

FAB SUSTAINABLE FINANCE FRAMEWORK 2022



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1. FAB'S APPROACH TO SUSTAINABLE FINANCING

In 2021, we launched our new Environmental Social & Governance (ESG) Strategy designed to accelerate our growth in areas that are most pertinent to emerging sustainability opportunities and challenges. As part of our strategy, we have committed to lend, invest and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions.

Our approach to sustainability is guided by three pillars: Transforming our Governance Model, Transitioning to a Low Carbon Future and Capitalising on our Social Responsibility. All three pillars ultimately support FAB's goal of sustainable financial performance by creating new business opportunities and reducing risk. FAB is also part of the Net Zero Banking Alliance (NZBA) and as part of our commitment, we will assist our clients to transition towards a climate-neutral economy through innovative financing and advisory services. Working with our customers, we will fund sustainable growth that will accelerate the Net Zero transition and expand financial services for all while fostering diversity, accountability, and transparency within the organisation. For further details on FAB's Sustainability Strategy and Roadmap to Net Zero, please refer to our Annual ESG Report here: [About FAB | First Abu Dhabi Bank - UAE \(bankfab.com\)](#).

Our Sustainable Financing Framework defines our classification approach and methodology for allocating FAB's financial products and services (including but not limited to debt and equity capital markets, corporate lending and consumer lending or Islamic Finance) as sustainable or transition finance to support activities and products aimed at addressing environmental and socially responsible issues.

The framework has been introduced in the sections below.



2. FAB'S SUSTAINABLE FINANCE FRAMEWORK

Application:

The Sustainable Finance Framework (“the framework”) outlines FAB’s methodology for classification of financial products and services as sustainable or transition finance. It also serves to guide the development of sustainable products which reference a specific green, social or sustainable use of proceeds.

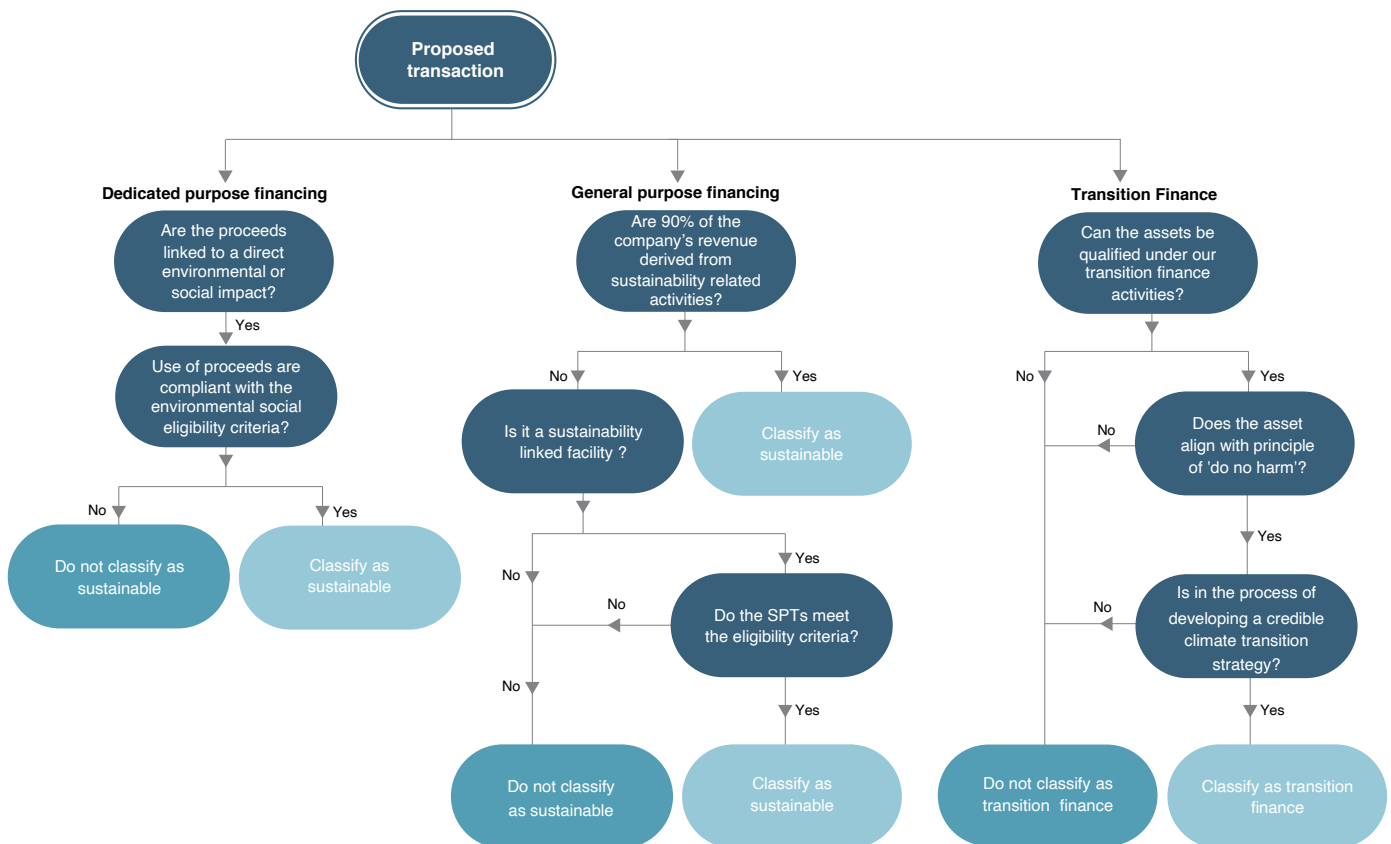
Our Framework has been broadly divided to cover the following three areas:

- Dedicated Purpose Financing
- General Purpose Financing
- Transition Finance

Classification Logic:

The simplified classification logic shows the process of classifying transactions as sustainable or transition finance. Under this framework, any financing (including but not limited to debt and equity capital markets, corporate lending and consumer lending or Islamic Finance) can be classified as sustainable or transition finance.

Refer to Section 10 for further details on the product scope.



Governance:

FAB has a dedicated ESG and Sustainable Finance Committee (ESG-SFC) who are responsible for assessing and classifying finances as sustainable or transition in compliance with the requirements of this framework. Every transaction in the bank is reviewed from an ESG perspective before credit approval, which includes assessment for ESG risks as defined in FAB's ESG Risk Framework and Policy, after which it undergoes additional review for eligibility to be classified as sustainable finance based on the classification criteria set out in this framework. All qualifying transactions continue to undergo periodic due diligence checks (quarterly for projects associated with sustainability bonds and annual for all others). During our due diligence checks, any transaction which is found to no longer meet the minimum requirements set out in this framework are disqualified and material changes are disclosed in our annual reports.

For further details on our governance structure and ESG Risk Framework and Policy that governs ESG Risk Management across the bank, please refer to our Corporate ESG Report available here: [Sustainable Finance & Reports | First Abu Dhabi Bank \(FAB\) - UAE \(bankfab.com\)](#).

Reporting:

This Framework is FAB's basis for tracking and reporting our performance against our sustainable finance commitment to lend, invest, and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions. Annual update on progress against target and any sustainable financing classifications based on this framework will be reported by FAB annually in our Sustainable Finance Report and ESG Report. Although this framework enables us to classify and label qualifying financing under 'transition finance', this is not included as progress against our sustainable financing target and will be reported separately.

Alignment to Market Standards:

The Framework has been prepared with reference to the core principles and recommendations of the following market standards:

- International Capital Market Association's (ICMA) Green Bond Principles (GBP)
- International Capital Market Association's (ICMA) Social Bond Principles (SBP)
- International Capital Market Association's (ICMA) Sustainability Bond Guidelines (SBG)
- International Capital Market Association's (ICMA) Sustainability-Linked Bonds (SLB)
- International Capital Market Association's (ICMA) Climate Transition Finance Handbook
- Loan Market Association's (LMA) Green Loan Principles (GLP)
- Loan Market Association's (LMA) Social Loan Principles (SLP)
- Loan Market Association's (LMA) Sustainability-Linked Loan Principles (SLLP)
- Climate Bond Initiative (CBI) Taxonomy
- International Finance Corporation (IFC) Standards
- European Union (EU) Taxonomy

External Verification:



Powered by ISS ESG

The framework is dynamic in its nature and will be regularly reviewed and expanded as required to amend or add additional qualifying activities and/or criteria, and to fulfil regulatory requirements. FAB will obtain additional external verification on any material updates made during periodic reviews.

A second party opinion (SPO) from ISS Corporate Solutions has been obtained on FAB's 2022 Sustainable Finance Framework. ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance basing their assessment on current market practices for sustainable capital markets referring to different market standards and voluntary guidelines.

The SPO will be published on FAB's Sustainable Finance web page, available here: [Sustainable Finance & Reports | First Abu Dhabi Bank \(FAB\) - UAE \(bankfab.com\)](#).

3. DEDICATED PURPOSE FINANCING

Under the classification of 'Dedicated Purpose Financing', FAB identifies a transaction as Sustainable Finance when it is designated as being for a dedicated purpose and the proceeds are channelled towards a project that meet the eligibility criteria for green or social categories outlined in Section 5 of this framework. To be qualified for this categorization, 100% of the proceeds from the financing transaction must be channelled to the eligible project.

The criteria for classification of activities as environmentally sustainable (Section 5) follow existing recognised international market standards and practices. As market best practice evolves, the criteria outlined in Section 5 may require modification. We will update our classification criteria according to the periodical changes in the market approach, and in adherence to our internal processes, including evolving requirements of environmental and social due diligence requirements.

Green, Social and Sustainability Bonds and Loans automatically qualify for inclusion under this criteria and have been described in the sections below.

3.1 ISSUING GREEN, SOCIAL AND SUSTAINABILITY BONDS

The issuance of "Sustainable Bonds" is a vital aspect of our sustainability strategy and plays a critical role in supporting the transition to a more sustainable future. Sustainable Bonds include green, social or sustainability bonds, which are issuance of debt securities of FAB for which we undertake to allocate an amount equal to the net proceeds of the issuances to "Eligible Green Projects," "Eligible Social Projects" or both, as described in this section.

Based on the market best practice standards reflected in the International Capital Market Association (ICMA)'s Green Bond Principles (GBP), Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG), the following four core components form the basis for green and social bond issuances in our Sustainable Finance Framework.

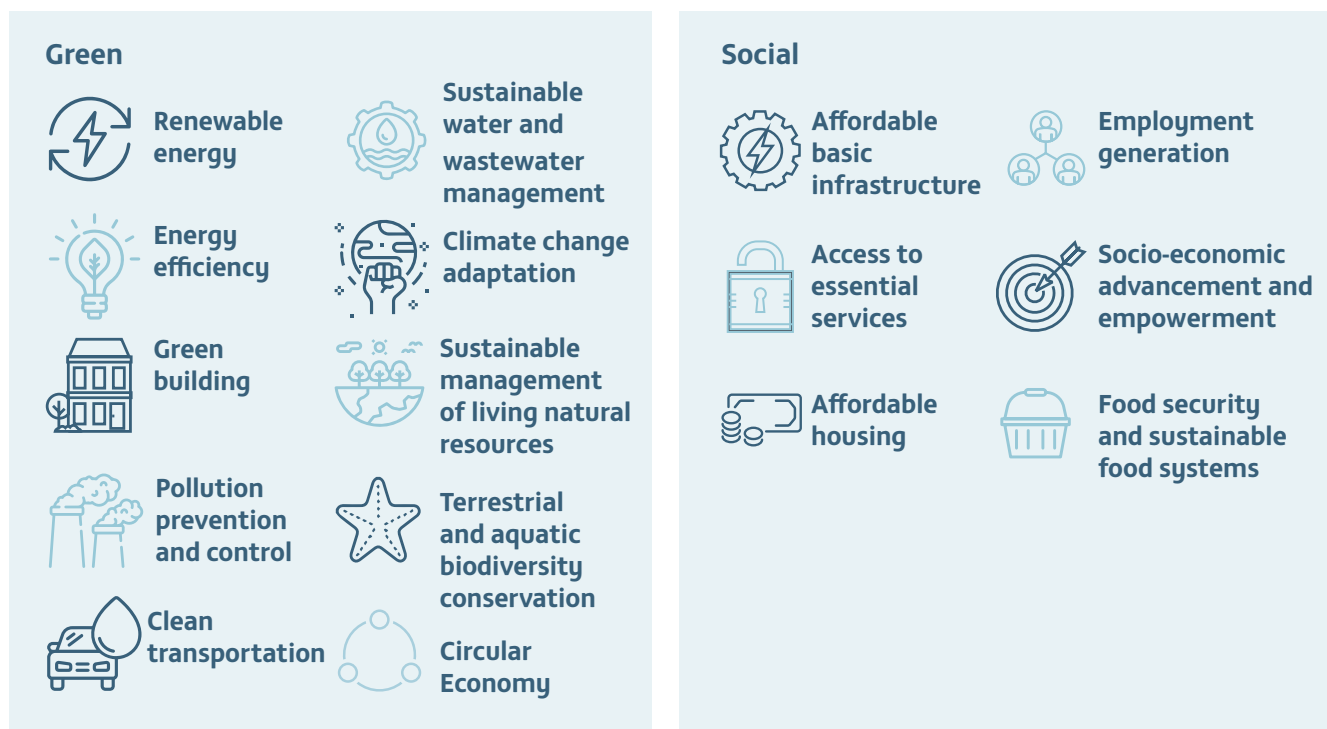
- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting



3.1.1 USE OF PROCEEDS

The net proceeds of any Green or Social Bond issuances will be used to fund or refinance, in whole or in part, eligible environmental and/or social projects that exclusively fall under the eligible categories listed in Section 5 of this framework. FAB has defined the eligible categories broadly in accordance with ICMA and the Climate Bonds Initiative.

Eligible categories include:



A description of the criteria of eligible green and social activities are set out in Section 5. The eligible categories have also been mapped against their relevant SDGs. This list may be further updated as circumstances and market practices evolve.

Allocation of Proceeds

Where feasible and possible, FAB will endeavour to allocate the use of proceeds to new eligible projects. Up to 100% of the proceeds of any FAB's Green/Social Bond issuances may be applied to refinance existing eligible green/social projects within the identified eligible categories listed in Section 5. Proceeds used for refinancing eligible green/social projects will be substituted out of any Green/Social Bond issuances in favour of funding new eligible green/social projects within eligible sectors as and when these become funded by FAB. In the event that all or a proportion of the proceeds are used for refinancing, FAB will provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced eligible Green Projects through the Annual Sustainable Finance Report.

FAB expects that the proceeds of each Green/Social Bond issuance will be allocated to eligible green/social projects within the Middle East region. However, given the global nature of FAB's business and the international operations of many of FAB's clients, the proceeds of any Green/Social Bond issuances may be applied globally without geographical restriction. FAB does not provide funding to high-risk countries in accordance with relevant regulations and is committed to being compliant with relevant sanctions requirements including UAE, UN, EU, UK and USA.

Excluded Sectors

FAB is also explicit about the types of activities that it will not support. Specifically, we will not provide any financial services to clients whose business and projects are involved in operations listed in Section 8 of this document, and therefore they will be ineligible for the use of proceeds of a Sustainable Financing Transaction.

3.1.2 PROCESS OF PROJECT EVALUATION AND SELECTION

Governance

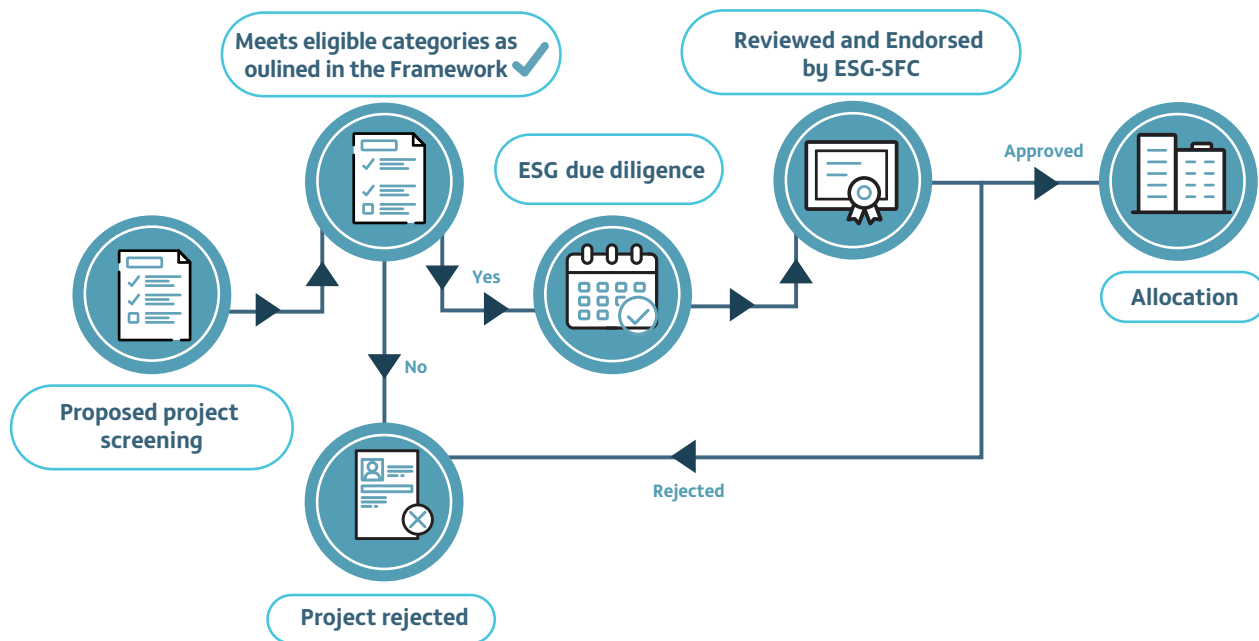
FAB has established an ESG-SFC, who are responsible for ensuring compliance with all aspects of FAB's Sustainable Finance Framework. They have an oversight of the Framework, including the approval of eligible projects. The role of the ESG-SFC shall be to:

- Review all new proposed use of proceeds of each Green/Social Bond issuance and endorse green/social projects, as appropriate, in accordance with the standards and processes set out in this Framework.
- Review and certify proposed allocation of proceeds of Green/Social Bond issuances, tracked in the Sustainable Finance Register.
- Monitor the ongoing use of proceeds to confirm continued compliance with FAB's Sustainable Finance Framework.
- Review and endorse the Annual Sustainable Finance Report.

Due Diligence

FAB performs ESG due diligence and analysis on projects and activities identified as potentially eligible. Our ESG Due Diligence Tool-Kit has been designed to assess the ESG performance of both the projects and clients and to generate environmental and social due diligence reports that are reviewed by FAB's Group ESG. A variety of environmental and social parameters are evaluated before reaching a conclusion on the project's sustainability benefits throughout the course of the project's lifetime. The due diligence component of the loan pool examination comprises of the evaluation of the Equator Principles, as well as the evaluation of project risk and organization allegation reviews. On a quarterly basis, outcomes of ESG Due Diligence are summarized and shared with the ESG-SFC for review and endorsement.





Eligible projects will go through a multi-step assessment process as follows:

- Projects which meet minimum ESG risk requirements as per FAB's ESG Risk Policy are shortlisted. These are then screened against FAB's eligible project categories outlined in the Framework by FAB's client relationship managers and/or Group ESG.
- Once screened and identified to be in alignment with the eligible categories, an extensive ESG due diligence is undertaken to ensure only projects and clients that score the highest are proposed to the ESG-SFC.
- Eligible projects are proposed to be allocated in whole or in part to the Green/Social/Sustainability Bonds, up to the full value of the bond. Proposed allocations are reviewed and endorsed by the ESG-SFC every quarter.

3.1.3 MANAGEMENT OF PROCEEDS

The net proceeds of FAB's Green/Social Bond issuances are maintained in a dedicated portfolio and are ring-fenced to be used only for eligible Green/Social projects. FAB's Sustainable Financing Register is used to earmark and manage the allocation of eligible green/social issuances and track at least the following information:

- Details of Green/Social Bond Issuances: Principal amount of proceeds, transaction date, maturity date and repayment or amortisation profile
- Allocation of Use of Proceeds: Name and description of allocated and unallocated eligible green/social projects (with an identifier to indicate which projects were financed and through which Sustainable Financing Transaction), the allocated amount per project, the share of total portfolio financing, maturity dates, due diligence scores, and the remaining balance of unallocated proceeds, if any.

The balance of tracked proceeds in the Sustainable Finance Register will be reduced by amounts matching (i) approved use of tracked proceeds; and (ii) bond issuance principal returned to investors, during the period.

If, at any time, a previously approved use of tracked proceeds is either (i) no longer considered an approved use of proceeds or (ii) repaid from the proceeds of any disposal of a project, then an equivalent amount shall be credited to the balance of tracked proceeds in the Sustainable Finance Register.

The Sustainable Finance Register will be reviewed by the ESG-SFC on a quarterly basis. FAB's internal auditors will review the processes and the reports, which will be independently verified by an appropriate independent, qualified party on an annual basis.

FAB expects to allocate full proceeds within 24 months of each issue. Unallocated proceeds from a Green/Social Bond issuances will be temporarily invested in Green/Social bonds issued by non-financial entities in domestic/international markets, money market instruments with a solid credit rating and market liquidity held in cash or cash equivalents (e.g., Central Bank) until qualifying green/social initiatives are available. FAB will notify investors of the proposed kinds of temporary placement for any remaining unallocated net funds.

3.1.4 REPORTING

FAB adopts ICMA's Harmonised Framework for Impact Reporting and annually reports both the use of Green/Social Bond proceeds as well as the expected environmental and/or social impacts, when available, for projects financed. We continue the reporting process until full allocation or maturity of any bonds issued under this Framework.

We will disclose information related to the allocation of proceeds of any Green/Social Bond issuances such as aggregate amounts of funds allocated, key information and characteristics of the transaction, project type, size and location, distribution of proceeds subdivided by eligible categories, criteria and the balance of unallocated proceeds at the end of the reporting period.

We will further disclose information related to the impacts of the funded eligible green/social projects, including brief description of the project's expected environmental and/or social impact, where possible: estimates of the expected impacts as quantitative performance indicators/ qualitative performance measures, case studies on eligible projects, descriptions of sustainability, social and corporate governance benefits, where available, and linkages with any Equator Principles project evaluations, where relevant.

Refer to Section 6 of this report, where FAB has provided a list of qualitative/quantitative performance indicators in line with ICMA's Harmonised Framework for Impact Reporting.

For Loans, the above-mentioned approach will be followed in alignment with LMA. The borrower must adhere to the reporting, disclosures and external reviews requirement in line with the LMA principles.

4. GENERAL PURPOSE FINANCING

When the use of proceeds of the financing are not dedicated towards a particular eligible activity/project, or is for general corporate purposes, FAB considers the following two parameters based on which a transaction can be classified as sustainable:

- Company Profile
- Sustainability Linked Instruments

If one or more of the above parameters contributes to the achievement of the Sustainable Development Goals (SDGs) and is in line with our commitments to ESG, a transaction can be classified as “Sustainable Finance” after FAB’s due diligence. At present, our existing due diligence requirements are based on the international standards listed in Section 2. We aim to close any gaps we identify as we develop our framework. Equally, we will continue developing our internal framework to fully embed the technical screening criteria as per market best practice into our internal classification process.

Sustainability-linked financing is eligible for inclusion if the sustainability-linked facility meets the criteria of the LMA/APLMA/LSTA Sustainability Linked Loan Principles or the ICMA Sustainability Linked Bond Principles. For transparency, sustainability-linked financing is reported as a separate category to green and social financing reported on a use of proceeds basis. To the extent that sustainability-linked financing volumes can be apportioned into green and social categories based on the proportion of green and social SPTs, we will report a breakdown. Where SPTs are linked to ESG scores, the data will not be allocated to either green or social categories.

4.1 COMPANY PROFILE

If the use of proceeds is not mentioned or committed to facilitating a specific activity, the transaction’s eligibility for categorization as Sustainable Finance can be determined based on the business profile.

Transaction is eligible if the company:

- derives $\geq 90\%$ of its revenues from activities eligible under Section 5
- or derives $\geq 90\%$ of its EBITDA from activities eligible under Section 5
- or derives $\geq 90\%$ of its energy generation from renewable energy sources (for power generators only)
- and is not involved in any activities excluded under Section 8

We recognize the need to provide funding to our customers to allow sustainable activities go beyond what is currently in the business mix fulfilling the $>90\%$ percent criteria. In certain cases, we provide assistance to companies who have significant or are expanding to support sustainable operations but fall short of the 90% requirement. As a result, we consider a pro-rata amount of this funding to be eligible for inclusion in the recipient company’s business mix in proportion to the percentage of eligible activities included.

In order for financing to be treated as eligible for inclusion under this approach, the company:

- derives in between 50% and 90% of its revenues from activities eligible under Section 5
- or derives 50% and 90% of its EBITDA from activities eligible under Section 5
- or derives 50% and 90% of its energy generation from renewable energy sources (for power generators only)
- and is not involved in any activities excluded under Section 8

Due to insufficiently detailed revenue data for social categories, our framework applies the pro-rata approach only to green categories.

4.2 SUSTAINABILITY LINKED INSTRUMENTS

FAB facilitates the development of innovative sustainable finance solutions by incentivizing our client's commitment to sustainability and to support environmentally and socially sustainable economic activity and growth.

Sustainability Linked Instruments, such as, sustainability linked loans, bonds or contingent facilities (such as guarantee lines or letters of credit), are used for general purposes, are forward-looking performance based instruments and cannot be classified based on their use of proceeds as per the defined categories in Section 5.

Sustainability Linked Instrument's structure is based on the achievement of pre-determined, material and ambitious Sustainability Performance Targets (SPTs), which are regularly monitored and externally verified against Key Performance Indicators (KPIs) or tied to third party ESG scores. Typically, they are constructed so that meeting the SPTs or improving sustainability performance results in a margin reduction, whilst poor performance results in a margin premium. The credibility of the Sustainability Linked Instrument will rest on the selection of one or more KPI(s). FAB has provided a list of KPIs in Section 6 that are relevant to our overall current and future business, are measurable or quantifiable on a consistent methodological basis, externally verifiable; and are able to be benchmarked. A Sustainability Linked Instrument's financial and/or structural characteristics will vary depending on whether the selected KPI(s) achieve or under-perform against the predefined SPT(s). FAB will include a financial and/or structural impact according to the trigger event(s). The variation of the financial and/or structural characteristics will be appropriate and meaningfully relative to the original financial characteristics.

The documentation of the Sustainable Finance Instrument (e.g. loan documentation) will include the KPI(s) definition and SPT(s) including calculation methodologies, the potential variation of the financial and/or structural characteristics, discussion of a fall-back mechanism in case the SPTs cannot be calculated or observed in a satisfactory manner and lastly take into consideration potential exceptional/ extreme events. For issuance of Sustainability Linked Loans, the borrower should follow this approach in line with LMA and provide latest update on the performance of SPTs and verifications.

4.2.1 ISSUING SUSTAINABILITY LINKED BONDS

Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability objectives. Issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined time line that are relevant, core and material to their overall business. The section below provides a clear process to understand the characteristics of a Sustainability Linked Bond based around the following five components in line with ICMA:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
- Bond characteristics
- Reporting
- Verification

4.2.1.1 KEY PERFORMANCE INDICATORS (KPIs)

The credibility of the Sustainability Linked Bond will rest on the selection of one or more KPI(s). FAB has provided a list of KPIs that are relevant to our overall current and future business, are measurable or quantifiable on a consistent methodological basis, externally verifiable; and are able to be benchmarked.

Section 6 of this report provides a list of sample qualitative/ quantitative performance indicators in line with ICMA's Harmonised Framework for Impact Reporting that can be referred to based on the respective sustainability product or activity.

4.2.1.2 PREDEFINED SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

In line with ICMA, FAB will propose SPTs that are ambitious, represent a material improvement in the respective KPIs, go beyond a "Business as Usual" trajectory and where possible, be compared to a benchmark or an external reference. The SPTs will be consistent with FABs overall strategic sustainability / ESG strategy and will be determined on a predefined time line, set before (or concurrently with) the issuance of the sustainability-linked bond. We will set the SPTs using a combination of peer benchmarking, alignment with climate science and recognised sustainability goals (e.g. Paris Agreement on Climate Change, Net Zero Goals, Sustainable Development Goals (SDGs), etc.).

Furthermore, we will commit to making disclosures on a Sustainability-Linked Bond's time line for the SPT achievement, and where relevant, will provide a verified baseline or reference point. We will also clarify if any recalculations or proforma adjustments of the baseline will take place, taking competition and confidentiality considerations into account.

In connection with the issuance of a Sustainability-Linked Bond, FAB will engage an external review provider (such as a Second Party Opinion) to confirm alignment with the bond's core components or in cases where no external input is sought, FAB will use internal expertise to verify its methodologies.

4.2.1.3 SUSTAINABILITY LINKED BOND CHARACTERISTICS

A bond's financial and/or structural characteristics will vary depending on whether the selected KPI(s) achieve or under perform against the predefined SPT(s). FAB will include a financial and/or structural impact according to the trigger event(s). The variation of the bond's financial and/or structural characteristics will be appropriate and meaningfully relative to the original financial characteristics.

The bond documentation will include the KPI(s) definition and SPT(s) (including calculation methodologies), the potential variation of the financial and/or structural characteristics, discussion of a fall-back mechanism in case the SPTs cannot be calculated or observed in a satisfactory manner and lastly take into consideration potential exceptional/ extreme events.

4.2.1.4 REPORTING

For Sustainability-Linked Bonds, FAB will annually publish the performance of the selected KPI(s), including baselines where relevant; a verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics; and any information enabling investors to monitor the level of ambition of the SPTs. FAB will further report any potential adjustment of the SLB's financial and/or structural characteristics if required.

4.2.1.5 VERIFICATION

For Sustainability-Linked Bonds, FAB will annually seek independent and external verification pre and post signing to review their performance level against each SPT for each KPI or to accommodate any potential adjustment of the bond's financial and/or structural characteristics, by a qualified external reviewer with relevant expertise. The verification of the performance against the SPTs will be made publicly available.

Refer to Section 9 for FAB's External Review and Verification Approach.

4.2.2 SUSTAINABILITY LINKED LOANS

For Sustainability Linked Loans (SLL), the borrower should provide a list of KPIs for a sustainability activity/ product in line with LMA principles. The borrower's proposed SPTs should be ambitious, represent a material improvement in the respective KPIs, go beyond a "Business as Usual" trajectory and where possible, be compared to a benchmark or an external reference. The KPIs and SPTs should be determined and set between the borrower and FAB for each transaction. These SPTs should be consistent with our overall strategic sustainability/ ESG strategy and be determined on a predefined timeline, set before (or concurrently with) the issuance of the sustainability-linked instrument. The SPTs should be set using a combination of peer benchmarking, alignment with climate science and recognised sustainability goals (e.g. Paris Agreement on Climate Change, Net Zero Goals, Sustainable Development Goals (SDGs), etc.). FAB will validate Sustainability Linked products issued under this classification through our due diligence processes, taking into consideration our internal KPIs and market standards.

The borrower will also be required to provide a verified baseline or reference point, clarify if any recalculations or pro-forma adjustments of the baseline, follow the recommended benchmarking approach and adhere to the disclosures and external reviews in line with the LMA principles. Performance of SLLs will be disclosed by FAB where possible, taking confidentiality considerations into account.













5. ELIGIBLE ACTIVITIES FOR SUSTAINABLE FINANCING




The table below lists information on the use of proceeds within qualifying categories, as well as a description of the criteria for qualified green/social activities. The qualifying categories mentioned below have also been linked to their respective SDGs and are referenced from CBI Criteria, EU Taxonomy and ICMA. FAB will evaluate each transaction on a case-by-case basis and will determine if it meets the criteria listed in the parent frameworks.











Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Renewable Energy	Generation of energy from renewable sources	<p>The generation of electricity from:</p> <ul style="list-style-type: none"> • Wind (onshore/offshore) (Ref – CBI) • Photovoltaic solar • Tidal and wave energy (Ref – CBI) • Geothermal - with direct emissions below 100gCO₂/kWh • Bio-Energy - Facilities Producing biofuel, biomass, biogas including fuel preparation process facilities, pre-treatment facilities and biorefinery facilities (if ≥50% biomass-based products produced for energy use) (Ref – CBI) • Hydro-power (as per the IFC standards) In operation before 2020 power density > 5W/m²; or GHG emissions intensity of electricity generated < 100gCO₂e/kWh. Commencing operation in 2020 or after: power density >10W/m²; or GHG emissions intensity <50g CO₂e/kWh (Ref – CBI) • Waste to Energy -e.g. incineration, gasification, pyrolysis, and plasma. Plant efficiency ≥ 25%; AND Bottom ash recovery; AND ≥ 90% recovery of metal from ash; AND Average carbon intensity of electricity and/ or heat over the life of the plant ≤ waste management allowance; AND capacity of the plant does not exceed the calculated residual waste at any time in the plant's life (Ref – CBI) 	<ul style="list-style-type: none"> • Large (>1000MW) hydro power projects except where it aligns to the IFC Performance Standards • Projects with life cycle GHG emissions >100g CO₂e/kWh • Concentrated solar power generation >85% 	
	Manufacture of components or facilities of renewable energy technology	Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage including wind turbines, solar panels, and the constituent parts of renewable generation projects.	Projects with life cycle emissions >100g CO ₂ -e/kWh	
	Energy storage systems and technologies	<p>Development of technologies that increase defined renewable energy storage capacity, including Batteries, capacitors, compressed air storage and flywheels. the system should meet the following screening indicators:</p> <ol style="list-style-type: none"> 1. Dedicated connection to a power production plant eligible under the Climate Bonds sector (eg. solar) 2. Dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO₂/kWh) 3. Located on a system with a grid factor at or below 100g CO₂/kWh. 4. The infrastructure is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold (100g CO₂/kWh) (Ref – CBI) 		
	Transmission and distribution assets	<p>Activities that improve efficiency in transmission and distribution of renewable energy such as:</p> <ul style="list-style-type: none"> • Construction, upgrading or operation of infrastructure such that it is a dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO₂/kWh), located on a system with a grid factor at or below 100g CO₂/kWh. The infrastructure is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold (Ref – CBI) • Equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation (Ref – CBI) • Equipment that increases the controllability and observability of the electricity system and enable the development and integration of renewable energy sources. (Ref – CBI) • Grid expansion / development that transmits a minimum of 90% renewable energy 		











Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Renewable Energy	Industrial processes and supply chains	Facilities dedicated to manufacturing key components for eligible facilities e.g. solar panel or wind turbine manufacture (Ref – CBI).	<ul style="list-style-type: none"> Projects to improve the energy efficiency of fossil fuel production and/or distribution Industrial processes which are inherently carbon intensive and/or primarily driven by fossil fuels and/or within heavy industries such as steel, cement, etc. Co-generation plants powered by coal, oil, or natural gas, unless the natural gas-powered plant has a clear plan to transition to low-carbon sources 	 
	Energy efficiency technologies	Products or technology that improve energy efficiency, such as: <ul style="list-style-type: none"> Development and implementation of products or technologies that reduce the energy consumption by 30% or more of underlying assets, projects, appliances, products or systems i.e. improved lighting, improved chillers, or reduced power usage in manufacturing operations Installation of zoned thermostats, smart thermostat systems and censoring equipment, e.g. motion and day light control Installation of Building Management Systems (BMS) and Energy Management Systems (EMS) 	<ul style="list-style-type: none"> Products or technology that improves the energy efficiency of fossil fuel production i.e. cleaner coal technology Products or technology that have an energy efficiency improvement of <30% 	
Energy Efficiency	Public services	Improved efficiency in the delivery of bulk energy services, including, but not limited to: <ul style="list-style-type: none"> Construction and operation of pipelines and associated infrastructure for District heating/cooling systems (low-GWP refrigerants preferred) using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat Modifications to lower temperature regimes (REF: EU Taxonomy) Advanced pilot systems (control and energy management systems, Internet of Things) (REF: EU Taxonomy) Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources (REF: EU Taxonomy) Installation and operation of electric heat pumps is eligible, if Refrigerant threshold: GWP ≤ 675 	<ul style="list-style-type: none"> Products or technology that improves the energy efficiency of fossil fuel production Products or technology that provide an energy efficiency improvement of <30% 	 
	Manufacture of components or facilities of energy efficiency technology	Development/manufacture of energy efficiency technologies including LED lights, green hydrogen fuel cells, high efficiency building envelope materials and occupancy/daylight controls for lighting systems. (REF: EU Taxonomy).		













Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Green Building	Efficient buildings	<p>New construction of building developments or renovation of existing buildings (including public service, commercial, residential, and recreational) which meet the requirements of recognised environmental building and communities standards such as:</p> <ul style="list-style-type: none"> • LEED: silver or above • BREEAM: good or above • Estidama: 2 Pearls or above • HQE: good or above • CASBEE: B+ good/ or above • Green Star: 4 star or above • WELL - Certified or above • Fitwel – 1 star or above • Mostadam - Bronze and above <p>Equivalent alternative environmental standards, where applicable or ensuring emissions footprint in the top 15% of emissions performance in the local market – (Ref: CBI).</p>		  
	Green real estate	<p>Sustainable retrofits of existing buildings should demonstrate a reduction in primary energy demand (PED), carbon or energy saving of at least 30% post upgrade expressed as reduction in kWh/m2 per year. Upgrades can include for example insulation of buildings, installation of efficient energy management systems, renewable on-site and etc.</p>	<ul style="list-style-type: none"> • Improvement activities that result in the use of fossil fuel technologies • Activities relating to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels 	
	Reduced life cycle consumption	<p>Buildings which have, or are projected to have, reduced life cycle consumption of energy, water, or CO2 levels of at least 30% less than statute/city baseline levels or local market average, where this can be easily and transparently demonstrated.</p>		
Pollution Prevention and Control	Prevention and Control of Pollution	<p>Activities with capital expenditures which achieve the following: reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/ emission-efficient waste to energy.</p> <p>For example any operation that</p> <ul style="list-style-type: none"> • Reduces at source the quantity of waste before recycling, composting, energy recovery and landfilling become options • Reduces the quantity of material used in the creation of products • Reuses products or components for the same purpose for which they were conceived • Reduces greenhouse gas (GHG) emission through composting; waste reduction, recycling and reuse; landfill gas capture and collection; anaerobic digestion; waste to energy (thermal treatment) etc.). (REF ICMA GBP) 	<ul style="list-style-type: none"> • Products or technology associated with fossil fuel power generation and manufacturing processes • Generic waste incineration 	  

Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Clean Transportation	Environmentally sustainable transport systems	<p>Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of long distance, urban travel and freight, including:</p> <ul style="list-style-type: none"> • Low energy or low emission transportation assets, if direct emissions are below 50 gCO₂e/pkm until 2025 (non-eligible thereafter) (Ref: EU Taxonomy) • Zero direct emissions transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail, inland waterways vessels) are eligible. (Ref: EU Taxonomy) • Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric) (Ref: EU Taxonomy) • Dedicated manufacturing facilities for vehicles and key components, such as batteries, being used in eligible vehicles • Dedicated charging and alternative fuel infrastructure (Ref: CBI Taxonomy) • Public walking and cycling infrastructure and cycling schemes (Ref: CBI Taxonomy) • ICT that improves asset utilisation, flow and modal shift, regardless of transport mode (public transport information, car-sharing schemes, smart cards, road charging systems, traffic management systems aimed at reducing congestion, Smart freight logistics) (Ref: CBI Taxonomy) • Deployment of clean transportation (low emissions) that reduces GHG emissions and/or air pollutants per unit of service provided (Ref: CBI Taxonomy) • Passenger/Cargo aircraft which uses low GHG fuel (e.g. solar, electric, high % of biofuel), delivering substantial reduction in gCO₂e/passenger (Ref: CBI Taxonomy) • Manufacture of low carbon transport vehicles and their respective key components, fleets and vessels with tailpipe emission intensity of max 50 g CO₂/km (WLTP). 	<ul style="list-style-type: none"> • Fossil fuel-based transportation such as diesel-powered locomotives or infrastructure dedicated to fossil fuel transport • Rail lines where fossil fuels account > 50% of freight • Systems and infrastructure dedicated to the transportation of fossil fuels • Diesel-powered locomotives for mass transport where gCO₂/pkm >50 • Transportation that is dedicated to the transport of fossil fuels or any blended fossil fuels are not eligible even if meeting the criteria 	  
Sustainable Water and waste water management	Sustainable infrastructure for clean and/or drinking water	<p>Activities or products that provide sustainable infrastructure for clean and/or drinking water such as:</p> <ul style="list-style-type: none"> • Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation) (REF ICMA GBP). • Supply management & wastewater treatment which includes the following: <ul style="list-style-type: none"> • Water monitoring - Smart networks, early warning systems for storms, droughts, floods or dam failure, water quality or quantity monitoring processes and etc. (Ref: CBI) • Water Storage - Rainwater harvesting systems, storm water management systems, water distribution systems and etc. (Ref: CBI) • Water treatment - Drinking water treatment, water recycling systems and etc. (Ref: CBI) • Water distribution - Rainwater harvesting systems, gravity fed canal systems, pumped canal, or water distribution systems and etc. (Ref: CBI) • Flood defences - Surge barriers, pumping stations, levees, gates (Ref: CBI) • Nature Based Solutions - Water storage from aquatic Ecosystems Drought defences by aquifer storage, recharge zone management, wetland management (Ref: CBI) • Water saving products (Ref: CBI) 	Products or technology that improve the energy efficiency of fossil fuel production and/or distribution	
Climate Change Adaptation	Climate Resilience	<p>Activities that increase the resilience of ecosystems, for example:</p> <ul style="list-style-type: none"> • Climate observation and early warning systems (Ref: ICMA) • Water, power, transport and communication resilient infrastructure ensuring repairs and reliability of service (Ref: CBI) • Reducing or avoiding weather-related damage such as flood management, bridges to address higher levels of flooding, systems infrastructure for anticipated wind speeds, heavy rains, and increased temperatures (Ref: ICMA) 		

Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Sustainable Management of Living Natural Resources	Sustainable Management of agriculture, fishery, aquaculture, forestry	<p>Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as:</p> <ul style="list-style-type: none"> • Biological crop protection or drip irrigation • Livestock production - avoidance of GHG emissions (such as animal management, storage and processing of manure and slurry, and management of permanent grasslands) (Ref: EU Taxonomy) • Management of soil and biomass for carbon sequestration, erosion control and improved soil health (Ref: ICMA GBP) • Reduction of methane and nitrous oxide emissions from livestock (Ref: ICMA GBP) • Minimising environmental impacts in agricultural value chains. Feedstock used are certified under one of the following, pre-approved best practice standards, RSB, RTRS, ISCC, Pro Terra (Ref: ICMA GBP) • Sustainable forest management, including afforestation, reforestation, forest rehabilitation. (e.g Benchmarks. FSC, PEFC, Rainforest Alliance) (Ref: ICMA GBP) • Sustainable fisheries and aquaculture accredited by the GSSI and comply with FAO Technical Guidelines (e.g. Benchmarks - MSC, ASC). – increased sustainable seafood production, certified sustainable fisheries (Ref: ICMA GBP) 	<ul style="list-style-type: none"> • Efficiency improvements involving conventional fossil fuel combustion engines (hybrid engines and technologies are eligible) • Sustainable agriculture that is not in alignment with CBI, ICMA GBP, EU Taxonomy or the Operational guidelines for the design, implementation and harmonisation of monitoring and evaluation systems for climate-smart agriculture http://www.fao.org/climate-smart-agriculture/en/ 	
Terrestrial and Aquatic Biodiversity Conservation	Conservation of terrestrial and aquatic biodiversity	<p>The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to:</p> <ul style="list-style-type: none"> • Conservation and restoration of natural landscapes • Safeguarding and/or developing protected terrestrial and marine areas and systems • Forest conservation, or REDD (Reducing Emissions from Deforestation and Forest Degradation) • Preserving terrestrial, marine natural habitat • Training conservation workers, forestry personnel, farmers in biodiversity conservation 		 
Circular economy	Designing for circular economy	<p>Development, manufacture and/or distribution of products designed for circularity and/or adaptive re-use. Eligible activities include:</p> <ul style="list-style-type: none"> • Design and introduction of reusable, recyclable and refurbished materials, components, and products; circular tools and services • Products go beyond an eco-label and demonstrate significant waste diversion and/or use of waste products • Products will be assessed for reduction of raw resource inputs and outputs (REF: ICMA – GBP) 		  
Affordable Basic Infrastructure	Telecommunications	<p>Construction intended to expand access to telecommunications, such as broadband, internet coverage or mobile phones. Targeted populations include:</p> <ul style="list-style-type: none"> • Excluded and/or marginalised communities • Vulnerable groups - including as a result of natural disasters • Under-served - owing to a lack of quality access to essential goods and services 		   

Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Affordable Basic Infrastructure	Water	Building new facilities or rehabilitating/expanding existing ones to increase the amount of water that can be produced or stored in order to make it more readily available to a growing population. For e.g. (water drilling, modern equipped wells, mini drinking water supply, drinking water treatment plant, water towers and storage, drinking water fountains and special connections, supply and distribution pipes). Target population: Under-served, owing to a lack of quality access to essential goods and services.		
	Sanitation	Construction of new facilities or renovation and/or expansion of existing facilities to boost waste water treatment capacity and access to stand-alone sanitation. Target population: Populations in rural, semi-urban and urban areas not served or under-served due to lack of quality access to essential goods and services. Under-served, owing to a lack of quality access to essential goods and services.		   
	Transport	Activities that provide affordable basic infrastructure for transportation such as: <ul style="list-style-type: none"> • Development and refurbishment of rural/feeder roads in regions without connection/access to key social infrastructure (e.g. healthcare, schools). • Financing of roads in under-served, internal or isolated area • Financing the construction, equipping, or maintenance of clean transportation facilities, such as cycleways, pedestrian thoroughfares and other transportation infrastructure contributing to the reduction of harmful emissions Target population: Rural population living more than 2 km away from an all-season road.		
	Power	Development of sustainable (hydro-power plants, solar power plants, renewable energy, energy efficiency equipment) electrical transmission and distribution infrastructure to link regions with a low power connection rate (below 50%).		

Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Access to Essential Services	Healthcare	<p>Activities that provide access to essential services for healthcare, such as:</p> <ul style="list-style-type: none"> Investing in activities leading to increased access to healthcare for underprivileged or vulnerable groups in developing countries, including financing the vaccinations of children in developing or underdeveloped countries, Programs fighting against disease and epidemics (COVID, Ebola, malaria, tuberculosis, infectious and tropical diseases) Investing in activities that will strengthen the provision of early warning, risk reduction and management of health crises including health, education and vocational training, healthcare, financing, and financial services Investing in educational and vocational training for medical care, emergency care and public health professionals in developing or underdeveloped countries Construction of essential healthcare facilities that will provide public or subsidized services. Examples include hospitals, clinics, Senior homes (with a clear focus on nursing), and healthcare centres Development of critical medical equipment or provision of diagnostic services. Examples could include MRI machines, respirators or services that support diagnostics such as laboratory testing Research into neglected diseases and/or drugs on the World Health Organisation (WHO) essential medicines list Sale of affordable priced or subsidised medicines on the WHO essential medicines list <p>Target population: Under-served, owing to a lack of quality access to essential goods and services, Sick, elderly or vulnerable people. Unprivileged - Groups of persons that experience a higher risk of poverty, social exclusion, discrimination and violence.</p>		   
	Education and vocational training	<p>Activities that provide access to essential services for education and vocational training, for example:</p> <ul style="list-style-type: none"> Construction of public or private schools, universities, and university campuses in underdeveloped countries Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries at primary/secondary/tertiary education level Activities such as (retrofitting infrastructure, school transportation service, mobilizing skilled resources remote education, leveraging hi-tech, low-tech and no-tech approaches) to expand access to primary, secondary, university and vocational education for underrepresented communities in the education system Activities to promote entrepreneurship and innovation among secondary and university students, including financing hackathons and FinTech competitions 		

Eligible Categories	Eligible Criteria	Description	Exclusion	SDG mapping
Affordable Housing	Affordable Housing	<p>Activities that provide affordable housing, such as:</p> <ul style="list-style-type: none"> Providing loans to low-income families or individuals for housing following UN and international standards for social welfare eligibility and unbanked populations as per the World Bank Construction of social housing or providing loans to institutions that provide social housing for low-income, disadvantaged, excluded and/or marginalised population or communities 		   
Employment Generation	Lending to small and medium-sized enterprises	<p>Activities that support employment generation through lending to SMEs, such as:</p> <ul style="list-style-type: none"> Providing financing to a small-medium sized enterprise (SMEs) among under-banked populations (people of determination, migrants, undereducated, underserved, unemployed) Providing loans for projects or enterprises classified as microfinance (as defined by the IFC) To be identified as an SME, as defined by the International Finance Corporation (IFC), the end-client should meet two of three criteria to qualify: <ul style="list-style-type: none"> Number of employees between 10 to < 300 employees Total Assets between USD 100,000 up to USD 15 million Total Annual Sales between USD 100,000 up to USD 15 million Projects are classified as microfinance, as defined by the International Finance Corporation (IFC), the, if they meet the following criteria. The end-client should meet two of the three criteria to qualify: <ul style="list-style-type: none"> Number of employees should be <10 employees Total assets under USD 100,000 Total annual sales under USD 100,000 If data mentioned above is not available, the end-client average loan size should be less than USD 10,000 		 
Socio-economic Advancement and Empowerment	Gender equality	<p>Providing financing to the following:</p> <ul style="list-style-type: none"> Women-owned SMEs (at least 51% owned by one or more women) Financial institutions helping to acquire and serve women-owned SMEs Financial institutions that help provide access to economic resources, microfinance; and skills training for vulnerable groups, such as the very poor, women and marginalised communities 		  
Food security and sustainable food systems	Food security and sustainable food systems	<p>Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers) - (Ref: ICMA SBP).</p> <p>Eligible activities include, but not limited to:</p> <ul style="list-style-type: none"> Improved agricultural productivity, enhanced livelihoods, food security and nutrition in poor rural communities Food security and livelihoods programmes, ensuring access to food and the protection of livelihoods during and immediately after an emergency Strengthening food security, expanding climate-smart and green livelihoods, and building household resilience by supporting improved rural and urban production, self- and paid employment, and entrepreneurship Improve agricultural efficiency, the agricultural supply chain and prevent food wastage Modern technologies related to hydroponic farming/organic farming methods 		  

6. SAMPLE ELIGIBLE KPI FOR SUSTAINABILITY LINKED INSTRUMENTS

FAB provides a list of sample KPIs for each relevant eligible category that can be used to report and evaluate performance of sustainability activities or products against Use of Proceeds and Sustainability-Linked Bonds/Loans.

Eligible Categories	KPIs
Renewable Energy	<ul style="list-style-type: none"> CO2 emission avoided (tCO2e) Amount of renewable energy generated (MWh) Capacity of renewable energy plant(s) constructed (MW)
Energy Efficiency	<ul style="list-style-type: none"> Annual CO2 emission avoided (tCO2e) Annual Energy savings (% or MWh)
Green buildings	<ul style="list-style-type: none"> Annual CO2 emission avoided (tCO2e) Building certification standard % Of energy and water use reduced vs local code
Pollution Prevention and Control	<ul style="list-style-type: none"> Amount of waste treated or recycled (tons) CO2 emission avoided (tCO2e) Amount of energy generated from waste (MWh) Annual amount of waste (separated, collected, treated, and disposed) (% of total waste) How many fractions of waste were separated before and after the project
Clean Transportation	<ul style="list-style-type: none"> CO2 emission avoided (tCO2e) Type of transport financed Distance travelled by the mode of transport financed (km) Estimated reduction in fuel consumption Number of clean vehicles deployed (e.g. electric) Estimated reduction in car use in number of kilometres driven or as share of total transport ridership
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Amount of water treated, or rainwater collected (litres) Annual water savings (%) Annual volume of wastewater treated or avoided Treatment and disposal and/or reuse of sewage sludge Water reuse/use avoided by waterless solutions and equipment (m3) Number of people with access to improved sanitation facilities under the project Area covered by sustainable land and water resources management practices
Climate Change Adaptation	<ul style="list-style-type: none"> Type of resilient infrastructure financed Increase in grid resilience, energy generation, transmission/distribution, and storage (MWh) Increased number of people/businesses/acres with secure water supply Reduction in repair costs and/or operating days lost due to landslides Reduction in the number of customers/employees suffering loss of power/transport services Additional water availability and/or increased water catchment in m³/year
Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> Sustainable land use area (hectares) Area of certified forests managed (hectares) Number of indigenous species, flora, or fauna (trees, shrubs, and grasses...) restored through the project Increase of natural landscape area in urban areas (km²/% for increase) Water savings from improved irrigation, stormwater and rainwater capture, groundwater recharge and/or the reuse of highly treated wastewater (e.g. m³/year) Increase in area under certified organic or sustainable agriculture Increase in area under integrated pest management Increase in feedstock supply chain certification coverage Increase in % of certified sustainable fisheries, aquaculture

Eligible Categories	Sample KPIs
Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none"> • Types of living organisms protected • Increase of protected area / habitat (km²/% for increase) • Number of conservation workers (e.g., game wardens, rangers, natural park officials) trained in biodiversity conservation
Circular Economy	<ul style="list-style-type: none"> • Increase in materials reusable, recyclable, and/or certified compostable as a result of the project • Proportion of circular materials produced as a % of the total material production of the project • Waste that is prevented, minimised, reused or recycled before and after the project (% of total waste) • Single Use products replaced by products designed and produced for reuse (%) • Amount of virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes (% , Tonnes p.a)
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of beneficiaries • Floor space of green real estate • Number of people with access to sustainable transport systems • Number of people provided with adequate and equitable sanitation
Access to Essential Services	<ul style="list-style-type: none"> • Number of people with increased access to financial services • Amount of loans provided to low-income students or persons from underdeveloped countries (millions) • Number of people with increased access to healthcare services • Number of essential healthcare facilities built for public or subsidized services • Number of women provided with access to affordable maternal and reproductive healthcare products • Cost reduction for standard treatments and medicines • Number of low-income individuals provided with affordable health insurance • Number of schools or universities built • Education facilities for inclusive and effective learning environments
Affordable Housing	<ul style="list-style-type: none"> • Amount of loans provided to low-income families or individuals (millions) • Number of people with access to safe, affordable, and sustainable housing • Share of under-served tenants (such as women, minorities, etc) • Number of individuals/ families benefiting from subsidised housing
Employment Generation	<ul style="list-style-type: none"> • Number of SMEs financed • Amount of microfinancing • Number of disabled people employed
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> • Number of women-owned SMEs financed • Number of financial institutions financed, helping to acquire and serve women-owned SMEs • Proportion of women in management positions • Number of women provided with access to information or financial services through digital products/ services • Number of women provided with decent work conditions • Number/Share of disabled people employed • Number of loans granted to low-income households for installations of improvement technologies
Food Security	<ul style="list-style-type: none"> • Number of people provided with safe, nutritious, and sufficient food • Products with certified improvements in nutritional value • Number of people benefiting from agricultural projects and using improved farming technology

Refer to the following links for detailed KPIs:

ICMA KPI's for Green Eligible Activities: Harmonised Framework for Impact Reporting Green Bonds June-2022

ICMA KPI's for Social Eligible Activities: Harmonised Framework for Impact Reporting Social Bonds June-2022

7. TRANSITION FINANCE

Transition finance is a term that refers to financial help provided to carbon-intensive businesses that are in the process of reorienting their business and/or activities to a 1.5 degree trajectory. It connects the divide between conventional and sustainable finance as firms embark on their net zero path. FAB's approach to Transition Financing is aligned with our long term Net Zero commitment to position lending and investment portfolios with Net Zero emissions by 2050 and is based upon the EU Taxonomy, ICMA Principles and CBI Transition Finance White Paper.

For projects and activities with a 'transition' label applied, the net proceeds of any Transition Financing Transaction will be used to fund or refinance projects and activities that fall within the scope of the qualifying categories as stated in table below.

In addition to these requirements, the activity should be aligned with the principles of 'Do No Significant Harm' (DNSH) and we require the entity or client to have, or be in process, of developing a credible climate transition strategy that is established by climate science in alignment with net zero emissions by 2050.

Currently, our framework is exclusively for project/activity based financing transactions. FAB will seek to expand the framework in the future to assess the eligibility of transition finance given to customers for general business purposes who have a credible, science-based transition strategy in place.

Note that the management of proceeds for transition finance will follow the same approach as described in Section 3.1.3 except for clear a demarcation of the 'transition finance' label.

The table below lists the sample eligible activities that can be classified for transition finance, all activities are subject to FAB's approval.

Sector	Eligible Activities	
Manufacturing	Manufacture of Cement	<ul style="list-style-type: none"> New cement chemistries or new concrete chemistries using less cement input Decarbonisation technologies (such as use of biomass/waste as heat generation, carbon capture and storage, kiln electrification from renewable energy source), Applicable for a company if the activities lead to substantial emissions reductions
	Manufacture of Iron and Steel	<ul style="list-style-type: none"> Decarbonisation technologies (such as scrap-based (recycled) steel, carbon capture and storage, electrolysis) Energy efficiency of blast furnace (such as coke dry quenching, production gases reuse for power production)
	Manufacture of plastics in primary form	<ul style="list-style-type: none"> Decarbonization technologies (such as carbon capture of exhaust gas from pyrolysis furnaces, biomass/waste for heat generation, finance electrification from renewable sources). Applicable for a company if the activities lead to substantial emissions reductions
	Manufacture of other organic basic chemicals	<ul style="list-style-type: none"> Alternative feedstocks (such as natural gas, shale gas, biofuels, and other unconventional feedstocks) Energy-efficient production/innovation (such as catalytic olefin technologies using naphtha, etc or use of hydrogen from renewable energy sources to produce ammonia or methanol) Carbon capture and storage
Electricity, gas, steam, and air conditioning supply	Production of Electricity from Gas (not exclusive to natural gas)	<ul style="list-style-type: none"> Carbon capture and storage Conversion from coal to gas as part of realistic medium- and long-term strategy to continue transitioning to zero emissions energy generation, substantial emission reductions and conducted screening for zero emission alternatives <p>Notes: Technology uses ISO 14067 or a GHG Protocol Product Lifecycle Standard Compliant Product Carbon Footprint (PCF) assessment, that the life cycle impacts for producing 1 kWh of electricity are below the declining threshold where facilities operating at life cycle emissions lower than 100gCO₂e/kWh, declining to 0gCO₂e/kWh by 2050, are eligible.</p>
	Electrification	<ul style="list-style-type: none"> On pathway of electrification of fossil fuel upstream operations, industrial equipment

Sector	Eligible Activities
Transportation and storage	Freight transport services by road <ul style="list-style-type: none"> Energy-efficient engine (including for heavy duty vehicles)Applicable for a company if the activities lead to substantial emissions reductions
	Inland freight water transport <ul style="list-style-type: none"> Use of vessels powered by low GHG fuel (such as biofuel, bio-methanol, LNG, hydrogen, ammonia), if direct emissions are below 50 gCO2e/pkm until 2025
	Air side transport <p>Funding is applicable if the activities supports an overall decarbonization route within the aviation strategy through:</p> <ul style="list-style-type: none"> Energy efficiency (weighted average) that leads to energy savings of at least 15% against previous technologies Sale, lease, operation of an aircraft powered by clean fuel including electric batteries, hydrogen fuel cells, liquid hydrogen turbines Sale, lease, operation of an aircraft powered by advanced biofuels or electro-fuels following the approach set out in the renewable energy directive (RED II) Air traffic management (ATM) activities categorised by SESAR delivering environmental benefits, or FREE Route Airspace Airport related operations and ground handling and construction of airport infrastructure, transitioning into circular economy, pollution prevention, protection of diversity in line with the EU Sustainable finance taxonomy for the aviation sector and DNSH criteria (REF: EU Aviation)
Oil and Gas	Oil & Gas clients who are in transition to net zero across a diverse range of activities <ul style="list-style-type: none"> Decarbonizing operations (minimising flaring, tackling methane emissions, integrating renewables and low-carbon electricity into new upstream and LNG developments) (Source: IEA) Supply low-carbon liquids and gases (low-carbon hydrogen, biomethane, advanced biofuels) (Source: IEA) Removing carbon emissions – CCUS, (Source: IEA) Deployment of advanced technologies to monitor and reduce emissions, and develop new mitigation enabling technologies (Source: PWC)
Hydrogen	Companies/activities what are in transition to net zero across a diverse range of activities: <ul style="list-style-type: none"> Enabling infrastructure – new/repurposing (e.g. hydrogen fuelling stations, pipelines) New hydrogen-based industrial plants Hydrogen use in refineries, transportation, power plants, aviation Switch to low-carbon hydrogen from blue/grey hydrogen



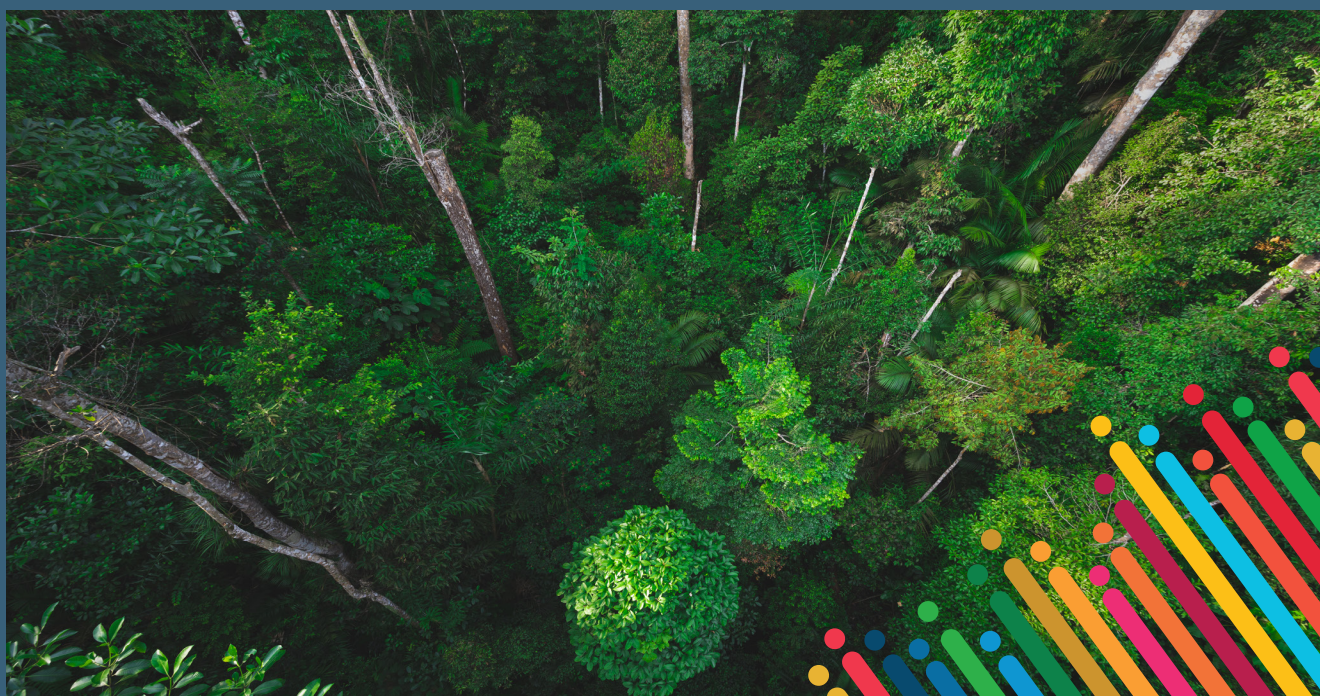
8. EXCLUSIONS

FAB conducts due diligence on all ESG financing to assess the environmental impacts of the project and associated chain of events. To determine the our risk exposure, FAB applies the Equator Principles to classify eligible sustainability projects and activities into distinct categories, depending on the environmental and social risks and impacts related to the project.

Due to the global nature of FAB's business and the international activities of many of our customers, the proceeds of any Sustainable Financing Transaction may be used anywhere in the world without regard to geography, however, it does not provide funding to high-risk nations in compliance with applicable legislation. FAB is dedicated to complying with relevant sanctions obligations, including those of the UAE, the United Nations, the European Union, the United Kingdom, and the United States.

FAB is also explicit about the types of activities that it will not support. Specifically, under this framework, FAB will not provide any financial services to clients whose business and projects are involved in the operations listed below, and therefore they will be ineligible for the use of proceeds of a Sustainable Financing Transaction:

- Tar sand extraction
- Fracking
- Waste incineration without energy capture
- Ultra-deep-sea drilling
- Arctic drilling
- Coal (mining and power)
- Palm oil, soy, and timber
- Landfill without gas capture
- Animal mistreatment
- Adult entertainment
- Hazardous substances
- Weapons unless defense related activities
- Liquor and Tobacco businesses
- Gaming activities, lotteries & raffles
- Activities involving modern slavery, child labour or forced labour



9. EXTERNAL REVIEW AND VERIFICATION

FAB recognises the value of external reviews, hence external independent third parties are engaged to provide a second party opinion of the Framework and annual assurance on FAB's Sustainable Finance Reports. In all cases, information included in any report (including, without limitation, in respect of borrowers, businesses and projects) will be subject to permitted disclosure in accordance with applicable law and regulation, confidentiality obligations, data protection requirements and competition issues.

For the Sustainability Linked Instruments, independent and external verification will be sought annually (for example limited or reasonable assurance) for the performance level against each SPT or if there are any potential adjustment of the bonds/loans financial and/or structural characteristics.

In line with ICMA/LMA principles, pre-issuance external review and post issuance verification will be conducted. The verification of the performance against the SPTs will be made publicly available.

Specifically for Sustainability Linked Loans, after reporting has been completed and external review has taken place, FAB will evaluate the borrower's performance against the SPTs based on the information available before issuing the loan.



Powered by ISS ESG

A second party opinion (SPO) from ISS Corporate Solutions has been obtained on FAB's 2022 Sustainable Finance Framework. ISS ESG is one of the world's leading rating agencies in the field of sustainable investment.

The second party opinion will be published on FAB's Sustainable Finance web page, available at: [Sustainable Finance & Reports | First Abu Dhabi Bank \(FAB\) - UAE \(bankfab.com\)](https://www.bankfab.com/sustainable-finance-reports).

FAB will engage a second party opinion provider or an external party to independently assure the Annual Sustainable Finance Report and review the level of sustainability and compliance (conformity) with the FAB Sustainable Finance Framework.

The Annual Sustainable Finance Report and its related verification will be made available to the public on FAB's Sustainable Finance web page, found through: [Sustainable Finance & Reports | First Abu Dhabi Bank \(FAB\) - UAE \(bankfab.com\)](https://www.bankfab.com/sustainable-finance-reports)



10. PRODUCT SCOPE

The below products are considered within the scope of FAB's sustainable financing commitment. Note this is a non-exhaustive list, the framework is flexible for inclusion of other product types.

Product/Service	Description	Framework	Allocation Basis
Debt Capital Markets	Corporate, supranational, sovereign issued green/social/blue/sustainability bonds or government or related development bank issuances or sukuku.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework ICMA Green, Social and Sustainability Bond Principles CBI Bond Standard 	Proportional bookrunner share
Equity Capital Markets (ECM)	Initial public offerings (IPOs), follow-on offerings (FPOs), convertible bonds, at-the-market (ATM) transactions and ESG special-purpose acquisition company (SPAC) transactions.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Proportional bookrunner share
Derivative Capital Market	Sustainability-linked derivatives are derivatives which create an ESG-linked cash-flow in the context of a traditional derivative instrument; such as, an increase in spread linked to a failure to meet an ESG target.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Proportional bookrunner share
Syndicated Loan	Loans for qualifying social and green themes.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Proportional bookrunner share
Private Capital Market (PCM)	Private placements for qualifying ESG themes.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Proportional bookrunner share
Sustainability-Linked Loans (SLLs) and Sustainability-Linked Bonds (SLBs)	<p>Sustainability-linked financing instruments are loan instruments or contingent facilities which incentivise the borrower to achieve a pre-determined sustainability target or targets by linking them to the pricing mechanism of the facility.</p> <p>Sustainability targets which are included in the pricing ratchet can be for individual performance metrics or linked to third party ESG scores. SLLs/SLBs facilitate the integration of sustainability factors into a broader set of products and offer an additional means of engaging clients on sustainability considerations.</p>	<ul style="list-style-type: none"> FAB Sustainable Finance Framework ICMA Sustainability Linked Bond Principles LMA Sustainability Linked Loan Principles 	FAB's hold of the deal value OR Proportional bookrunner share
Securitised Products	Securitised products across asset classes including asset-backed securities, residential and commercial solar loan securitisation, real estate and electric vehicles.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework ICMA Green, Social and Sustainability Bond Principles CBI Bond Standard 	Proportional bookrunner share
Green Loans	Green Loan is a term lending product for use in eligible green themes.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	New facilities provided (limits)
Sustainable Trade Finance	Financial products that facilitate trade flows and transactions between importers and exporters across both domestic and international markets.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	New facilities provided (limits)
Green Asset Finance	Green Asset Finance are Asset Finance products where the purpose of the funding is used exclusively for assets eligible green activities as defined by this Framework.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	New facilities provided (limits)
Other ESG Loans	Loans (includes any type of loan instrument to finance or re-finance) to companies whose business mix is eligible as per this Framework.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	New facilities provided (limits)
Green Mortgage	Mortgage product that rewards customers for purchasing an energy efficient new build home. It offers a lower interest rate in comparison to the equivalent core range and is available to customers purchasing an EPC (energy efficiency) A or B rated new build home from a select group of partner house builders.	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Total mortgage lending
Sustainable Investing	<ul style="list-style-type: none"> Direct investments into investment funds focused on sustainable and social impact related businesses Private market, private equity and private debt Green thematic fund investment Structured Products with a relevant green use of proceeds Sustainable linked current or savings accounts (CASA) or other deposits 	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	Total funds invested
Treasury Issuances and Investments	<ul style="list-style-type: none"> Treasury Principal investments (Sustainable Impact Capital initiative) Additional Treasury investments 	<ul style="list-style-type: none"> FAB Sustainable Finance Framework 	New capital invested

We also include transactions where FAB has facilitated sustainable financing in line with our ESG targets, these will be disclosed distinctly and separately in our reporting for transparency.

The product scope may cover any financing, including but not limited to debt and equity capital markets, corporate lending and consumer lending or Islamic Finance.

11. REFERENCES

- **ICMA Principles**
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>
- **LMA Sustainable Lending**
<https://www.lma.eu.com/sustainable-lending>
- **Climate Bonds**
<https://www.climatebonds.net/standard/taxonomy>
- **ICMA Sustainability-Linked Bond Principles**
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>
- **LMA Sustainability-Linked Loan Principles**
<https://www.lma.eu.com/application/files/7716/4623/8945/SLLP.pdf>
- **ICMA's Climate Transition Finance Handbook 2020**
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>
- **EU Taxonomy – Sustainable Finance**
https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-teg-taxonomy-tools_en.xlsx
- **CBI White Paper - Financing Credible Transitions**
https://www.climatebonds.net/files/reports/cbi_fincredtransitions_final.pdf

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