

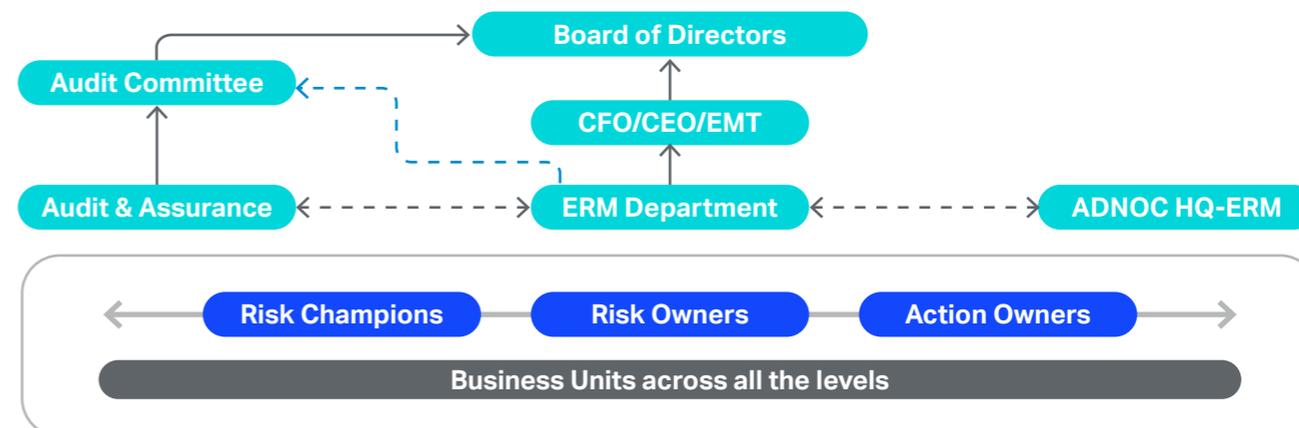


# RISK MANAGEMENT

At ADNOC Distribution, we view enterprise risk management as foundational to safeguarding stakeholder value and enabling sustainable growth. ADNOC Distribution's Enterprise Risk Management (ERM) framework embeds a forward-looking, proactive approach to identifying, assessing, and managing uncertainty arising from global trends, environmental realities, and unforeseen scenarios.

We align our ERM policy with national requirements and leading international standards, including ISO 31000, and the Company integrates risk considerations into strategy, planning, capital allocation, and day-to-day decision-making across core business segments.

## Structure



## Roles and responsibilities

The ERM structure includes the Board of Directors, the Audit Committee, the Chief Executive Officer (CEO), the Executive Leadership Team (ELT), the Enterprise Risk Management Team, the Audit and Assurance Function, along with ERM Champions.

- **Risk owners:** Responsible for managing specific risks within their departments
- **ERM champions:** Ensure adherence to risk management practices and promote a culture of risk awareness. The ERM training ensures that all employees are aware of the risks associated with their roles and the measures needed to mitigate them
- **Audit and assurance:** Provide independent evaluation of the ERM framework

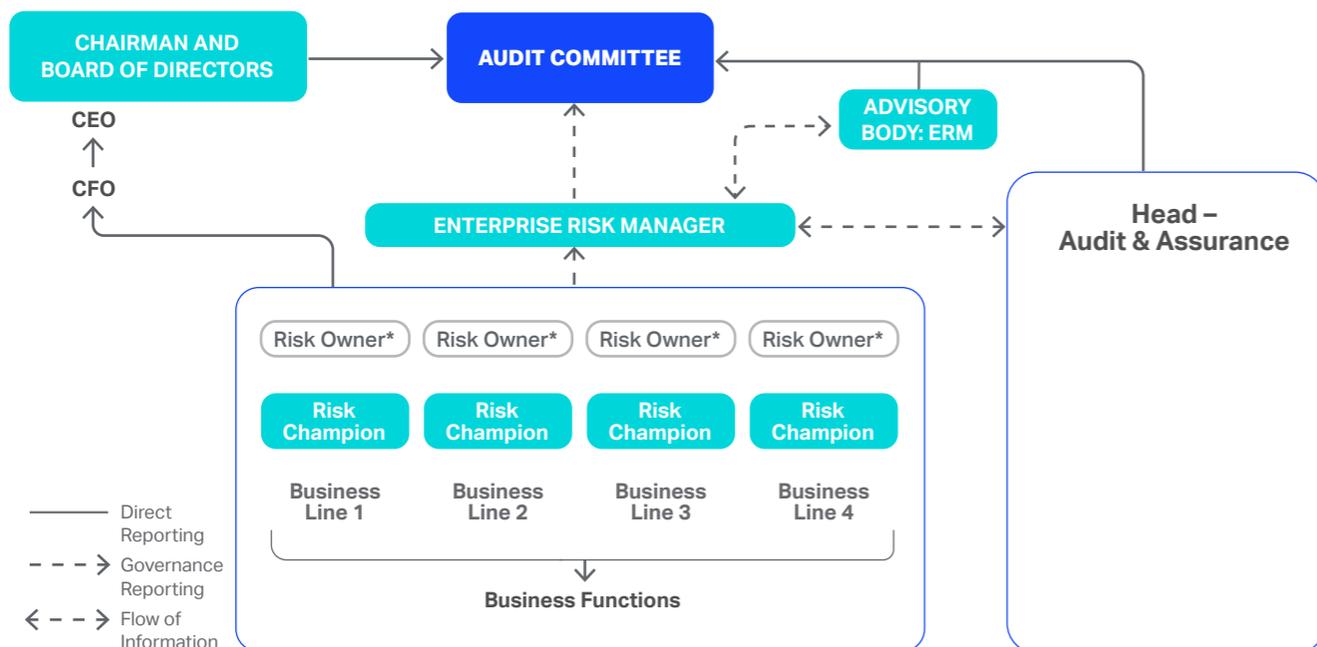


assurance is provided by the audit and assurance function, which evaluates the design and operating effectiveness of controls and the ERM process.

**Our framework and process** follow a continuous cycle. We identify risks through structured assessments, horizon scanning, incident learnings, and stakeholder feedback; evaluate likelihood, impact, and velocity; and prioritize against the Company's risk appetite. Responses include risk avoidance, reduction, transfer, or acceptance, each with clear ownership, milestones, and performance measures.

ADNOC Distribution integrates scenario analysis, stress testing, and business continuity and crisis management to strengthen preparedness for low-probability, high-impact events. Key risk indicators (KRIs), control self-assessments, and management action plans are monitored through standardized dashboards, enabling timely escalation and data-driven decisions.

In 2025, the ERM carried out risk evaluations for various departments within the Company. The results of these assessments were documented in risk registers that detailed identified risks, controlling measures, risk rating, and action plans for risk mitigation.



\*Risk Owners can be identified as Department Heads

First and Second Lines of Defense

Third Line of Defense

**Governance and oversight** are anchored by the Board of Directors, which sets risk appetite and tolerance, monitors and oversees the effectiveness of the risk-management system. We report to the Board on a quarterly cadence with comprehensive risk updates, and the Board holds management accountable for adherence to policies and controls. The Board of Directors plays a crucial role in the implementation of the Company's risk management objectives. Regular training and awareness sessions are conducted for the Board and executive leadership to strengthen risk competency and reinforce transparency.

The Audit Committee provides independent oversight of ERM, reviewing risk assessments, key mitigation plans, and material changes to the risk profile. Executive management is responsible for execution; we ensure risk responses are embedded in business plans, contracting, pricing, and operational controls. A dedicated ERM function designs and maintains the framework, facilitates enterprise-wide risk identification and assessment, aggregates risk information, and reports to management and the Board. Independent

These risk-reducing strategies are linked with corporate KPI's constantly evaluated and reviewed with individual departments each month, enabling us to monitor advances made and confirm successful implementation. The Company also integrates risk management metrics into its financial incentive structures to promote a culture of safety and responsibility.

**Culture and capability** underpin ERM effectiveness. We promote a speak-up environment in which emerging risks are surfaced early and lessons learned are shared quickly. Targeted communications and training reinforce accountability, while leadership tone sets expectations for safety, compliance, and ethical conduct.

By combining robust governance with transparent reporting and practical tools, ADNOC Distribution ensures that substantial business risks are recognized, measured, and navigated to levels consistent with our risk appetite and tolerance, reinforcing resilience and long-term value creation for stakeholders.



### ERM Integration and Improvement

Risk management embedded in decisions: ADNOC Distribution conducted a new ERM maturity assessment based on emerging trends and needs and developed an improvement plan to enhance risk management practices. Key initiatives included:

- Conducting risk awareness workshops with the executive management team, including the CEO, across business units to identify emerging risks and strengthen mitigation of current risks.
- Preparing an opportunity assessment framework, updating the risk maturity assessment, running a risk culture survey, and defining Key Risk Indicators (KRIs) linked to organizational KPIs.
- Integrating ADNOC climate risk frameworks for ESG and climate risk assessments.
- Implementing a risk quantification tool to refine evaluation, prioritization, and resource allocation.
- Monitoring and continuous improvement of ERM effectiveness across ADNOC Distribution, including an ERM system update (data quality, dashboards, reporting cadence).

### ADNOC Distribution’s ERM process comprises six key stages:

#### Scope, context, and criteria

Defining the internal and external risk environment

#### Risk evaluation

Prioritizing risks based on their significance to organizational objectives

#### Risk identification

Pinpointing potential risks, including ESG and climate-related factors

#### Risk treatment

Implementing measures such as avoidance, reduction, sharing, or tolerance

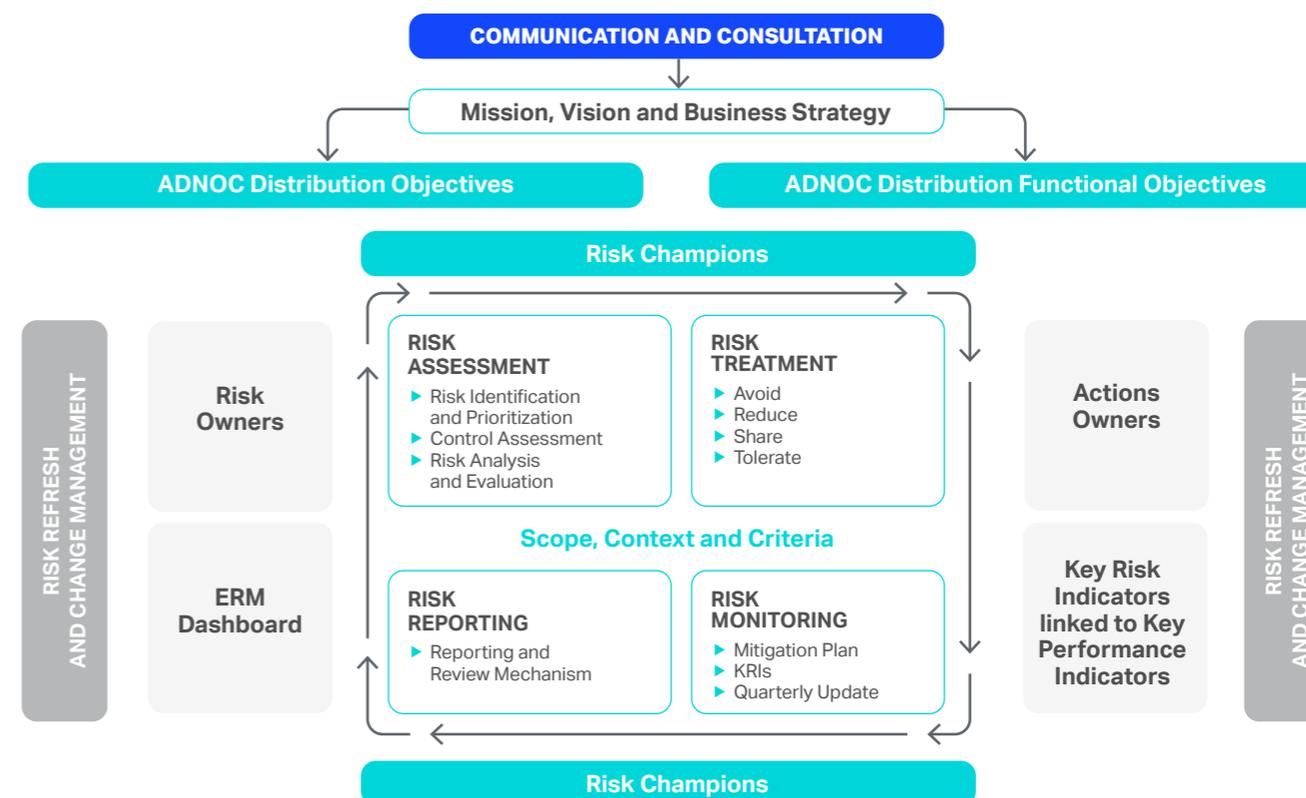
#### Risk analysis

Assessing the likelihood and impact of identified risks

#### Monitoring and review

Continuously evaluating mitigation strategies and their effectiveness

At the operational level, Business Units execute the framework through Risk Champions, Risk Owners, and Action Owners who identify, mitigate, and report risks. The structure creates a closed loop from frontline risk management to independent assurance and Board oversight.





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## Integration of ESG and climate mitigation and adaptation risk

We integrate environmental, social and governance (ESG) factors and climate related mitigation and adaptation risks directly into the Enterprise Risk Management (ERM) process to safeguard long term value. The process begins with the identification and assessment of current and emerging risks, evaluating potential impacts on operations in the short, medium, and long term. Each regulation, event, or incident including ESG and climate matters is examined for likelihood, potential impact, key uncertainties, and underlying risk sources, ensuring that material issues are captured early and addressed systematically.

The Company's risk management incorporates a defined ESG financial risk appetite, ensuring that environmental, social, and governance risks are systematically identified, assessed, and managed in all strategic decisions, including mergers and acquisitions.

Communication and consultation are central to how we manage risk. We are committed to keep stakeholders informed about our risk drivers and potential impacts on our people, local communities, business partners, and the environment, and further details are covered under natural capital section of the report. This transparency is especially important for ESG and climate risks, where sustained stakeholder engagement supports informed decision making and long term sustainable value creation.

To mitigate ESG risks, we have embedded a thorough risk identification approach that explicitly includes ESG considerations across the business. For climate related risks, the Company has a more systematic assessment approach, enabling clearer visibility of both threats and opportunities and their implications for technology, operations, financial performance, legal and regulatory exposure, market position, and reputation. ADNOC Distribution has identified long-term climate-related risks associated with global scenarios for clean energy adoption and economy-wide decarbonization. In response to these two, we have initiated mitigation through renewable energy investments, energy efficiency initiatives,

and sustainable partnerships, aligning near term actions with longer term transition pathways.

We have woven ESG and climate considerations into our overall risk assessment and evaluation process, applying consistent criteria for likelihood and impact and aligning responses to the Company's risk appetite. This integration improves prioritization and supports the selection of appropriate treatments whether avoidance, reduction, transfer, or acceptance with clear ownership and timelines. By embedding ESG and climate risk into ERM in this way, ADNOC Distribution strengthens its ability to identify, assess, and manage material risks more effectively, enhancing resilience and enabling sustainable value creation for all stakeholders.

Looking ahead, we remain committed to continuous improvement of the ERM process and will continue to prioritize ESG and climate risk management in strategic planning and decision making, so that ADNOC Distribution maintains agility in a changing external environment while delivering on its long term objectives.

## Assurance coordination

We take a systematic, integrated approach to align risk based internal audits, compliance checks, risk assessments, and performance reviews so all assurance functions work in concert. This coordination provides a comprehensive, timely view of the organization's risk landscape to inform decision making and strategic planning.

In addition, we conduct Business Impact Analyses (BIA), Crisis Management exercises, and Business Continuity Management (BCM) to strengthen preparedness and response.

## Continuous improvement

We continuously refine the ERM system applying best practices and proactive risk management to enhance resilience, support sustainable growth, and drive operational excellence at ADNOC Distribution.