

**FOCUS AREAS**

- Future focused environment
- A happy and cohesive society

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Compressed Natural Gas for Vehicles Project

Built compressed natural gas (CNG) fueling facilities across 29 service stations. In 2019, ADNOC Distribution fueled around 40 million metric standard cubic meters (MMSCM) of CNG to vehicles, thereby contributing to reduction in CO<sub>2</sub> emissions by offering cleaner fuel.

##### Healthcare Initiative

Partnering with VPS Healthcare, we provided free health screenings at four ADNOC Distribution stations in Abu Dhabi and Al Dhafra. We distributed 925 first-aid kits and placed a mobile health unit where 515 clients conducted health screenings.

## At the Abu Dhabi Level

### ABU DHABI ECONOMIC VISION 2030

**AIMS** To transform Abu Dhabi's economy into a knowledge-based one and reduce its reliance on the oil sector as a source of economic activity.

#### FOCUS AREAS

- Drive significant improvement in the efficiency of the labor market
- Develop a sufficient and resilient infrastructure capable of supporting anticipated economic growth

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Local Procurement

For 2019, we successfully achieved 40% ICV (percentage of procurement awarded to local suppliers).

### ENVIRONMENT VISION 2030

**AIMS** To preserve and enhance Abu Dhabi's natural heritage in the efficient use of resources and contributing to a better quality of life for all.

#### FOCUS AREAS

- **Water resources:** Efficient management and conservation of water resources
- **Waste management:** Enhanced value creation through optimized material flows and waste management

#### ADNOC DISTRIBUTION'S IMPACT AND CONTRIBUTION

##### Car water wash recycling

All car wash docks have been equipped with water from the water treatment plant where 80% of water used for car washing is recycled.

##### Waste disposal

In 2019, round 12,700 tons of non-hazardous mixed domestic waste generated from our operations was successfully moved to landfill as per regulatory requirements.

##### Lube oil recycling

Collected and recycled 1,100 ton of waste lube oil from our operations in 2019.

In line with Abu Dhabi Economic Vision 2030 and other UAE national strategies, the Abu Dhabi Department of Energy (DoE) revealed the emirate's Demand Side Management and Energy Rationalization Strategy (DSM) 2030 at the 24<sup>th</sup> World Energy Congress (WEC) held in Abu Dhabi. The strategy focuses on providing economic, system reliability and environmental benefits and mitigating the impact of climate change, while promoting sustainable economic development.

The DSM strategy responds to supply and demand issues through the following nine core programs:

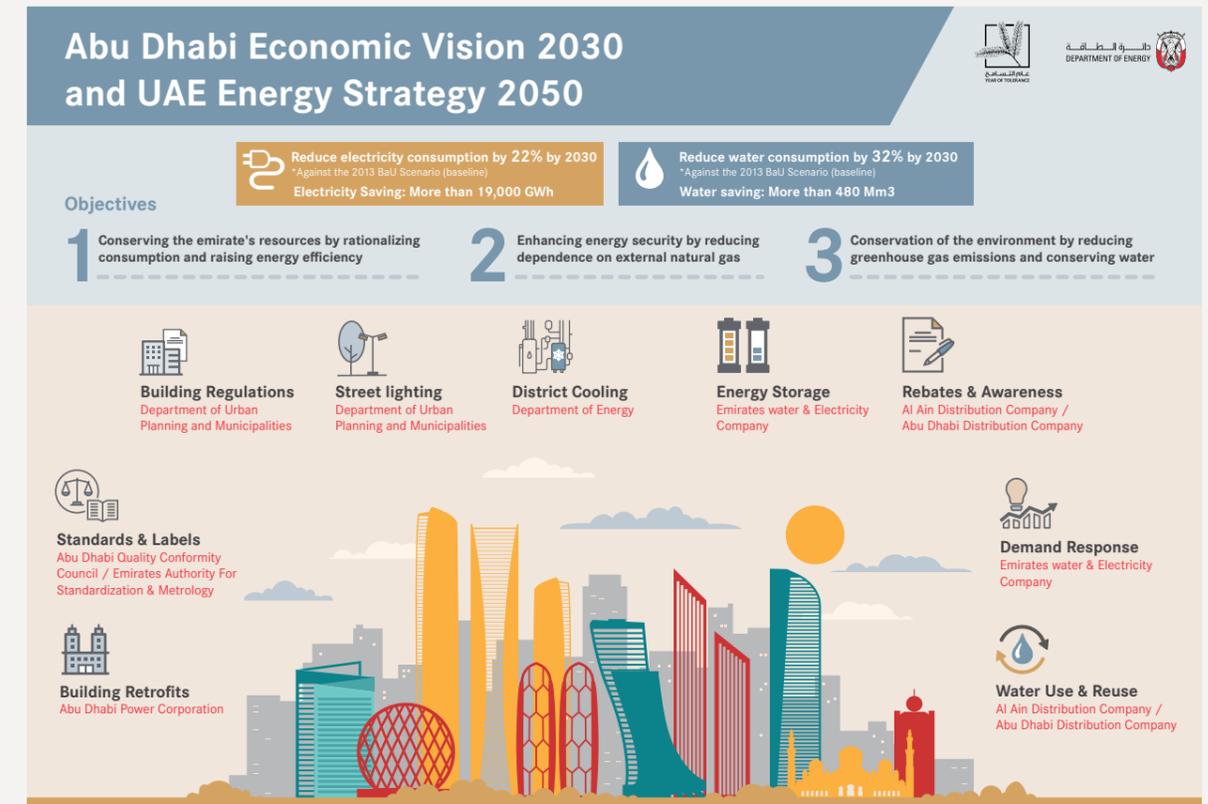
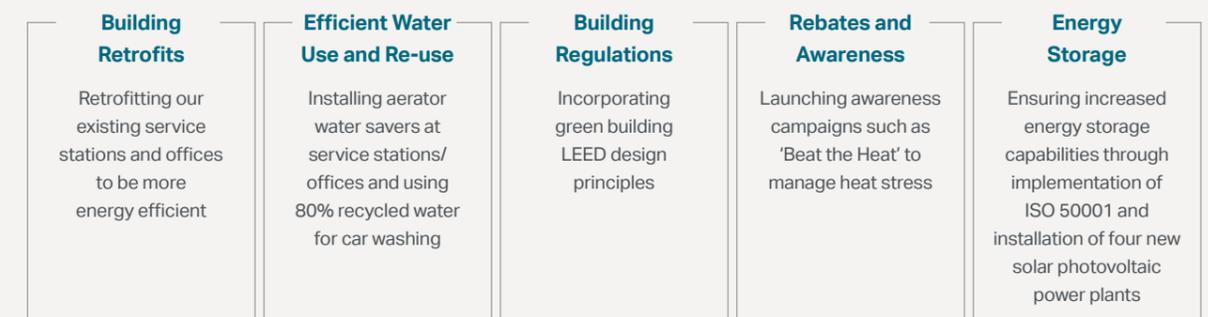


Image Source: Department of Energy Abu Dhabi

With Abu Dhabi's energy consumption expected to increase over the next decade, the successful implementation of the Abu Dhabi Economic Vision 2030 and UAE Energy Strategy 2050 has high potential to achieve the strategic goal of reducing the emirate's electricity consumption by 22% and water consumption by 32% by 2030.

**At ADNOC Distribution, we are committed to advancing our alignment and contribution to the DSM strategy by introducing sustainable energy efficiency and resource management initiatives and projects across our operations in the coming years. The existing examples of our alignment initiatives with the relevant DSM pillars include:**



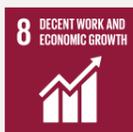
# ALIGNMENT TO UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS

The announcement of the ADNOC's 2030 sustainability goals saw ADNOC launch its vision to contribute towards the UN Sustainability Development Goals (SDGs) on responsible consumption and production, climate action, biodiversity stewardship and enhancing economic prosperity.

In 2015, the UN introduced the SDGs as a successor to the Millennium Development Goals. The 17 SDGs are designed to achieve a better and more sustainable future for all and cover topics ranging from poverty and education to climate change. The UAE is one of the 193 countries to have ratified and adopted these goals. ADNOC Distribution's position and contributions to the UAE's position on supporting the SDG's are mapped out below:



| SDG Priority Area  | Drivers and Commitments   | ADNOC Distribution's Contribution in 2019   |
|--|---|---|
| <b>SDG 3: Good Health and Wellness</b><br>    | <p>With the Ministry of Interior's national index to reduce road traffic mortality rates to 3 per 100,000 by 2021, various national and local initiatives have been launched to create public awareness on the road safety.</p> | <p>ADNOC Distribution has organized a range of corporate social responsibility initiatives related to raising awareness of road traffic safety and responsible driving.</p> <p>ADNOC Distribution launched the employee-focused 'Beat the Heat' campaign to raise awareness of heat stress and heat illness within the workplace.</p>   |
| <b>SDG 7: Clean and Affordable Energy</b><br> | <p>In line with the UAE Energy Strategy 2050 plan to increase the contribution of clean energy in the nation's total energy mix by 50% by 2050.</p>   | <p>ADNOC Distribution has successfully commissioned four new service stations in UAE with rooftop solar photovoltaic power plants and plans to expand them across its retail network. With an estimated production of approximately 430,000 (KWh) or 1,548 (GJ), these PV plants allow us to save around 30% over the current average rate charged by the local utility.</p> <p>Through ADNOC Distribution's various energy efficiency initiatives such as obtaining LEED certification for its service stations, regulating temperatures of HVAC, installing PV systems at service stations, it has reduced about 46,000 GJ energy consumption in the last year.</p> |

| SDG Priority Area  | Drivers and Commitments   | ADNOC Distribution's Contribution in 2019   |
|--|---|---|
| <b>SDG 8: Decent Work and Economic Growth</b><br> | <p>In line with ADNOC's In-Country Value (ICV) program launched in January 2018, aimed at encouraging private-sector partnerships, catalyzing socio-economic development, improving knowledge-transfer and generating skilled jobs for UAE nationals. ADNOC Distribution supports Abu Dhabi's commitments to catalyze socio-economic development, improve knowledge transfer and generate employment opportunities for UAE nationals.</p> <p>ADNOC Distribution is also committed to building a safe and secure working environment, which will promote worker health and safety.</p> | <p>In 2019, ADNOC Distribution achieved a 40% In-Country Value, as the percentage of procurement awarded to local suppliers, equivalent of AED 595 million in contribution to the UAE economy.</p> <p>Through ADNOC Distribution's HSE policy, ADNOC Distribution had been able to report zero fatal accidents since 2017, as well as a significantly lower Lost Time Injury Frequency (LTIF) rate of 0.07 compared with that of International Association of Oil and Gas Producers (IOGP's) industry standards.</p> <p><small>*above figures only include on-desk staff.</small></p> |

**SDG Priority Area**

**Drivers and Commitments**

**ADNOC Distribution's Contribution in 2019**

**SDG 12: Responsible Consumption and Production**



Utilization of our state-of-the-art Centralized Hazardous Waste and Naturally Occurring Radioactive Material (NORM) treatment and disposal facility to ensure proper management of waste generated from oil and gas industries.

In 2019, ADNOC Distribution shifted 10 tons of hazardous waste, including expired chemicals from lube and grease blending plants, spent catalyst from natural gas operations, and other categories of hazardous materials, to a centralized hazardous waste management facility for treatment. In addition, we also sent 1,720 m3 of liquid waste from LPG Cylinder washing facility to the facility.

ADNOC Distribution works with specialized service providers to collect waste lube oil from our facilities for recycling, with about 1,100 ton of waste oil collected and recycled.

In response to local drivers such as the Abu Dhabi Securities Exchange (ADX) ESG guidelines, there is increased encouragement for companies to adopt sustainable practices and integrate sustainability disclosures into their reporting.

In addition to ADNOC Distribution's 2019 ESG report, ADNOC Distribution also publishes relevant sustainability highlights in its Annual Report, and in its annual Corporate Governance Report.

**SDG 13: Climate Action**



In line with the UAE Energy Strategy 2050 that seek to reduce the carbon footprint of power generation by 70%.

ADNOC Distribution has reduced its total energy consumption by 3% in the past year, measuring a reduction of approximately 8,700 ton of CO<sub>2</sub> equivalent.

**SDG 15: Life on Land**



In line with Environment Vision 2030 which prioritizes the conservation and preservation of biodiversity, habitats and cultural heritage to contribute to a better life for all.

ADNOC Distribution is conscious of its responsibilities towards environmental stewardship while making key infrastructure decisions. Working closely with environmental agencies such as the Environment Agency Abu Dhabi, we do not undertake construction around biodiversity conservation or protected areas.



# GOVERNANCE FRAMEWORK



# OVERVIEW

At ADNOC Distribution, we believe that by having a high quality corporate governance framework and complete information transparency, we are better able to promote the long-term sustainable success of ADNOC Distribution, generate value for all stakeholders and contribute to the wider community.



Accordingly, we have adopted and implemented a complete corporate governance framework that fulfils all applicable laws and regulations while also being in line with international best practice. This corporate governance framework is designed to ensure that ADNOC Distribution has a culture of consistency, responsibility, accountability and transparency of the highest standards at all levels.

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success.

Accordingly, we are taking this opportunity to remind you of the comprehensive corporate governance framework that we have adopted and under which we operate. In this section, we will provide you with a brief overview of our corporate governance processes and report on how these processes have been implemented by us.

**Further details on our Corporate Governance should be read in conjunction with separate Corporate Governance Report published by us (link to Corporate Governance Report 2019:**

<https://www.adnocdistribution.ae/en/investor-relations/investor-relations/corporate-governance/corporate-governance-documents/>



## Our Corporate Governance Overview

We are committed to having a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and that are consistent with international best practices. Below is a brief summary of some of the key policies that we have implemented and under which we operate.

## Corporate Governance Policy

Our Corporate Governance Policy provides clear guidance on: (a) the ADNOC Distribution's corporate governance structure and the interface between the ADNOC Distribution and its stakeholders; (b) the authorities and decision-making mechanisms within the ADNOC Distribution and between its stakeholders; and (c) the role and responsibilities of the ADNOC Distribution's corporate governance function.

## Code of Conduct

Our Code of Conduct demonstrates ADNOC Distribution's commitment to compliance and ethical behavior in all that it does. Our Code of Conduct (a) sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADNOC Distribution; and (b) provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

## Non-Discrimination

Based on our Code of Conduct core value 'We Are Respectful', we do not tolerate discrimination, harassment or violence of any kind in our workplace. We ensure all our employees adhere to this and base their conduct on our values of workplace ethics, honesty, and integrity.

We expect all our suppliers, contractors and business partners to abide by our Code of Conduct and to our Supplier and Partner Code of Ethics.

## Related Party Transactions Policy

Our Related Party Transaction Policy is designed to ensure that: (a) transactions with related parties are conducted on arm's length terms; (b) the Board of Directors and senior management are aware of the steps required to approve transactions with related parties; and (c) a legitimate business case is present and which supports the relevant related party transactions, including their arm's length nature. In accordance with this policy, we may not enter into a related party transaction unless it has been approved by: (i) our Board of Directors, where the transaction's value does not exceed 5% of the value of our share capital; or (ii) our shareholders at a General Assembly, where the transaction's value exceeds 5% of our share capital. The foregoing requirements do not apply to transactions with ADNOC and with other ADNOC operating companies. However, for so long as ADNOC owns more than 50% of our shares, we may not enter into transactions with ADNOC or other ADNOC operating companies unless such transactions have been approved by our Board of Directors, including a majority of the independent members of the Board of Directors.



Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success.

### Insider Dealing Policy

The requirement to have fair and transparent dealings in our securities is of paramount importance to us and we take a zero tolerance approach to any activities which would prevent this requirement from being properly implemented.

Accordingly, we have implemented an Insider Dealing Policy to ensure that the obligations and responsibilities of our employees, officers and directors with respect to dealings in our securities are clearly defined. In accordance with the Insider Dealing Policy, we have established an Insider Dealing Committee to oversee the ongoing implementation of this policy.

### Anti-Bribery and Corruption Policy

We are committed to doing business lawfully, ethically and with integrity, and we expect all of our employees and representatives to act accordingly. Consistent with this commitment, we take a zero tolerance approach to fraud, bribery and all other forms of corruption. Our Anti-Bribery and Corruption Policy sets forth our requirements to ensure that none of our employees or representatives engage in any of these activities.

### Compliance Investigations Policy

Our commitment to operating with integrity includes investigating, where necessary, allegations of ethical misconduct. Our Compliance Investigations Policy and supporting procedures set forth our approach to investigations relating to alleged

violations: (a) ethical business practices; (b) integrity in our interactions and arrangements with third parties; and (c) applicable laws, regulations, policies and procedures relating to ethical business practices and integrity. This policy requires all of our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

### Conflicts of Interest Policy

We understand that our employees, officers and directors will engage in legitimate social, financial and business activities outside the scope of their work for us. Our Conflicts of Interest Policy sets forth our requirements for the avoidance and management of conflicts of interest that may arise as a result of these other activities, including the avoidance of situations that merely have the appearance of a conflict of interest. Under this policy, conflicts of interest must be promptly disclosed so that the appropriate course of action can be taken in order to protect ADNOC Distribution's interests.

### Whistleblowing Policy

Having an open, honest and transparent culture supports our commitment to integrity. Our Whistleblowing Policy encourages our employees to report concerns about unethical behavior in connection with our business by assuring confidentiality and by protecting good faith whistle-blowers from retaliation, even if they are mistaken.

# BOARD OF DIRECTORS

Our Board of Directors comprises seven Directors. All Directors are non-executive directors, with three of our Directors being independent within the meaning of Resolution No. (7/R.M) of 2016 of the Securities and Commodities Authority of the United Arab Emirates (the SCA and the Corporate Governance Rules). Pursuant to our Articles of Association, each Director serves a three-year term, after which a Director may be elected to a successive term or terms.

## Composition of the Board of Directors

Set forth below is a table detailing the composition of our Board of Directors:

|   |  |  |
|---|--|--|
| <b>H.E. Dr. Sultan Ahmed Al Jaber</b><br>Non-executive Chairman<br>Since February 2016 <sup>(1)</sup> | <b>Mr. Ahmed Jasim Al Zaab</b> <sup>(3)</sup><br>Non-executive Director<br>Since 30 April 2019 | <b>Mr. Pedro Miró Roig</b><br>Independent Non-executive Director<br>Since November 2017                                      |
| <b>Mr. Khaled Salmeen</b> <sup>(2)</sup><br>Non-executive Director<br>Since 5 February 2019           | <b>Mr. Jassim Alseddiqi</b><br>Independent Non-executive Director<br>Since November 2017       | <b>Mr. Abdulla Salem Al Dhaheri</b> <sup>(4)</sup><br>Non-executive Director<br>March 2016 to 5 February 2019 <sup>(4)</sup> |
| <b>Mr. Abdulaziz Abdulla Alhajri</b><br>Non-executive Director<br>Since November 2017                 | <b>Mr. David-Emmanuel Beau</b><br>Independent Non-executive Director<br>Since November 2017    | <b>Mr. Matar Hamdan Al Ameri</b> <sup>(5)</sup><br>Non-executive Director<br>Since November 2017 to 30 April 2019            |

(1) Pre IPO, H.E. Dr. Sultan was appointed in February 2016 as the Chairman of the Board of Directors of ADNOC Distribution. Post IPO, he was reappointed as the Chairman of the Board in November 2017.

(2) Mr. Salmeen was appointed to our Board of Directors on 5 February 2019 following the resignation of Mr. Abdulla Salem Al Dhaheri, who served on the Board from March 2016 to 5 February 2019. In accordance with our Articles of Association, Mr. Salmeen's appointment was ratified by shareholders at our annual General Assembly held on 4 April 2019.

(3) Mr. Al Zaabi was appointed to our Board of Directors on 30 April 2019 following the resignation of Mr. Matar Al Ameri, who served on the Board from November 2017 to 30 April 2019. In accordance with our Articles of Association, Mr. Al Zaabi's appointment will be submitted for ratification by shareholders at our annual General Assembly to be held on 31 March 2020, subject to SCA approval.

(4) Pre IPO, Mr. Al Dhaheri was appointed in March 2016 as a member of the Board of ADNOC Distribution. Post IPO, he was reappointed as a member of the Company's Board in November 2017 and he resigned on 5 February 2019.

(5) Mr. Al Ameri was appointed as a member of the Company's Board in November 2017 and he resigned on 30 April 2019.

## Women's representation on the Board of Directors

In 2019, we did not have any female members on the Board of Directors. However, in keeping with our commitment to gender diversity, we are actively seeking out opportunities to include female representation on our board.

ADNOC

# SOCIAL COMMITMENT



# GIVING BACK TO OUR COMMUNITY

In line with one of our Code of Conduct core values, "We are Responsible", ADNOC Distribution believes in acting responsibly and giving back to the communities in which it operates.

We recognize our responsibility in supporting local and national strategies such as UAE Vision 2021, UAE Centennial 2071, Abu Dhabi Economic Vision 2030, all of which focus on enhancing the country's overall development and prosperity. By developing job opportunities for UAE nationals, supporting

social initiatives, encouraging local procurement and improving customer satisfaction, we contribute to these directives and embrace our corporate responsibility. We continue to strengthen efforts towards our corporate social responsibility (CSR) by having a dedicated CSR officer, whose responsibility comprises all social

investment and community development programs. Our CSR outreach efforts in 2019 comprised several community empowerment programs ranging from sponsorships and social initiatives to partnerships with charitable organizations. We allocated and invested around AED 800,000 to implement these programs during the year.

## Community Initiatives

We have introduced several social initiatives in 2019, including

 **12,700**  
REUSABLE SHOPPING BAGS SOLD TO DISCOURAGE THE USE OF SINGLE USE PLASTIC

**Bag for Life**  
ADNOC Distribution worked with the Ministry of Climate Change and Environment to introduce a campaign encouraging people to adopt environment-friendly shopping habits. As a part of this initiative, we introduced 12,700 reusable shopping bags made of jute and cotton, which we made available across our service station retail outlets. The initiative has been well-received by many of our customers, who purchased jute bags instead of plastic bags.



 **515**  
FREE HEALTH CHECKS GIVEN TO CUSTOMERS

**Have a Healthy Day**  
Partnering with VPS Healthcare, ADNOC Distribution launched a public health awareness campaign across the areas of Rabdan, Mahawi North, Madinat Zayed and Ghayathi. In conjunction with this initiative, we placed mobile health units at four of our service stations in Abu Dhabi and Al Dhafra for two days. A total of 515 people performed free health screenings and about 925 first-aid kits were distributed.



 **925**  
FIRST-AID KITS DISTRIBUTED

 **116,000**  
IFTAR BOXES DISTRIBUTED DURING RAMADAN

### The holy month of Ramadan

Embracing the spirit of kindness during the month of Ramadan, we partnered with the Khalifa bin Zayed Al Nahyan Foundation to conduct iftar events across Abu Dhabi, Al Dhafra and Fujairah. We distributed 6,340 Liquefied Petroleum Gas (LPG) cylinders to more than 300 families to support the preparation of iftar meals for these events, where ADNOC Distribution volunteers and community volunteers joined hands in distributing these iftar meals across the Ramadan tents. With the aim of building awareness about the importance of giving back to the society, 116,000 Iftar boxes consisting of water, dates, cookies and sanitizer wipes were distributed across ADNOC Distribution services stations. This initiative was conducted in partnership with 'Preservation of Grace', a humanitarian initiative run by Emirates Red Crescent.



 **12,000**  
WATER BOTTLES DISTRIBUTED TO OUTDOOR WORKERS

### Rahma Campaign

In collaboration with ADNOC Liquefied Natural Gas (LNG), in August 2019, we introduced the 'Rahma' campaign to combat the summer heat in the UAE. As a part of this initiative, we distributed water bottles and juice cartons to nearly 12,000 people who work outdoors in Abu Dhabi and Al Dhafra. The water bottles and juices were supplied during the summer midday breaks, when workers are prohibited from working outdoors to avoid the extremely hot weather.



## Sponsorships

In 2019, we sponsored several initiatives in coordination with several local entities in the UAE:



### Pink Caravan Breast Cancer Campaign

A campaign for early breast cancer detection where ADNOC Distribution donated AED 100,000, in line with its mission to spread awareness, dispel myths associated with breast cancer in relation to the UAE community, provide access to clinical screening services and improve the standards of breast cancer screening and treatment.

### Dubai Police 'White Points' Campaign for Responsible Driving

A motorist's safety campaign where ADNOC Distribution donated AED 70,000 to support its goal of encouraging motorists to abide by traffic laws and regulations in order to reach the highest level of traffic safety.

# ENGAGING WITH OUR STAKEHOLDERS

Our stakeholders, including our customers and shareholders, expect us to adapt to meet their needs and requirements and deliver innovative services.

A key mechanism to achieve this is through stakeholder engagement, allowing us to gain valuable insights to help us react to market trends and make informed decisions across the value chain. Through multiple

channels, we listen to and seek feedback from all our stakeholders where their input guides our approach, areas of focus, prioritization and improvement. Among our most important stakeholders are our

customers. Important ways of engaging with them include customer surveys and focus groups to understand their views, site visits, workshops and customer-complaint management tools.



Our key stakeholder groups and the ways in which we engage with them to ensure effective shared value creation are listed below:

## Our Stakeholders



### Customers

## How We Engage

- Retail outlets
- Social media
- Corporate website
- Customer call centers
- Customer satisfaction surveys

## Our Engagement

In 2019, we engaged with more than 14,000 customers through surveys, focus groups and other outreach methods.

Engagement with our customers helped influence the following developments:

- Providing seamless digital payments through Mobile Pay on the ADNOC Wallet and contactless methods such as Apple Pay and Samsung Pay
- Providing free-of-charge service-assisted fueling for all customers effective 3 November, 2019
- Creating our 'ADNOC Rewards' loyalty program
- 'Fuel Up and Fly Off' partnership with the Etihad program
- Launching our 'ADNOC on the Go' neighborhood station concept for communities
- Introducing the next-generation 'ADNOC Oasis' convenience store with new seamless digital experiences

## Our Stakeholders



### Employees

## How We Engage

- Regular internal communications
- Employee code of conduct
- Employee engagement survey
- Learning and development training programs
- Performance appraisals
- Employee recognition awards
- Face-to-face management meetings

## Our Engagement

ADNOC Distribution recognizes that its people and their contributions are invaluable to the organization, and is committed to investing in their development and engagement. We also gain valuable insights from our employees through our annual employee engagement survey which saw 63% of ADNOC Distribution employees talk positively about the organization.

Some of the initiatives developed as a result of their engagement included:

- The 'Ma'an' program through which we engage with our front-line retail staff to educate them about their rights and responsibilities, as well as to recognize and reward their achievements
- The 'AskHC' online employee enquiry system that provides streamline access for our employees to raise concerns and effectively follow-up

## Our Stakeholders



### Shareholders

## How We Engage

- General Assembly Meetings
- Investor roadshows
- Participation in equity conferences
- Annual Report
- Corporate Governance Reports
- Quarterly earnings release and management discussion and analysis reports
- Quarterly investor presentations
- Quarterly results conference calls
- Press releases

## Our Engagement

ADNOC Distribution went public on 13 December, 2017 on the Abu Dhabi Securities Exchange (ADX). ADNOC continues to be the majority shareholder, owning 90% of the shares as at end of December 2019, followed by institutional and individual shareholders based in the UAE and internationally.

Our key interactions with our shareholders include:

- The publishing of our Annual Report and Corporate Governance Reports, giving them meaningful insights into our performance and growth
- Our dedicated Investor Relations Department engaging with our current and potential shareholders through various investor roadshows and conferences, which take place quarterly
- A key questionnaire is sent out after every meeting or conference call with each investor, to measure their engagement and feedback, which is then shared with both the Executive Leadership team and the Executive Committee

#### Our Stakeholders



### Suppliers and Partners

#### How We Engage

- Bids and tenders
- Supplier portals
- Suppliers and Partners Code

#### Our Engagement

ADNOC Distribution is keen on working with local suppliers to create employment opportunities for local talent and for supporting the UAE GDP diversification.

Our suppliers and partners:

- Extend our commitment to ethical business practices, safe working conditions and fair employee welfare through our Suppliers and Partners Code of Ethics
- Register their complaints and suggestions through our dedicated online system, helping us understand their concerns
- All partners and suppliers are able to contact a toll free hotline or dedicated email service to communicate all queries, suggestions and grievances. To evaluate the effectiveness of this supplier hotline, an annual 'Suppliers Satisfaction Survey' is conducted
- All queries from partners and suppliers specific to ADNOC Distribution can be communicated directly to the Vendor Management team through the Procurement Support department for all contractual tender or execution agreements

#### Our Stakeholders



### Government and Regulatory Authorities

#### How We Engage

- Annual and quarterly reports
- Public reporting
- Face-to-face meetings

#### Our Engagement

Through our Annual Report and Corporate Governance reports, we provide regular updates on our performance and growth.

#### Our Stakeholders



### Local Communities

#### How We Engage

- Employee Volunteering
- Community Program Sponsorships
- ADNOC CSR Events

#### Our Engagement

Through ADNOC Distribution's CSR activities, we remain connected with our local communities, collaborating and working with community members to ensure their:

- Well-being through 'Have a Healthy Day' initiative, 'Ramadan' Campaign and 'Rahma' provisions initiative
- Safety and security through our support to Dubai Police's 'White Points Program' Responsible Driving Campaign
- Awareness and understanding through our support of 'Pink Caravan' Breast Cancer Campaign



# PROMOTING A DIVERSE AND INCLUSIVE WORKPLACE

We recognize the importance of providing our people with a healthy work environment that empowers them and motivates them to achieve their full potential.

Our employee engagement survey, with a 63% positive result for the 2019 survey, is designed to assess their state of emotional and intellectual involvement.

The result reflects the percentage of employees in ADNOC Distribution who: speak positively about the organization to co-workers, potential employees, and customers (SAY); have an intense desire to be a member of the organization (STAY); and are motivated to exert extra effort and engage in work that contributes to business success (STRIVE).

We believe in building a diverse work environment that promotes differences, offers equal opportunities and ensures that everyone has a sense of belonging and empowerment. To ensure this, we invest in employee training and development programs and enforce non-discriminatory and gender diverse values across our business.

## Closing the Gap

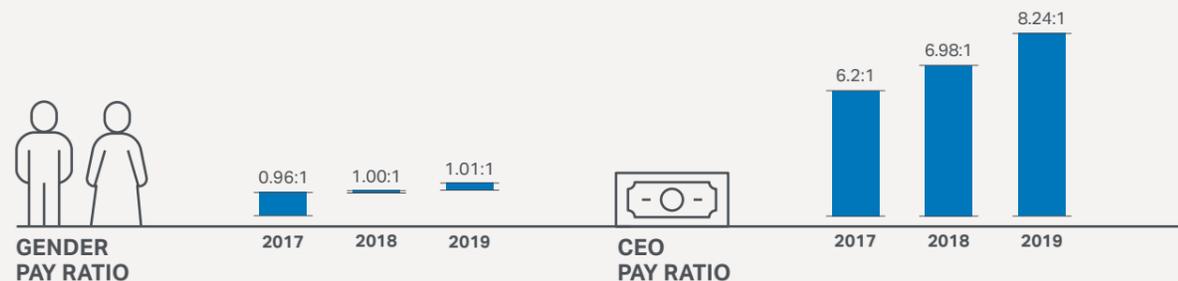
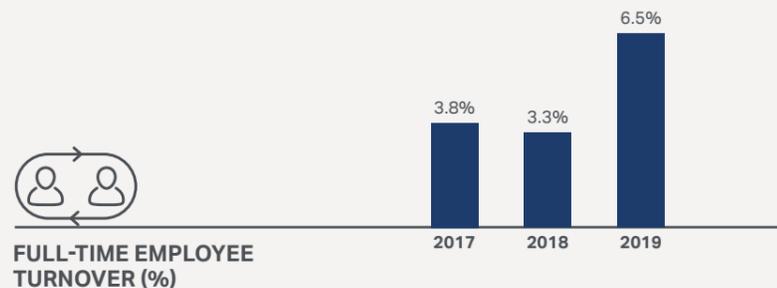
Gender pay ratio at ADNOC Distribution slightly increased by 0.01 times from 2018 to 2019. Although this is a minimal increase in the pay gap, we are committed to further lowering the pay gap between our male and female representatives across our organization.

In 2019, ADNOC Distribution's acting Chief Executive Officer's total salary, which includes allowances and bonuses, was 8.24 times more than the median full-time equivalent salary at ADNOC Distribution.

## Employee Turnover

Our employee turnover rate increased from 3.3% in 2018 to 6.5% in 2019, mainly as a result of staff optimization initiatives and outsourcing of some of our support functions in order to drive improvement in efficiency across our operations. We continue to increase our efforts in building employee satisfaction through introducing various benefit programs for our employees and their families. These include:

- Healthcare
- Disability coverage
- Parental leave
- Retirement provision
- Education assistance



Above statistics are based on non-service station employees (but includes UAE nationals in service stations)

## Diversity and Gender Balance

At ADNOC Distribution, one of our Code of Conduct core values, 'We Are Respectful', includes promoting a working environment that respects diversity. We are proud to have a diverse workforce, representing 63 nationalities.

We believe that a diverse workforce can bring an increase in productivity and competitive advantage, where cultural and language skills promote creative thinking and market benefits as a result of language diversity in the workplace. Having a diverse workforce means we have a responsibility to create an inclusive workforce, where all employees feel respected, irrespective of their background or gender.

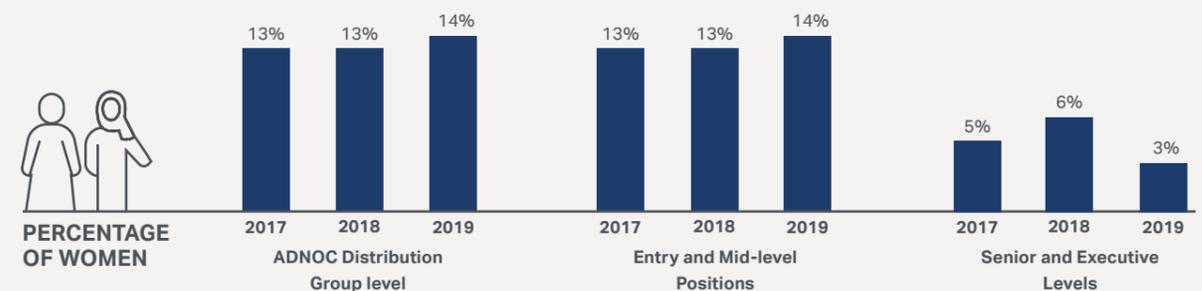
We believe that gender balance is crucial for the continued growth and sustainability of any organisation. We strive to ensure that talent and performance are recognised and rewarded, irrespective of gender. Being the first distribution company in the region to recruit women at our service stations, we have always focused on supporting women and giving them the right opportunities to excel in their respective careers.

As demonstrated in the table below, the percentage of women at ADNOC Distribution group-level, and entry and mid-level positions has increased by 1% year on year in 2019. Although this is a marginal increase, we will continue to make efforts to improve this.

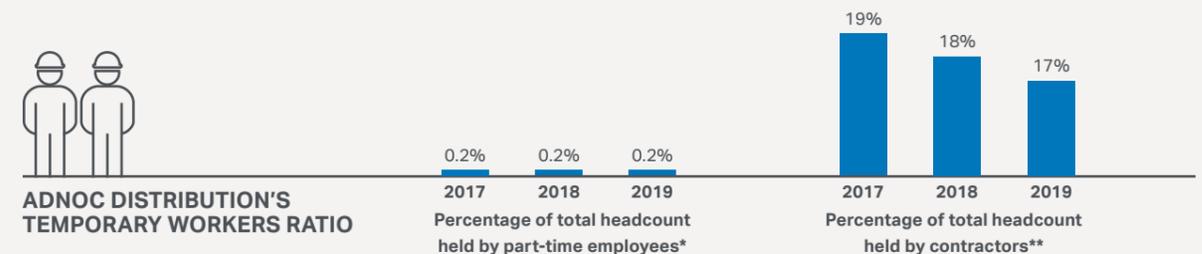
At our senior and executive levels, we observed a decrease in the

representation of women colleagues from 2018 to 2019. However, we remain committed to drive gender diversity, promote tolerance and inclusivity and empower women's central role in contributing to the UAE's prosperity. To ensure a diverse workforce, ADNOC Distribution is actively seeking to recruit more female employees in all areas of our business, including at senior and executive roles. We are also working on a number of initiatives to advance women's career growth across our company.

Additionally, we will continue to ensure that female employees obtain access to all necessary training and development in order to achieve their full potential in line with the standards of high performance we expect from all our employees - both men and women alike.



Above statistics are based on non-service station employees (but includes UAE nationals in service stations).



\* These statistics are based on the number of part-time employees (work pressure) versus total non-service station employees.

\*\* These statistics are based on the number of contractor employees (third party) versus total non-service station employees.



## ADNOC DISTRIBUTION CELEBRATES 4<sup>TH</sup> ANNUAL EMIRATI WOMEN'S DAY UNDER THE 'WOMEN, ICONS OF TOLERANCE' THEME.

Across our communities and workplaces, women empowerment and recognition represents a significant nationwide focus. If ADNOC Distribution is to continue to thrive, we must not only succeed in empowering everyday lives, but empower the women who contribute to our success. It is in appreciation and recognition of this fundamental contribution, ADNOC Distribution took part in our own event held on the 28 August at the Bab Al Qaser Hotel in celebration of the UAE's 4<sup>th</sup> annual Emirati Women's Day.

### Emiratization

As part of our focused effort to ensure diversity within our workforce, we are committed to achieving the Emiratization objectives outlined in the UAE Vision 2021.

Our national employees are a great asset to ADNOC Distribution, and

we offer focused development opportunities to help them reach their full potential as competent and well-informed industry professionals.

UAE nationals are appointed as trainees across various departments, to support them in their career development.

As of 31 December, 2019, our Emiratization rate stands at 73% of Emiratizable positions, which is relatively constant compared with 74% in 2018 and 73% in 2017.



### Employee Learning and Development

As our people are our most valuable asset, our continued investment in their learning and development ensures we maximise the ability for each employee to reach their full potential. We therefore make efforts to provide our employees with ample opportunities for progressing within the organisation, as well as supporting their personal career growth.

In 2019, we continued to provide our employees with effective training programs, which resulted in an increase of 28,704 total training hours from 2018 to 2019.



#### Training initiatives conducted in 2019 included:

- Improving customer experience: 919 employees completed all relevant training and were awarded HSE certification.
- Supporting our service station supervisors to improve their leadership and operational competences: We introduced our Service Leadership Development program, which was conducted by internal experts and other subject matter experts.
- Developing a pipeline of potential service leaders for the country: With an aim to upskill our UAE national employees, we designed our customized learning and development program "Tomoooh", which gained positive feedback from our Emirati employees.

**919**  
EMPLOYEES COMPLETED ALL RELEVANT TRAINING AND WERE AWARDED HSE CERTIFICATION



# WORKER WELFARE

At ADNOC Distribution, we have a zero-tolerance policy for any kind of violation of the human rights of our employees and our extended contractor workforce.



Our Code of Conduct and Supplier and Partner Code of Ethics, specify all mandatory guidelines to conduct business in a responsible and ethical manner. Accordingly, we have established strict procedures to protect human rights across our operations and areas of influence. As a part of our commitment to safeguard human rights, we thoroughly investigate all suspected cases of human rights violations and claims of abuses across our organization. Any supplier and partner that is not compliant is blacklisted from offering services to ADNOC Distribution.

## Fair Labor Practices

The UAE Federal Labor Law strictly prohibits any form of forced, compulsory or child labor in the country. At ADNOC Distribution, we abide by all laws of the government and ensure that no such violations occur across any of our workplaces.

All our suppliers and partners are expected to strictly follow our Supplier and Partner Code of Ethics. To further expand on this, our fair labor practices policy sets out the following:

- All suppliers and partners must not use, employ or seek to exploit in any way the services of child, under-age, and slave or trafficked labor.
- All suppliers and partners must comply with all applicable labor laws, and related laws and regulations, in particular, those relating to working and living conditions, wages, working hours and the payment of overtime.
- All suppliers and partners must comply with the terms of the contract that is agreed with the people working for them, and the law.
- Everyone working for our suppliers and partners must be paid no less than the prescribed minimum wage in a timely manner, and given holidays, leave and medical cover in accordance with applicable laws.
- Except to the extent permitted by law, suppliers and partners should not retain employees' identification, work or travel documents, or deposits as a condition of employment.

# HEALTH AND SAFETY

At ADNOC Distribution, we prioritize the health and safety of our employees. We ensure safe working conditions for our employees and customers at all our service stations, among others, by working together with the UAE police authorities and other agencies to safeguard from anti-social behavior and criminal activities.

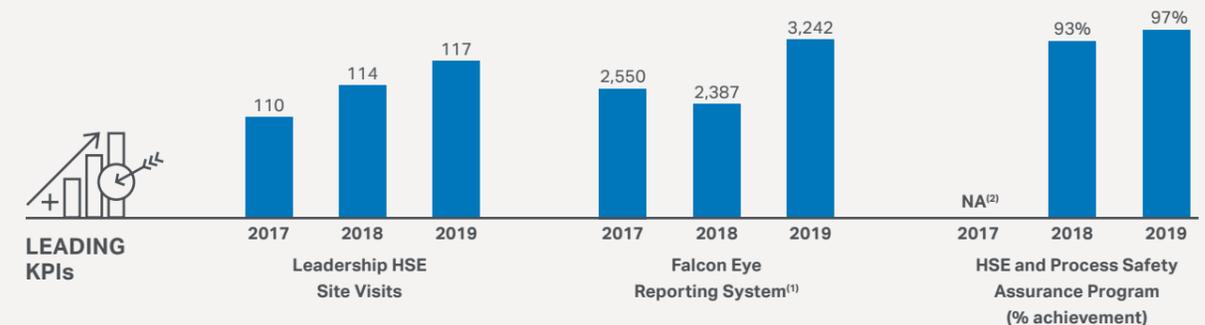
Under our HSE practices (as encapsulated in our HSE Policy), we are committed to the highest standards of HSE excellence by:



Our HSE practices are implemented through key lifesaving rules (LSRs) which are monitored through a comprehensive HSE management system. Moreover, in order to emphasize the importance placed by our executives on health and safety, a 10% weightage is applied to all HSE and asset integrity KPI scores to prioritize the improvement of our employees' working conditions. These KPIs are measured by total reportable injury rate (TRI) per million man hours (MMHRS) and business continuity readiness (%), collectively contributing towards employee remuneration benefits.

## Safety Performance

At ADNOC Distribution, we manage our safety performance through leading and lagging KPIs, including lost time injury frequency rate (LTIFR), total recordable injuries, Tier 1 and Tier 2 process safety events and fatal accident rate (FAR). We have maintained a zero fatal accident rate since 2017, as well as significantly lower LTIFR rate of 0.07 compared to that of International Association of Oil and Gas Producers' (IOGP's) industry standards.



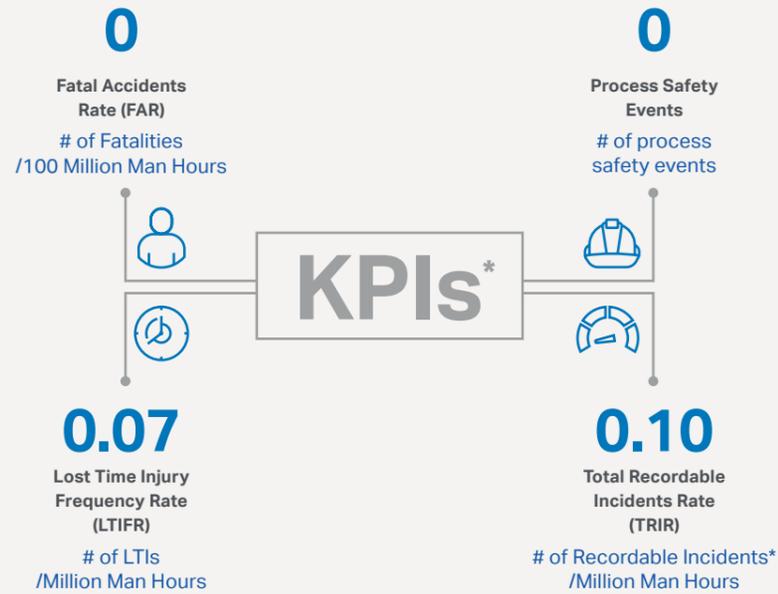
(1) Number of HSE Observations reported under ADNOC Distribution's in-house accident prevention program named Falcon Eye Reporting System. This program aims to prevent accidents, reduce occurrence of accidents and costs associated with accidents by reporting of near-miss incidents, unsafe acts and conditions at workplace, thereby allowing the company to proactively resolve hazards before a tragic or costly incident occurs.

(2) HSE and Process Safety Assurance Program was first launched in 2018

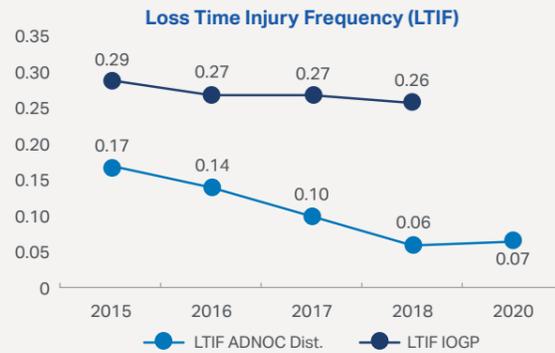
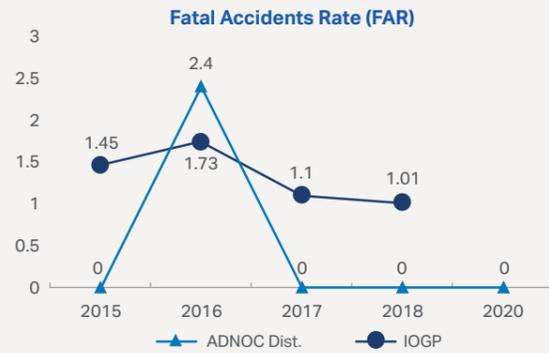
## Being at the retail front of the value chain, we ensure strict safety measures to protect both our people and general public within our premises.

To avoid the chronic health effects of exposure to volatile organic compounds (VOCs), our service stations and terminals are equipped with vapor recovery units (VRUs).

In addition, we perform ambient air monitoring at strategic locations across our premises.



\*Recordable incidents are a sum of Loss Time Incidents, Restricted Work Cases and Medical Treatment Cases.



## Health and Safety Management

ADNOC Distribution has a HSE and Asset Integrity (AI) Assurance Program as part of its HSE Policy and the Strategic Objectives requirements of its HSE Management System (HSEMS). This covers all employee and contractor activities.

The main objective of this program is to ensure consistent implementation of SMART proactive measures to prevent and reduce incidents. This program is subject to systematic and periodic verification to ensure that all HSE & AI Management aspects are implemented effectively across the value chain.

In line with our HSE and AI Assurance Program, we document all requirements intended to provide supplementary guidance to the respective stakeholders on roles and responsibilities, methods & mechanisms, implementation requirements and guidance on the HSE Assurance Program performance.

## Training and Awareness on Health, Safety and Environment

As part of the onboarding program, all employees must complete mandatory HSE training.

In addition, they are expected to comply with the Health, Safety and the Environment value of our Code of Conduct.

In total, ADNOC Distribution trained 10,365 employees over 2019, on the following topics:

- ADNOC HSE framework
- Basic live fire fighting
- Essential food safety
- First aid
- Chemical hazard in service stations
- How to handle accidents in service stations
- Safety work permits

As part of our wider HSE efforts across our retail stations, we engage with our employees and customers to create awareness on retail security and safety through various online social media channels, live initiatives and campaigns.

In 2019, our major HSE campaigns included the LSRs., highlighting 10 critical safety hazards most frequently associated with ADNOC Distribution services, and our 'Beat the Heat' campaign to raise awareness and manage the consequences of heat stress at workplace.

**10,365**  
EMPLOYEES TRAINED ON HSE TOPICS IN 2019



## Beat the Heat Campaign

During the summer months, the UAE can see ambient temperatures reach as high as 50 degrees Celsius, which often leads to heat-related health concerns. ADNOC Distributions HSE 'Beat the Heat' campaign, which covered all employees, was aimed at promoting awareness on:

- What heat stress is
- How heat stress leads to heat-related illnesses
- What those heat-related illnesses are

- How to prevent heat stress and heat illness
  - Worker-related responsibilities
  - Supervisors responsibilities
  - Buddy system
  - Assessing heat stress and illnesses



# PROTECTING THE ENVIRONMENT



# MANAGING OUR ENVIRONMENTAL IMPACT

As the largest retail and wholesale fuel brand and convenience store operator in the UAE, we have a responsibility to minimize our environmental footprint.

We work closely with our partners and suppliers to manage our resource consumption in a responsible manner, including the use of energy and water, and management of waste throughout our operations. Ensuring adequate environmental oversight is essential to our approach, including management-level discussions on sustainability; certified environmental operations; the development of climate risk mitigation tools; and recycling measures. Our overall environmental performance is supported by key performance indicators (KPIs) related to energy, emissions, water and waste.

## Environmental Oversight

ADNOC Distribution's leadership understands the risks and opportunities associated with measuring, evaluating and reporting on the company's environmental impacts. Through this section we demonstrate our partnered contribution towards ADNOC's 2030 sustainability strategy pillars:



### 1. Climate, emissions and energy

Become the leading fuel and convenience operator in emission management and energy efficiency.



### 2. Local environment

Minimize the impact on local environment through sustainable biodiversity, water and waste management.

## Environmental Operations

Management and operationalization of our environmental impacts are integral to our way of doing business. To that end, we have obtained certification in the following management systems:



**'ISO 50001 Energy Management Systems'** is the international standard for energy management systems (EMS), which specifies the requirements for continuously reducing our energy use, and therefore our energy costs and greenhouse gas emissions. Adopting ISO 50001 for buildings, service stations, depots and plants, our EMS certification has provided us with a systematic approach to achieving continuous improvement in our energy performance, including energy efficiency, energy security, energy use and energy consumption across the organization.



**'ISO 9001 Quality Management Systems'** are implemented across all operations. They provide a systematic approach to meeting our stakeholders' needs within statutory and regulatory requirements, and notably address the provision of consistent quality.



Following this ISO compliance management approach of quality control and energy efficiency, ADNOC Distribution has implemented a structured approach aimed at improving productivity by setting achievable targets and designing action plans to monitor and measure its progress.

## Climate Risk Mitigation

We acknowledge that climate change poses a risk that is growing in significance every year. For ADNOC Distribution, the major risks associated with climate change are related to emissions as a result of our product distribution services. To counteract this, we have invested across a spectrum of climate-related mitigation and improvement initiatives and programs. This investment, coupled with our ISO management approach, has provided a foundation for ADNOC Distribution to act in an environmentally responsible manner, delivering confidence to its stakeholders.

Our significant climate-related investments during 2017–19 included:

| Nature of investment               | Description of investment   | Amount invested (AED) |           |           |
|------------------------------------|---|-----------------------|-----------|-----------|
|                                    |   | 2019                  | 2018      | 2017      |
| Wastewater management              | Expenses to establish contracts for wastewater management to meet HSE objectives and applicable legal requirements  | 704,533               | 704,533   | 704,533   |
| Waste management                   | Expenses to establish the contracts for waste management to meet HSE objectives and applicable legal requirements, including fees paid for treatment of hazardous waste | 2,394,000             | 2,911,710 | 78,000    |
| Environmental assessment and audit | Expenses to monitor soil and groundwater quality to ensure they are within allowable limits   | 2,123,572             | 1,714,783 |           |
| Vapor recovery units               | Installation of vapor recovery units in service stations to control VOC emissions in ambient air  | 8,000,000             | 4,500,000 | 1,500,000 |
| Operating Expenses                 | Operating expenses on technical specialists to deal with climate-related risks  | 1,000,000             | 1,000,000 | 1,000,000 |



In 2019, we allocated a total of **AED 14.2 million** towards climate-related investments. This represented an **increase** of AED 6.3 million compared with 2018 and AED 10.9 million compared with 2017, **ensuring** that we are **improving** our approach towards dealing with the risks associated with **climate change** year-on-year.

# MANAGING OUR ENERGY OUTPUT

In our energy management efforts, we align our strategies with the following government strategies:



**UAE Energy Strategy 2050**, which aims at achieving an energy mix that combines renewable, nuclear and clean energy sources to meet the UAE's economic requirements and environmental goals.



**Abu Dhabi's Demand Side Management and Energy Rationalization Strategy (DSM) 2030**, which focuses on providing economic, system reliability and environmental benefits and mitigating climate change impacts while promoting sustainable economic development.

**We acknowledge that due to the nature of our operations, we inherently have a high energy consumption and associated emissions, and therefore, a responsibility to play a key role in achieving the government's targets.**

## Green House Gas Emissions

All methodologies and default values used to calculate our emissions are based on the Greenhouse Gas Protocol (GHG Protocol) methodology, a corporate accounting and reporting standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), which provides guidance on GHG accounting principles, identification of GHG emission sources and tracking our emissions over time.

We capture our GHG emissions by classifying them into the following categories:

- **Direct energy use**, which is the energy consumed by our activities, including during distribution of our products and delivery of our services; this is the fuel consumed by our fleet of vehicles.
- **Indirect energy use**, which comprises electricity consumption (i.e. ADWEA)

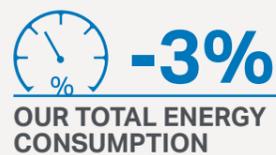
To analyse the year-on-year trends in our energy consumption and GHG emissions, we calculate the intensities for these indicators, based on earnings before interest, depreciation and amortization (EBITDA). This allows us to understand our emissions ratio compared to our growth and achieved operational efficiencies. Our EBITDA

increased from AED 2,774 million in 2018 to AED 2,839 million in 2019.

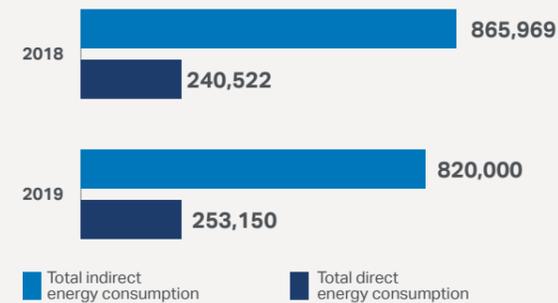
As shown in the charts on the following page, there has been a 5% decrease in our indirect energy consumption, the major contributor to our overall energy consumption. As a result, our total energy consumption decreased by 3% in 2019 compared to 2018.

Our direct energy consumption was higher by 6% in 2019 as we expanded our fuel station network over the past two years (23 new stations in the UAE, including six new stations in Dubai over 2018-19).

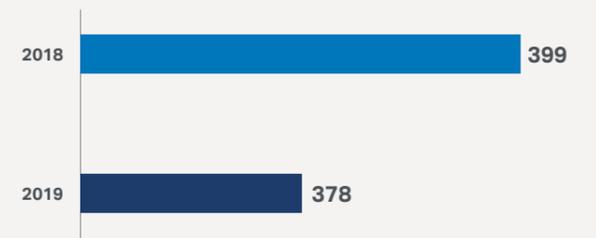
The decrease in our electricity consumption has also had a positive effect on our energy intensity. In 2018, it was 399 (GJ/Million AED), which decreased to 378 (GJ/Million AED) in 2019.



**Energy Consumption** (GJ)



**Total Energy Intensity** (GJ / mn AED)



Our total GHG emissions went down, in line with the decrease in our energy consumption. As a result of lower GHG emissions and increase in EBITDA, our total emission intensity declined by 5% in 2019 compared to 2018. While there is a positive trend in our energy and emissions intensity, we are still working to improve our energy efficiency across our operations.

**Total GHG Emissions** (tCO<sub>2</sub>e)

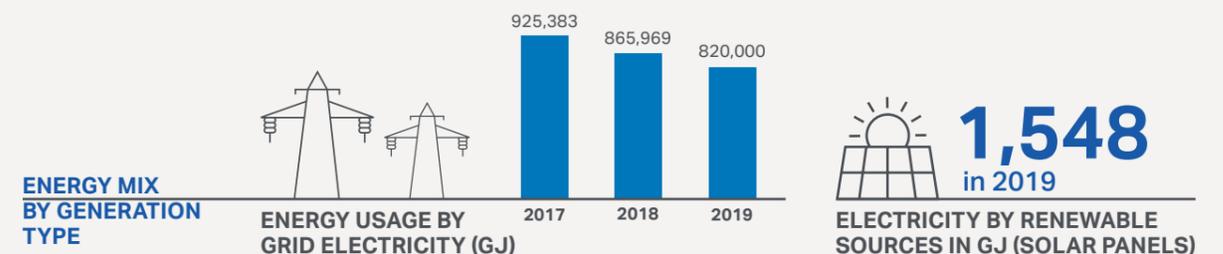


**GHG Intensity** (tCO<sub>2</sub>e / million AED)



## Energy Mix

Our energy mix, the sources of energy that we use by generation type, comprises grid electricity and power from renewable sources. Although our operations have expanded since 2017, we have reduced our total grid electricity use by 11% between 2017 and 2019.



In supporting to the UAE Energy Strategy 2050 to increase the contribution of clean energy in the nation's total energy mix to 50% over the next three decades, in 2018-19, we commissioned four new services stations in UAE with rooftop solar photovoltaic panels. This has allowed us to use 1,548 GJ of electricity from renewable sources, therefore decreasing our dependence on grid electricity. Additionally, we have designed and developed our flagship Yas 1 and Yas 2 service stations in accordance with Leadership in Energy and Environment Design (LEED) principles, the internationally accepted benchmark for the design, construction and operation of high-performance green buildings. We have also installed vapor recovery systems (VRSs) at our service station network and storage depots to capture and recover vapor gas loss and improve energy reductions through operational inefficiencies.

# MAPPING OUR WATER OUTPUT

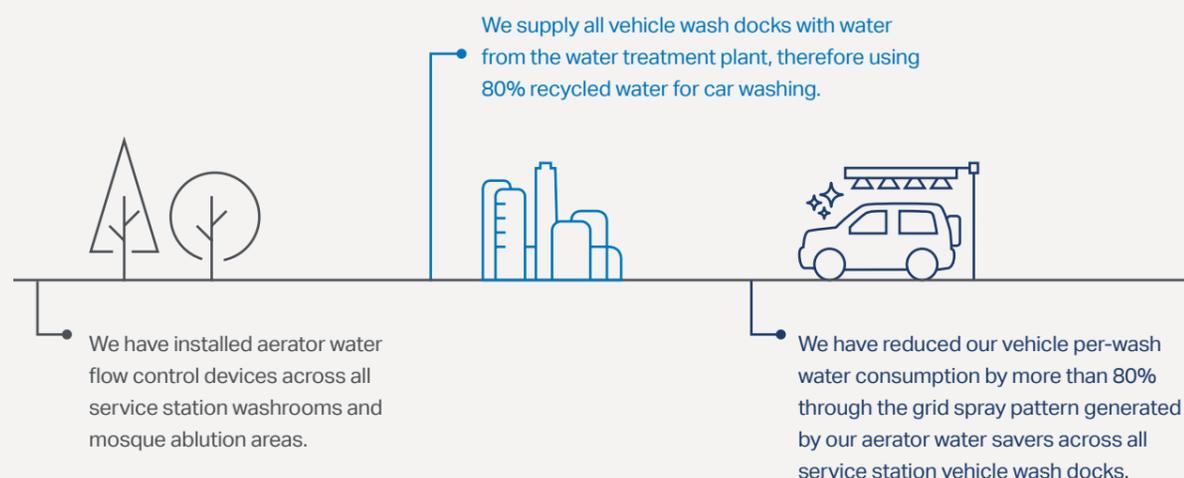
Water scarcity continues to be a growing concern globally and especially across the region.

The UAE is among the most water-scarce countries in the world and yet has one of the world's highest per capita water consumption. In light of this, the country is highly focused on reducing its water consumption. This is reflected in Abu Dhabi's Demand Side Management (DSM) target to achieve a 32% reduction in water usage by 2030.

Responsible water use means reducing the use of water at our operations and finding opportunities to increase water reuse and recycling where possible. We have incorporated several initiatives across our value chain, from a water recycling policy to the use of innovative techniques across all our service stations.

## Water Usage

In line with UAE Vision 2021's Sustainable Environment and Infrastructure pillar and Abu Dhabi's DSM target to cut water use by almost a third by 2030, we have initiated several projects to maximize our water consumption reduction efforts:



In 2019, we mapped our water usage across three activities and sources, as indicated in the table below.

| Activity        | Source                         | Output (m <sup>3</sup> ) |           |           |
|-----------------|--------------------------------|--------------------------|-----------|-----------|
|                 |                                | 2019                     | 2018      | 2017      |
| Water Consumed  | Water from municipal supply    | 1,408,494                | 1,046,229 | 1,039,017 |
| Water Recycled  | Wastewater recycled and reused | 1,409                    | 1,125     | 1,039     |
| Water Reclaimed | Wastewater end to sewage       | 1,408,494                | 1,046,229 | 1,039,017 |

We have witnessed a year-on-year increase in water consumption, which is particularly associated with a growing number of employees, stations and convenience stores. However, we are proud of our recycling efforts, which have led to an increase of 25.2% in wastewater recycled and reused. This can be attributed to the implementation of our HSE and Asset Integrity standards, which require Environmental Site Assessment surveys at service stations to keep ADNOC Distribution's operations free from negative environmental impacts, resulting in the management of our water output in a more environmentally responsible manner. To complement this, our water output reclaimed through the process of converting our wastewater into reusable water has increased by 34.6%.

# MANAGING OUR WASTE MANAGEMENT AND RECYCLING

In line with UAE Vision 2021's aim to increase the percentage of treated waste from total waste, we understand the need to reduce both our hazardous and non-hazardous waste.

Our waste streams include solid and liquid waste, and we ensure compliance with local regulations at all times and work with licensed partners to handle our waste. Working with these partners, we manage our hazardous and non-hazardous waste streams in accordance with the following hierarchy: 'reduce, reuse, recycle', landfill, municipal sewage network. Our last disposal channel involves the transfer of our waste to the BeAAT sewerage and solid waste treatment plant, which manages industrial waste across the UAE. Our waste disposal methods are shown in the table below.

| Type  | 2019      | 2018      | 2017      | Mode of Disposal         |
|---|-----------|-----------|-----------|--------------------------|
| <b>Non-Hazardous Solid Waste</b>              |           |           |           |                          |
| Paper and Cardboard (Tons)                    | 1.6       | 1.0       | 1.0       | Recycled                 |
| Mixed Domestic Waste (Tons)                   | 12,674    | 9,488     | 9,097     | Landfill                 |
| Tires (No.)                                   | 1,530     | 1,435     |           | Recycled                 |
| <b>Hazardous Solid Waste</b>                  |           |           |           |                          |
| Chemicals (Tons)                              | 10        | 21        | -         | Sent to BeAAT            |
| <b>Non Hazardous Liquid Waste</b>             |           |           |           |                          |
| Wastewater from Car Wash (m <sup>3</sup> )    | 1,409     | 1,125     | 1,039     | Recycled and Reused      |
| Domestic Sewage (m <sup>3</sup> )             | 1,408,494 | 1,046,229 | 1,039,017 | Municipal Sewage Network |
| <b>Hazardous Liquid Waste</b>                 |           |           |           |                          |
| LPG Cylinders Washing Water (m <sup>3</sup> ) | 1,720     | 2,212     | 4,145     | Sent to BeAAT            |

As the above table shows, the expansion of our operations has inevitably increased total waste generated across all types; however, our efforts aligned to our waste hierarchy have resulted in the following in 2019:



- Increase in paper and cardboard recycling by approximately 60% compared to 2018
- Through our service station lube change services, 1,100 tons of used lube oil is collected and recycled by establishing contracts with service providers to collect waste lube oil from our facilities
- Shifted 1,720 m<sup>3</sup> of hazardous liquid waste for treatment and 10 tons of chemical hazardous solid waste to BeAAT
- Increase in wastewater recycling and reuse by approximately 25.2% year-on-year
- Decrease in both hazardous solid waste by approximately 52.4% year-on-year and hazardous liquid waste by approximately 22.2% year-on-year

# ESG INDEX

## ADNOC Distribution ESG Report 2019

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|                 | G8 Disclosure Practices                 | 6-22-23-24                  | Yes – 2019 ESG Report                                    |
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