

## SECOND PARTY OPINION (SPO) EXTERNAL REVIEW

### Sustainability Quality of the Issuer and Sustainable Finance Framework

First Abu Dhabi Bank  
29 August 2022

### VERIFICATION PARAMETERS

|                              |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PRE-ISSUANCE<br>VERIFICATION | Type(s) of instruments contemplated | <ul style="list-style-type: none"><li>Green, Social, and Sustainability Bonds, Green and Social Loans</li></ul>                                                                                                                                                                                                                                                                                                                            |
|                              | Relevant standards                  | <ul style="list-style-type: none"><li>Green Bond Principles (GBP), Social Bond Principles (SBP), updated June 2022, and Sustainability Bond Guidelines (SBG), updated June 2021, administered by the International Capital Market Association (ICMA)</li><li>Green Loan Principles (GLP), updated February 2021, Social Loan Principles (SLP), updated April 2021, administered by the Loan Market Association (LMA)<sup>1</sup></li></ul> |
|                              | Scope of verification               | <ul style="list-style-type: none"><li>First Abu Dhabi Bank Sustainable Finance Framework (as of August 16, 2022)</li><li>Eligibility Criteria (as of August 16, 2022)</li></ul>                                                                                                                                                                                                                                                            |
| EXTERNAL<br>REVIEW           | Verification parameters             | <ul style="list-style-type: none"><li>First Abu Dhabi Bank Sustainable Finance Framework (as of August 16, 2022)</li><li>First Abu Dhabi Bank's Classification Taxonomy</li></ul>                                                                                                                                                                                                                                                          |

**Validity**

Valid as long as the Framework remains unchanged.

<sup>1</sup> Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA)

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## SCOPE OF WORK

First Abu Dhabi Bank ('the Issuer', 'the Bank' or 'FAB') commissioned ISS Corporate Solutions to assist with its Green, Social, and Sustainability Bond and Green and Social Loan issuances by assessing core elements to determine the sustainability quality of the instruments<sup>2</sup> and to assist with its Sustainable Finance Framework ('SFF' or 'the Framework') to determine the quality of its Sustainable Financing Classification scheme for Sustainable Financing activities<sup>3</sup>:

- First Abu Dhabi Bank's Sustainable Finance Framework (August 16, 2022 version) – benchmarked against the International Capital Market Association Green and Social Bond Principles, and Sustainability Bond Guidelines, and the Loan Market Association Green and Social Loan Principles
- The Eligible Categories – whether the project categories contribute positively to the UN SDGs
- ESG Risk Management – assessment of FAB's overarching risk management procedures considered relevant in the context of the Bank's Sustainable Financing activities (see Annex 1)
- First Abu Dhabi Bank's Sustainable Finance Framework – benchmarked against best market practices and guidelines<sup>4</sup> for capital markets contributing to environmental and social sustainability (see Annex 2)
- First Abu Dhabi Bank's Classification Taxonomy – the soundness of the eligibility parameters to identify eligible Financing activities
- Sustainable Finance Framework's link to First Abu Dhabi Bank's Sustainability strategy – drawing on the Bank's overall Sustainability profile and issuance-specific use of proceeds categories (see Annex 3)

<sup>2</sup> ISS ESG's evaluation is based on the First Abu Dhabi Bank's Sustainable Finance Framework (August 2022 version), on the analysed Framework as received on August 5, 2022, and on the ISS ESG Corporate Rating updated on December 2, 2022, and applicable at the SPO delivery date.

<sup>3</sup> The methodology of External Reviews provided for Sustainable financing, lending, and responsible investment strategies has been developed based on ISS ESG's expertise in assessing a range of Sustainable finance-related instruments and Frameworks. In general, these types of External Reviews are not to be treated as a "pass or fail" assessment of the sustainability quality of Sustainable financing, lending, or investment strategies but rather as an overall assessment. Thus, obtaining an External Review of an overarching Financing Framework does not imply a detailed assessment of the sustainability quality of each underlying transaction.

<sup>4</sup> ISS ESG bases its assessment on current market practices for Sustainable capital markets referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association's [Green](#), [Social Bond](#) Principles, and [Sustainability Bond Guidelines](#), [Sustainability-Linked Bond Principles](#), the Loan Market Association's [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability Linked Loan Principles](#), the [UNEP-FI PRB](#), and the [Climate Bonds Initiative \(CBI\) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority \(EBA\) with respect to Environmentally-Sustainable lending](#). The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

## FIRST ABU DHABI BANK

First Abu Dhabi Bank P.J.S.C., together with its subsidiaries, provides various Banking products and services in the United Arab Emirates, Europe, the Americas, the Middle East, Africa, and the Asia Pacific. The company operates in four segments: Investment Banking; Corporate & Commercial Banking; Consumer Banking; and Global Private Banking. It offers Banking products, such as savings, current, call, and business accounts, and deposit products; personal, secured, landlord, buyout, car, and business loans; mortgages; motor, travel, home, and business insurance products; credit and prepaid cards; and trade finance solutions, which include letters of credit and guarantee, bills of collection, and trade and supply chain Financing.

The financial institution also provides sophisticated investment solutions, brokerage, and securities services to affluent and high net-worth customers; and corporate and Islamic finance, capital markets, transaction Banking, trade, liquidity, and cash management services, as well as risk management solutions for credit, rates, foreign exchange, and money market products.

In addition, it offers brokerage, leasing, property management, real estate investment, resourcing, IT, and payment services. The company serves customers through distribution and sales channels that include mobile and Internet Banking, branches, and direct sales agents. First Abu Dhabi Bank P.J.S.C. is headquartered in Abu Dhabi, the United Arab Emirates.

## ASSESSMENT SUMMARY

| SPO PRE-ISSUANCE VERIFICATION GREEN, SOCIAL AND SUSTAINABILITY BONDS, GREEN AND SOCIAL LOANS              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |
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| SECTION 1                                                                                                 | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | EVALUATION      |
| <b>Part I:</b><br><br><b>Alignment with ICMA's GBP, SBP, SBG and LMA's GLP and SLP</b>                    | <p>The Issuer has defined a formal concept for its dedicated purpose Financing transactions regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with ICMA's GBP, SBP and SBG and LMA's GLP and SLP.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Aligned</b>  |
| <b>Part II:</b><br><br><b>Sustainability Quality of the Eligible Categories &amp; ESG Risk Management</b> | <p>The Green, Social and Sustainability Bonds and Green and Social Loans will (re-)finance eligible green and social categories. Those use of proceeds categories contribute to the SDGs, respectively:</p> <ul style="list-style-type: none"> <li>• Renewable Energy, Energy storage systems and technologies and Energy efficiency technologies, Transmission and distribution assets use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'.</li> <li>• Green Buildings use of proceeds category has a significant contribution to SDGs 11 'Sustainable Cities &amp; Communities' and 13 'Climate action'.</li> <li>• Sustainable Infrastructure for clean and/or drinking water has a significant contribution to SDG 6, 'Clean Water and Sanitation'.</li> <li>• Affordable Basic Infrastructure use of proceeds category has a significant contribution to SDGs 6 'Clean Water and Sanitation', 7 'Affordable and clean energy' 10 'Reduced Inequalities', 11 'Sustainable Cities &amp; Communities' and 13 'Climate action'.</li> <li>• Access to Essential Services (Healthcare) use of proceeds category has a significant contribution to SDGs 3 'Good Health &amp; Well-Being' and 4 'Quality Education'.</li> <li>• Access to Essential Services (Education and vocational training) use of proceeds category has a significant contribution to SDGs 4 'Quality Education' and 10 'Reduced Inequalities'.</li> <li>• Affordable Housing use of proceeds category has a significant contribution to SDGs 1 'No Poverty' and 10 'Reduced Inequalities'.</li> <li>• Employment Generation (Lending to small and medium-sized enterprises) use of proceeds category has a significant contribution to SDGs 1 'No Poverty', 4 'Quality Education', 8 'Decent work and Economic Growth' and 10 'Reduced Inequalities'.</li> <li>• Socioeconomic Advancement and Empowerment use of proceeds category has a significant contribution to SDGs 1 'No Poverty', 4 'Quality Education', 5 'Gender Equality', 8 'Decent work and Economic Growth', and 10 'Reduced Inequalities'.</li> </ul> | <b>Positive</b> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>The remaining use of proceed categories improve the company's operational impacts and mitigate potential negative externalities of the Issuer's sector on SDGs 2 'Zero Hunger', 7 'Affordable and clean energy', 12 'Responsible Consumption &amp; Production', 12 'Responsible Consumption and Production', 13 'Climate action' and 15 'Life on Land'.</p> <p>Based on an assessment of risk management practices for financial institutions, the environmental and social risks associated with the Bank's operations are considered to be well managed.</p> |  |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

**EVALUATION OF FAB'S APPROACH TO SUSTAINABLE FINANCING**

| SECTION 2                                                                                   | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I:</b><br><br><b>Review of First Abu Dhabi Bank's Sustainable Finance Framework</b> | <p>FAB has set a formal concept and proposed concrete Sustainable Financing parameters under its Framework. Eligible types of Financing include Dedicated purpose, General purpose Financing, Sustainability -Linked Financing and Transition Finance. The Bank defines an overall Sustainable Finance quantitative target in a preset timeframe enabling to measure the progress against its commitment. The Bank provides a comprehensive exclusion list.</p> <p>ISS ESG commends that the pre-defined Green, Social and Transition-related eligibility criteria are precise and clearly described. Further, for its Dedicated Purpose Financing activities the Bank provides a list of impact indicators committing to report on the contribution to relevant sustainability objectives and ensure a minimum level of contribution to the objectives. ISS ESG performed an assessment to whether the categories contribute positively to the UN Sustainable Development Goals (SDGs) summarized in Section 1 Part II of this Report.</p> <p>Internal procedures defined for Sustainable Financing product selection and evaluation for its Dedicated Purpose Financing activities are considered plausible. The Bank monitors the allocation of proceeds towards Sustainable projects and activities. Responsibilities and accountabilities are defined, and duties are segregated. Whereas the ESG Risk Management Framework and Policy is applicable to all transactions, ISS ESG commends to further extending the current preliminary Due Diligence procedures, applicable for Dedicated Purpose Financing transactions to the entire range of Sustainable Financing transactions as set forth in the underlying Framework.</p> <p>Governance mechanisms are in place to ensure that the products classified as Sustainable remain in line with the criteria for Sustainable Financing products throughout their lifecycle, including declassification processes from products that cease to meet the eligibility criteria.</p> <p>Relevant reporting is conducted frequently and made publicly available to communicate on the share of Sustainable Financing products. ISS ESG commends to further developing tracking of the expected impact of Banks' Sustainable Financing activities on environmental and social objectives.</p> <p>The verification process is plausible, supplementing ex-ante and ex-post verifications.</p> |

| <p><b>Part II:</b></p> <p><b>Assessment of First Abu Dhabi Bank's Classification Taxonomy</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>FAB has put forth multiple sets of eligibility parameters for its Financing activities to be classified as Sustainable:</p> <p><b>1. Parameter 1 (Dedicated Purpose Financing):</b> ISS ESG considers that more than 90% of the selected eligibility criteria have either a limited, or a significant contribution to the Sustainable Development Goals.</p> <p><b>2. Parameter 2 (General Purpose Financing):</b> ISS ESG considers the 90% thresholds proposed in the SFF to be appropriate and in line with common market practice of classifying Sustainable businesses. Further, the inclusion of a 50% minimum Sustainable revenue safeguard threshold is favorably highlighted to prevent financing of a company that only marginally contributes to sustainability objectives. ISS ESG notes that the financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing.</p> <p><b>3. Parameter 3 (Sustainability-Linked Financing):</b> ISS ESG favorably notes the reference to the relevant market standards for sustainability-linked financing, notably the ICMA SLB and the LMA SLL, the Bank outlines the alignment with the core principles. A comprehensive pre-issuance verification process assesses the alignment with applicable market guidelines, attests the relevance and materiality of the performance indicators and ambition of the targets, limiting the risk that general-purpose financing may be granted to entities that have not set adequate sustainability goals with regard to past performance, peers, or international targets. Despite the list not being exhaustive, ISS ESG welcomes that FAB has presented a sample set of relevant KPIs that may be used in the structuring of future transactions. It is noted, however, that an assessment of the exemplary KPIs has not been within the scope of this Review.</p> <p><b>4. Parameter 4 (Transition Finance):</b> ISS ESG commends that FAB has included a sample list of transition activities in the SFF, which are eligible to receive financing under a 'transition' label. However, there is currently no comprehensive assessment in place that considers whether the client's transition strategy is credible and in line with market guidance. Given that FAB intends to update the SFF in the future to provide further guidance on the underlying process, ISS ESG is currently not in a position to thoroughly comment on the inclusion of this element in the overarching eligibility decision tree.</p> |         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                  |
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| <b>CONSISTENCY WITH THE BANK'S SUSTAINABILITY STRATEGY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                  |
| <b>SECTION 3</b><br><br><b>Consistency with First Abu Dhabi's Sustainability Strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <table> <tr> <th data-bbox="448 1576 1219 1637">SUMMARY</th><th data-bbox="1219 1576 1449 1637">EVALUATION</th></tr> <tr> <td data-bbox="448 1637 1219 2029"> <p>The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and and material ESG topics for the Bank's industry. The rationale for issuing Green, Social and Sustainability Bonds and Green and Social Loans is described by the Bank.</p> <p>According to the ISS ESG Corporate Rating updated on December 02, 2022, the Bank shows a medium sustainability performance.</p> <p>The Sustainable Finance Framework is considered consistent with the Group's sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by the Bank.</p> </td><td data-bbox="1219 1637 1449 2029"> <p><b>Consistent with the Bank's Sustainability Strategy</b></p> </td></tr> </table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | SUMMARY | EVALUATION | <p>The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and and material ESG topics for the Bank's industry. The rationale for issuing Green, Social and Sustainability Bonds and Green and Social Loans is described by the Bank.</p> <p>According to the ISS ESG Corporate Rating updated on December 02, 2022, the Bank shows a medium sustainability performance.</p> <p>The Sustainable Finance Framework is considered consistent with the Group's sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by the Bank.</p> | <p><b>Consistent with the Bank's Sustainability Strategy</b></p> |
| SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                  |
| <p>The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and and material ESG topics for the Bank's industry. The rationale for issuing Green, Social and Sustainability Bonds and Green and Social Loans is described by the Bank.</p> <p>According to the ISS ESG Corporate Rating updated on December 02, 2022, the Bank shows a medium sustainability performance.</p> <p>The Sustainable Finance Framework is considered consistent with the Group's sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by the Bank.</p> | <p><b>Consistent with the Bank's Sustainability Strategy</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                  |



## SECTION 1 PRE-ISSUANCE VERIFICATION

### PART I: ALIGNMENT WITH ICMA'S GREEN, SOCIAL BONDS PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES AND LMA'S GREEN AND SOCIAL LOAN PRINCIPLES

This Section describes ISS ESG's assessment of the alignment of the FAB's Sustainable Finance Framework Use of Proceeds Green, Social<sup>5</sup> and Sustainability Bonds issuances and Green and Social Loans issuances (dated August 19, 2022) with ICMA's GBP, SBP, and SBG and LMA's GLP and SLP<sup>6</sup>.

| ICMA GBP, SBP, AND SBG, LMA GLP AND SLP      | ALIGNMENT | ISS ESG'S OPINION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of Proceeds                              | ✓         | <p>ISS ESG considers the 'Use of Proceeds' description provided by FAB's Sustainable Finance Framework as <b>aligned</b> with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The Issuer's proposed Green and Social Project categories align with the eligible categories as proposed by the ICMA. Further, criteria are defined in a clear and transparent manner. Environmental and social benefits are qualitatively described. In addition, the Issuer includes a list of excluded activities.</p>        |
| Process for Project Evaluation and Selection | ✓         | <p>ISS ESG considers the 'Process for Project Evaluation and Selection' description provided by FAB's Sustainable Finance Framework as <b>aligned</b> with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. The Bank describes its process ensuring the projects and assets fitting into the eligible Green and Social Categories and provides complementary information on processes by which the Issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).</p> |
| Management of Proceeds                       | ✓         | <p>ISS ESG finds that the 'Management of Proceeds' proposed by FAB's Sustainable Finance Framework as <b>aligned</b> with the ICMA GBP, SBP and SBG and the LMA GLP and SLP.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The</p>                                                                                                                                                                                                                        |

<sup>5</sup> According to ICMA, it is recognised that a number of transactions have been promoted as 'Blue Bonds' or similar terminology with the objective of emphasising the importance of the Sustainable use of maritime resources and of the promotion of related Sustainable economic activities. These efforts are also supported by dedicated market initiatives including official sector support. Such 'Blue Bonds' could be considered Green Bonds as long as they align with the four core components of the Green Bond Principles.

<sup>6</sup> For Loans, the Issuers' 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.



|           |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |   | <p>Issuer commits to track the Sustainable Instrument's proceeds in an appropriate manner following a formal internal process. The Bank intends to allocate full proceeds within 24 months of each issuance. Unallocated proceeds could be temporarily invested in Green/Social Bonds issued by non-financial institutions in domestic or international markets, and in money market instruments with good credit rating and market liquidity, or be kept in cash or cash equivalents until eligible green/social projects are available. FAB commits to inform the investors on the intended types of temporary placement for the balance of unallocated net proceeds, if any.</p>                                                                                                                                                                                                                                                                                                     |
| Reporting | ✓ | <p>ISS ESG finds that the allocation and impact reporting proposed by FAB's Sustainable Finance Framework as <b>aligned</b> with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. FAB explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer commits to disclosing the expected environmental and/or social impacts, when available, for projects financed along with the 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.</p> |

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

### A. CONTRIBUTION OF ELIGIBLE CATEGORIES TO THE UN SDGs

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products addressing global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this Section is to assess the SDG impact of the UoP categories selected by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- products/services,
- improvements of operational performance.

#### Products and services







The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of Use of Proceeds (UoP) categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

|                            |                        |                  |                         |                             |
|----------------------------|------------------------|------------------|-------------------------|-----------------------------|
| Significant<br>Obstruction | Limited<br>Obstruction | No<br>Net Impact | Limited<br>Contribution | Significant<br>Contribution |
|----------------------------|------------------------|------------------|-------------------------|-----------------------------|

Each of the Dedicated Purpose Financing instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

#### GREEN CATEGORIES

| USE OF PROCEEDS                                                                                                                                                                             | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Renewable energy</b><br><b>Wind (Onshore/offshore)</b><br><b>(based on CBI Taxonomy)</b><br><i>The Issuer excludes projects with life cycle GHG emissions &gt;100g CO2e/kWh</i>          | Significant Contribution    |   |
| <b>Renewable energy</b><br><b>Photovoltaic solar</b><br><i>The Issuer excludes projects with life cycle GHG emissions &gt;100g CO2e/kWh and Concentrated solar power generation &gt;85%</i> | Significant Contribution    |   |
| <b>Renewable energy</b><br><b>Geothermal</b><br><i>With direct emissions below 100gCO2/kWh</i>                                                                                              | Significant Contribution    |   |

*The Issuer excludes projects with life cycle GHG emissions >100g CO<sub>2</sub>e/kWh*

**Renewable energy**

**Bio-energy**

(based on CBI Taxonomy)

Facilities producing biofuel, certified biomass, biogas including fuel preparation process facilities, pre-treatment facilities and biorefinery facilities (if ≥50% biomass-based products produced for energy use)

**Significant Contribution**



**Renewable energy**

**Small scale hydropower (<10MW)**

(based on CBI Taxonomy)

- In operation before 2020 power density > 5W/m<sup>2</sup>;
- or GHG emissions intensity of electricity generated < 100gCO<sub>2</sub>e/kWh.
- Commencing operation in 2020 or after: power density >10W/m<sup>2</sup>; or GHG emissions intensity <50g CO<sub>2</sub>e/kWh

**Significant Contribution**



**Renewable energy**

**Medium and large scale hydropower (>10 MW and > 1000MW)**

(based on CBI Taxonomy)

- In operation before 2020 power density > 5W/m<sup>2</sup>;
- or GHG emissions intensity of electricity generated < 100gCO<sub>2</sub>e/kWh.
- Commencing operation in 2020 or after: power density >10W/m<sup>2</sup>; or GHG emissions intensity <50g CO<sub>2</sub>e/kWh

**Limited Contribution**



*The Issuer excludes projects with life cycle GHG emissions >100g CO<sub>2</sub>e/kWh and large (>1000MW) hydro power projects except where it aligns with the IFC Performance Standards*

**Renewable energy**

**Tidal and wave energy**

(based on CBI Taxonomy)

*The Issuer excludes projects with life cycle GHG emissions >100g CO<sub>2</sub>e/kWh*

**Significant Contribution**



## Energy storage systems and technologies

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:

Dedicated connection to a power production plant eligible under the Climate Bonds sector (eg. solar),

Dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO<sub>2</sub>/kWh),

Located on a system with a grid factor at or below 100g CO<sub>2</sub>/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 (100g CO<sub>2</sub>/kWh) (based on CBI Taxonomy)

**Significant Contribution<sup>7</sup>**



## Green buildings

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:

- LEED: silver or above
- BREEAM: good or above
- HQE: good or above
- CASBEE: B+ good/ or above
- Green Star: 4 star or above
- WELL - Certified or above
- Estidama: 2 Pearls or above
- Mostadam - Bronze and above

**Significant Contribution**



## Green buildings

Fitwel 1 star or above

Equivalent alternative environmental in the top 15% of emissions performance in the local market (based on CBI Taxonomy)

**Limited Contribution**



<sup>7</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an Issuer's product and service portfolio on the SDGs. This is due to the fact that the Issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

### Green buildings

#### Reduced life cycle consumption

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

Limited  
Contribution



#### 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

Significant  
Contribution



*The Issuer excludes projects with life cycle emissions >100g CO2-e/kWh*

#### Industrial processes and supply chains (based on CBI Taxonomy)

Facilities dedicated to manufacturing key components for eligible facilities e.g. solar panel or wind turbine manufacture.

Significant  
Contribution



*The Issuer excludes 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. and Cogeneration plants powered by coal, oil, or natural gas, unless the natural gas-powered plant has a clear plan to transition to low-carbon sources.*

#### Transmission and distribution assets

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 (based on CBI Taxonomy)

Significant  
Contribution



- Equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation (based on CBI Taxonomy).

- Equipment that increases the controllability and observability of the electricity system and enable the development and integration of renewable energy sources (based on CBI Taxonomy)
- Grid expansion / development that transmits a minimum of 90% renewable energy

### Sustainable infrastructure for clean and/or drinking water

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).

Supply management & wastewater treatment which includes the following:








- Water monitoring - Smart networks, early warning systems for storms, droughts, floods or dam failure, water quality or quantity monitoring processes and etc. (based on CBI Taxonomy)
- Water Storage - Rainwater harvesting systems, storm water management systems, water distribution systems and etc. (based on CBI Taxonomy)
- Water treatment - Drinking water treatment, water recycling systems and etc. (based on CBI Taxonomy)
- Water distribution - Rainwater harvesting systems, gravity fed canal systems, pumped canals, or water distribution systems and etc. (based on CBI Taxonomy)
- Flood defences - Surge barriers, pumping stations, levees, gates (based on CBI Taxonomy)
- Nature Based Solutions - Water storage from aquatic Ecosystems Drought defences by aquifer storage, recharge zone management, wetland management (based on CBI Taxonomy)
- Water saving products (based on CBI Taxonomy)

*The Issuer excludes products or technology that improve the energy efficiency of fossil fuel production and/or distribution*

### Significant Contribution










## SOCIAL CATEGORIES

| USE OF PROCEEDS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CONTRIBUTION OR OBSTRUCTION     | SUSTAINABLE DEVELOPMENT GOALS                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Affordable basic infrastructure</b><br><br>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 eg (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)<br><br>Target population: Underserved, owing to a lack of quality access to essential goods and services | <b>Significant Contribution</b> |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Limited Contribution</b>     |                                                                                          |
| <b>Affordable basic infrastructure Sanitation<sup>8</sup></b><br><br>Construction of new facilities or renovation and/or expansion of existing facilities to boost wastewater treatment capacity                                                                                                                                                                                                                                                                                                                                                                                   | <b>Significant Contribution</b> |                                                                                         |
| <b>Affordable basic infrastructure Telecommunication</b><br><br>Construction intended to expand access to telecommunications, such as broadband, internet coverage or mobile phones. Targeted populations include: <ul style="list-style-type: none"> <li>Excluded and/or marginalised communities</li> <li>Vulnerable groups - including as a result of natural disasters</li> <li>Underserved - owing to a lack of quality access to essential goods and services</li> </ul>                                                                                                     | <b>Significant Contribution</b> |                                                                                        |
| <b>Affordable basic infrastructure Transport</b> <ul style="list-style-type: none"> <li>Development and refurbishment of rural/feeder roads in regions without connection/access to key social infrastructure (e.g. healthcare, schools).</li> <li>Financing of roads in underserved, internal or isolated area</li> <li>Financing the construction, equipment, or maintenance of clean transportation facilities, such as cycleways, pedestrian thoroughfares and other transportation</li> </ul>                                                                                 | <b>Limited Contribution</b>     |   |

<sup>8</sup> Target population: Populations in rural, semi-urban and urban areas not served or underserved due to lack of quality access to essential goods and services



|                                                                                                                                                                                                                                         |                          |                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| infrastructure contributing to the reduction of harmful emissions                                                                                                                                                                       |                          |                                                                                                                                                                         |
| Target population: Rural population living more than 2 km away from an all-season road                                                                                                                                                  |                          |                                                                                                                                                                         |
| <b>Affordable basic infrastructure Power</b>                                                                                                                                                                                            |                          |                                                                                                                                                                         |
| Development of sustainable (hydropower 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%). | Significant Contribution |   |
| <b>Access to essential services Healthcare<sup>9</sup></b>                                                                                                                                                                              |                          |                                                                                                                                                                         |
| 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          | Significant Contribution |                                                                                      |
| <b>Access to essential services Healthcare<sup>10</sup></b>                                                                                                                                                                             |                          |                                                                                                                                                                         |
| 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          | Limited Contribution     |                                                                                    |
| <b>Access to essential services Healthcare<sup>9</sup></b>                                                                                                                                                                              |                          |                                                                                                                                                                         |
| Investing in educational and vocational training for medical care, emergency care and public health professionals in developing or underdeveloped countries.                                                                            | Significant Contribution |                                                                                    |
| <b>Access to essential services Healthcare<sup>9</sup></b>                                                                                                                                                                              |                          |                                                                                                                                                                         |
| Construction of essential healthcare facilities that will provide public or subsidized services. Examples include hospitals, clinics, and healthcare centres                                                                            | Limited Contribution     |                                                                                    |
| <b>Access to essential services Healthcare<sup>9</sup></b>                                                                                                                                                                              |                          |                                                                                                                                                                         |
|                                                                                                                                                                                                                                         | Significant Contribution |                                                                                    |

<sup>9</sup> Target population for all sub-categories are: Underserved, 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

<sup>10</sup> Target population for all sub-categories are: Underserved, 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

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.

**Access to essential services - Healthcare<sup>11</sup>**

Research into neglected diseases and/or drugs on the World Health Organisation (WHO) essential medicines list.

Limited Contribution



**Access to essential services - Healthcare<sup>11</sup>**

Sale of affordably priced or subsidised medicines on the WHO essential medicines list.

Limited Contribution



**Access to essential services - Education**

**Education and vocational training<sup>12</sup>**

Construction of public or private schools, universities, and university campuses in underdeveloped countries

Limited Contribution



**Access to essential services - Education**

**Education and vocational training<sup>12</sup>**

Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries

Limited Contribution



**Access to essential services - Education**

Education and vocational training for post-secondary or tertiary education

Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries

Significant Contribution



**Access to essential services - Education**

**Education and vocational training<sup>12</sup>**

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 to , secondary, university and

Significant Contribution



<sup>11</sup> Target population for all sub-categories are: Underserved, 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

<sup>12</sup> Target populations include, but are not limited to: Living below the poverty line; excluded and/or marginalised populations; vulnerable groups; people of determination; migrants and/or displaced persons; undereducated; underserved, unemployed

vocational education for underrepresented communities in the education system

#### Access to essential services - Education

Education and vocational training<sup>12</sup>

Activities to promote entrepreneurship and innovation among secondary and university students, including financing hackathons and FinTech competitions

**Significant Contribution**



#### Affordable housing

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

**Significant Contribution**



#### Affordable housing

Construction of social of housing or providing loans to institutions that provide social housing for low-income, disadvantaged, excluded and/or marginalised population or communities

**Significant Contribution**



#### Affordable housing

Construction of housing for students, or providing loans to students for housing

**Limited Contribution**



#### Employment generation

##### Lending to small and medium-sized enterprises<sup>13</sup>

Providing financing to a small-medium sized enterprise (SMEs) among under-Banked populations (people of determination, migrants, undereducated, underserved, unemployed)

**Limited Contribution**



Providing loans for projects or enterprises classified as microfinance (as defined by the IFC<sup>14</sup>)

**Significant Contribution<sup>15</sup>**



<sup>13</sup> 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: 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.

<sup>14</sup> 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: 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.

<sup>15</sup> This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

**Socioeconomic advancement and empowerment**

**Gender equality**

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

**Significant Contribution**



**Socioeconomic advancement and empowerment - Gender equality**

Providing financing to women-owned SMEs (at least 51% owned by one or more women)

**Significant Contribution<sup>16</sup>**



**Socioeconomic advancement and empowerment - Gender equality**

Providing financing to financial institutions helping to acquire and serve women-owned SMEs

**Limited Contribution**




<sup>16</sup> This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

## 2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

FAB finances operations/processes in a variety of third-Party sectors. For clarity, ISS ESG does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

| USE OF PROCEEDS (Processes)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | OPERATIONAL<br>IMPACT<br>IMPROVEMENT <sup>17</sup> | SUSTAINABLE DEVELOPMENT<br>GOALS                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Waste to Energy (Renewable Energy)</b><br>(based on CBI Taxonomy)<br><br>Incineration, gasification, pyrolysis, and plasma.<br>Plant efficiency $\geq 25\%$ ; AND Bottom ash recovery;<br>AND $\geq 90\%$ recovery of metal from ash; AND<br>Average carbon intensity of electricity and/ or heat<br>over the life of the plant $\leq$ waste management<br>allowance; AND capacity of the plant does not<br>exceed the calculated residual waste at any time in<br>the plant's life (based on CBI criteria)<br><br><i>The Issuer excludes projects with life cycle GHG<br/>                     emissions <math>&gt;100\text{g CO}_2\text{e/kWh}</math></i> | ✓                                                  |  |

### Public services

- 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)



<sup>17</sup> Limited information is available on the scale of the improvement as no threshold is provided. ISS ESG only displays the direction of change.

- Installation and operation of electric heat pumps is eligible, if Refrigerant threshold: GWP  $\leq 675$

*The Issuer excludes products or technology that improves the energy efficiency of fossil fuel production and Products or technology that provide an energy efficiency improvement of <30%*

### Energy efficiency technologies

- 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 sensing equipment, e.g. motion and day light control
- Installation of Building Management Systems (BMS) and Energy Management Systems (EMS)

*The Issuer excludes products or technology that improves the energy efficiency of fossil fuel production i.e. cleaner coal technology; and products or technology that have 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)



### Green Real Estate

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/m<sup>2</sup> per year.

Upgrades can include for example insulation of buildings, installation of efficient energy management systems, renewables on-site and etc.

*The Issuer excludes improvement activities that result in the use of fossil fuel technologies and activities relating to buildings directly involved in the exploration, extraction, refining, and distribution of fossil fuels*



### Pollution Prevention and Control

Activities with capital expenditures which achieve the following: waste prevention, waste reduction.

For eg: Any operation that 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.



*The Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes and generic waste incineration*

### Pollution Prevention and Control

Activities with capital expenditures which achieve the following: waste recycling.

Any operation that reuses products or components for the same purpose for which they were conceived

*The Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes*



### Pollution Prevention and Control

Any operation that reduces greenhouse gas (GHG) emission through composting; waste reduction; landfill gas capture and collection; anaerobic digestion; waste to energy (thermal treatment), etc.)



*The Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes and generic waste incineration*

### Clean Transportation

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:

- Low energy or low emission transportation assets, if direct emissions are below 50 gCO<sub>2</sub>e/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 (based on CBI Taxonomy)
- Public walking and cycling infrastructure and cycling schemes (based on 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) (based on CBI Taxonomy)
- Deployment of clean transportation (low emissions) that reduces GHG emissions and/or air pollutants per unit of service provided (based on CBI Taxonomy)
- Passenger/Cargo aircraft which uses low GHG fuel (e.g. solar, electric, high % of biofuel), delivering substantial reduction in gCO<sub>2</sub>e/passenger (based on CBI Taxonomy)
- Manufacture of low carbon transport vehicles and their respective key components, fleets and vessels with tailpipe emission intensity of max 50 g CO<sub>2</sub>/km (WLTP).

*The Issuer excludes 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 gCO<sub>2</sub>/pkm >50 and, Transportation that is dedicated to the transport of fossil fuels or any blended fossil fuels are not eligible even if meeting the criteria.*



### Climate Change Adaptation

#### Activities that increase the resilience of ecosystems

Climate observation and early warning systems



**Water, power, transport and  
communication resilient infrastructure  
ensuring repairs and reliability of service  
(based on CBI Taxonomy)**

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



**Sustainable Management of Living  
Natural Resources**

**Sustainable agriculture, fishery,  
aquaculture, forestry, and climate smart  
farm inputs such as**

- 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
- Reduction of methane and nitrous oxide emissions from livestock
- Minimising environmental impacts in agricultural value chains. Feedstocks used are certified under one of the following, pre-approved best practice standards, RSB, RTRS, ISCC, Pro Terra
- Sustainable forest management, including afforestation, reforestation, forest rehabilitation. (e.g benchmarks are FSC, PEFC, Rainforest Alliance)
- 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



*The Issuer excludes 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

The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to:

- 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

- Development, manufacture and/or distribution of products designed for circularity and/or adaptive re-use.
- 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



### Food security and Sustainable food systems

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):

- Improve agricultural productivity and enhance livelihoods and food security and nutrition in poor rural communities
- Food security and livelihoods programs 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



## SECOND PARTY OPINION

Sustainability Quality of First Abu Dhabi Bank  
and Sustainable Finance Framework



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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.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS

The table below presents the findings of an ISS ESG assessment of FAB's ESG-specific risk management measures and policies that are considered relevant in the context of a Bank's Sustainable financing activities. The KPIs emphasize specific ESG risks outlined in FAB's SFF as well as general sustainability-related risks considered relevant to Banks' operations.

### ASSESSMENT AGAINST ISS ESG KPI

#### ESG guidelines into financing process

FAB has put in place an ESG Risk Management Framework and Policy that is applicable to all clients and transactions across the Bank. Processes include an assessment during client onboarding, as well as periodic credit and customer reviews, among other things. The assessment complements inputs from ESG risk ratings provided by external agencies with an internally developed ESG risk questionnaire in order to assess how counterParties manage ESG-related factors. Additional due diligence is undertaken for all transactions that are included under the SFF and explicitly designated as 'Sustainable' or 'transition'.

The Bank addresses risk mitigation on a case-by-case basis, depending on the respective risk ratings underlying the transaction. Strategic action plans are prepared to ensure a portfolio's non-critical activities are maintained at 75% of total revenue. High-risk counterParties are continuously engaged for rolling out risk mitigation action plans aimed at reducing customers' risk exposure. The Group Risk Committee continually monitors all such high-risk rated entities and customers for ESG critical activities and appraises the Board through the Board Risk and ESG Committee.

Whilst the primary geographic focus of FAB is within the Middle East, it is involved in transactions across the globe. However, 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.

#### Carbon-related financing

- ✓ The Bank is transparent about the relative share of loans and advances that are being made to high ESG-risk sectors, including among others, petroleum extraction, refinery, mining and airlines.
- There is currently limited information available to what extent the Bank has put policies in place to systematically scale down or phase out fossil fuel-related financing activities.

#### Financed emissions

- ✓ There is currently limited information available to what extent the Bank systematically measures its financed emissions in line with relevant methodologies. However, it is noted that FAB has recently joined the Partnership for Carbon Accounting Financials (PCAF), through which it commits to measuring and disclosing the greenhouse gas emissions of its portfolio companies within three years.

### Health and Safety



FAB is a signatory to Equator Principles, and in compliance with the requirements, the Bank screen for relevant EHS compliance standards including monitoring social assessment reports for projects. For relevant transactions, EHS covenants are added within term sheets. Further, the Bank has implemented a Modern Slavery Policy that addresses its stance on modern slavery and human trafficking.

### Labour Standards



As part of its ESG risk management process across all transactions, the Bank includes a self-assessment checklist to be filled out by all new clients/customers which includes questions on the adherence to labor rights, among other things. This assessment feeds into the ESG Risk Rating issued for each new client. Besides, if any project found to face a major allegation, it would immediately be excluded from any eligible sustainable financing under this Framework. However, there is limited information available to what extent clients are systematically excluded in case of non-compliance with relevant labor standards.

### Biodiversity



FAB is a signatory to Equator Principles, and in compliance with the requirements, the Bank screens for relevant EHS compliance standards including monitoring environment assessment reports for projects.



As per the due diligence processes described previously, for transactions classified under this Framework, the Bank confirms considering biodiversity aspects for projects/clients/financing that is being evaluated for their eligibility to qualify as sustainable finance.

### Community Dialogue



As per the due diligence processes described previously, for transactions classified under this Framework, the Bank confirms considering biodiversity aspects for projects/clients/financing that is being evaluated for their eligibility to qualify as sustainable finance.

### Inclusion



As per the due diligence processes described previously, the Bank confirms that financing will only be allocated to social projects in case social impact assessments have been conducted that are subject to verification from external Parties. These assessment take inclusion considerations into account.

### Marketing



FAB complies with the UAE Central Bank's Consumer Protection Law<sup>18</sup> which includes requirements with respect to responsible marketing practices. This entails the need to disclose consumer suitability, fees and termination conditions, among other things.

<sup>18</sup> [CP Standards PDF.pdf \(centralBank.ae\)](#)

**Data protection and information security**

FAB complies with the UAE Central Bank's Consumer Protection Law<sup>19</sup> which includes requirements with respect to the protection of consumer data.

**Exclusion Criteria**

The Bank has put in place a list of exclusion criteria that applies across its operations.

The Bank has a policy and financial crime programs in place that addresses the exclusion of entities and individuals found to have engaged in prohibited conduct, e.g. anti-fraud.

<sup>19</sup> [CP Standards PDF.pdf \(centralBank.ae\)](#)



## SECTION 2 EXTERNAL REVIEW ASSESSMENT

### PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK AGAINST BEST MARKET PRACTICES

In its Sustainable Finance Framework, FAB defines its methodology for classifying financing as Sustainable for the purpose of tracking and disclosing its performance against its Sustainable Finance targets.

| SECTION                             | SUMMARY OF SFF AND ISS ESG OPINION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>0. Strategy &amp; objectives</b> | <p>FAB defined a Sustainable Finance Framework to outline a methodology for classification of financial products and services as Sustainable or Transition Finance and tracking of performance against its Sustainable finance commitments. The group commits to lend, invest, and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions. Annual updates on progress against the target based on this Framework will be reported.</p> <p>The Bank's approach to sustainability is guided by three pillars: Transforming its Governance Model, Transitioning to a Low Carbon Future, and Capitalising on its Social Responsibility. All three pillars ultimately support FAB's goal of Sustainable financial performance by reducing risk and creating new business opportunities. FAB is also Part of the Net Zero Banking Alliance (NZBA). The Bank provided further details in its Annual ESG Report<sup>20</sup>.</p> <p>Under the Framework the Bank will not provide any financial services to clients whose business and projects are involved in the following operations:</p> <ul style="list-style-type: none"> <li>• Tar sand extraction</li> <li>• Fracking</li> <li>• Ultra-deep-sea drilling</li> <li>• Arctic drilling</li> <li>• Coal (mining and power)</li> <li>• Palm oil, soy, and timber</li> <li>• Landfill without gas capture</li> <li>• Waste incineration without energy capture</li> <li>• Animal mistreatment</li> <li>• Adult entertainment</li> <li>• Hazardous substances - Weapons unless Defense related activities, Liquor and Tobacco businesses. gaming activities, lotteries &amp; Raffles.</li> <li>• Activities involving modern slavery, child labour or forced labour</li> </ul> <p>The Bank has set forth a list of Sustainable Finance products that reference a specific green, social or Sustainable use of proceeds, broadly divided to cover the areas: Dedicated Purpose Financing, General Purpose Financing, Sustainability-Linked Financing, and Transition Finance.</p> <p><b>Opinion:</b> ISS ESG finds that the sustainability strategy and objectives defined by FAB for its entire activities and for its financing activities specifically are credible</p> |

<sup>20</sup> [FAB Sustainable Finance Report 2022](#)

|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                             | <p><i>and relevant to its sector and business model (as outlined in Section 3.II of this report). In its Sustainable Finance Framework, the Bank puts forth a clear definition of the sustainability objectives in line with the wider company strategy. The Bank provides information to what extent these commitments have been calibrated in line with key market guidelines. The industry-led, UN-convened Net-Zero Banking Alliance brings together Banks worldwide which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. The Alliance is convened by the UN Environment Programme Finance Initiative. The Bank sets a quantitative target, measures and reports on a regular basis on its progress against commitments.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p><b>1. Definition of Sustainable finance products</b></p> | <p>In the FAB SFF, 'Sustainable finance' refers to green, social and Sustainability-linked Financing, which can either target use of proceeds or general corporate purpose.</p> <p>FAB bases its definition of Sustainable financing on established national and international standards, Frameworks, and principles. Among others, these include the Green Loan Principles, the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association, the Green Bond Principles, the Social Bond Principles and the Sustainability-Linked Bond Principles of the International Capital Market Association. Particularly with regard to Transition Finance, FAB states to further draw on elements from the EU Taxonomy and the CBI Transition Finance White Paper.</p> <p><b>Eligible types of financing</b></p> <p>FAB's SFF sets out types of financing which are eligible as Sustainable financing for tracking and disclosing its performance against its public targets, which include:</p> <ul style="list-style-type: none"> <li>• Dedicated Purpose Financing where the use of proceeds satisfies either the green or social eligibility category.</li> <li>• General Purpose Financing where the business mix of the entity satisfies the green eligibility category based on the thresholds set out in the Framework.</li> <li>• Sustainability-linked Financing which meets the internal proprietary screening criteria set out in the SFF. Note that Sustainability-linked financing is not required to satisfy either the green or social eligibility category.</li> <li>• Transition Finance where funds are raised for Climate Transition-related purposes, through Use of Proceeds Instruments or General Corporate Purpose Instruments.</li> <li>• The Bank also includes a separate 'Transition Finance' category, where assets need to align with principles of 'Do No Significant Harm' (DNSH) and the entity needs to be in the process of developing a credible climate transition strategy. The SFF currently only categorizes financing to be 'Transition Finance', if the use of proceeds is clearly defined.</li> </ul> <p>In addition to the above requirements, an Environmental, Social &amp; Governance Due Diligence Assessment will need to be passed successfully for its ESG financing activities to be classified as 'Sustainable'.</p> |

**Product Scope**

The following products are considered within the scope of FAB's Sustainable finance commitment. However, according to the Bank, this is a non-exhaustive list and the Framework remains flexible for the inclusion of other product types:

| Product/Service                                                           | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debt Capital Markets                                                      | Corporate, supranational, sovereign issued green/social/blue/sustainability bonds or government or related development Bank issuances                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 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                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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.                                                                                                                                                                                                                                                                                                                                                                         |
| Syndicated Loan                                                           | Loans for qualifying social and green themes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Private Capital Market (PCM)                                              | Private placements for qualifying ESG themes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 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> |
| Securitised Products                                                      | Securitised products across asset classes including asset-backed securities, residential and commercial solar loan securitisation, real estate and electric vehicles                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Green Loans                                                               | Green Loan is a term lending product for use in eligible green themes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Sustainable Trade Finance                                                 | Financial products that facilitate trade flows and transactions between importers and exporters across both domestic and international markets                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 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                                                                                                                                                                                                                                                                            |
| Sustainable Investing                                                     | <p>Direct investments into investment funds focused on Sustainable and social impact related businesses</p> <p>Private market, private equity and private debt Green thematic fund investment</p> <p>Structured Products with relevant green use of proceeds</p> <p>Sustainable linked current or savings accounts (CASA) or other deposits</p>                                                                                                                                                                                                                                                |
| Treasury Issuances and Investments                                        | <p>Treasury Principal investments (Sustainable Impact Capital initiative)</p> <p>Additional Treasury investments</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

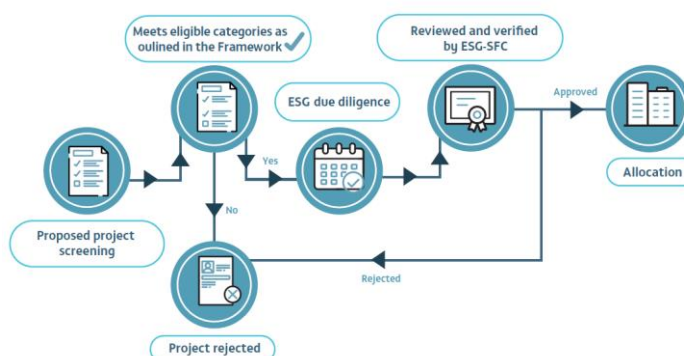
**Opinion:** ISS ESG finds that FAB presents a clear definition including precise parameters of what it considers Sustainable financing under Dedicated, General Purpose Financing, Sustainability-Linked Financing and Transition Finance (assessed further in Section 2 Part II) and refers to relevant market principles and guidelines. The Bank provides an exhaustive list of eligible categories for its Dedicated Purpose Financing (assessed in Section 1 Part II) and Transition Finance activities. ISS ESG commends that the pre-defined Green, Social and Transition-

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                   | <p><i>related eligibility criteria are precise and clearly described. Further, the Bank provides a list of impact indicators committing to report on the contribution to relevant sustainability objectives and ensure a minimum level of contribution to the objectives. ISS ESG commends a transaction-specific assessment together with the borrower's transition plan for Transition Finance transactions and a transaction-specific assessment for Sustainability-Linked Instruments assessing the alignment with applicable market guidelines, and attesting the relevance and materiality of the performance indicators and ambition of the targets. For its Dedicated, General, Sustainability-Linked Financing and Transition Finance transactions, the Bank commits to aligning with commonly used Market Guidelines and Principles contributing to the standardization of Sustainable Finance transactions.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>2. Process for Sustainable finance product Selection and Evaluation</b></p> | <p>FAB's ESG and Sustainable Finance Committee is responsible for ensuring compliance with all aspects of FAB's Sustainable Finance Framework. The Committee has oversight of the Framework, including the approval of eligible projects. For its Dedicated Purpose Financing activities, eligible projects that are allocated in whole or in part to the instruments have undergone a multi-step assessment process.</p> <p><b>Due Diligence procedures</b></p> <p>FAB performs ESG due diligence and analysis on projects and activities identified as potentially eligible. Its ESG Due Diligence Toolkit 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 our committee. The toolkits have been developed taking into consideration IFC performance standards and EP requirements, among others. 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, ESG Due Diligence reports are created and approved by the relevant committee.</p> <p><b>Opinion:</b> <i>ISS ESG finds that a comprehensive and documented process is described to ensure that the funded projects align with the eligibility criteria. Whereas the ESG Risk Management Framework and Policy is applicable to all transactions, ISS ESG commends to further extend the current preliminary Due Diligence procedures, applicable for Dedicated Purpose Financing transactions to the entire range of Sustainable Financing transactions as set forth in the underlying Framework.</i></p> |
| <p><b>3. Internal Governance, Monitoring, and Control design</b></p>              | <p>FAB's ESG and Sustainable Finance Committee (ESG-SFC) is responsible for assessing and classifying financing, lending and investing as Sustainable in compliance with the requirements of this Framework.</p> <p>Further, the ESG and Sustainable Finance Committee's role entails:</p> <ul style="list-style-type: none"> <li>Review all new proposed use of proceeds of each Green/ Social Bond issuance and endorses green/social projects, as appropriate, in accordance with the standards and processes set out in this Framework.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

- Review and certify proposed allocation of proceeds of Green/Social Bond issuance, tracked in the Sustainable Finance Register
- Monitor the ongoing use of proceeds to confirm continued compliance with FAB's Sustainable Finance Framework and
- Review any issues raised by the Committee Review and endorse the annual Sustainable Finance Report

Every transaction in the Bank is reviewed before credit approval from an ESG perspective, 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 its Framework. All qualifying transactions continue to undergo periodic due diligence checks (quarterly for projects associated with sustainability bonds and annual for all others). Any transaction which is found to no longer meet the minimum requirements set out in this Framework during the due diligence checks is disqualified and material changes will be disclosed in the Banks annual reports.

The Banks ESG Due Diligence Toolkit 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 the Banks committee.



**Opinion:** All eligible ESG Financing instruments are subject to the Bank's overarching sustainability criteria governed by the ESG and Sustainable Finance Committee (ESG-SFC) and are reviewed on a regular basis, including a quarterly review for Dedicated Purpose Financing instruments and annual due diligence for all other General Purpose Financing instruments, ensuring compliance with the eligibility criteria.

#### 4. Reporting

FAB's Sustainable Finance Framework builds the basis for tracking and reporting the Banks' performance against its Sustainable Finance commitment to lend, invest, and facilitate businesses of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions.

Annual updates on progress against the target and any Sustainable financing classifications based on this Framework will be reported by FAB annually in its Sustainable Finance Report and ESG Report, at this stage excluding the Transition Finance instruments, which will be reported separately.

**Opinion:** The Bank commits to frequent and publicly available reporting of the share of its Sustainable Finance products, the performance against the target, and

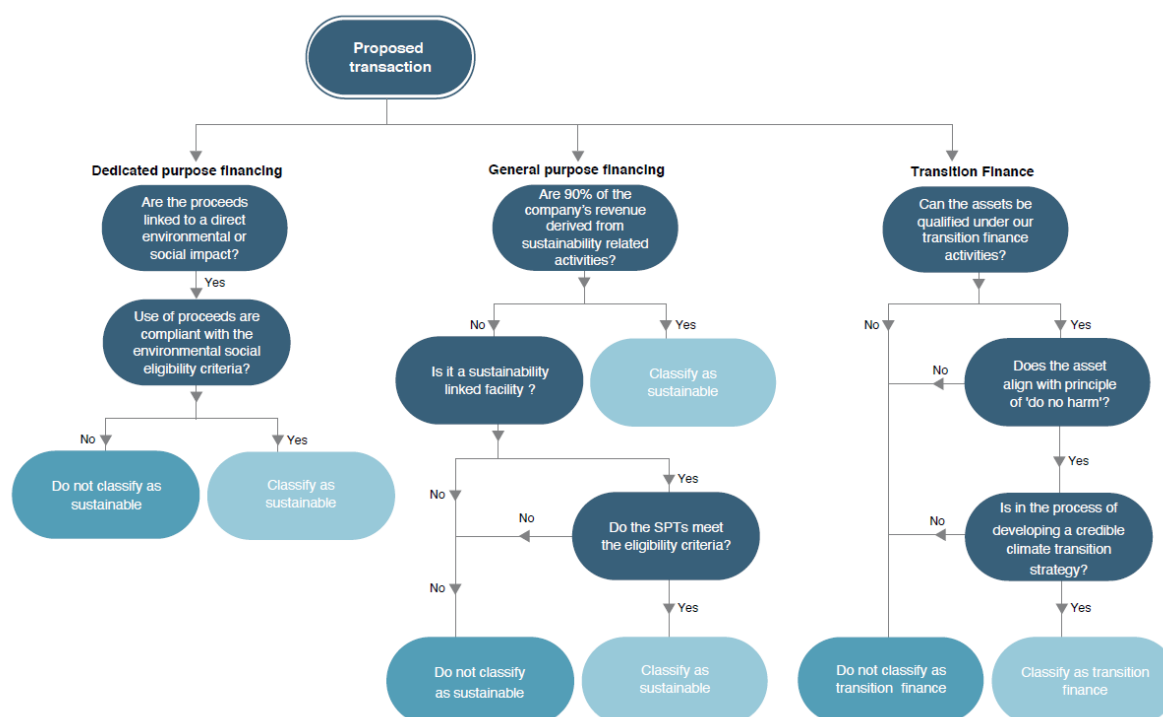
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | <i>the overall progress of the Sustainable financing strategy. As data availability in terms of impact reporting improves, ISS ESG recommends further developing tracking of the expected impact of Banks' Sustainable financing and investing activities on environmental and social objectives.</i>                                                                                                                                                                                                                                                                                                                |
| <b>5. External Review</b> | <p>FAB has appointed ISS ESG to provide a Pre-issuance verification and an External Review of the overall robustness of the Framework, and its alignment with the Bank's Sustainability strategy. This document will be made available to stakeholders on the Bank's website.</p> <p><b>Opinion:</b> <i>FAB has sought an external review of the Sustainable Finance Framework at its launch, in line with best market practices. ISS ESG further welcomes the publication of the SFF and associated external review on the Bank's website. A new external review will be sought upon any subsequent update.</i></p> |

## PART II: ASSESSMENT OF FIRST ABU DHABI'S CLASSIFICATION TAXONOMY

### Assessment methodology

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by FAB, and thus of the sustainability quality of the financed activities/products complying with those, ISS ESG has commented on the prevalence and robustness of the selected parameters, taking into account best market practices from other Bank financing/lending Frameworks as well as those across other Sustainable finance asset classes.

First Abu Dhabi Bank has set the following sets of eligibility criteria for its financing activities to be classified as Sustainable:





## ISS ESG assessment of FAB's Classification parameters

In the below table, we assess the parameters outlined in FAB's Sustainable Finance Framework outlining "Use of Proceeds", "Company Profile", "Sustainability-Linked Instruments" and "Transition Finance". The evaluation has been conducted based on ISS ESG criteria, derived from key market practices<sup>21</sup>.

| PARAMETER                                                                 | ISS ESG CRITERIA                                                                                                                                                                                                                                                                                                                                                                     | ISS ESG ASSESSMENT OF FAB'S SUSTAINABLE FINANCE FRAMEWORK                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Use of Proceeds<br/>(Dedicated Purpose Financing)</b>                  | Dedicated Purpose Financing contributes to sustainability objectives if there is a clear and complete allocation of funds to activities that are subject to specific and credible ESG-related eligible categories.                                                                                                                                                                   | A detailed assessment of the impact of the eligible categories outlined in the SFF can be found in Section 1 Part II. <b>Based on its proprietary SDG Solutions Assessment (SDGA) methodology, the eligible categories have either a limited or a significant contribution to the Sustainable Development Goals.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Company Profile<br/>(General Purpose Financing, standard approach)</b> | General Purpose Financing contributes to Sustainable objectives if the funds are allocated to companies for whom a majority of their revenue/EBITDA/CAPEX and R&D are derived from designated eligibility criteria. Generally accepted thresholds in the market are $\geq 90\%$ to designate green or social 'Pure Players' or 50 – 90% to refer to 'Majority Players' <sup>22</sup> | According to FAB's Framework, for a transaction to be classified as Sustainable, the financing recipient needs to derive from its core business at least 90% of its revenues or EBITDA from eligible (green) activities listed in the SFF. In the case of power generators, the same threshold applies with respect to eligible renewable energy sources.<br><br><b>ISS ESG considers the 90% thresholds proposed to be appropriate and in line with the common market practice of classifying Sustainable businesses. It is noted, that all eligibility criteria are considered to have at least a limited positive impact on environmental or social factors. Finally, ISS ESG raises concerns with respect to the use of EBITDA as an identification metric, given that margins across businesses may significantly differ and may not accurately reflect the companies' impacts.</b> |
| <b>Company Profile<br/>(General Purpose Financing, pro-rata approach)</b> |                                                                                                                                                                                                                                                                                                                                                                                      | According to the FAB SFF, a pro-rata approach foresees that activities can proportionally be classified as Sustainable in case the recipient derives between 50% and 90% of its revenues or EBITDA from eligible activities. For power generators, the same thresholds also apply regarding the energy generation mix and its share of eligible renewable energy sources.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

<sup>21</sup> This includes, but is not limited to the ICMA GBP, SBP & SBG; the GLP & SLP; the SLBP & SLLP; the UNEP FI PRB and the EBA LOaM guidelines for environmentally-Sustainable lending.

<sup>22</sup> [LSEG, 2019](#)

|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>ISS ESG favorably highlights the inclusion of a safeguard threshold of 50%, in order to prevent financing of a company that only marginally contributes to sustainability objectives. Similarly, the thresholds also draw on common market practice, as outlined by the London Stock Exchange<sup>23</sup>, and are complemented by an overarching exclusion policy from the Bank. At the same time, ISS ESG notes that best market practice of considering a company as Sustainable is linked to the 90% threshold, included in the discussion of the aforementioned standard approach to general purpose financing. The financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Sustainability-Linked Instruments (General Purpose Financing)</b> | <p>Sustainability-linked Financing contributes to Sustainable objectives if the associated KPIs are material, core, and relevant to the client's business model and the associated targets are ambitious. Further, the transaction should ideally be subject to an external review that verifies the aforementioned dimensions and, in particular, the ambition of the selected SPTs. Financial and/or structural characteristics are linked to the SPT's performance.</p> | <p>The Framework draws on the core principles and recommendations for Sustainability-linked Instruments following key components of the LMA Sustainability-Linked Loan Principles and the ICMA Sustainability-Linked Bond Principles. The Bank provides a list of KPIs, relevant to the current and future business, and a sample of qualitative/quantitative performance indicators.</p> <p>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 apply internal expertise to verify its methodologies. 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.</p> <p>For Sustainability-linked Loans, 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</p> |

<sup>23</sup> The LSEG's 'Green Economy Mark' refers to companies that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy.

|                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                 | <p>to the disclosures and external reviews in line with the LMA principles.</p> <p>ISS ESG favourably notes the reference to the relevant market standards for Sustainability-linked Financing, notably the ICMA SLB and the LMA SLL, the Bank outlines the alignment with the core principles. Further, despite it not being exhaustive, ISS ESG welcomes that FAB sets forth a sample list of KPIs in line with the list proposed by the ICMA, that may be used in the structuring of a Sustainability-Linked transaction.</p> <p>A comprehensive external pre-issuance verification process assesses the alignment with applicable market guidelines, and attests to the relevance and materiality of the performance indicators and ambition of the targets, limiting the risk that General-purpose financing may be granted to entities that have not set adequate Sustainability goals with regard to past performance, peers, or international targets. These assessments are forthcoming for specific transactions.</p> |
| <p><b>Transition Finance (Dedicated and General Purpose Financing)</b></p> | <p>The financing of Transition activities should follow clear market guidance<sup>24</sup> in order to be considered credible. Financing should focus on specific transition activities and follow a comprehensive assessment of the transition strategy of the underlying entity, which should be sound and in line with relevant 'Net Zero' scenarios, such as those provided by the EIA.</p> | <p>FAB has included a sample list of transition activities in the SFF, which are eligible to receive financing under a 'transition' label. Further, as part of its classification process, the Bank aims to undertake due diligence, including an assessment of whether the financed activities may cause potential harm to Sustainability objectives.</p> <p>However, there is currently no comprehensive assessment in place that considers whether the client's transition strategy is credible and in line with market guidance. FAB intends to update the SFF in the future to provide further guidance on the underlying process. <b>As such, ISS ESG is currently not in a position to thoroughly comment on the quality of Transition Finance transactions included in the overarching eligibility classification scheme. ISS ESG considers that a credibility assessment of the borrowers' transition strategy is key to the appropriate use of the label.</b></p>                                                     |

<sup>24</sup> Including, for instance, guidance from the CBI White Paper on financing credible transitions.

## SECTION 3 SUSTAINABLE FINANCE FRAMEWORK'S LINK TO FAB'S SUSTAINABILITY STRATEGY

### A. FIRST ABU DHABI BANK'S BUSINESS EXPOSURE TO ESG RISKS

This Section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

#### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

| ESG KEY ISSUES IN THE INDUSTRY                                             |
|----------------------------------------------------------------------------|
| Sustainability Impacts of lending and other financial services or products |
| Customer and product responsibility                                        |
| Sustainable investment criteria                                            |
| Labor standard and working conditions                                      |
| Business Ethics                                                            |

#### *ESG performance of the Issuer*

As of 15.07.2022, this rating places First Abu Dhabi Bank 140 out of 300 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector. Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right. The Bank is in line or performs better than its industry average on 4 out of 5 key ESG challenges relevant to its industry.

**Key Issue Performance**



#### *Sustainability Opportunities*



First Abu Dhabi Bank is principally engaged in corporate, retail, private and investment Banking activities, as well as management and Islamic Banking services. The company offers a basic Banking account and has implemented single measures to ensure equal access to financial services such as Banking activities in rural areas. In addition, the Bank offers housing loans for low-income individuals, services for highly indebted individuals and microloans. However, it is estimated that the business volume of these activities is minimal. Apart from that, there is no evidence of further products or services with substantial social or environmental benefits.

### *Sustainability Risks*

In the financial sector, the main sustainability challenges lie in the lending and asset management business, as well as regarding the company's responsibility towards its customers and its employees. As a signatory to the Equator Principles, First Abu Dhabi Bank reasonably addresses environmental and social aspects in project financing. However, there is no evidence of a similar strategy regarding the company's further lending activities or asset management. First Abu Dhabi Bank addresses single aspects related to responsible marketing and responsible sales practices but further issues arising from the company's customer and product responsibility (e.g. related to clients with debt repayment problems) are not considered. When it comes to employee relations, the company manages related risks through e.g. the implementation of a certified health and safety management system. Yet, there is no indication of a policy on employment security. First Abu Dhabi Bank's code of conduct covers several important compliance topics such as corruption and insider dealings in varying degrees of detail and the company has implemented various measures to ensure compliance with the code (e.g. compliance training and confidential non-compliance reporting channels).

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

| PRODUCT/SERVICES PORTFOLIO           | ASSOCIATED TOTAL BUSINESS VOLUME <sup>25</sup> | DIRECTION OF IMPACT | UN SDGS                                                                                                                                                                     |
|--------------------------------------|------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financing of the oil industry</b> | 4%                                             | <b>OBSTRUCTION</b>  |   |

### *Breaches of international norms and ESG controversies*

#### At Issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the Issuer would be involved.

#### At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks and capital markets industry are as follows: Failure to respect the right to just and favorable conditions of work, Anti-competitive behaviour, and Failure to respect consumer health and safety. Please note, that this is not a company-specific assessment but areas that can be of Particular relevance for companies within that industry.

<sup>25</sup> Percentages presented in this table are not cumulative.

## **B. CONSISTENCY OF THE SUSTAINABLE FINANCING FRAMEWORK WITH FAB'S SUSTAINABILITY STRATEGY**

### *Key sustainability objectives and priorities defined by the Issuer*

FAB joined the Net Zero Banking Alliance (NZBA) and as Part of that commitment, FAB will assist its clients to transition toward a climate-neutral economy through innovative financing and advisory services. In 2016, FAB set a target of USD 10 billion in Sustainable financing by 2026 and met its target six years ahead of the plan in 2019.

In 2021, FAB launched its new Group Environmental Social & Governance (ESG) Strategy designed to accelerate growth in areas most pertinent to emerging sustainability opportunities and challenges. As Part of this strategy, FAB has committed to lend, invest, and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions<sup>26</sup>.

FAB's approach to sustainability is guided by three pillars:

1. Transforming its Governance Model
2. Transitioning to a Low Carbon Future, and
3. Capitalising on its Social Responsibility.

### *Rationale for Sustainable Finance Framework*

In 2017, First Abu Dhabi Bank was the first Bank within the MENA region to issue a Green Bond. First Abu Dhabi Bank's Green Bonds directly support the UAE's commitments through the financing of projects that help drive the UAE towards achieving its national sustainability targets and its long-term global sustainability leadership ambitions. As of March 2020, FAB selected nine UAE-based projects to allocate to the Green Bonds. These include four solar plant projects (in the renewable energy category), two green building projects (in the energy efficiency category), and three district cooling projects (in the energy efficiency category and allocated to FAB Green Private Placements). The Green Bonds Use of Proceeds of FAB contributes to climate change mitigation. Following the issuance of the region's first public Green Bond in March 2017, FAB has issued 13 Green Bonds as of 31 March 2022.

In 2020, FAB designed its Sustainable Finance Framework, expanding its Green Bond Programme to a Sustainable Finance Framework to cover various environmental and social project categories and associated sustainability benefits, aligned with the ICMA Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines, and the LMA Green Loan Principles.

In 2022, FAB has correspondingly updated its Sustainable Finance Framework to support a wider range of Sustainable activities, in that, companies transitioning to net zero, and/ or in line to achieve Sustainability Performance Targets (SPT) may also qualify for funding following FAB's due diligence procedures. The current Sustainable Finance Framework outlines the methodology to be applied to classify financial products and services offered by FAB as Sustainable, Dedicated, or General-purpose Financing or Transition Finance. The Issuer outlines, that any financing transaction and classification of the latter, including but not limited to bonds, loans, private placements, and trade financing can be considered under the Framework.

<sup>26</sup> [FAB Sustainable Finance Report 2022](#)



### *Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges*

ISS ESG mapped the Use of Proceeds categories financed under this Sustainable Finance Framework with the sustainability objectives defined by the Issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks and Capital markets industry. Key ESG industry challenges are issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. Sustainability impacts of lending and other financial services or products. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds category.

| USE OF PROCEEDS CATEGORY                              | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | LEVEL OF CONTRIBUTION                |
|-------------------------------------------------------|------------------------------------------|-----------------------------|--------------------------------------|
| Renewable Energy                                      | ✓                                        | ✓                           | Contribution to a material objective |
| Energy Efficiency                                     | ✓                                        | ✓                           | Contribution to a material objective |
| Clean Transportation                                  | ✓                                        | ✓                           | Contribution to a material objective |
| Green Buildings                                       | ✓                                        | ✓                           | Contribution to a material objective |
| Pollution Prevention and Control and Circular Economy | ✓                                        | ✓                           | Contribution to a material objective |
| Sustainable Water and Wastewater Management           | ✓                                        | ✓                           | Contribution to a material objective |
| Climate Change Adaptation                             | ✓                                        | ✓                           | Contribution to a material objective |
| Sustainable Management of Living natural resources    | ✓                                        | ✓                           | Contribution to a material objective |
| Terrestrial and Aquatic Biodiversity Conservation     | ✓                                        | ✓                           | Contribution to a material objective |
| Employment Generation                                 | ✓                                        | ✓                           | Contribution to a material objective |
| Affordable Basic Infrastructure                       | ✓                                        | ✓                           | Contribution to a material objective |
| Affordable Housing                                    | ✓                                        | ✓                           | Contribution to a material objective |
| Access to Essential Services                          | ✓                                        | ✓                           | Contribution to a material objective |



## SECOND PARTY OPINION

Sustainability Quality of First Abu Dhabi Bank  
and Sustainable Finance Framework



Powered by  
**ISS ESG**

|                                                   |   |   |                                      |
|---------------------------------------------------|---|---|--------------------------------------|
| <b>Socioeconomic Advancement and Empowerment</b>  | ✓ | ✓ | Contribution to a material objective |
| <b>Food Security and Sustainable food systems</b> | ✓ | ✓ | Contribution to a material objective |

**Opinion:** *ISS ESG finds that the Use of Proceeds of the Green, Social Bonds, or Loans issued under this Framework is consistent with the Issuer's Sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing Green, Social, and Sustainability Bonds or Green and Social Loans is described by the Bank. Further, ISS ESG finds that the Sustainable Finance Framework is consistent with the Group's Sustainability strategy. The rationale for establishing a Sustainable Finance Framework is clearly described by the Bank. The Bank sets clear and credible Sustainability sustainable financing criteria for its ESG-linked products under the Framework. The Framework's rationale to provide a set of Sustainable financing products is embedded within the Bank's overarching Sustainability strategy.*

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## ANNEX 1: Methodology SPO Pre-Issuance Verification

### Green/Social KPIs

The Green/Social KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of FAB's Green, Social and Sustainability Bonds and Green and Social Loans.

It comprises firstly the definition of the Use of Proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The Sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the projects included in the projects pool match the eligible project category and criteria. All percentages refer to the number of projects within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green/Social/Sustainability Bond KPIs.

The evaluation was carried out based on information and documents provided to ISS ESG on a confidential basis by First Abu Dhabi Bank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more Sustainable future. Using a proprietary methodology, ISS ESG identifies the extent to which First Abu Dhabi Bank's Green, Social and Sustainability Bonds and Green and Social Loans categories contribute to related SDGs.

## ANNEX 2: Methodology External Review

### PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK AGAINST BEST MARKET PRACTICES FOR SUSTAINABLE FINANCE

We consider relevant market guidelines in the assessment of the governance procedures for Sustainable finance strategies including but not limited to fixed income transactions. The analysis included criteria from a set of different market standards and voluntary guidelines and best practices including but not limited to the International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking authority (EBA) with respect to Environmentally-Sustainable Lending. The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

| SECTION                                                         | ASSESSMENT CRITERIA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>0. Strategy &amp; objectives</b>                             | <p>For a lending/financing strategy to be classified as Sustainable, Banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on their commitments.</p> <p>The sustainability strategy should be expressed in line with key market guidelines such as the UN Sustainable Development Goals or the Paris Climate Agreement.</p>                                                                                  |
| <b>1. Definition of Sustainable finance products</b>            | <p>The Sustainable lending/financing strategy should define clearly and comprehensively what financing products are deemed as Sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible Sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold, or impact indicators) while ensuring that other objectives are not harmed.</p> |
| <b>2. Process for lending products Selection and Evaluation</b> | <p>The Bank should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for Sustainable lending/financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrower should be collected.</p>                                                                                                                                                                                                                                       |
| <b>3. Internal Governance, Monitoring, and Control design</b>   | <p>Clear governance mechanisms should be in place to ensure that the products classified as Sustainable remain in line with the criteria for Sustainable investment, lending, or financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Monitoring systems and clear accountability should be established.</p> <p>With respect to borrowers, Banks should ensure that they diligently monitor the allocation of proceeds towards Sustainable projects and activities.</p>             |
| <b>4. Reporting</b>                                             | <p>Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the allocation of proceeds, as well as the impact and progress of the Sustainable lending/financing strategy. Elements to be reported on should be</p>                                                                                                                                                                                                                                                                                                           |

|                        |                                                                                                                                                                                                                                                                             |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics.                                                                                                                                  |
| <b>5. Verification</b> | It is recommended that the Sustainable lending/financing strategy for specific issuances should be reviewed by an external body. Impact metrics should be verified by a third Party. The external reviews should be made available to the respective stakeholders involved. |

## PART II: ASSESSMENT OF FIRST ABU DHABI'S CLASSIFICATION TAXONOMY

This Section examines the sustainability quality of each of the parameters included in Abu Dhabi Bank's Classification Taxonomy and discusses the sustainability quality of the products complying with those.

## Part III: ASSESSMENT OF BANK-SPECIFIC ESG RISK MANAGEMENT PROCEDURES

This Section discusses to what extent the Bank has adopted appropriate ESG-risk mitigation policies and mechanisms that are considered relevant to a financial institution's financing operations.

## ANNEX 3: ISS ESG Corporate Rating Methodology

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond Issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.

Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in Particular regarding its sector's key issues.

Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

Companies' ability to address grievances and remediate negative impacts

Degree of verification of allegations and claims

Severity of impact on people and the environment, and systematic or systemic nature of malpractices

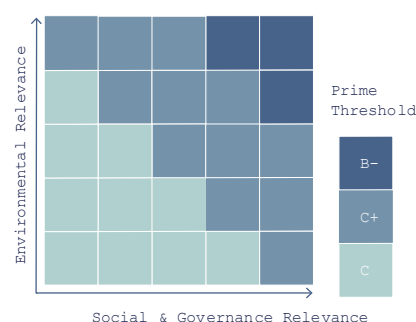
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth Part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as Part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.



## ANNEX 4: Quality management processes

### SCOPE

First Abu Dhabi Bank commissioned ISS Corporate Solutions to compile a Green, Social and Sustainability Bonds and Green and Social Loans SPO. The Second Party Opinion process includes verifying whether the Eligibility Criteria aligns with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association and to assess the sustainability credentials of its Bonds and Loans, as well as the Issuer's sustainability strategy.

Further First Abu Dhabi Bank commissioned ISS Corporate Solutions to compile a Sustainable Finance Framework External Review. The External Review process includes verifying whether the Sustainable Finance Framework aligns with market practices for Sustainable Finance activities and assessing its sustainability credentials, as well as the credibility of the Bank's classification taxonomy.

### CRITERIA

Relevant Standards for this Second Party Opinion and External Review

- International Capital Market Association's (ICMA) [Green](#), [Social Bond](#) Principles, and [Sustainability Bond Guidelines](#), [Sustainability-Linked Bond Principles](#)
- Loan Market Association's (LMA) [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability Linked Loan Principles](#)
- [UNEP-FI PRB](#)
- [Climate Bonds Initiative \(CBI\) – Climate Bonds Standard V3.0](#)
- [Guidelines proposed by the European Banking Authority \(EBA\) with respect to environmentally Sustainable lending](#)
- ISS ESG Key Performance Indicators relevant for ESG risk mitigation policies relevant for the Use of Proceeds categories selected by the Issuer and the Bank's overarching financing operations

### ISSUER'S RESPONSIBILITY

First Abu Dhabi Bank's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- Eligibility criteria
- ESG Impact and Risk Management for Sustainable Financing activities
- Internal governance, monitoring, and control procedures for Sustainable Financing activities

### VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the Sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS Corporate Solutions has conducted this independent Second Party Opinion of the Green, Social and Sustainability Bonds and Green and Social Loans to be issued by First Abu Dhabi Bank based on

ISS ESG methodology and in line with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association. Further ISS Corporate Solutions has conducted this independent External Review of the Sustainable Finance Framework based on ISS ESG methodology and in line with market practices and relevant guidelines for Sustainable financing and lending strategies.

The engagement with First Abu Dhabi Bank took place between July and August 2022.

### **BUSINESS PRACTICES**

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other Parts of the ISS Group.

## About ISS ESG

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.

As Part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing Sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent opinion so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

ISS provides external review services for responsible lending and investment strategies by assessing the robustness of our client's Frameworks, the monitoring, internal governance and control design.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Green, Social Bonds and Green and Social Loans SPO and External Review, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

| Project lead                              | Project support                            | Project support                                                         | Project supervision                                                              |
|-------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Carman Mak<br>Associate<br>ESG Consultant | Rafael Heim<br>Associate<br>ESG Consultant | Johanna-Charlotte Flemmig<br>Associate Vice President<br>SPO Operations | Marie-Bénédicte Beaudoin<br>Associate Director<br>Head of ISS ESG SPO Operations |