Group ESG & Climate Risk Management Framework

August 2026

Document History

Version	Date	Description of Changes
1.0	17 August 2026	Initial public disclosure version of the ESG & Climate Risk Management Framework developed based on NBK's internal ESG & Climate Risk Management Framework. The document outlines NBK's approach to ESG and climate risk governance, materiality assessment, client-level ESG assessment, credit integration, climate stress testing, monitoring, disclosure, and framework review.

Glossary of Acronyms

Acronym	Full Form
BoD	Board of Directors
BRCC	Board Risk and Compliance Committee
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
ISSB	International Sustainability Standards Board
LMA	Loan Market Association
NBK	National Bank of Kuwait
NGFS	Network for Greening the Financial System
PCAF	Partnership for Carbon Accounting Financials
S.A.K.P.	Shareholding Company, Public
TCFD	Task Force on Climate-related Financial Disclosures

Contents

Summary of Framework Components

Component	Summary
Purpose and scope	Defines NBK's public approach to ESG and climate risk management and confirms Group-wide, risk-based applicability.
Governance	Explains Board oversight, senior management accountability, Group Risk ownership, business-line responsibilities, sustainability coordination and Internal Audit assurance.
Risk identification and materiality	Describes transition, physical, broader environmental, social and governance risk drivers and how they inform portfolio and client-level assessment.
Client assessment and credit integration	Summarizes NBK's ESG scorecard categories, client due diligence, credit process integration and enhanced review for elevated-risk cases.
Risk appetite and climate stress testing	Explains high-level risk appetite integration, NGFS-informed scenario analysis, climate stress testing and ICAAP Pillar II linkage without disclosing quantitative regulatory outputs.
Monitoring and disclosure	Describes data enhancement, internal monitoring, reporting, disclosure and framework review.

1. Purpose, Scope and Framework Principles

1.1 Purpose

National Bank of Kuwait S.A.K.P. and its subsidiaries, collectively referred to as NBK or the Group, recognize that ESG and climate-related risks can affect borrowers, counterparties, invested assets, operations, financial performance, reputation and long-term resilience. This Framework describes NBK's overarching approach to identifying, assessing, managing, monitoring and reporting ESG and climate-related risks as part of its broader enterprise risk management architecture.

The Framework supports NBK's objective to embed ESG and climate risk considerations into relevant business activities, credit assessment, portfolio monitoring, risk appetite, prudential risk assessment and external disclosure. It also supports alignment with applicable regulatory expectations, including but not limited to the Central Bank of Kuwait's guidance on sustainable finance, regulatory guidelines within NBK's international footprint and best practices for climate-related financial risk management. This Framework is approved by the Board Risk and Compliance Committee and forms part of NBK's broader risk governance architecture for the management of ESG and climate-related risks.

1.2 Scope

The Framework applies Group-wide, including NBK Kuwait, overseas branches and banking subsidiaries, subject to applicable local regulatory requirements and market practice. It covers portfolios and activities where ESG and climate-related risks may be financially material, including corporate lending, contingent exposures, investment and bond portfolios, real estate-related lending and, selected retail exposures where climate or ESG factors may be relevant, and NBK's own operations.

NBK applies the Framework proportionately. The level of assessment depends on the sector, geography, exposure type, borrower profile, transaction materiality, maturity, data availability and the nature of the relevant ESG or climate-related risk.

1.3 Framework principles

i. NBK's approach to ESG and climate risk management is guided by the following principles: ESG and climate risks are treated as risk drivers that may transmit into established risk types, including credit, market, liquidity, operational, legal, compliance and reputational risk.

ii. Assessment is risk-based and proportionate, with greater scrutiny for higher-risk sectors, counterparties, assets and transactions.

iii. NBK prioritizes financial materiality, focusing on ESG and climate factors that may affect resilience, credit quality, capital planning, strategic objectives or stakeholder confidence.

iv. NBK engages clients where relevant to better understand risk exposure, mitigation, transition readiness and data quality.

v. NBK balances transparency with confidentiality, protecting client information, proprietary methodologies, supervisory submissions and commercially sensitive outputs.

2. Governance, Roles, Applicability, and Training

2.1 Governance oversight

NBK's Board of Directors has ultimate oversight of the Group's risk management framework, including ESG and climate-related risks where material. The Board Risk and Compliance Committee provides Board-level oversight of risk-related matters, including ESG and climate-related risk management where these matters affect risk appetite, credit risk, stress testing, ICAAP, capital planning, regulatory expectations, portfolio resilience or other prudential risk considerations. The BRCC receives periodic reporting on material ESG and climate-related risks and oversees the adequacy of the related risk management framework, policies and controls.

The Board Sustainability Committee provides Board-level oversight of NBK's ESG strategy, ESG commitments, sustainable finance direction, stakeholder expectations and transition planning. In this capacity, the Board Sustainability Committee may review transition-related developments, decarbonization priorities, sustainability objectives and progress against strategic ESG commitments, as well as provide oversight of the integration of sustainability considerations into the Bank's business strategy.

Where the ESG strategy and risk management intersect, including in relation to transition planning, portfolio alignment, sustainable finance objectives or regulatory expectations linked to transition planning, the relevant Board committees coordinate in accordance with their respective mandates. This structure supports clear accountability while ensuring that ESG and climate-related matters are considered from both a strategic sustainability and risk management perspective, and that material issues are escalated through appropriate governance channels.

Senior management and relevant management committees support the implementation of the Framework across business and control functions. ESG and climate-related matters may be reviewed through governance channels responsible for risk, credit, sustainable finance, regulatory compliance, portfolio oversight and strategy, depending on the issue under consideration.

2.2 Roles and responsibilities

Function	Role in ESG & Climate Risk Management
Board of Directors	Provides ultimate oversight of NBK's ESG and climate-related risk management approach as part of the Group's broader governance and risk management framework. The Board is responsible for ensuring that material ESG and climate-related matters are appropriately considered in the context of NBK's strategy, long-term resilience, stakeholder expectations and overall risk governance. The Board discharges detailed oversight through its relevant Board committees, including the Board Risk and Compliance Committee for ESG and climate-related risk management matters and the Board Sustainability Committee for sustainability strategy, ESG commitments and transition planning matters, in line with their respective mandates.
Board Risk and Compliance Committee	Provides Board-level oversight of ESG and climate risk integration within NBK's broader risk management framework and approves the overarching ESG and climate risk approach where required. Matters with prudential risk, risk appetite, ICAAP, capital planning, stress testing, credit risk or regulatory risk implications remain subject to the oversight of the Board Risk and Compliance Committee or other relevant governance bodies, as applicable.
Board Sustainability Committee	Provides Board-level oversight of NBK's sustainability strategy, ESG commitments, sustainable finance direction and transition planning. The Committee may review progress against sustainability objectives, climate transition planning priorities and related stakeholder expectations.
Sustainable Financing Work Group	Oversee the Bank's sustainable debt issuances and related sustainable finance activities to ensure alignment with its Sustainable Financing Framework, including applicable environmental and social risk requirements, eligibility criteria, and risk management expectations.
Credit Committees	Consider material ESG and climate-related risk information in relevant credit decisions in accordance with NBK's approved credit governance arrangements.
Group Risk Management – ESG & Governance Risk Function	Owns and maintains the Framework, supports ESG and climate risk methodologies, coordinates portfolio-level analysis, supports climate stress testing and integrates relevant outputs into risk management and prudential assessment processes.
Business and Relationship Teams	Engage with clients, collect relevant ESG and climate information, support ESG assessments and escalate material concerns through established internal channels.
Sustainability Function	Supports ESG strategy, sustainable finance, ESG disclosures, stakeholder engagement and alignment with applicable standards and market practices.
Internal Audit	Provides independent assurance over relevant aspects of ESG and climate risk governance, controls, implementation and reporting in line with its risk-based audit plan.

2.3 Applicability and implementation

The Framework applies to relevant employees and business units across the Group. Overseas branches and banking subsidiaries adopt the Framework in line with applicable local regulatory requirements and market standards. Implementation is supported by internal policies, procedures, tools, roles and systems.

2.4 Training and Awareness

NBK recognizes that effective implementation of the ESG and Climate Risk Management Framework requires appropriate awareness, capability building and practical support across relevant governance, business and control functions.

Prior to the rollout of the ESG Scorecard Tool, Group Risk Management delivered training across all relevant business units throughout the Group responsible for corporate clients and clients with real estate-related exposures, including both commercial real estate and individual real estate financing. GRM also designated and trained ESG Assessment Champions within each business unit to support the consistent implementation of the assessment process.

The training covered the purpose and objectives of the ESG Scorecard, applicability criteria and procedures, data collection requirements, client engagement expectations, assessment methodology, and the interpretation and use of ESG scores within the credit package. NBK also provides ongoing support to relevant teams during implementation, including guidance on client assessment requirements, clarification of ESG scorecard inputs, interpretation of data requests and escalation of questions or issues through appropriate internal channels.

At Board level, members of the Board of Directors, including members of the Board Risk and Compliance Committee, receive annual training or awareness sessions on emerging risks, including ESG and climate-related risks. These sessions support Board-level understanding of evolving regulatory expectations, risk management practices, climate-related financial risks and broader sustainability developments relevant to the banking sector.

Training and awareness activities are expected to evolve over time as NBK's ESG and climate risk management approach, client engagement processes, data capabilities, regulatory expectations and market practices continue to mature.

3. ESG and Climate Risk Identification and Materiality Assessment

3.1 ESG and climate risk definitions

ESG and climate-related risks are the current or prospective impacts of ESG and climate-related factors on NBK, its clients, counterparties, invested assets, operations or reputation. These factors may potentially affect NBK's ability to execute its strategy and achieve its business objectives and may result in financial and non-financial impacts across the short-, medium-, and long-term horizons. These factors may materialize through credit, market, liquidity, operational, legal, compliance and reputational risk channels.

Environmental risks include climate change, pollution, waste, water stress, biodiversity impacts, natural resource constraints and environmental compliance. Climate-related risks include transition risks arising from the move to a lower-carbon economy and physical risks arising from acute or chronic climate hazards. Social risks include labor standards and practices, health and safety, human rights, customer protection, data security, product integrity, community impacts and responsible marketing. Governance risks include bribery, corruption, ethics, conflicts of interest, anti-competitive conduct, regulatory compliance, transparency and critical incident management, including corporate governance structures, oversight mechanisms, risk culture, accountability, and decision-making processes.

ESG and climate-related risks are not considered a separate risk category but rather risk drivers that can influence existing risk types and impact the Bank's financial performance, operational resilience, reputation, and long-term sustainability.

Accordingly, ESG and climate considerations are integrated into risk identification, assessment, management, monitoring, and reporting processes across the Bank.

3.2 Risk identification approach

NBK identifies ESG and climate risks through sector, geography, client, transaction and portfolio analysis. The identification process considers the borrower's main business activity, emissions or transition exposure where relevant, physical location of operations, regulatory environment, environmental and social practices, governance arrangements, controversies, data availability and the expected time horizon over which risks may materialize.

Risk identification is performed on an ongoing basis and incorporates both internal and external sources of information, including regulatory developments, emerging ESG themes, and market developments. ESG and climate-related risk drivers are assessed across relevant stages of the risk management lifecycle and may be considered during client onboarding, transaction assessment, portfolio monitoring, and periodic risk reviews.

3.3 Materiality assessment approach

NBK uses ESG and climate risk materiality assessment to understand which risk drivers are most relevant to the Group's portfolio and business model. The assessment supports a sectoral and portfolio-level view of risk sensitivity and informs the design of client-level ESG assessment tools, risk appetite monitoring, climate stress testing, data collection priorities and management reporting, as well as supports the ongoing enhancement of risk management practices and strategic decision-making.

For transition risk, NBK's materiality assessment considers the emissions intensity of portfolio exposures by economic activity or sector. Portfolio exposures are assessed against emissions intensity impact classifications, which may include critical, very high, high, medium and low transition risk categories. These classifications are based on emissions intensity thresholds, expressed in tonnes of carbon dioxide equivalent per unit of revenue, and support NBK's understanding of sectors or activities that may be more sensitive to transition-related risk drivers such as policy change, carbon pricing, technology shifts, market demand changes and reputational considerations.

The materiality assessment also considers physical climate risk, other environmental risk, social risk and governance risk using qualitative and quantitative inputs, including sector characteristics, geographic exposure, portfolio composition, client-level information, external data sources, and relevant environmental and social risk factors. These assessments help NBK identify sectors, counterparties or portfolios that may warrant further analysis, enhanced due diligence, monitoring or data collection.

The internal framework contains detailed methodologies, scoring bands and thresholds to support implementation. This public version describes the methodology at a principle-level, as detailed thresholds and scoring logic are proprietary and may change over time.

The materiality assessment is reviewed periodically and updated as necessary to reflect changes in the external environment, emerging ESG and climate-related risk drivers, the Bank's portfolio composition, and strategic priorities.

3.4 ESG Risk Factors

Risk dimension	Description of risk factors assessed
Transition risk	NBK considers the sensitivity of sectors and counterparties to policy change, carbon pricing, technology shifts, market demand changes, investor sentiment, reputational pressure, emissions intensity and transition readiness.
Physical climate risk	NBK considers acute and chronic physical hazards such as sea level rise, coastal flooding, extreme heat, water scarcity, desertification, changes in precipitation, dust storms, salinity and other location-specific climate vulnerabilities.
Other environmental risk	NBK considers air quality, pollution, waste and hazardous materials management, water use, biodiversity, land use, ecological impacts and environmental compliance.
Social risk	NBK considers human rights, labor practices, health and safety, product integrity, customer protection, data security, responsible marketing, community impacts and regulatory conduct.
Governance risk	NBK considers anti-bribery and corruption, ethics, conflicts of interest, related-party transactions, anti-competitive conduct, transparency, regulatory compliance and critical incident management.

4. ESG Assessment, Credit Integration and Due Diligence

4.1 Client-level ESG assessment

NBK assesses ESG and climate-related risks at client level where relevant. The client-level assessment builds on sector and portfolio materiality analysis and supports credit review, relationship management, portfolio monitoring and escalation of material ESG or climate-related issues. The assessment may draw on client engagement, internal questionnaires, external data, public disclosures, sector benchmarks, regulatory information and relationship manager insights.

NBK's ESG scorecard considers transition risk, physical climate risk, other environmental risk, social risk and governance risk. The Framework discloses these categories because they evidence the breadth of NBK's assessment. It does not disclose scorecard questions, weights, scoring guides, bands or calculation logic because these form part of NBK's proprietary risk methodology and may evolve as data availability and regulatory expectations mature.

4.2 Integration into credit and investment processes

ESG and climate-related considerations are integrated into relevant credit and investment processes in a manner proportionate to materiality. For relevant clients and transactions, ESG assessment outputs may inform due diligence, credit proposals, risk discussions, credit committee review, monitoring requirements, sustainable finance classification and portfolio-level analysis. ESG factors are considered alongside financial, business, legal , regulatory and other risk considerations and do not replace credit judgment but form an integral part of the overall assessment of risk and decision-making process.

4.3 Enhanced due diligence and escalation

Where elevated ESG or climate-related risk is identified, NBK may conduct enhanced due diligence. This may include further review of environmental and social impact assessments, regulatory compliance, emissions or transition plans, physical risk exposure, insurance and adaptation measures, health and safety controls, human rights and labor practices, community impacts, biodiversity considerations, governance controls, controversies, remediation plans and management commitments.

The outcome of enhanced due diligence may inform transaction structuring, credit conditions, monitoring actions, escalation to appropriate governance forums or, where warranted, a decision not to proceed, subject to internal policies and governance requirements. Where material ESG or climate-related risks are identified, enhanced monitoring, action plans, or periodic reviews may be implemented to support ongoing risk management and mitigation. Detailed escalation triggers and approval mechanics remain internal.

4.4 Sensitive sectors and activities

NBK may apply heightened review and enhanced due diligence to sectors and activities with elevated environmental, social, climate, human rights or governance risks. This Framework describes NBK's risk-based due diligence approach and does not constitute a public exclusion list unless specific exclusions are separately approved and disclosed by NBK.

Areas that may warrant heightened review include energy-intensive industries, oil and gas-related activities, power generation, construction and infrastructure, real estate and coastal development, transportation, heavy industry, manufacturing, chemicals and hazardous materials, extractive industries, agriculture and food production, and activities with potential biodiversity, labor, community or human rights impacts.

Separately, NBK may establish eligibility criteria and exclusions for specific sustainable finance transactions such as sustainable debt issuances under its Sustainable Financing Framework. Such criteria are designed to support the integrity and credibility of sustainable finance instruments and align with applicable market standards and principles, including those issued by the ICMA and the LMA. These criteria operate independently from this ESG Risk Management Framework. Activities or sectors that are excluded from sustainable finance eligibility remain subject to the Bank's ESG and climate risk assessment, due diligence, and approval processes, which consider the nature and materiality of associated risks on a case-by-case basis.

5. Risk Appetite, Climate Stress Testing, Monitoring and Disclosure

5.1 ESG and climate risk appetite

NBK recognizes ESG and climate risk as a component of its broader Risk Appetite Statement. ESG and climate risk appetite may include qualitative statements and quantitative indicators that evolve over time as data, methodologies and regulatory expectations mature, and are intended to continue supporting the identification, monitoring, management, and escalation of material ESG and climate-related risks across the Bank.

Potential monitoring areas include exposure to sectors with elevated transition risk or assets vulnerable to physical climate risk, sustainable finance volumes, green building or energy-efficient real estate exposure, financed emissions, client ESG assessment outcomes and climate-related disclosure readiness, as well as other portfolio-level indicators deemed relevant to the Bank's risk profile and strategic objectives.

ESG and climate-related risk appetite metrics are intended to support portfolio oversight, risk monitoring, management reporting, and strategic decision-making as the Bank continues to enhance its ESG and climate risk management capabilities.

Risk appetite limits, thresholds and calibration methodologies are not disclosed in this Framework because they form part of internal risk management and supervisory dialogue.

5.2 Climate scenario analysis, stress testing and ICAAP integration

NBK uses climate scenario analysis and stress testing to assess the potential impact of climate-related transition and physical risks across relevant portfolios. The analysis is informed by internationally recognized climate scenario frameworks, including scenarios developed by the NGFS. These scenarios provide a common reference point for assessing climate-related risks under different policy, technology, macroeconomic and temperature pathways.

NBK considers a range of climate pathways, including orderly transition, disorderly transition and higher physical risk scenarios. These pathways allow the Bank to assess how different climate outcomes may affect sectors, counterparties, portfolio resilience and traditional financial risk categories. Transition risk drivers may include carbon pricing, regulatory change, technology shifts, changes in market demand, energy transition impacts and emissions intensity. Physical risk drivers may include sea level rise, coastal flooding, extreme heat, water scarcity, changes in precipitation patterns and other location-specific climate vulnerabilities.

NBK assesses how climate-related risk drivers may transmit into credit risk through borrower cash flows, profitability, operating costs, asset values, debt servicing capacity, PDs and LGDs. NBK's climate stress testing methodology combines macroprudential and microprudential perspectives. At the macroprudential level, the Bank considers how selected macroeconomic variables may evolve under climate-adjusted scenarios, based on scenarios informed by the NGFS. This supports assessment of how climate-related transition and physical risks may affect broader economic conditions and portfolio-level credit risk dynamics.

At the microprudential level, NBK considers client -level ESG and climate risk assessment outputs, including relevant insights from the Bank's ESG scorecard and client engagement process. These client-level assessments support a more granular understanding of counterparty-specific vulnerability, mitigation capacity, transition readiness and physical risk exposure.

Both the macroprudential and microprudential components inform NBK's climate stress testing methodology and support the Bank's understanding of potential climate-related impacts on credit risk, expected credit loss and prudential risk assessment. Scenario analysis outputs are used to support portfolio-level risk understanding, climate risk stress testing, management reporting, strategic planning and prudential risk assessment.

Climate scenario analysis outputs are incorporated into NBK's prudential risk assessment processes, including the ICAAP Pillar II assessment where relevant. The Bank assesses the potential impact of climate-related risks on credit risk and expected credit loss under selected scenarios. Quantitative outputs, including internal ECL impacts, capital assessment outputs, model assumptions and supervisory reporting results, are used for internal risk management and regulatory reporting purposes and are not publicly disclosed due to their supervisory, methodological and commercially sensitive nature.

NBK recognizes that climate scenario analysis is an evolving discipline. The Bank continues to enhance data quality, counterparty-level ESG and emissions information, physical risk mapping, scenario assumptions, model calibration and integration with financial risk parameters. Scenario analysis results are interpreted as forward-looking risk insights and stress testing tools rather than precise forecasts.

5.3 Data, monitoring and reporting

NBK continues to enhance ESG and climate data capabilities across client, transaction, and portfolio levels. Relevant data may include economic activity classification, geographic location of assets, ESG assessment outcomes, greenhouse gas emissions, energy performance certifications, physical climate risk indicators, sustainable finance classification, client disclosures, external ESG data and regulatory or controversy information, as well as climate scenario outputs and other risk metrics relevant to the assessment and monitoring of ESG and climate-related risks.

NBK seeks to improve the availability, quality, consistency, and coverage of ESG and climate-related data over time through ongoing enhancement of internal processes, systems, methodologies, and engagement with clients, data providers, and other relevant stakeholders. As part of these ongoing enhancements, NBK continues to strengthen its approach to its PCAF-aligned financed emissions measurement and related data capabilities. This work supports the Bank's ability to improve portfolio-level emissions data, enhance understanding of climate-related exposures across relevant asset classes, and inform future ESG and climate-related risk assessment, monitoring and disclosure capabilities. These efforts remain subject to data availability, methodology development and ongoing refinement.

NBK monitors ESG and climate-related risks through portfolio analysis, management information, internal governance reporting and periodic review. External disclosure is provided through relevant annual, sustainability, TCFD or ISSB-aligned, regulatory or stakeholder reports, as applicable. The Framework is reviewed periodically to reflect regulatory developments, changes in portfolio profile, data improvements, methodology enhancements, stakeholder expectations and emerging market practice, and to support continued alignment with evolving industry standards and regulatory expectations relating to ESG and climate-related risk management.