SECOND PARTY OPINION (SPO)- EXTERNAL REVIEW

Sustainability Quality of the Issuer and Sustainable Finance Framework

First Abu Dhabi Bank
23 November 2023

VERIFICATION PARAMETERS

PRE-ISSUANCE VERIFICATION	Type(s) of instruments contemplated	▪ Green, Social, Sustainability Bonds, Green and Social Loans
	Relevant standards	▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1); Social Bond Principles (SBP), as administrated by ICMA (as of June 2023); Sustainable Bond Guidelines (SBG), as administrated by ICMA (as of June 2021); Green Loan Principles (GLP) and Social Loan Principles (SLP) administered by the Loan Market Association (LMA) (as of February 2023)
	Scope of verification	▪ First Abu Dhabi Bank Sustainable Finance Framework (as of November 15, 2023)
	Lifecycle	▪ Pre-issuance verification ▪ 1st Update of SPO as of August 29, 2022 (ICS weblink)
EXTERNAL REVIEW	Scope of verification	▪ First Abu Dhabi Bank Sustainable Finance Framework (as of October 17, 2023) ▪ FAB's sustainable finance classification (as of October 17, 2023)
	Validity	▪ Valid as long as the Framework remains unchanged

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SCOPE OF WORK

First Abu Dhabi Bank (''the Issuer'', ''the Bank'', or "FAB") commissioned ISS Corporate Solutions (ICS) to assist with its Green, Social, and Sustainability Bonds and Green and Social Loans issuance by assessing three core elements to determine the sustainability quality of the instruments:

1. First Abu Dhabi Bank's Sustainable Finance Framework (as of October 17, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green and Social Bond Principles, and Sustainability Guidelines, and the Loan Market Association (LMA) Green and Social Loan Principles.
2. Sustainable Finance Framework - benchmarked against market practices and guidelines[1] that enables capital and loan markets to contribute to environmental and social sustainability (see Annex 2)
3. FAB's sustainable finance classification system - the soundness of the eligibility parameters to identify eligible sustainable financing activities (see Annex 2) and whether the eligible project categories contribute positively to the UN SDGs
4. The Eligible Categories – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
5. ESG risk management – assessment of FAB's overarching risk management procedures considered relevant in the context of the Bank's sustainable finance activities and the underlying Framework.
6. Linking the transaction(s) to FAB's overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

[1] The assessment is based on current market practices for sustainable capital and loan markets referring to different market standards and voluntary guidelines 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.

FIRST ABU DHABI BANK BUSINESS OVERVIEW

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 Investment Banking; Corporate & Commercial Banking; Consumer Banking; and Global Private Banking segments. 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 company 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.

It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG's sector classification.

ASSESSMENT SUMMARY

SPO PRE-ISSUANCE VERIFICATION		
SECTION 1	**SUMMARY**	**EVALUATION[2]**
Alignment with ICMA's GBP, SBP, and SBG and LMA's GLP and SLP	The Issuer has defined a formal concept for its dedicated Financing transactions regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) and the Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP). **The following categories (Sustainable management of living natural resources[3], Terrestrial and aquatic biodiversity conservation – eco-tourism activities, Affordable basic infrastructure – transport, Food security and sustainable food systems[4], and Circular Economy) are assessed as providing no clear environmental and/ or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/ or social might vary depending on sector and geography, it is recognized that those categories might be considered as green or social categories by investors.*	**Aligned with exceptions***

EXTERNAL REVIEW ASSESSMENT	
SECTION 2	**SUMMARY**

[2] The evaluation is based on the FAB's Sustainable Finance Framework (November 15, 2023, version) and on the ISS ESG Corporate Rating updated on the August 22, 2023 and applicable at the SPO delivery date.
[3] Drip irrigation; 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**;** Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve sustainable fishery and aquaculture management; Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve sustainable fishery and aquaculture management.
[4] Technology and infrastructure that improves agricultural productivity and enhance livelihoods and food security and nutrition in poor rural communities; Technology and infrastructure that improves agricultural efficiency, the agricultural supply chain and prevent food wastage.

The Sustainable Finance Framework reflects market practices. FAB has set forth a formal methodology for defining and classifying financing as sustainable to integrate sustainable finance across its business. Where feasible, the Framework may be further improved by:

- **Disclosing the annual share of sustainable financing out of the total financing activities, an estimated share of each instrument mentioned in the Framework.**

Part I:

Review of FAB's Sustainable and Transition Finance Framework

The Financial Institution has clearly disclosed the purpose of this sustainable finance Framework. In its Sustainable Finance Framework, the Financial Institution puts forth a clear definition of the sustainability objectives for its entire financing activities and quantified target in line with the wider company strategy (as outlined in Part IV.B of this report), however, it is commended that FAB reports on its annual share of sustainable financing out of the total financing activities.

The Sustainable Finance Framework presents a clear definition of the FAB's classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The Sustainable Finance Framework defines an exhaustive exclusion activities list. Where feasible, the Framework may be further improved with regards to disclosing an estimated share of each instrument mentioned in the Framework.

The process for sustainable finance transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner. Data collected during pre-screening is through a combination of market platform and client questionnaires. FAB's ESG Risk Management Framework and Policy is applicable to all transactions. Where feasible, the Framework may be further improved by extending the current preliminary due diligence procedures, applicable for Dedicated Purpose Financing transactions to the entire range of Sustainable Financing transactions as outlined in the underlying Framework.

All eligible financial instruments are subject to the Bank's overarching sustainability criteria which take into account FAB's wider sustainability risk management processes and are reviewed on a regular basis. FAB clearly describes the process to monitor if a financial transaction remains eligible during all its life cycle. FAB's clearly describes how the board and dedicated committees at senior management level provide oversight on ESG-related issues, and specifically the sustainable finance classification system. The Financial Institution describes the tracking done until the end of the life cycle of each transaction and reporting mechanisms of the current/past sustainable finance instrument transactions.

FAB commits to report publicly and on an annual basis its sustainable and transition financing.

The Bank's sustainable finance classification system reflects market practice. Where feasible, the Framework may be further improved with regards to:

- **Setting 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.**
- **Having an external review on a deal-by-deal basis to confirm that the eligible dedicated and general-purpose transactions are aligned with ICMA/LMA principles.**
- **Improving the selection process for transition finance by conducting an external verification for each transaction.**
- **By including systematic comprehensive external reviews in the sustainability-linked financing approach, that assess the ambition of targets, so that general-purpose financing shall not be granted to entities that have not set adequate Sustainability Performance Targets and credible action plans to reach their SPTs.**

Part II:

Assessment of FAB's sustainable finance classification system

FAB has put forth multiple sets of eligibility parameters for its financing activities to be classified as sustainable and transition:

1. **Parameter 1 (Dedicated Purpose Financing):** 92% of the categories have a positive contribution to the UN SDGs. Where feasible, the selection process may be further improved by setting measures to ensure that FAB's borrowers and/or issuers have appropriate processes in place to identify and mitigate ESG risks, and they regularly report on the allocation of the proceeds. 8% of the categories are considered to have 'No Net Impact', limiting the contribution to sustainability objectives for these particular categories. At Framework level, no information is available on the future share of sustainable financing transactions to the eligible categories assessed by ISS ESG SDGA proprietary methodology as having 'No Net impact'.
2. **Parameter 2 (General Purpose Financing – Standard Approach):** The 90% threshold proposed is considered to be

appropriate and in line with market practices of classifying sustainable businesses. The eligible categories are complemented by an overarching exclusion policy from the Bank. Finally, ISS 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. It is noted, however, that not all listed eligibility categories are considered to have a net positive impact on environmental or social factors, this may result in the classification of financing as sustainable while the underlying business is not positively contributing to environmental and social objectives. It is commended that the alignment with market principles is verified via an external third-party verifier.

3. **Parameter 2 (General Purpose Financing – Pro-rated Approach):** The inclusion of a minimum threshold of 50%, in order to prevent financing of a company that only marginally contributes to sustainability objectives is positively noted. At the same time, it is noted that best market practices of considering a company as sustainable are linked to the 90% threshold, included in the discussion of the previous parameter. As mentioned above, it is noted that the financing of a company with proportions between 50% to 90%, 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, since the company is able to access the overall financing. Whilst many of these activities may be neutral in the sense that they do not actively contribute to UN Sustainability Development Goals, some may also obstruct these goals. Finally, as discussed above, not all listed eligibility criteria are considered to have a net positive impact on environmental or social topics.
4. **Parameter 3 (Sustainability-Linked Financing):** ISS-Corporate is not able to comprehensively assess the materiality of the KPIs and the ambition level of the associated SPTs, neither how including this form of financing contributes to ESG-related goals since there are no exhaustive list of KPIs or SPTs at the moment of this report. Further, despite it not being exhaustive, we welcome 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. Besides, the reference to the relevant market standards for sustainability-linked financing is favorably noted. It is positively noted that FAB's selection process includes an external pre-issuance verification (Second-Party Opinion) to assess the

alignment with applicable market guidelines, limiting the risk that General-purpose financing may be granted to entities that have not set adequate Sustainability Performance Targets (SPTs) with regard to past performance, peers, or international targets.

5. **Parameter 4 (Transition Finance):** FAB has set measures to ensure that the financial instruments align with relevant market standards. ISS welcomes that FAB sets forth a sample list of eligible investment for transition labels, that may be used in the structuring of a Transition Finance transaction. It is positively noted that Fab's clients will also need to provide verification pre and post signing on the transition impact of the financed activity. 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. As such, ICS is currently not in a position to thoroughly comment on the quality of Transition Finance transactions included in the overarching eligibility classification scheme. We consider that a credibility assessment of the borrowers' transition strategy is key to the appropriate use of the label.

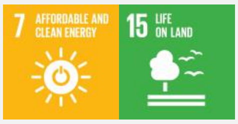
ASSESSMENT OF THE ELIGIBLE CATEGORIES CONTRIBUTION TO THE UN SDG'S

SECTION 3	SUMMARY	EVALUATION
Sustainability quality of the Eligible Categories & ESG Risk Management	The Green, Social, Sustainability Bonds, Green and Social Loans will (re)finance eligible asset categories which include: Green categories: Renewable Energy, Green Buildings, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Terrestrial and Aquatic Biodiversity Conservation, Affordable Basic Infrastructure, and Circular Economy; Social categories: Access to essential services, Affordable Housing, Employment Generation, Socio-economic advancement and empowerment, Food Security and Sustainable Food Systems.	**Aligned**

Product and/or service-related use of proceeds categories[5] individually contribute to one or more of the following SDGs:

Process-related use of proceeds categories[6] individually improve (i) FAB's Borrowers' operational impacts and (ii) mitigate their potential negative externalities on one or more of the following SDGs:

For Nuclear Energy, the categories are considered to also have an obstruction to the following SDGs:



For Sustainable management of natural resources, Terrestrial and aquatic biodiversity conservation – eco-tourism activities, Affordable basic infrastructure – transport, Food security and sustainable food systems, and Circular Economy, there is no clear environmental and/ or social benefits.

ASSESSMENT OF FAB'S ESG RISK MANAGEMENT PROCEDURES

SECTION 4 SUMMARY

[5] Renewable Energy, Green Buildings, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Terrestrial and Aquatic Biodiversity Conservation, and Affordable Basic Infrastructure.

[6] Green buildings, Renewable Energy, Energy Efficiency, Circular Economy, Sustainable Management of Living natural resources.

ESG Risk Management	Based on an assessment of ESG risk management practices for financial institutions, the environmental and social risks associated with the Use of Proceeds categories and the Bank's sustainable financing activities are considered to be **managed**.
CONSISTENCY WITH THE BANK'S SUSTAINABILITY STRATEGY	
SECTION 5	**SUMMARY**
Linking the transaction(s) to FAB's ESG profile	The key sustainability objectives and the rationale for issuing Green, Social, Sustainability Bonds, Green and Social Loans are clearly described by the Issuer. The project categories considered are **in line** with the sustainability objectives of the Issuer. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.

SECTION 1: PRE-ISSUANCE VERIFICATION

ALIGNMENT WITH ICMA'S GREEN, SOCIAL, AND SUSTAINABILITY BONDS GUIDELINES AND LMA'S GREEN AND SOCIAL LOANS PRINCIPLES

This section evaluates the alignment of the FAB's Sustainable Finance Framework Use of Proceeds Green, Social and Sustainability Bonds issuances and Green and Social Loans issuances (as of October 17, 2023) with the ICMA's GBP, SBP, and SBG and LMA's GLP and SLP.

ICMA GBP, SBP, AND SBG AND LMA'S GLP AND SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓ * with exceptions	The Use of Proceeds description provided by FAB's Sustainable Finance Framework is **aligned with exceptions*** with the ICMA's Green, Social, and Sustainability Bonds guidelines and LMA's Green and Social Loans principles. The Issuer defines exclusion criteria for harmful projects categories. **The following categories (Sustainable management of living natural resources[7], Terrestrial and aquatic biodiversity conservation – eco-tourism activities, Affordable basic infrastructure – transport, Food security and sustainable food systems[8], and Circular Economy) are assessed as providing no clear environmental and/ or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/ or social might vary depending on sector and geography, it is recognized that those categories might be considered as green or social categories by investors.*

[7] Drip irrigation; 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**;** Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve sustainable fishery and aquaculture management; Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve sustainable fishery and aquaculture management.

[8] Technology and infrastructure that improves agricultural productivity and enhance livelihoods and food security and nutrition in poor rural communities; Technology and infrastructure that improves agricultural efficiency, the agricultural supply chain and prevent food wastage.

2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by FAB's Sustainable Finance Framework is **aligned** with the ICMA's GBP, SBP, and SBG and LMA's GLP and SLP. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process.
3. Management of Proceeds	✓	The Management of Proceeds provided by FAB's Sustainable Finance Framework is **aligned** with the ICMA's GBP, SBP, and SBG and LMA's GLP and SLP. The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Financing Instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.
4. Reporting	✓	The allocation and impact reporting provided by FAB's Sustainable Finance Framework is **aligned** with the ICMA's GBP, SBP, and SBG and LMA's GLP and SLP. The Issuer commits to publicly disclose the allocation of proceeds transparently and to report in an appropriate frequency.[9] FAB explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated. Regarding impact reporting, FAB is transparent on the information reported and defines the reporting frequency and duration, in line with best market practices.

[9] Available in FAB's Sustainable Finance Framework, 2023, sustainable-finance-report-2023.pdf (bankfab.com) and in FAB's Reports, Policy, and Frameworks, Reports, Policy, and Frameworks | FAB - UAE (bankfab.com).

SECTION 2: EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF FAB'S SUSTAINABLE FINANCE FRAMEWORK

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

These processes are reviewed against current market practices for sustainable capital and loan markets derived from market standards and voluntary guidelines. The assessment is based on derived key principles for transparency, disclosure, and non-contamination of sustainable labelled-products, such as proposed by the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles.

CRITERIA	SUMMARY AND OPINION
1. Objectives, Targets, & Progress	FAB defined a Sustainable Finance Framework to enable the classification and tracking of its eligible sustainable and transition finance transaction performance against its existing sustainable finance commitments. Framework The Bank defines an overall Sustainable Finance quantitative target in a pre-set timeframe enabling to measure the progress against its commitment. The Bank provides a comprehensive exclusion list. The Bank will commit to lend, invest, and facilitate business of USD 135 billion by 2030 to activities focused on environmental and socially responsible solutions. 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 on its Annual ESG Report. FAB seeks to achieve the sustainable finance (SF) target through the following: 1. The SF target is included in the Bank's balance score card. The target is cascaded down to business lines with support from a dedicated ESG advisory team that offer market intelligence, bespoke sustainable finance solutions, advising clients on deal structuring and ESG

parameters. Group ESG team supports with evaluating, tracking, and reporting on eligible deals in alignment with the Framework. FAB's IT team tags the deals in FAB's systems to help monitor them.

2. The Framework includes sustainable and transition finance eligible categories, which are aligned with the net zero roadmap and emission reduction lever opportunities. It also forms the basis for tracking and reporting on our sustainable finance commitments.
3. For accountability, a dedicated ESG and Sustainable Finance Committee (ESG-SFC), represented by FAB's key business lines, operations and credit, review and approve the sustainable assets that meet the eligibility criteria set out in the Sustainable Finance Framework. It also excludes projects that no longer comply with the eligibility criteria or those with material allegation issues.
4. Delivery of mandatory sustainable finance trainings for wholesale banking business lines and deep dive courses for product teams on specialized sustainable finance products.
5. All sustainable finance deals go through an ESG risk assessment at an obligor and project level before checking their eligibility in alignment with the Framework. Projects are also tracked through watchlists for potential allegations and controversies.

Under the Framework the Bank will not provide any financial services to clients whose business and projects are involved in the following operations:

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

	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. In 1H2023, FAB has financed USD 20 bn under its Sustainable Finance Framework since the target's baseline year of 2022. The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and material ESG topics for the Bank's industry. **Opinion**: *The Bank has clearly disclosed the purpose of the framework is this Sustainable Finance Framework. In its Sustainable Finance Framework, the financial institution puts forth a clear definition of the sustainability objectives for its financing activities and quantified target in line with the wider company strategy (as outlined in Part IV.B of this report). However, the Framework may be further improved by disclosing the annual share of sustainable financing out of the total financing activities.*
2. Definition of sustainable financing activities	Under FAB' Sustainable Finance Framework, 'sustainable finance' includes green, social, and sustainability-linked finance and includes both financings of expenditures tied to a specific purpose and general corporate expenditures. FAB bases its definition of sustainable financing on established national and international standards, Frameworks, and principles. These include the Green Loan Principles, the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association (LMA), the Green Bond Principles, the Social Bond Principles and the Sustainability-Linked Bond Principles of the International Capital Market Association (ICMA). FAB also considers the EU Taxonomy, the Climate Bond Initiative (CBI) Taxonomy and the International Finance Corporation Standards (IFC) standards as a reference for best practices, thresholds, and considerations, but not seeking alignment. **Eligible type of financing** FAB' Sustainable Finance Framework sets out 3 types of financing which are eligible as sustainable financing for tracking and disclosing its performance against its public targets, which include: ▪ **Dedicated purpose** financing where the use of proceeds satisfies either the green or social eligibility criteria. ▪ **General purpose** where the business mix of the entity satisfies either the green or social eligibility criteria based on the thresholds set out in section 4.1 of the Framework.

- **Sustainability-linked financing** which meets the internal proprietary screening criteria set out in section 2 of the Framework. Note that sustainability-linked financing is not required to satisfy either the green or social eligibility criteria.
- **Transition financing** where the use of proceeds are a list of transition activities in the SFF, which are eligible to receive financing under a 'transition' label.

In addition to the above requirements, financing will not be eligible as sustainable financing for the purpose of its Targets if it **is included from FAB's Exclusion Criteria**.[10]

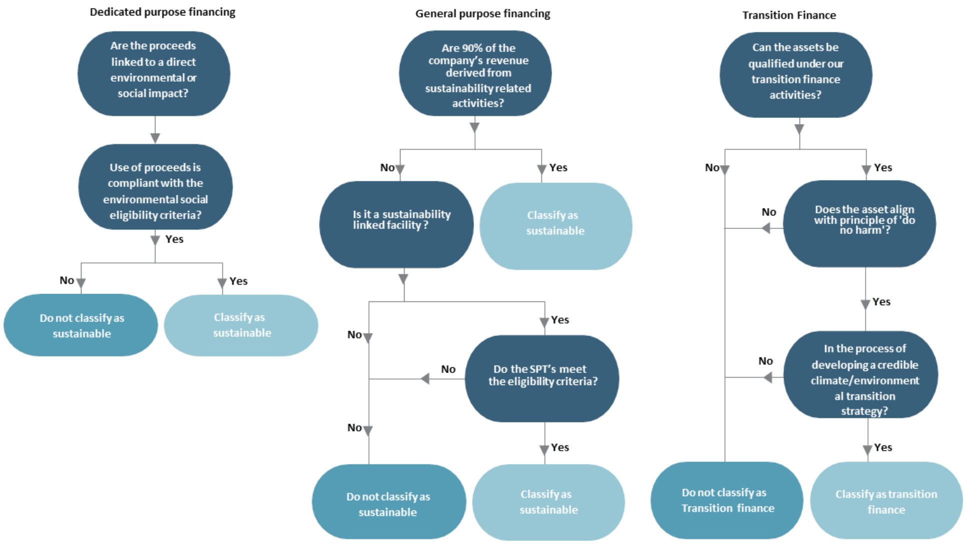


Figure 1: Classification of sustainable financing

Instrument Scope

The Bank is including new facilities and refinancing of existing facilities. For its social, green, and sustainability-linked financing, the Bank provides a list of products originated and managed in different Business Units.[11] For each product, the Bank provides the managing Business Unit, the description, the related external Framework to be prepared, and the allocation basis. The product offering including both on and off-balance sheet instruments is detailed below:

[10] FAB exclusion list, https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/fab-sustainable-finance-framework-2022.pdf?view=1
[11] Please refer to section 10. Product Scope in FAB's Sustainable Financing Framework

PRODUCT	DESCRIPTION	CRITERIA
Debt Capital Markets	Corporate, supranational, sovereign issued green/social/blue/blue / sustainability bonds or government or related development bank issuances or sukuks.	▪ ICMA Green, Social and Sustainability Bond Principles ▪ CBI standard
Syndicated Loan	Loans for qualifying social and green themes.	▪ LMA Green and Social Loan Principles
Private Capital Market (PCM)[12]	Private placements for qualifying ESG themes.	▪ ICMA Green, Social and Sustainability Bond Principles
Sustainability-Linked Loans (SLLs) and Sustainability-Linked Bonds (SLBs)	Sustainability-linked financing instruments are loan instruments or contingent facilities which incentivize the borrower to achieve a pre- determined sustainability target or targets by linking them to the pricing mechanism of the facility. 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	▪ ICMA Sustainability Linked Bond Principles ▪ LMA Sustainability Linked Loan Principles

		integration of sustainability factors into a broader set of products and offer an additional means of engaging clients on sustainability considerations.	
	Securitized Products	Securitized products across asset classes including asset-backed securities, residential and commercial solar loan securitization, real estate and electric vehicles.	▪ ICMA Green, Social and Sustainability Bond Principles ▪ CBI Bond Standard
	Green Loans	Green Loan is a term lending product for use in eligible green themes.	▪ LMA Green Loan Principles
	Sustainable Trade Finance	Financial products that facilitate trade flows and transactions between importers and exporters across both domestic and international markets.	▪ LMA Green Loan Principles
	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.	▪ LMA Green Loan Principles

[12] Please note that Private placements are out of the scope of this External Review.

	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.	▪ LMA Green Loan Principles
	Sustainable Investing[13]	▪ Direct investments into investment funds focused on sustainable and social impact related businesses ▪ Private market, private equity and private debt ▪ Green thematic fund investment ▪ Structured Products with a relevant green use of proceeds	▪ SFDR - Article 8 & 9

[13] Please note that sustainable investing is out of the scope of this External Review.

		▪ Sustainable linked current or savings accounts (CASA) or other deposits	

Table 1. FAB' products scope

Figure 2: FAB's Sustainable Financing and Facilitation in 2022

As of December 2022, FAB Sustainable Financing and Facilitation accounted for USD 9.1 bn (breakdown in Figure 2 above).

Opinion: *The Sustainable Finance Framework presents a clear definition of the FAB's classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The Sustainable Finance Framework defines exclusion activities that include tar sand extraction, fracking, ultra-deep-sea drilling, thermal coal (mining and power), activities involving modern slavery, child labor or forced labor, among others*[14]*. Where feasible, the Framework may be further improved with regards to disclosing an estimated share of each instrument mentioned in its Framework.*

3. Evaluation & Selection Process	FAB's ESG and Sustainable Finance Committee (ESG-SFC) represented by FAB's key business lines, operations and credit teams is responsible for assessing and classifying transactions as sustainable/transition in alignment with the requirements of FAB Sustainable Finance Framework.

[14] Exclusion list is further detailed in section 8 of FAB's Sustainable Finance Framework

Transactions are reviewed from an ESG perspective before credit approval, which includes an ESG risk assessment as defined in FAB's ESG Risk Framework and Policy[15], then an eligibility review for sustainable financing based on FAB's Framework's classification criteria.

The Chief Sustainability Officer is the Chairman of ESG-SFC, while the other members represent the Bank's key business lines and operations, namely, Investment Banking Group, Group Operations, Group Risk, Corporate and Commercial Banking, Consumer Banking, Group Finance, Group Human Resources, Group Credit, Group Private Banking and Group Communications and External Affairs.

FAB performs ESG risk assessments and analysis on projects and activities identified as potentially eligible. The ESG assessments are conducted by business lines and Group ESG and cover projects and clients. Data collected during pre-screening is done through a combination of market platform such as Refinitiv and client questionnaires. A variety of environmental and social parameters are evaluated before reaching a conclusion on the client and project's ESG risks and benefits. It also follows the Equator Principles guidelines during project financing reviews and maintain allegation reviews on a monthly basis. The outcomes of ESG assessments and eligible projects are shared with the ESG-SFC for review and endorsement on a quarterly basis.

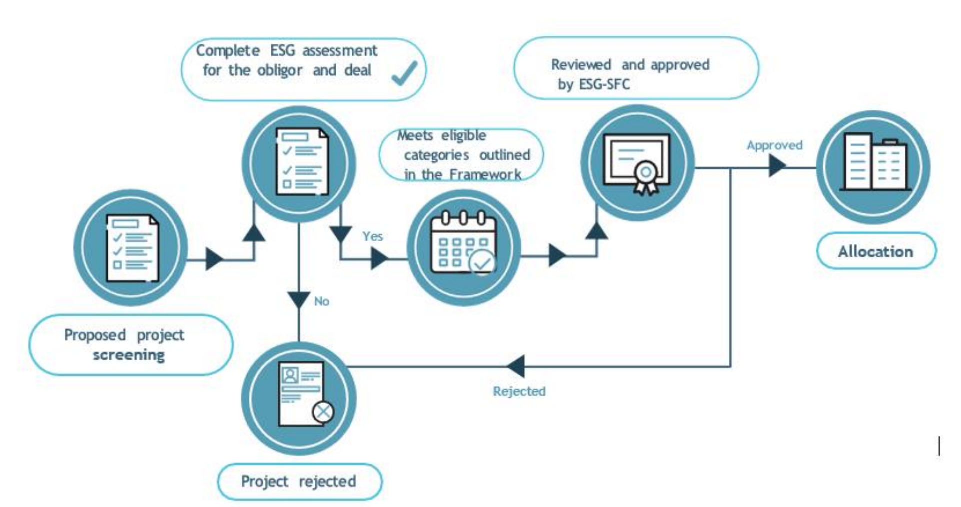


Figure 2. FAB's selection and evaluation process for sustainable finance

[15] FAB ESG Risk Framework and Policy, https://www.bankfab.com/-/media/fabgroup/home/about-fab/esg/reports-policy-frameworks/policy-and-frameworks-pdfs/esg-risk-framework.pdf?view=1#:~:text=The%20ESG%20risk%20framework%20is,business%20units%20across%20the%20Group.

	Eligible projects will go through a multi-step assessment process as follows: ▪ The E&S approach is applied for all the other eligible sustainable finance deals (whether dedicated or general purpose). ▪ Projects which meet minimum ESG risk requirements as per FAB's ESG Risk Policy are shortlisted by the respective relationship managers. ▪ Projects which meet FAB's eligible project categories outlined in the Framework by FAB's client relationship managers and/or Group ESG. ▪ Eligible projects are proposed to be allocated in whole or in part to the green/social/blue/transition/ sustainability Bonds, up to the full value[16] of the bond. Proposed allocations are reviewed and endorsed by the ESG- SFC every quarter for all instruments, including transition & sustainability-linked financing instruments. **Opinion**: *The process for sustainable finance transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner. FAB's ESG Risk Management Framework and Policy is applicable to all transactions. FAB defines exclusion criteria for controversial sectors and a list of excluded activities.*
4. Governance & Monitoring	All qualifying transactions continue to undergo annual due diligence checks along with monthly monitoring for any potential ESG controversies. FAB has established an ESG Sustainable Finance Committee (ESG-SFC) at the senior management level that is responsible for ensuring alignment with all aspects of FAB's Sustainable Finance Framework. ESG-SFC reports to the Group ESG Committee which in turn reports to the Board Risk & Compliance Committee. They have oversight of the Framework, including the approval of eligible projects and the ESG Risk policy. The role of the ESG-SFC shall be to: ▪ Monitor and review the execution of the ESG Strategy, targets, and scorecard along with endorsing the improvement actions across business functions for the G-ESGC approval. ▪ Review and approve the new sustainable finance instruments (Sustainability-Linked Loans and transition financing instruments), as well as sustainable, green, social and transition assets that are

[16] This refers to the face value of the bond. In case of green loans that receive proceeds from the green bond, FAB allocates based on the drawn amount.

	eligible for the use of proceeds through ensuring they meet the eligibility criteria set out in the Sustainable Finance Framework. Also exclude projects that no longer comply with the eligibility criteria or those that have material allegation issues. ▪ Oversee and approve the allocation of proceeds from the sustainable finance instruments to the sustainable, green and social assets. ▪ Review and approve the annual sustainable finance report, updates made to the sustainable finance framework and second party opinion. ▪ Review the outcomes of the ESG risk assessments and ratings for clients, vendors and transactions as well as review the Group's ESG risk appetite and indicators covering portfolio performance and countries. The net proceeds of FAB's green/social/blue issuances are maintained in a dedicated portfolio and are ring-fenced to be used only for eligible Green/social/blue projects. For the green loans that receive proceeds from green bonds, FAB tracks their outstanding balances on a monthly basis and Green Bond use of proceeds are allocated accordingly. For bonds facilitated by FAB, the business line provides information on the closed facilitated bond deals and the debt capital markets team confirms the booking and ISINs. The facilitated bonds are monitored on an annual basis. FAB's Sustainable Financing Register is used to earmark and manage the allocation of eligible green/social/blue issuances and track the following information: ▪ Details of Green/social/blue Issuances: Principal amount of proceeds, transaction date, maturity date and repayment or amortization profile ▪ Allocation of Use of Proceeds: Name and description of allocated and unallocated eligible green/social/blue projects (with an identifier to indicate which projects were financed and through which Sustainable Financing Transaction), the allocated amount per project, the share of total portfolio financing, maturity dates, due diligence scores, and the remaining balance of unallocated proceeds, if any.

	The balance of tracked proceeds in the Sustainable Finance Register will be reduced by amounts matching (i) approved use of tracked proceeds; and (ii) bond issuance principal returned to investors, during the period. If, at any time, a previously approved use of tracked proceeds is either (i) no longer considered an approved use of proceeds or (ii) repaid from the proceeds of any disposal of a project, then an equivalent amount shall be credited to the balance of tracked proceeds in the Sustainable Finance Register. The Sustainable Finance Register will be reviewed by the ESG-SFC on a quarterly basis. FAB's internal auditors will review the processes and the reports, which will be independently verified by an appropriate independent, qualified party on an annual basis. All ESG deals are tagged in FAB's IT systems and FAB exports monthly reports on their outstanding balances. FAB also has watchlists for all sustainable deals to check whether the ESG risk score deteriorate due to any allegations and issues. FABs track liabilities (bond issuances, sustainable CASA and deposits) and the sustainable assets (green project loans, sustainability linked loans, green car loans, social loans). **Opinion**: *All eligible financial instruments*[17] *are subject to the Bank's overarching sustainability criteria which take into account FAB's wider sustainability risk management processes and are reviewed on a regular basis. FAB clearly describes the process to monitor if a financial transaction remain eligible during all its life cycle on a regular basis. FAB's clearly describe how the board and dedicated committees at senior management level provide oversight on ESG-related issues, and specifically the sustainable finance classification system. The Financial Institution describes the tracking process done until the end of the life cycle of each transaction and reporting mechanisms of the current/past sustainable finance instrument transactions.*
5. Reporting	FAB adopts ICMAs 'Harmonized Framework for Impact Reporting and annually reports both the use of green/social/blue Bond proceeds as well as the expected environmental and/or social impacts, when available, for projects financed. The Issuer continue the reporting process until full allocation or maturity of any bonds issued under this Framework. Annual update on progress against target and any sustainable financing classifications based on this Framework will be reported by FAB annually in the Sustainable Finance Report and ESG Report.

[17] Includes both instruments issued by FAB and financed by FAB to its borrowers.

	FAB will disclose information[18] related to the allocation of proceeds of any green/social/blue bond issuances under dedicated financing along with general-purpose, transition and sustainability linked financing, such as aggregate amounts of funds allocated, key information and characteristics of the transaction, project type, size and location, distribution of proceeds subdivided by eligible categories, criteria and the balance of unallocated proceeds at the end of the reporting period. The Issuer will further disclose information related to the impacts of the funded eligible green/social/blue projects, including brief description of the project's expected environmental and/or social impact, where possible: estimates of the expected impacts as quantitative performance indicators/ qualitative performance measures, case studies on eligible projects, descriptions of sustainability, social and corporate governance benefits, where available and linkages with any Equator Principles project evaluations, where relevant. For Sustainability-Linked Bonds, FAB will annually publish the performance of the selected KPI(s), including baselines where relevant; a verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics; and any information enabling investors to monitor the level of ambition of the SPTs. FAB will further report any potential adjustment of the SLB's financial and/or structural characteristics if required. **Opinion**: *FAB commits to report publicly and on an annual basis its sustainable and transition financing.*
6. External Review	The Framework is dynamic in its nature and will be regularly reviewed and expanded as required to amend or add additional qualifying activities and/or criteria, and to fulfil regulatory requirements. FAB will obtain additional external verification on any material updates made during periodic reviews. An External Review from ISS Corporate Solutions has been obtained on FAB's 2022 Sustainable Finance Framework. The External Review will be published on FAB's Sustainable Finance web page, available here: Sustainable Finance & Reports | First Abu Dhabi Bank (FAB) - UAE (bankfab.com).

[18] Ibid.

	Opinion: *The Bank discloses the name of the third party, and the scope of work provided an external review of this Framework at its launch. This Framework is the second update, and a new external review has been sought. We welcome the publication of the SFF and the associated External Review on the Bank's website.*

PART II: ASSESSMENT OF FAB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by FAB, ICS evaluates the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

FAB has set forth the following sets of eligibility criteria for its financing activities to be classified as sustainable:

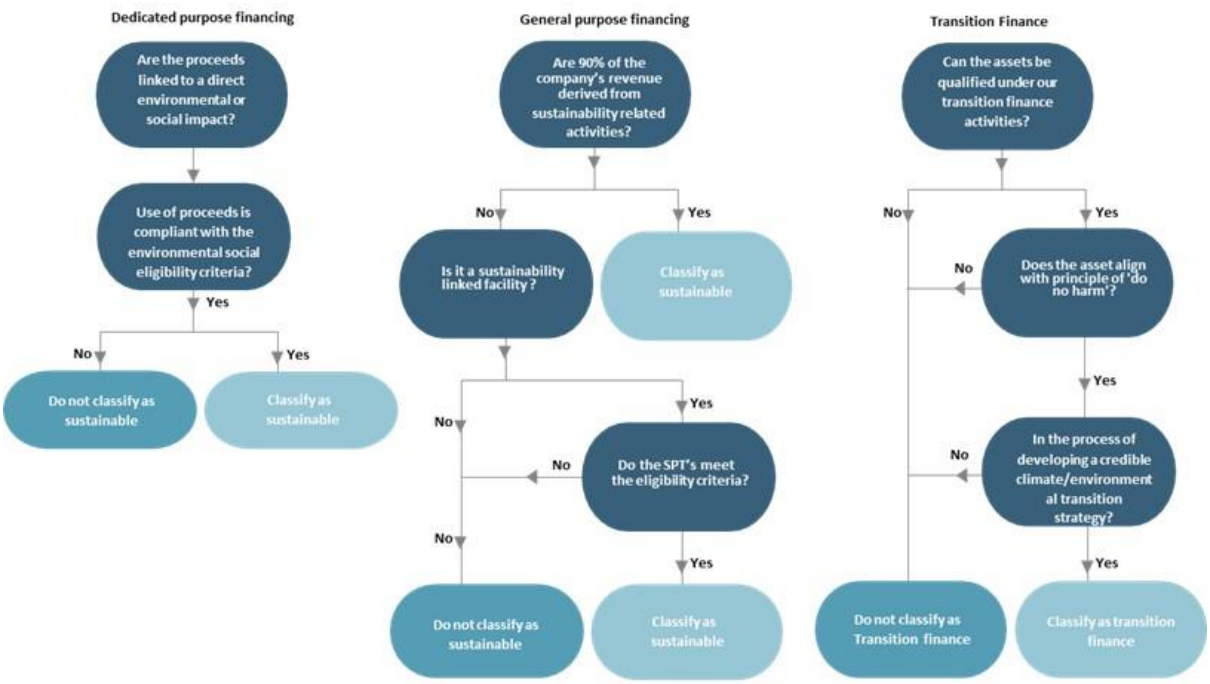


Figure 1: Classification of sustainable financing

In the below table, each parameter outlined in FAB' Sustainable Finance Framework (SFF) split into different financing approaches is assessed. The evaluation is based on criteria derived from market practices[19].

PARAMETER	CRITERIA	ASSESSMENT OF FAB'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

[19] These include, but are not limited to the ICMA GBP, SBP and SBG and the SLBP; the GLP and SLP; the SLBP and SLLP, as administered by the LMA.

Dedicated Purpose Financing (standard approach)	Dedicated Purpose Financing contributes to sustainability objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.	The Bank has developed a list of green and social activities that are eligible for sustainable financing. The Green and Social Use of Proceeds categories and criteria have been set according to ICMA standards. The Bank assesses whether the financing meets the criteria defined under the Eligible Activities. The Bank applies an exclusionary criterion for some project categories and list of all prohibited activities for which it will not grant credit (in line with the Bank's ESG Risk Policy). A detailed SDG assessment of the impact of the eligibility criteria presented in the SFF can be found at Part II.A. Based on its proprietary SDG Solutions Assessment (SDGA) methodology, 92% (below/above 90%[20]) of the eligibility categories have a contribution to the Sustainable Development Goals. Finally, FAB is screening whether their borrowers/issuers have an appropriate process in place to identify and mitigate ESG risks. **Opinion:** *It is noted that FAB refers to relevant market standards to define its eligibility criteria. A detailed assessment of the impact of the eligibility criteria can be found in Part II.A.. and by setting measures to ensure that they regularly report on the allocation of the proceeds.* *8% of the categories are considered to have 'No Net Impact', limiting the contribution to sustainability objectives for these particular categories. At the Framework level, no information is available on the future share of*

[20] It is noted that at least 90% of the eligible categories considered under the underlying framework (i.e., 100% that are classified as sustainable) should contribute positively to the SDGs, in conformity with the ISS ESG SDGA methodology.

		sustainable financing transactions to the eligible categories assessed by ISS ESG SDGA proprietary methodology as having 'No Net impact'.
General Purpose Financing (standard approach)	General-purpose financing contributes to sustainable objectives if the funds are allocated to companies for whom a majority of their revenue/CAPEX R&D or OPEX derive from designated eligibility criteria. Generally accepted thresholds in the market are ≥ 90%[21] to designate green or social 'Pure Players' with a defined exclusion list for the remaining share.	According to FAB' Framework, to be classified as sustainable, the recipient needs to derive from its core business at least 90% of its revenues or EBITDA or energy generation mix from eligible renewable energy sources (for power generation) from eligible categories listed in the SFF. In all cases, the involvement in the excluded activities is not accepted. FAB has an internal system in place to check the alignment with market principles such as ICMA Green/Social Bond Principles and LMA Green/Social Loan Principles. **Opinion:** *A detailed assessment of the impact of the eligibility criteria can be found in Part II.A. The 90% threshold proposed is considered to be appropriate and in line with market practices of classifying sustainable businesses. The eligible categories are complemented by an overarching exclusion policy from the Bank. Finally, ISS 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. It is noted, however, that not all listed eligibility categories are considered to have a net positive impact on environmental or social factors, this may result in the classification of financing as sustainable while the underlying business is not positively contributing to environmental*

[21] Green Bond Principles, Appendix I (June 2022), Note I, and Climate Bonds Initiative Standard Version 3.0 (December, 2019), Green Bond Database Methodology, July 2022

		and social objectives. It is commended that the alignment with market principles is verified via an external third-party verifier.
General Purpose Financing (pro-rata approach)	General-purpose financing contributes to sustainable objectives if the funds are allocated to companies for whom a majority of their revenue/CAPEX and R&D from designated eligibility criteria. Generally accepted thresholds in the market are between 50 – 90% to refer to 'Majority Players'[22] with a defined exclusion list on the remaining share.	According to the FAB SFF, a pro-rata approach will be applied to companies with diverse activities, where the activities that can proportionally be classified as sustainable in case the recipient derives between 50% and 90% of its revenues, EBITDA or energy generation mix from eligible renewable energy sources (for power generation). In such cases, only the pro-rated part of the transaction will be considered sustainable. In all cases, the involvement in the excluded activities as defined within the Framework is not accepted. **Opinion:** *The inclusion of a minimum threshold of 50%, in order to prevent financing of a company that only marginally contributes to sustainability objectives is positively noted. At the same time, it is noted that best market practices of considering a company as sustainable are linked to the 90% threshold, included in the discussion of the previous parameter. As mentioned above, it is noted that the financing of a company with proportions between 50% to 90%, 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, since the company is able to access the overall financing. Whilst many of these activities may be neutral in the sense that they do not actively contribute to UN Sustainability*

[22] LSEG, 2019

		Development Goals, some may also obstruct these goals. Finally, as discussed above, not all listed eligibility criteria are considered to have a net positive impact on environmental or social topics.
General Purpose Financing (Sustainability-Linked Financing)	Sustainability-linked Financing contributes to sustainable objectives if the associated KPIs[23] are material, core and relevant to the borrowers business model and the associated targets are ambitious. Further, it is considered as best market practice that transactions are subject to an external review, providing verification of the alignment against ICMA/LMA core principles, the aforementioned dimensions, and, in particular, the ambition of the selected SPTs[24].	According to FAB SFF, in line with ICMA, FAB will propose SPTs that are ambitious, represent a material improvement in the respective KPIs, go beyond a "Business as Usual" trajectory and where possible, be compared to a benchmark or an external reference. The SPTs will be consistent with FABs overall strategic sustainability/ ESG strategy and will be determined on a predefined timeline, set before (or concurrently with) the issuance of the sustainability-linked financing. The SPTs are set using a combination of peer benchmarking, alignment with climate science and recognised sustainability goals (e.g. Paris Agreement on Climate Change, Net Zero Goals, Sustainable Development Goals (SDGs), etc.). FAB's selection process includes an external pre-issuance verification[25] (Second-Party Opinion) to assess the alignment with applicable market guidelines, however when not sought FAB will use infernal verification methods. 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.

[23] Key Performance Indicators, which can be external or internal and fit into the sustainability strategy of the borrower should be relevant, measurable, externally verifiable and able to be benchmarked.
[24] Sustainability Performance Targets, which should be ambitious, represent a material improvement in the respective KPIs, where possible be compared to a benchmark, be consistent with the borrowers' overall ESG strategy and be determined on a predefined timeline.
[25] Includes both instruments issued by FAB and financed by FAB for its borrowers.

		Opinion: *ISS is not able to comprehensively assess the materiality of the KPIs and the ambition level of the associated SPTs, neither how including this form of financing contributes to ESG-related goals since there are no exhaustive list of KPIs or SPTs at the moment of this report. Further, despite it not being exhaustive, we welcome 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. Besides, the reference to the relevant market standards for sustainability-linked financing is favourably noted. It is also, positively noted that FAB's selection process includes an external pre-issuance verification (Second-Party Opinion) to assess the alignment with applicable market guidelines, limiting the risk that General-purpose financing may be granted to entities that have not set adequate Sustainability Performance Targets (SPTs) with regard to past performance, peers, or international targets.*
Transition Finance (Dedicated and General-Purpose Financing)	The financing of Transition activities should follow clear market guidance[26] 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'	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 in this process, the Bank will leverage the EU Taxonomy Do No Significant Harm assessment to avoid any negative impact, and ensure that a transparent

[26] Including, for instance, guidance from the CBI White Paper on financing credible transitions or ICMA Climate Transition Finance Handbook.

	scenarios[27], such as provided by the IEA[28].	and measurable implementation plan for the Bank's clients' transition. Fab's clients will also need to provide verification pre and post signing on the transition impact of the financed activity. 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. **Opinion:** *FAB has set measures to ensure that the financial instruments align with relevant market standards. ISS welcomes that FAB sets forth a sample list of eligible investment for transition labels, that may be used in the structuring of a Transition Finance transaction. It is positively noted that Fab's clients will also need to provide verification pre and post signing on the transition impact of the financed activity. 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. As such, ICS is currently not in a position to thoroughly comment on the quality of Transition Finance transactions included in the overarching eligibility classification scheme. We consider that a credibility assessment of the borrowers' transition strategy is key to the appropriate use of the label.*

[27] Aligned with or referenced to recognized science-based trajectories, such as provided by external 3rd parties SBTi or TPI, and publicly disclosed.
[28] International Energy Agency

SECTION 3: SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

CONTRIBUTION OF ELIGIBLE CATEGORIES TO THE UN SDGs[29]

Companies can contribute to the achievement of the SDGs by investing in specific services/products which help address global sustainability challenges, and by being responsible corporate 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 invested in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. <u>Products and services</u>

The assessment of UoP categories for investing in 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 UoP categories for investing in specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):

Obstruction	No Net Impact	Contribution

Each of the Green, Social, Sustainability Bonds, Green and Social Loan's 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
Renewable energy *Wind (Onshore/offshore)* *The Issuer excludes projects with life cycle GHG emissions >100g CO_2 e/kWh*	Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[29] The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

Renewable energy *Photovoltaic solar power, concentrated solar power and solar thermal* *The Issuer excludes projects with life cycle GHG emissions >100g CO_2 e/kWh and concentrated solar power generation < 85%*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy *Green Hydrogen production, storage and refueling infrastructure by electrolysis that is 100% renewable energy sources.* *The issuer includes activities' expenditure and projects related to green hydrogen production, storage, distribution and research & development.*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy *Geothermal* *With direct emissions below 100gCO_2/kWh* *The Issuer excludes projects with life cycle GHG emissions >100g CO_2e/kWh*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy *Bio-energy* *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).* *Example of source of biomass:* ▪ *Agricultural residues, animal residues and cooking oil/ grease from waste only* ▪ *Sewage sludge*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Renewable energy *Bio-energy* *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).*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

Example of source of biomass: ▪ *Municipal waste if it is meeting the following thresholds: Plant efficiency>=25%; AND bottom ash recovery; AND >=90% recovery of metal from ash; AND average carbon intensity of electricity and/or heat over the life of the plant <= waste management allowance; AND the capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.*		
Renewable energy *Small scale hydropower (<10MW)* ▪ *In operation before 2020 power density > 5W/m²* ▪ *or GHG emissions intensity of electricity generated < 100gCO₂/kWh* ▪ *Commencing operation in 2020 or after: power density >10W/m²; or GHG emissions intensity <50g CO₂e/kWh*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Renewable energy *Medium and large scale hydropower (>10 MW and <1000MW)* ▪ *In operation before 2020 power density >5W/m²* ▪ *Or GHG emissions intensity of electricity generated <100gCO₂e/kWh* ▪ *Commencing operation in 2020 or after: power density >10W/m²; or GHG emissions intensity <50g CO₂e/kWh*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Renewable energy *Tidal and wave energy* *The Issuer excludes projects with life cycle GHG emissions >100g CO₂e/kWh*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Renewable energy *Waste to Energy*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

▪ *Waste-to-Energy facilities for generation of electricity and/ or heat.* ▪ *In case of waste incineration, it is subject to pant efficiency >=25%; AND bottom ash recovery; AND >=90% recovery of metal from ash; AND average carbon intensity of electricity and/or heat over the life of the plant <= waste management allowance; AND the capacity of the plant does not exceed the calculated residual waste at any time in the plant's life*		
Renewable energy *Industrial processes and supply chains* ▪ *Facilities dedicated to manufacturing key components for eligible facilities*[30] *e.g. solar panel or wind turbine manufacture*	**Contribution**	7 Affordable and Clean Energy; 13 Climate Action
Renewable energy *Manufacture of components or facilities of renewable energy technology* *Development and/or manufacture of renewable energy technologies,*[31] *including equipment for renewable energy generation and energy storage including wind turbines, solar panels, and the constituent parts of renewable generation projects.* *The Issuer excludes projects with life cycle emissions >100g CO_2-e/kWh*	**Contribution**	7 Affordable and Clean Energy; 13 Climate Action

[30] The assessment is limited to the examples of projects listed in the Framework.
[31] The assessment is limited to the examples of projects listed in the Framework.

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 (e.g. solar),* ▪ *Dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO_2/kWh), measured on a Levelized Cost of Energy (LCE) basis, and a substation, network, or storage facility.* ▪ *Located on a system with a grid factor at or below 100g CO_2/kWh, measured on a PCF basis, over a rolling five-year average period.* ▪ *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_2/kWh), measured on a Product Carbon Footprint (PCF) basis, over a rolling five-year average period.*	**Contribution**	13 CLIMATE ACTION
Green buildings *New construction of building developments or renovation of existing buildings (including public service, commercial, residential, and recreational) which meet the requirements of recognized 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* *Estidama: 2 Pearls or above*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION

Al Sa'fat Dubai Green Building System: Gold or above *Singapore Building and Construction Authority (BCA) Green Mark: Gold or above*		
Green Buildings *New construction of building developments or renovation of existing buildings (including public service, commercial, residential, and recreational) which meet the requirements of recognized environmental building and communities' standards such as:* *Mostadam – Bronze and above*	**Contribution**	11 SUSTAINABLE CITIES AND COMMUNITIES
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 CO_2/kWh), measured on a Levelized Cost of Energy (LCE) basis, and a substation, network, or storage facility.* ▪ *located on a system with a grid factor at or below 100g CO_2/kWh, measured on a PCF basis, over a rolling five-year average period.* ▪ *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, measured on a Product Carbon Footprint (PCF) basis, over a rolling five-year average period.* ▪ *Equipment that increases the controllability and observability of the electricity system and enable the development and integration of renewable energy sources* ▪ *Grid expansion / development that transmits a minimum of 90% renewable energy*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

Pollution Prevention and Control[32] *Activities with capital expenditures which achieve the following: reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/ emission-efficient waste to energy.* *For example:* ▪ *landfill gas capture and collection; anaerobic digestion*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Pollution Prevention and Control *Activities with capital expenditures which achieve the following: reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/ emission-efficient waste to energy.* *For example, any operation that:* *Develops recycling facilities that process:* ▪ *Recyclable waste into secondary raw material* ▪ *Food and/ or green/ garden/ yard waste to produce compost*	**Contribution**	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
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, water quality or quantity monitoring processes etc.* ▪ *Water Storage - Rainwater harvesting systems, storm water management systems, water distribution systems and etc.*	**Contribution**	6 CLEAN WATER AND SANITATION

[32] For this category, the Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes and generic waste incineration.

▪ *Water treatment - Drinking water treatment, water recycling systems and etc.* ▪ *Water distribution - Rainwater harvesting systems, gravity fed canal systems, pumped canal, or water distribution systems and etc.* ▪ *Water saving products*		
Sustainable infrastructure for clean and/ or drinking water ▪ *Desalination plants running on reverse osmosis technology with an average carbon intensity of the electricity that is used for desalination is at/ or below 100gCO_2/kWh.*[33] *The Issuer excludes products or technology that improve the energy efficiency of fossil fuel production and/or distribution*	**Contribution**	6 CLEAN WATER AND SANITATION
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:* ▪ *Zero direct emissions transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail, inland waterways vessels) are eligible.* ▪ *Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric)* ▪ *Public walking and cycling infrastructure and cycling schemes* *The Issuer excludes Fossil fuel-based transportation such as diesel-powered locomotives or infrastructure dedicated to*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[33] This threshold is to be met for every year of the bond lifetime. Emissions may be scope 1 or scope 2, depending on whether the facility sources its electricity from onsite or offsite generation. Offsite generation may factor into the calculation of emissions intensity in the following ways: a) If entirely sourcing electricity from a wider electrical grid, the grid factor (or grid emissions intensity) is demonstrated to be at or below 100g CO2e/kWh3 . b) Private Purchase Agreements (PPAs) that demonstrate the facility will source electricity from generation at or below 100g CO2e/kWh.

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_2/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.		
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:* ▪ *Public rail transportation (under 50 gCO_2e/pkm thereafter up till 2025)*	Contribution	13 CLIMATE ACTION
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:* ▪ *Freight transportation (under $25gCO_2/t\text{-}km$ till 2030, $21gCO_2/t\text{-}km$ from 2030 up to 2050)*	Contribution	13 CLIMATE ACTION
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:* ▪ *Dedicated electric charging points infrastructure*	Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
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:*	Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

▪ *Dedicated manufacturing facilities for vehicles and key components, such as batteries, being used in electric cars*		
Climate Change Adaptation[34] **Activities that increase the resilience of ecosystems** ▪ *Green/blue urban infrastructure such as green roofs, green facades*[35]	**Contribution**	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Climate Change Adaptation[36] **Activities that increase the resilience of ecosystems** ▪ *Climate observation and early warning systems* ▪ *Reducing or avoiding weather-related damage such as flood management, bridges to address higher levels of flooding, systems infrastructure for anticipated wind speeds, heavy rains, and increased temperatures (Ref: ICMA)* ▪ *Water, power, transport and communication resilient infrastructure ensuring repairs and reliability of service* ▪ *Conservation or rehabilitation of wetlands, mangroves and coral reefs to reduce flooding, soil erosion and increase coastal resilience*	**Contribution**	13 CLIMATE ACTION
Sustainable Management of Living Natural Resources *Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as* ▪ Biological crop protection *The Issuer excludes efficiency improvements involving conventional fossil fuel combustion engines (hybrid engines and technologies are eligible),*	**Contribution**	15 LIFE ON LAND

[34] FAB has a process in place to ensure that for each underlying project, risks and vulnerabilities are identified, and contributions to addressing these risks/vulnerabilities are assessed on a case-by-case basis.
[35] The assessment is limited to the examples of projects listed in the Framework.
[36] Ibid.

Sustainable agriculture that is not in alignment with CBI, ICMA GBP, EU Taxonomy		
Sustainable Management of Living Natural Resources *Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as:* ▪ *Drip irrigation* ▪ *Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve sustainable fishery and aquaculture management* *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*	**No Net Impact**	
Sustainable Management of Living Natural Resources *Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as:* ▪ *Sustainable fisheries and aquaculture accredited by the Global Sustainable Seafood Initiative (GSSI) and comply with FAO Technical Guidelines (e.g. Benchmarks – Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC)) – increased Sustainable seafood production, certified Sustainable fisheries* *The Issuer excludes species identified as red-list endangered, threatened, or protected species as per the International Union for Conservation of Nature (IUCN)'s classification, Lack of compliance with local, national, and international legislations, Destructive and illegal fishing practices.*	**No Net Impact**	

Moreover, FAB encourages the disclosure of key non-financial criteria relevant for borrowers to assess scope and impact on a case-by-case basis and to evaluate inclusion in the eligible pool.		
Sustainable Management of Living Natural Resources *Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as:* ▪ *Sustainable forest management, including afforestation, reforestation, forest rehabilitation. (e.g., benchmarks are FSC, PEFC, Rainforest Alliance)* ▪ *Management of soil and biomass, erosion control and improved soil health*[37] *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*	**Contribution**	15 LIFE ON LAND
Terrestrial and Aquatic Biodiversity Conservation[38] The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to[39]: ▪ *Conservation and restoration of natural landscapes* ▪ *Safeguarding and/or developing protected marine areas and systems* ▪ *Preserving marine natural habitat*	**Contribution**	14 LIFE BELOW WATER

[37] These activities concern soil remediation/ improvement services.
[38] FAB has added to its exclusion criteria: '*Exclude projects that were previously deteriorated by the same company and ensure no further deterioration for the committed to project*' in order to ensure that the projects financed are not ''restoration projects'' implemented by stakeholders who run activities that were detrimental to the restored location.
[39] The assessment is limited to the examples of projects listed in the Framework.

▪ *Infrastructure that prevents runoff of chemicals, solid waste, mercury, plastics, pollutants into areas connected to rivers or coastal water basins.*		
Terrestrial and Aquatic Biodiversity Conservation[40] *The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to*[41]*:* ▪ *Safeguarding and/or developing protected terrestrial areas and systems* ▪ *Forest conservation, or REDD (Reducing Emissions from Deforestation and Forest Degradation* ▪ *Preserving terrestrial natural habitat* *Investments in measuring, tracking, reporting water quality indicators and in new restoration techniques to achieve ecosystem restoration and disaster resilience. Training conservation workers, forestry personnel, farmers in biodiversity conservation*	**Contribution**	13 CLIMATE ACTION
Terrestrial and Aquatic Biodiversity Conservation *Eco-tourism activities, such as:* ▪ *Sustainable or ecotourism ventures that meet established standards for best practices, conserve or restore habitats or avoid increasing encroachment on habitat, and work to reduce carbon emissions.* ▪ *Licensed certified sustainable tourism in the vicinity of marine conservation areas, within less than 20 kilometers from the marine-protected areas and*	**No Net Impact**	

[40] FAB has added to its exclusion criteria: '*Exclude projects that were previously deteriorated by the same company and ensure no further deterioration for the committed to project*' in order to ensure that the projects financed are not ''restoration projects'' implemented by stakeholders who run activities that were detrimental to the restored location.
[41] Ibid.

Internationally recognized areas (e.g., KBAs, IBAs, Ramsar Sites), with inclusive livelihood elements and business opportunities, such as resorts, hotels, boat operators, sailing schools, and diving centers. ▪ *Nature-based freshwater and marine visitor centers showcasing the environment and disseminating research and knowledge about lakes, wetlands, reefs, and other aquatic ecosystems.*		
Affordable basic infrastructure Transport *Financing the construction, equipment, or maintenance of cycleways and pedestrian thoroughfares.* *Target population: General population, including those that lack quality access to essential services.*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Affordable basic infrastructure Power *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%).* *Target population: General population, including those that lack quality access to essential services.*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Affordable basic infrastructure Wastewater treatment *Construction of new facilities or renovation and/or expansion of existing facilities to boost wastewater treatment capacity.* *Target population: General population, including those that lack quality access to essential services.*	**Contribution**	6 CLEAN WATER AND SANITATION
Food security and Sustainable food systems	**Contribution**	15 LIFE ON LAND

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). *Eligible activities include, but not limited to:* *Modern technologies related to hydroponic farming/organic farming methods*		

SOCIAL CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable basic infrastructure Water *Building new facilities or rehabilitating/ expanding existing ones to increase the amount of water that can be produced or stored in order to make it more readily available to a growing population.* *For example: water drilling, modern equipped wells, mini drinking water supply, drinking water treatment plant, water towers and storage, drinking water fountains and special connections, supply and distribution pipes.* *Target population: General population, including those that lack quality access to essential services.*	**Contribution**	 
Affordable basic infrastructure Sanitation *Access to stand-alone sanitation.* *Target population: General population, including those that lack quality access to essential services.*	**Contribution**	

Affordable basic infrastructure Transport ▪ *Development and refurbishment of rural/feeder roads in regions without connection/access to key social infrastructure (e.g. healthcare, schools).* ▪ *Financing of roads in underserved, internal or isolated area* ▪ *Financing the construction, equipment, or maintenance of clean transportation facilities and other transportation infrastructure contributing to the reduction of harmful emissions* *Target population: General population, including those that lack quality access to essential services.*	**No Net Impact**	
Access to essential services Healthcare *Finance to enhance access to public, not-for-profit, free, or subsidized essential services in healthcare and education including:* ▪ *Construction of healthcare facilities such as hospitals and primary care facilities, affiliated to the relevant national healthcare system.* *Target population: General population, including those that lack quality access to essential healthcare and education services*	**Contribution**	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare *Finance to enhance access to public, not-for-profit, free, or subsidized essential services in healthcare and education including:* ▪ *Operation of healthcare facilities such as hospitals and primary care facilities, affiliated to the relevant national healthcare system.*	**Contribution**	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES

Target population: General population, including those that lack quality access to essential healthcare and education services		
Access to essential services Healthcare *Finance to enhance access to public, not-for-profit, free, or subsidized essential services in healthcare and education including:* ▪ *Financing basic medical equipment and devises* ▪ *Retrofitting of healthcare facilities, developing healthcare facility infrastructure.* *Target population: General population, including those that lack quality access to essential healthcare and education services*	**Contribution**	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare *Finance to enhance access to public, not-for-profit, free or subsidized essential services in healthcare and education including:* ▪ *Vaccination programs, Programs fighting against disease and epidemics (COVID, Ebola, malaria, tuberculosis, infectious and tropical diseases)* *Target population: General population, including those that lack quality access to essential healthcare and education services*	**Contribution**	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare *Finance to enhance access to public, not-for-profit, free or subsidized essential services in healthcare and education including:* ▪ *Sale of affordable priced or subsidized medicines on the WHO essential medicines list*	**Contribution**	3 GOOD HEALTH AND WELL-BEING

Target population: General population, including those that lack quality access to essential healthcare and education services		
Access to essential services Healthcare *Investing in educational and vocational training for medical care, emergency care and public health professionals in developing or underdeveloped countries*	**Contribution**	4 QUALITY EDUCATION
Access to essential services Education *Loans to institutions in the regular school system at its different levels as well as adult education and literacy programs*	**Contribution**	4 QUALITY EDUCATION
Access to essential services Education *Activities to promote entrepreneurship and innovation among secondary and university students, including financing hackathons and FinTech competitions*	**Contribution**	4 QUALITY EDUCATION
Access to essential services Education *Retrofitting infrastructure to expand access to primary, secondary, university and vocational education for underrepresented communities in the education system*	**Contribution**	4 QUALITY EDUCATION
Access to essential services Education *School transportation service to expand access to primary, secondary, university and vocational education for underrepresented communities in the education system*	**Contribution**	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to essential services Education *Activities such as mobilizing skilled resources remote education, leveraging hi-tech, low-tech and no-tech approaches to expand access to primary, secondary,*	**Contribution**	4 QUALITY EDUCATION

university and vocational education for underrepresented communities in the education system, such as: [42] ▪ *Provide study materials (textbooks) for schoolkids in Africa*		
Access to essential services Education *Activities such as school transportation service, to expand access to primary, secondary, university and vocational education for underrepresented communities in the education system*	**Contribution**	4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to essential services Education ▪ *Construction of public or private schools, universities in underdeveloped countries*	**Contribution**	4 QUALITY EDUCATION
Access to essential services Education ▪ *Construction of university campuses in underdeveloped countries*	**Contribution**	4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES
Affordable housing *Financing and/or refinancing of government-supported or government-subsidized*[43] *mortgages for the provision of affordable housing:* ▪ *Projects related to the development and construction of homes covered under government-supported or government-subsidized programs (i.e. Sheikh Zayed Housing Program)*	**Contribution**	11 SUSTAINABLE CITIES AND COMMUNITIES
Employment generation *Lending to small and medium-sized enterprises*	**Contribution**	8 DECENT WORK AND ECONOMIC GROWTH

[42] The assessment is limited to the examples of projects listed in the framework.
[43] Governmental supported programs will be determined for each country, across our areas of operations, in line with local practices. For example UAE's social welfare program classifies citizens / families as low-income when total household income is less than AED 25,000 per month

Financing and/or refinancing to Small and Medium Enterprises (SME)* *Target Population: SMEs*[44]		
Employment generation *Lending to small and medium-sized enterprises* *Financing and/or refinancing to microfinance clients*	**Contribution**	1 NO POVERTY 10 REDUCED INEQUALITIES
Employment generation *Lending to small and medium-sized enterprises* *Provision of support measures to these clients such as offering extension of payment periods and exemption of facility fees during natural disasters and pandemics* *Target Population: SMEs*[45]	**Contribution**	1 NO POVERTY
Socioeconomic advancement and empowerment *Gender equality* *Financial Institutions that help provide access to microfinance for women on social programs*[46]	**Contribution**	1 NO POVERTY 5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Socioeconomic advancement and empowerment *Gender equality* *Financial institutions that help provide access to skills training for women on social welfare programs*[47]	**Contribution**	4 QUALITY EDUCATION 5 GENDER EQUALITY

[44] The definition of SME and microfinance organizations is determined by each country, across our areas of operations, in line with local practices
[45] The definition of SME and microfinance organizations is determined by each country, across our areas of operations, in line with local practices
[46] The definition of welfare programs is determined by each country, across our areas of operations, in line with local practices.
[47] Ibid.

Socioeconomic advancement and empowerment - Gender equality *Providing financing to women-owned SMEs (at least 51% owned by one or more women)*	**Contribution**	
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* *Eligible activities include, but not limited to[48]:* ▪ *Technology and infrastructure that improves agricultural productivity and enhance livelihoods and food security and nutrition in poor rural communities* ▪ *Technology and infrastructure that Improves agricultural efficiency, the agricultural supply chain and prevent food wastage*	**No Net Impact**	
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* *Eligible activities include, but not limited to[49]:* ▪ *Food security and livelihoods programs, ensuring access to food and the protection of livelihoods during and immediately after an emergency*	**Contribution**	

[48] The assessment is limited to the examples of projects listed in the Framework.
[49] The assessment is limited to the examples of projects listed in the Framework.

▪ *Strengthening food security and building household resilience by supporting improved rural and urban production, self- and paid employment, and entrepreneurship*		

TRANSITION CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Nuclear Power generation *Nuclear Energy*	Contribution	
	Obstruction[50]	 

[50] Nuclear power generation' category is assessed according to ISS ESG's methodology applying to any nuclear power generation projects to date. The obstruction reflects uncertainties regarding the negative externalities of nuclear on water and biodiversity, in addition to its dependence on uranium which is a non-renewable resource of which mining is linked to many salient risks from an environmental and social perspective.

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 third-party sectors which are not listed in the Issuer's Framework. As such, we are not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

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 IMPACT IMPROVEMENT[51]	SUSTAINABLE DEVELOPMENT GOALS
Green buildings *Reduced life cycle consumption* *Renovation of buildings that will lead to 30% reduction in the consumption of energy, water or CO_2 levels compared to local market average, where this can be easily and transparently demonstrated.*	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Renewable Energy *Industrial processes and supply chains* ▪ *Energy efficiency improvements of minimum 30% improvement (in comparison with the baseline scenario) involving changes in processes, reduction of heat losses and/ or increased waste heat recovery. This includes the installation of cogeneration plants, powered by renewables.* *The Issuer excludes projects to improve the energy efficiency of fossil fuel production and/or distribution, Industrial*	✓	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

[51] Limited information is available on the scale of the improvement as no threshold is provided. ICS only displays the direction of change.

processes primarily driven by fossil fuels, and/ or within heavy industries such as steel, cement, etc. and Cogeneration plants powered by coal or oil		
Energy Efficiency *Public services* ▪ *Construction and operation of pipelines and associated infrastructure for district cooling systems that reduce energy consumption by 30% or more compared to the existing baseline.* ▪ *Refurbishments/retrofitting with the aim to achieve a minimum Energy Performance Certificate (EPC) Rating A or B.* ▪ *Deployment of advanced technologies that allow for real-time response to energy demand, including smart city systems, smart building management systems, and smart grids, which reduce at least 30% compared to the existing baseline.* ▪ *Installation and operation of electric heat pumps is eligible if refrigerant threshold: GWP ≤ 675* *The Issuer excludes products or technology that improves the energy efficiency of fossil fuel production*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy Efficiency *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*	✓	13 CLIMATE ACTION

▪ *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), which reduce energy consumption by 30% or more compared to existing baseline* *The Issuer excludes products or technology that improves the energy efficiency of fossil fuel production i.e. cleaner coal technology*		
Energy Efficiency *Manufacture of components or facilities of energy efficiency technology* *Development/manufacture of energy efficiency technologies including LED lights, green hydrogen fuel cells, high-efficiency (minimum 30% energy reduction compared to baseline) building envelope materials and occupancy/ daylight controls for lighting systems*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Green Building *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/m2 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*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

exploration, extraction, refining and distribution of fossil fuels		
Circular economy Development, manufacture and/or distribution of products designed for circularity and/or adaptive re-use. Eligible activities include[52]: ▪ *Products that demonstrate significant (minimum 50%) waste diversion and/or use of waste products* ▪ *Products that achieve the reduction of raw resource inputs and outputs* ▪ *Sharing and repairing models: activities that increase the capacity utilization of a product or asset during its useful life or extends its useful life.*	–	
Sustainable Management of Living Natural Resources ▪ *Replacement of phosphate-based or nitrogen-based synthetic fertilizers with alternative sustainable and biodegradable fertilizers,[53] in areas connected to rivers or coastal water basins.* ▪ *Nature-based solutions for solar farms to cool solar panels and enhance their performance (for example, seeding with native grasses and flowers, Agri-photovoltaics).*	✓	15 LIFE ON LAND

[52] Ibid
[53] FAB has confirmed that non-organic fertilizers will not be used.

SECTION 4: MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. Given the global nature of FAB's business and the international operations of FAB's clients, the proceeds of any sustainable financing may be applied globally without geographical restriction. FAB does not provide funding to high-risk countries in accordance with relevant regulations and is committed to being compliant with relevant sanctions requirements of the UAE, the UN, the EU, the UK and the USA.

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. This policy is publicly available and was updated in 2023.[54] The ESG risk assessment process is done internally. However, the methodologies and approaches are developed in coordination with external consultants. All Investment Banking Clients are assessed for ESG risks in 2023 and FAB will be rolling out similar risk assessments for the Corporate and Commercial Banking Clients by the end of 2023. Also, all clients eligible for sustainable financing go through the ESG risk assessment approach. Additional due diligence is undertaken for all transactions that are included under the SFF and explicitly designated as 'Sustainable' or 'Transition'. All projects are eligible for Equator Principles assessments since they are all above USD 10 million. The combined ESG risk rating from quantitative and qualitative assessments categorizes counterparties into three ESG risk categories: 1. Acceptable risk: No further action, approving the counterparty's relationship and transaction, if transactions comply with requirements. The ESG Risk team will undertake a sample check of acceptable risk clients to confirm the combined ESG risk rating and check for those with conflicting external and internal ratings. 2. High/To be monitored risk: Conditionally approved, with more in-depth due diligence and reasoning, encouraging the client to improve its ESG risk profile with agreed-upon mitigation action plan, performance-enhancing measures or addition of loan covenants, conditions or other requirements attached to the onboarding or transaction. Every year, an engagement process is implemented with high-risk clients to roll-out the mitigation action plans described above. The Group Risk Committee continually monitors all high-risk rated entities and customers for ESG critical activities bi-annually and appraises the Board through the Board Risk and ESG Committee bi-annually.

[54] FAB Group ESG Policy, https://www.bankfab.com/-/media/fabgroup/home/about-fab/esg/reports-policy-frameworks/policy-and-frameworks-pdfs/esg-risk-policy.pdf?view=1

3. Severe risk: No engagement and exit from the client or vendor relationship, unless overridden by relevant committee.

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. In 2022, 16% of FAB's loans were provided to high ESG-risk sectors.[55] Only funded exposures and balance sheet instruments are included.
✓	FAB aims to reduce the carbon-related financed emissions, for its three highest emitting sectors in the portfolio namely Oil and Gas, Power Generation and Aviation, to reach net zero by 2050.[56] FAB reports on the financed emissions and these 3 sectors together form 80% of total financed emissions. Thermal coal is part of the negative screening list and new deals are not provided as part of the 'phase out by 2026' strategy, however, FAB honors current commitments to existing clients until the facility matures and no renewals are made.
Financed emissions	
✓	Since January 2022, FAB calculates financed emissions in line with the PCAF methodology. The Bank assesses and discloses GHG emissions of its the financial portfolio following the PCAF standard. In addition, FAB also uses emission data reported by its clients. FAB has calculated the financed emissions across the portfolio and defined targets for the three highest emitting sectors in the portfolio: Oil and Gas, Power Generation and Aviation. Scope 3 emissions of FAB's clients are currently not being audited by external verifiers.
Health and Safety	
✓	The Issuer has policies and measures in place systematically ensuring that assets financed under this framework provide for high health and safety standards. Within its ESG Due Diligence process, the Bank checks the existence of a health and safety policy/management system certified or based on ISO45001 and of implementation procedures, and incidents monitoring. For project financing, clients in non-designated countries are screened for adherence to the World Bank Group's Environmental Health

[55] As per ESG Report 2022, https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/2022-esg-report.pdf
[56] FAB's Pathway to Net Zero, https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/net-zero-report-2023.pdf?view=1

	and Safety (EHS) Guidelines. If a health and safety risk is identified, this is monitored specifically, and a mitigation plan is decided with the client. If the risk is not mitigated, the client is removed from the clients' pool for labelled bonds allocation. The client's contract has also clauses on abidance with local health and safety regulations. FAB also checks for client related allegations, controversies and breaches related to health and safety. These are monitored as part of the internal Environmental and Social Management System (ESMS) process. The Bank engages with clients that receive cases and allegation to put in place mitigation measures. If those are not implemented, the client is flagged to the ESG SFC committee and the Credit Executive committee. For clients with overall severe risks identified, the Credit Execution Committee can decide to terminate the relationship with the client or to engage with a risk mitigation plan.
Labor Standards	
✓	The Issuer has measures in place systematically ensuring that assets financed under this framework provide for high labor standards. FAB has an exclusionary screening assessment process in place, applicable to each asset financed under this framework, to systematically reject clients and customers violating the UN Global Compact principles and national and international legislations. Additionally, FAB also has a positive screening process in place based on the Equator Principles (EP) and International Finance Corporation (IFC) Performance Standards 2, to identify and evaluate the labor risks related to each asset financed under this framework. FAB confirms that if any of the social issues are flagged as high risk in their positive and negative screening, the client is monitored specifically, and a mitigation plan is agreed. In case the risk is not mitigated, the client is removed from the client's pool for labelled bonds allocation. For clients that are already onboarded, the Bank engages with clients that receive cases and allegation to put in place mitigation measures. If those are not implemented, the client is flagged to the ESG SFC committee and the Credit Executive committee. For clients with overall severe risks identified, the Credit Execution Committee can decide to terminate the relationship with the client or to engage with a risk mitigation plan.
Biodiversity & Community Dialogue	
✓	The Bank screens for EHS compliance standards including monitoring environment assessment reports for projects. As per the due diligence processes described above, the Bank confirms considering biodiversity and community dialogue aspects for projects/clients/financing eligible to be labelled as sustainable in line with this framework. This is done via Environmental Social Impact Assessment (ESIA) reports and environmental management plans, along with the necessary risk

	mitigation measures. For projects associated with high biodiversity and community dialogue risks, FAB requires an ESIA that is recognized by an external consultant and checks for consideration of all Equator Principles and IFC Performance Standards categories. Projects are also checked through an external ESG risk rating watchlist to check for potential violations/issues with UN Habitat vulnerable sites. Projects are classified into 3 categories: ''Severe risk'', ''To be monitored'' and ''Acceptable''. For projects falling under "to be monitored risk'' and ''Acceptable risk'' categories, if a risk is not mitigated, FAB does not proceed with the assessment. For "Severe risk" projects, FAB's ESG Team and Relationship Managers work with clients to develop a risk mitigation plan that is then monitored throughout the life of the project.
Inclusion	
○	Limited information is available on how the Issuer ensures that the access to essential services that are private (i.e., private schools), is accessible to vulnerable and disadvantaged populations. However, regarding healthcare, the provision of healthcare insurance is mandatory in the UAE ensuring that the entire population, irrespective of income, will have access to the healthcare facilities financed under this framework. The current nationality requirements on the financial product dedicated to affordable housing) hinder achieving the financial inclusion objective.
Responsible Marketing	
✓	FAB complies with the UAE Central Bank's Consumer Protection Law[57] which includes requirements with respect to responsible marketing practices. This entails the need to disclose consumer suitability, fees, and termination conditions, among other things. FAB ensures that products are appropriate for their intended segment, accessible to all through approachable and clear language, fair pricing and offers alternative products to ensure customers are provided with the necessary information to make informed banking decisions. FAB also works to conduct trainings in this area by tailoring courses to specific business units and roles, while ensuring that fair treatment of consumers.
Sales Practices	
✓	The Issuer has policies and measures in place systematically ensuring that assets financed under this Framework provide for responsible sales practices. The rewarding system for the sales team at FAB includes ethical considerations in the calculation of bonus payments and commission payments. Moreover, FAB delivers bank wide mandatory trainings on responsible sales practices to its employees, including topics such as

[57] CP Standards PDF.pdf (centralBank.ae)

	consumer protection standards, and fair treatment of consumers. Finally, the bank does mystery shopping to check on the quality and fairness of the services being provided.
Data protection and information security	
✓	FAB complies with the UAE Central Bank's Consumer Protection Law[58] which includes requirements with respect to the protection of consumer data. Moreover, the company has an information security management system in place covering elements such as the processes related to risk assessments, the structure and responsibilities, trainings and awareness-raising, the information security incident management, and audits. When outsourcing data, FAB confirms that it runs risk assessment and analyzes third parties' information security measures.
Responsible treatment of customers with debt repayment problems	
✓	The Issuer has implemented various measures to deal responsibly with clients having debt repayments problems. FAB has pre-emptive actions in place to prevent client debt repayment problems on a loan-by-loan case. Financial covenants are placed such as loan to value ratio, minimum tangible net-worth, net debt to EBTIDA and long-term fixed rates are not set. In cases a customer encounters debt repayment problem, FAB offers internal debt counselling to its clients, by assigning internal teams who are trained in supporting customers with debt repayment plans. The Issuer offers additional measures such as lowering the effective interest rates and to restructure client's deals to short- and long-term deals to facilitate the clients pay back. In addition, the Issuer handles mortgages payment difficulties responsibly by guaranteeing that all alternative options are examined before undertaking foreclosure as a last resort.

Exclusion Criteria

FAB has an exclusion criterion that applies across the Bank and is documented in the ESG Risk Policy. FAB complies with regulations of the UAE Central Bank and local regulations of regions in which they operate. FAB does not provide funding to high-risk countries in accordance with relevant regulations and is committed to being compliant with relevant sanctions requirements of the UAE, the UN, the EU, the UK and the USA. FAB has a group-wide Financial Crime Compliance program that covers policies for Anti-Money Laundering, Counter Terrorist Financing and Anti-Bribery and Corruption. As per Fab's exclusion list the Group will not knowingly engage with companies or customers including:

- Unsuccessful resolution of ESG issues on previous engagements with customer
- Violators of UN Global Compact principles
- Violates of national or international legislation
- Potential negative impact on critical natural habitats and areas protected including e.g. UNESCO World Heritage Sites

[58] Ibid.

- Illegally infringe ownership of land or resources without Free, Prior and Informed Consent (FPIC)
- Obligors on the Office of Foreign Assets Control (OFAC) blacklist
- Classified as severe risk under the ESG risk assessment tool and approved by the relevant committees.
- Financing (including trade financing) of thermal coal (power and mining), and tobacco and alcohol manufacturers.

SECTION 5: LINKING THE TRANSACTIONS TO FAB'S ESG PROFILE

PART I: CONSISTENCY OF SUSTAINABLE FINANCE FRAMEWORK WITH FAB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

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. The ESG strategy relies on three key pillars:

1. Transitioning to a "Low Carbon Future",
2. Transforming our governance model,
3. Capitalizing on our Social Responsibility.

In order to transition to a "low carbon future", FAB is committed to become net zero for its own operations (Scope 1 and scope 2) by 2030 and on financed emissions by 2050. For mitigating the emissions coming from scope 3, FAB has set targets for three sectors (oil and gas, power generation, and aviation) that cover 80% of their financed emissions. Moreover, FAB has committed to lend, invest, and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions. Finally, FAB joined the Net Zero Banking Alliance (NZBA) and the Partnership for Carbon Accounting Financials (PCAF), which commits FAB to assist its clients to transition toward a climate-neutral economy through innovative financing and advisory services. The issuer has targets benchmarked against PCAF and NZAB, however, there is no information available on whether the Issuer has any verified Science Based Targets (i.e., SBTi, SBTN).

Regarding the second pillar "Transforming our governance model", in 2022, FAB integrated a Board Risk & ESG Committee with specific ESG mandate to the existing governance structure to align to the Group's recently launched ESG strategy.

For the third pillar "Capitalizing on our Social Responsibility", FAB has set targets to improve women representation in management, to ensure employee's health and safety, to increase diversity and inclusion, to Emiratization and support local communities.

FAB has published a sustainability report in 2020 and 2022, in accordance with the Global Reporting Initiative (GRI) standards[59]. FAB has also published in 2023, a net zero report which displays FAB's roadmap to reach its net-zero targets, required by the Net Zero Banking Alliance

[59] FAB's ESG report, 2022, available on this link: https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/2022-esg-report.pdf?view=1

(NZBA)[60].Finally, FAB aims to publish its first Task Force on Climate-Related Financial Disclosures (TCFD) in the last quarter of 2023.

FAB has already issued 13 Green Bonds in 2022 with a value of USD 2.26Bn, to finance 16 projects in the following categories: Green Buildings; Renewable Energy; Energy Efficiency; Clean Transportation; and sustainable water and wastewater treatment.[61]

Rationale for issuance

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 March 31, 2022.

In 2020, FAB designed its Sustainable Finance Framework, expanding its Green Bond Program to Social Projects 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 and Social 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 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.

In 2023, FAB has again updated its Sustainable Finance Framework to continue to support green, social, and blue projects.

Opinion: *The key sustainability objectives and the rationale for issuing Sustainable Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

[60] FAB's net zero report, 2023, available on this link: https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/net-zero-report-2023.pdf?view=1

[61] FAB's Sustainable Finance Report 2022-2023, p.8-10, https://www.bankfab.com/-/media/fabgroup/home/about-fab/esg/reports-policy-frameworks/pdfs/sustainable-finance-report-2023.pdf?view=1

PART II: 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

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: https://www.issgovernance.com/esg/iss-esg-gateway/.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. 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 PERCENTAGE OF REVENUE[62]	DIRECTION OF IMPACT	UN SDGS
Financing of the oil industry	3%	**OBSTRUCTION**	

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

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 behavior, 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.

[62] Percentages presented in this table are not cumulative.

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The parent company of Institutional Shareholder Services ("ISS"), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG ("DB") with the remainder owned by Genstar Capital ("Genstar") and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

ANNEX 1: Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf

ANNEX 2: Methodology External Review

PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

ISS considers relevant market guidelines in the assessment of sustainable finance strategies including but not limited to fixed-income transactions. The analysis considers criteria from a set of different market standards, voluntary guidelines and best practices e.g. 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 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
1. Objectives, Targets & Progress	For a 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 its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts, and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional Frameworks.
2. Definition of Sustainable Financing Activities	The sustainable financing strategy should define clearly and comprehensively what transactions 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 thresholds, or impact indicators) while ensuring that other objectives are not harmed.

3. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for sustainable financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrowers and/or investors should be collected. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible projects categories; and complementary information on the processes by which the borrower identifies and manages perceived, actual, or potential environmental and social risks associated with the relevant project(s).
4. Governance & Monitoring	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. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties are in place to promote sustainable business practices. With respect to borrowers and dedicated financing transactions, banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.
5. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate classified sustainable transactions, as well as the impact and progress of the sustainable financing strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics.
6. Verification	It is recommended that in connection with the establishment of a sustainable financing Framework, banks obtain external reviews. External reviews should be made publicly available.

PART II: ASSESSMENT OF FAB' SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in FAB's sustainable finance classification system and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, ISS identifies the extent to which FAB's eligibility criteria contribute to the UN SDGs.

ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.
For more information, please visit:
https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf

ANNEX 4: Quality Management Processes

SCOPE

FAB's commissioned ISS-Corporate to compile a Green, Social, Sustainability Bonds, Green and Social Loans SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the GBP, SBP, SBG, GLP and SLP and to assess the sustainability credentials of its Green, Social, Sustainability Bonds, Green and Social Loans, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- 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)
- Green Loan Principles (GLP), updated February 2021, Social Loan Principles (SLP), updated April 2021, administered by the Loan Market Association (LMA)

ISSUER'S RESPONSIBILITY

FAB's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

ISS-Corporate's VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, 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.

This independent Second Party Opinion of the Green Finance Instruments to be issued by FAB has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, and LMA.

The engagement with FAB took place from July to November 2023.

ISS-Corporate's BUSINESS PRACTICES

ISS-Corporate 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 behavior 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 this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability, and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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 SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

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

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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