SECOND PARTY OPINION (SPO) EXTERNAL REVIEW

Sustainability Quality of the Issuer and Sustainable Finance Framework

First Abu Dhabi Bank
29 August 2022

VERIFICATION PARAMETERS

PRE-ISSUANCE VERIFICATION	**Type(s) of instruments contemplated**	• Green, Social, and Sustainability Bonds, Green and Social Loans
	Relevant standards	• 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)[1]
	Scope of verification	• First Abu Dhabi Bank Sustainable Finance Framework (as of August 16, 2022) • Eligibility Criteria (as of August 16, 2022)
EXTERNAL REVIEW	**Verification parameters**	• First Abu Dhabi Bank Sustainable Finance Framework (as of August 16, 2022) • First Abu Dhabi Bank's Classification Taxonomy
	Validity	Valid as long as the Framework remains unchanged.

[1] Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA)

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SCOPE OF WORK

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

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

[2] ISS ESG's evaluation is based on the First Abu Dhabi Bank's Sustainable Finance Framework (August 2022 version), on the analysed Framework as received on August 5, 2022, and on the ISS ESG Corporate Rating updated on December 2, 2022, and applicable at the SPO delivery date.
[3] The methodology of External Reviews provided for Sustainable financing, lending, and responsible investment strategies has been developed based on ISS ESG's expertise in assessing a range of Sustainable finance-related instruments and Frameworks. In general, these types of External Reviews are not to be treated as a "pass or fail" assessment of the sustainability quality of Sustainable financing, lending, or investment strategies but rather as an overall assessment. Thus, obtaining an External Review of an overarching Financing Framework does not imply a detailed assessment of the sustainability quality of each underlying transaction.
[4] ISS ESG bases its assessment on current market practices for Sustainable capital markets referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association's Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association's Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority (EBA) with respect to Environmentally-Sustainable lending. The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

FIRST ABU DHABI BANK

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

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

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

ASSESSMENT SUMMARY

SPO PRE-ISSUANCE VERIFICATION GREEN, SOCIAL AND SUSTAINABILITY BONDS, GREEN AND SOCIAL LOANS		
SECTION 1	**SUMMARY**	**EVALUATION**
Part I: **Alignment with ICMA's GBP, SBP, SBG and LMA's GLP and SLP**	The Issuer has defined a formal concept for its dedicated purpose Financing transactions regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with ICMA's GBP, SBP and SBG and LMA's GLP and SLP.	**Aligned**
Part II: **Sustainability Quality of the Eligible Categories & ESG Risk Management**	The Green, Social and Sustainability Bonds and Green and Social Loans will (re-)finance eligible green and social categories. Those use of proceeds categories contribute to the SDGs, respectively: • Renewable Energy, Energy storage systems and technologies and Energy efficiency technologies, Transmission and distribution assets use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'. • Green Buildings use of proceeds category has a significant contribution to SDGs 11 'Sustainable Cities & Communities' and 13 'Climate action'. • Sustainable Infrastructure for clean and/or drinking water has a significant contribution to SDG 6, 'Clean Water and Sanitation'. • Affordable Basic Infrastructure use of proceeds category has a significant contribution to SDGs 6 'Clean Water and Sanitation', 7 'Affordable and clean energy' 10 'Reduced Inequalities', 11 'Sustainable Cities & Communities' and 13 'Climate action'. • Access to Essential Services (Healthcare) use of proceeds category has a significant contribution to SDGs 3 'Good Health & Well-Being' and 4 'Quality Education'. • Access to Essential Services (Education and vocational training) use of proceeds category has a significant contribution to SDGs 4 'Quality Education' and 10 'Reduced Inequalities'. • Affordable Housing use of proceeds category has a significant contribution to SDGs 1 'No Poverty' and 10 'Reduced Inequalities'. • Employment Generation (Lending to small and medium-sized enterprises) use of proceeds category has a significant contribution to SDGs 1 'No Poverty', 4 'Quality Education', 8 'Decent work and Economic Growth' and 10 'Reduced Inequalities'. • Socioeconomic Advancement and Empowerment use of proceeds category has a significant contribution to SDGs 1 'No Poverty', 4 'Quality Education', 5 'Gender Equality', 8 'Decent work and Economic Growth', and 10 'Reduced Inequalities'.	**Positive**

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

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

Part II: **Assessment of First Abu Dhabi Bank's Classification Taxonomy**	FAB has put forth multiple sets of eligibility parameters for its Financing activities to be classified as Sustainable: **1. Parameter 1 (Dedicated Purpose Financing):** ISS ESG considers that more than 90% of the selected eligibility criteria have either a limited, or a significant contribution to the Sustainable Development Goals. **2. Parameter 2 (General Purpose Financing):** ISS ESG considers the 90% thresholds proposed in the SFF to be appropriate and in line with common market practice of classifying Sustainable businesses. Further, the inclusion of a 50% minimum Sustainable revenue safeguard threshold is favorably highlighted to prevent financing of a company that only marginally contributes to sustainability objectives. ISS ESG notes that the financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing. **3. Parameter 3 (Sustainability-Linked Financing):** ISS ESG favorably notes the reference to the relevant market standards for sustainability-linked financing, notably the ICMA SLB and the LMA SLL, the Bank outlines the alignment with the core principles. A comprehensive pre-issuance verification process assesses the alignment with applicable market guidelines, attests the relevance and materiality of the performance indicators and ambition of the targets, limiting the risk that general-purpose financing may be granted to entities that have not set adequate sustainability goals with regard to past performance, peers, or international targets. Despite the list not being exhaustive, ISS ESG welcomes that FAB has presented a sample set of relevant KPIs that may be used in the structuring of future transactions. It is noted, however, that an assessment of the exemplary KPIs has not been within the scope of this Review. **4. Parameter 4 (Transition Finance):** ISS ESG commends that FAB has included a sample list of transition activities in the SFF, which are eligible to receive financing under a 'transition' label. However, there is currently no comprehensive assessment in place that considers whether the client's transition strategy is credible and in line with market guidance. Given that FAB intends to update the SFF in the future to provide further guidance on the underlying process, ISS ESG is currently not in a position to thoroughly comment on the inclusion of this element in the overarching eligibility decision tree.

CONSISTENCY WITH THE BANK'S SUSTAINABILITY STRATEGY

SECTION 3	SUMMARY	EVALUATION
Consistency with First Abu Dhabi's Sustainability Strategy	The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and and material ESG topics for the Bank's industry. The rationale for issuing Green, Social and Sustainability Bonds and Green and Social Loans is described by the Bank. According to the ISS ESG Corporate Rating updated on December 02, 2022, the Bank shows a medium sustainability performance. The Sustainable Finance Framework is considered consistent with the Group's sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by the Bank.	**Consistent with the Bank's Sustainability Strategy**

SECTION 1 PRE-ISSUANCE VERIFICATION

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

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

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

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

[6] For Loans, the Issuers' approach will be followed in alignment with LMA. The borrower must adhere to the reporting, disclosures, and external reviews requirement in line with the LMA principles.

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

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

A. CONTRIBUTION OF ELIGIBLE CATEGORIES TO THE UN SDGs

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

- products/services,
- improvements of operational performance.

Products and services

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

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

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

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

GREEN CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable energy **Wind (Onshore/offshore)** **(based on CBI Taxonomy)** *The Issuer exludes projects with life cycle GHG emissions >100g CO2e/kWh*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy **Photovoltaic solar** *The Issuer exludes projects with life cycle GHG emissions >100g CO2e/kWh and Concentrated solar power generation >85%*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy **Geothermal** With direct emissions below 100gCO2/kWh	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

The Issuer exludes projects with life cycle GHG emissions >100g CO2e/kWh		
Renewable energy **Bio-energy** **(based on CBI Taxonomy)** Facilities producing biofuel, certified biomass, biogas including fuel preparation process facilities, pre-treatment facilities and biorefinery facilities (if ≥50% biomass-based products produced for energy use)	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy **Small scale hydropower (<10MW)** **(based on CBI Taxonomy)** • 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	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy **Medium and large scale hydropower (>10 MW and > 1000MW)** **(based on CBI Taxonomy)** • 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 *The Issuer exludes projects with life cycle GHG emissions >100g CO2e/kWh and large (>1000MW) hydro power projects except where it aligns with the IFC Performance Standards*	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable energy **Tidal and wave energy** **(based on CBI Taxonomy)** *The Issuer exludes projects with life cycle GHG emissions >100g CO2e/kWh*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

Energy storage systems and technologies Development of technologies that increase defined renewable energy storage capacity, including Batteries, capacitors, compressed air storage and flywheels. The system should meet the following screening indicators: Dedicated connection to a power production plant eligible under the Climate Bonds sector (eg. solar), Dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO2/kWh), Located on a system with a grid factor at or below 100g CO2/kWh The infrastructure is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold (100g CO2/kWh) (based on CBI Taxonomy)	Significant Contribution[7]	7 AFFORDABLE AND CLEAN ENERGY 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 recognised environmental building and communities' standards such as: • LEED: silver or above • BREEAM: good or above • HQE: good or above • CASBEE: B+ good/ or above • Green Star: 4 star or above • WELL - Certified or above • Estidama: 2 Pearls or above • Mostadam - Bronze and above	Significant Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES
Green buildings Fitwel 1 star or above Equivalent alternative environmental in the top 15% of emissions performance in the local market (based on CBI Taxonomy)	Limited Contribution	11 SUSTAINABLE CITIES AND COMMUNITIES

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

Green buildings **Reduced life cycle consumption** Buildings which have, or are projected to have, reduced life cycle consumption of energy, water, or CO2 levels of at least 30% less than statute/city baseline levels or local market average	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Manufacture of components or facilities of renewable energy technology Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage including wind turbines, solar panels, and the constituent Parts of renewable generation projects *The Issuer excludes projects with life cycle emissions >100g CO2-e/kWh*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Industrial processes and supply chains **(based on CBI Taxonomy)** Facilities dedicated to manufacturing key components for eligible facilities e.g. solar panel or wind turbine manufacture. *The Issuer excludes projects to improve the energy efficiency of fossil fuel production and/or distribution, Industrial processes which are inherently carbon-intensive and/or primarily driven by fossil fuels, and/ or within heavy industries such as steel, cement, etc. and Cogeneration plants powered by coal, oil, or natural gas, unless the nat,ural gas-powered plant has a clear plan to transition to low-carbon sources.*	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Transmission and distribution assets Construction, upgrading or operation of infrastructure such that it is a dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO2/kWh), located on a system with a grid factor at or below 100g CO2/kWh. The infrastructure is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold (based on CBI Taxonomy) • Equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation (based on CBI Taxonomy).	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

• Equipment that increases the controllability and observability of the electricity system and enable the development and integration of renewable energy sources (based on CBI Taxonomy) • Grid expansion / development that transmits a minimum of 90% renewable energy		
Sustainable infrastructure for clean and/or drinking water Sustainable water and wastewater management (including Sustainable infrastructure for clean and/or drinking water, wastewater treatment, Sustainable urban drainage systems and river training and other forms of flooding mitigation). Supply management & wastewater treatment which includes the following: • Water monitoring - Smart networks, early warning systems for storms, droughts, floods or dam failure, water quality or quantity monitoring processes and etc. (based on CBI Taxonomy) • Water Storage - Rainwater harvesting systems, storm water management systems, water distribution systems and etc. (based on CBI Taxonomy) • Water treatment - Drinking water treatment, water recycling systems and etc. (based on CBI Taxonomy) • Water distribution - Rainwater harvesting systems, gravity fed canal systems, pumped canals, or water distribution systems and etc. (based on CBI Taxonomy) • Flood defences - Surge barriers, pumping stations, levees, gates (based on CBI Taxonomy) • Nature Based Solutions - Water storage from aquatic Ecosystems Drought defences by aquifer storage, recharge zone management, wetland management (based on CBI Taxonomy) • Water saving products (based on CBI Taxonomy) *The Issuer excludes products or technology that improve the energy efficiency of fossil fuel production and/or distribution*	**Significant Contribution**	

SOCIAL CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable basic infrastructure Building new facilities or rehabilitating/ expanding existing ones to increase the amount of water that can be produced or stored in order to make it more readily available to a growing population. For eg (water drilling, modern equipped wells, mini drinking water supply, drinking water treatment plant, water towers and storage, drinking water fountains and special connections, supply and distribution pipes) Target population: Underserved, owing to a lack of quality access to essential goods and services	Significant Contribution	6 CLEAN WATER AND SANITATION 10 REDUCED INEQUALITIES
	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Affordable basic infrastructure Sanitation[8] Construction of new facilities or renovation and/or expansion of existing facilities to boost wastewater treatment capacity	Significant Contribution	6 CLEAN WATER AND SANITATION
Affordable basic infrastructure Telecommunication Construction intended to expand access to telecommunications, such as broadband, internet coverage or mobile phones. Targeted populations include: • Excluded and/or marginalised communities • Vulnerable groups - including as a result of natural disasters • Underserved - owing to a lack of quality access to essential goods and services	Significant Contribution	10 REDUCED INEQUALITIES
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, such as cycleways, pedestrian thoroughfares and other transportation	Limited Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

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

infrastructure contributing to the reduction of harmful emissions Target population: Rural population living more than 2 km away from an all-season road		
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%).	Significant Contribution	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Access to essential services Healthcare[9] Investing in activities leading to increased access to healthcare for underprivileged or vulnerable groups in developing countries, including financing the vaccinations of children in developing or underdeveloped countries	Significant Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare[10] Investing in activities that will strengthen the provision of early warning, risk reduction and management of health crises; including health, education and vocational training, healthcare financing, and financial services	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare[9] Investing in educational and vocational training for medical care, emergency care and public health professionals in developing or underdeveloped countries.	Significant Contribution	4 QUALITY EDUCATION
Access to essential services Healthcare[9] Construction of essential healthcare facilities that will provide public or subsidized services. Examples include hospitals, clinics, and healthcare centres	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services Healthcare[9]	Significant Contribution	3 GOOD HEALTH AND WELL-BEING

[9] Target population for all sub-categories are: Underserved, owing to a lack of quality access to essential goods and services, sick, elderly or vulnerable people; unprivileged - Groups of persons that experience a higher risk of poverty, social exclusion, discrimination and violence
[10] Target population for all sub-categories are: Underserved, owing to a lack of quality access to essential goods and services, sick, elderly or vulnerable people; unprivileged - Groups of persons that experience a higher risk of poverty, social exclusion, discrimination and violence

Development of critical medical equipment or provision of diagnostic services. Examples could include MRI machines, respirators or services that support diagnostics such as laboratory testing.		
Access to essential services - Healthcare[11] Research into neglected diseases and/or drugs on the World Health Organisation (WHO) essential medicines list.	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services - Healthcare[11] Sale of affordably priced or subsidised medicines on the WHO essential medicines list.	Limited Contribution	3 GOOD HEALTH AND WELL-BEING
Access to essential services - Education **Education and vocational training**[12] Construction of public or private schools, universities, and university campuses in underdeveloped countries	Limited Contribution	4 QUALITY EDUCATION
Access to essential services - Education **Education and vocational training**[12] Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries	Significant Contribution Limited Contribution	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES
Access to essential services - Education Education and vocational training for post-secondary or tertiary education Loans to institutions that provide educational grants to low-income students or persons from underdeveloped countries	Significant Contribution	4 QUALITY EDUCATION
Access to essential services - Education **Education and vocational training**[12] Activities such as (retrofitting infrastructure, school transportation service, mobilizing skilled resources remote education, leveraging hi-tech, low-tech and no-tech approaches) to expand access to primary to , secondary, university and	Significant Contribution	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES

[11] Target population for all sub-categories are: Underserved, owing to a lack of quality access to essential goods and services, sick, elderly or vulnerable people; unprivileged - Groups of persons that experience a higher risk of poverty, social exclusion, discrimination and violence
[12] Target populations include, but are not limited to: Living below the poverty line; excluded and/or marginalised populations; vulnerable groups; people of determination; migrants and/or displaced persons; undereducated; underserved, unemployed

vocational education for underrepresented communities in the education system		
Access to essential services - Education Education and vocational training[12] Activities to promote entrepreneurship and innovation among secondary and university students, including financing hackathons and FinTech competitions	Significant Contribution	4 QUALITY EDUCATION
Affordable housing Providing loans to low-income families or individuals for housing following UN and international standards for social welfare eligibility and unBanked populations as per the World Bank	Significant Contribution	1 NO POVERTY
Affordable housing Construction of social of housing or providing loans to institutions that provide social housing for low-income, disadvantaged, excluded and/or marginalised population or communities	Significant Contribution	10 REDUCED INEQUALITIES
Affordable housing Construction of housing for students, or providing loans to students for housing	Limited Contribution	4 QUALITY EDUCATION
Employment generation **Lending to small and medium-sized enterprises**[13] Providing financing to a small-medium sized enterprise (SMEs) among under-Banked populations (people of determination, migrants, undereducated, underserved, unemployed) Providing loans for projects or enterprises classified as microfinance (as defined by the IFC[14])	Limited Contribution Significant Contribution[15]	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH

[13] To be identified as an SME, as defined by the International Finance Corporation (IFC), the end-client should meet two of three criteria to qualify: Number of employees between 10 to < 300 employees; Total Assets between USD 100,000 up to USD 15 million; Total Annual Sales between USD 100,000 up to USD 15 million.
[14] Projects are classified as microfinance, as defined by the International Finance Corporation (IFC), the, if they meet the following criteria. The end-client should meet two of the three criteria to qualify: Number of employees should be <10 employees; Total assets under USD 100,000; Total annual sales under USD 100,000. If data mentioned above is not available, the end-client average loan size should be less than USD 10,000.
[15] This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

Socioeconomic advancement and empowerment **Gender equality** financial institutions that help provide access to economic resources, microfinance; and skills training for vulnerable groups, such as the very poor, women and marginalised communities	Significant Contribution	1 NO POVERTY 4 QUALITY EDUCATION 5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Socioeconomic advancement and empowerment - Gender equality Providing financing to women-owned SMEs (at least 51% owned by one or more women)	Significant Contribution[16]	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Socioeconomic advancement and empowerment - Gender equality Providing financing to financial institutions helping to acquire and serve women-owned SMEs	Limited Contribution	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

[16] This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

2. Improvements of operational performance (processes)

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

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

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

USE OF PROCEEDS (Processes)	OPERATIONAL IMPACT IMPROVEMENT[17]	SUSTAINABLE DEVELOPMENT GOALS
Waste to Energy (Renewable Energy) **(based on CBI Taxonomy)** Incineration, gasification, pyrolysis, and plasma. Plant efficiency >= 25%; AND Bottom ash recovery; AND >= 90% recovery of metal from ash; AND Average carbon intensity of electricity and/ or heat over the life of the plant <= waste management allowance; AND capacity of the plant does not exceed the calculated residual waste at any time in the plant's life (based on CBI criteria) *The Issuer excludes projects with life cycle GHG emissions >100g CO2e/kWh*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Public services • Construction and operation of pipelines and associated infrastructure for district heating/cooling systems (low-GWP refrigerants preferred) using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat. • Modifications to lower temperature regimes (REF: EU Taxonomy) • Advanced pilot systems (control and energy management systems, Internet of Things) (REF: EU Taxonomy) • Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources (REF: EU Taxonomy)	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

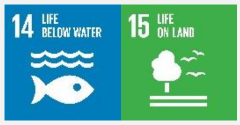
[17] Limited information is available on the scale of the improvement as no threshold is provided. ISS ESG only displays the direction of change.

• Installation and operation of electric heat pumps is eligible, if Refrigerant threshold: GWP ≤ 675 *The Issuer exludes products or technology that improves the energy efficiency of fossil fuel production and Products or technology that provide an energy efficiency improvement of <30%*		
Energy efficiency technologies • Development and implementation of products or technologies that reduce the energy consumption by 30% or more of underlying assets, projects, appliances, products or systems i.e. improved lighting, improved chillers, or reduced power usage in manufacturing operations • Installation of zoned thermostats, smart thermostat systems and sensoring equipment, e.g. motion and day light control • Installation of Building Management Systems (BMS) and Energy Management Systems (EMS) *The Issuer exludes products or technology that improves the energy efficiency of fossil fuel production i.e. cleaner coal technology; and products or technology that have an energy efficiency improvement of <30%*	✓	
Manufacture of components or facilities of energy efficiency technology Development/manufacture of energy efficiency technologies including LED lights, green hydrogen fuel cells, high-efficiency building envelope materials and occupancy/daylight controls for lighting systems. (REF: EU Taxonomy)	✓	
Green Real Estate Sustainable retrofits of existing buildings should demonstrate a reduction in primary energy demand (PED), carbon or energy saving of at least 30% post upgrade expressed as reduction in kWh/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 exploration, extraction, refining, and distribution of fossil fuels*	✓	

Pollution Prevention and Control Activities with capital expenditures which achieve the following: waste prevention, waste reduction. For eg: Any operation that reduces at source the quantity of waste before recycling, composting, energy recovery and landfilling become options reduces the quantity of material used in the creation of products. *The Issuer exludes products or technology associated with fossil fuel power generation and manufacturing processes and generic waste incineration*	✓	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Pollution Prevention and Control Activities with capital expenditures which achieve the following: waste recycling. Any operation that reuses products or components for the same purpose for which they were conceived *The Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes*	✓	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Pollution Prevention and Control Any operation that reduces greenhouse gas (GHG) emission through composting; waste reduction; landfill gas capture and collection; anaerobic digestion; waste to energy (thermal treatment) ,etc.) *The Issuer excludes products or technology associated with fossil fuel power generation and manufacturing processes and generic waste incineration*	✓	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: • Low energy or low emission transportation assets, if direct emissions are below 50 gCO_2e/pkm until 2025 (non-eligible thereafter) (Ref: EU Taxonomy) • Zero direct emissions transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail, inland waterways vessels) are eligible. (Ref: EU Taxonomy) • Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric) (Ref: EU Taxonomy)		

• Dedicated manufacturing facilities for vehicles and key components, such as batteries, being used in eligible vehicles • Dedicated charging and alternative fuel infrastructure (based on CBI Taxonomy) • Public walking and cycling infrastructure and cycling schemes (based on CBI Taxonomy) • ICT that improves asset utilisation, flow and modal shift, regardless of transport mode (public transport information, car-sharing schemes, smart cards, road charging systems, traffic management systems aimed at reducing congestion, Smart freight logistics) (based on CBI Taxonomy) • Deployment of clean transportation (low emissions) that reduces GHG emissions and/or air pollutants per unit of service provided (based on CBI Taxonomy) • Passenger/Cargo aircraft which uses low GHG fuel (e.g. solar, electric, high % of biofuel), delivering substantial reduction in gCO2e/passenger (based on CBI Taxonomy) • Manufacture of low carbon transport vehicles and their respective key components, fleets and vessels with tailpipe emission intensity of max 50 g CO2/km (WLTP). *The Issuer excludes Fossil fuel-based transportation such as diesel-powered locomotives or infrastructure dedicated to fossil fuel transport, Rail lines where fossil fuels account > 50% of freight, systems and infrastructure dedicated to the transportation of fossil fuels, Diesel-powered locomotives for mass transport where gCO2/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.*	✓	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Climate Change Adaptation **Activities that increase the resilience of ecosystems** Climate observation and early warning systems	✓	13 CLIMATE ACTION

Water, power, transport and communication resilient infrastructure ensuring repairs and reliability of service **(based on CBI Taxonomy)** Reducing or avoiding weather-related damage such as flood management, bridges to address higher levels of flooding, systems infrastructure for anticipated wind speeds, heavy rains, and increased temperatures	✓	13 CLIMATE ACTION
Sustainable Management of Living Natural Resources		
Sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as • Biological crop protection or drip irrigation • Livestock production - avoidance of GHG emissions (such as animal management, storage and processing of manure and slurry, and management of permanent grasslands) (Ref: EU Taxonomy) • Management of soil and biomass for carbon sequestration, erosion control and improved soil health • Reduction of methane and nitrous oxide emissions from livestock • Minimising environmental impacts in agricultural value chains. Feedstocks used are certified under one of the following, pre-approved best practice standards, RSB, RTRS, ISCC, Pro Terra • Sustainable forest management, including afforestation, reforestation, forest rehabilitation. (e.g benchmarks are FSC, PEFC, Rainforest Alliance) • Sustainable fisheries and aquaculture accredited by the GSSI and comply with FAO Technical Guidelines (e.g. Benchmarks - MSC, ASC).– increased Sustainable seafood production, certified Sustainable fisheries *The Issuer excludes efficiency improvements involving conventional fossil fuel combustion engines (hybrid engines and technologies are eligible), Sustainable agriculture that is not in alignment with CBI, ICMA GBP, EU Taxonomy or the Operational guidelines for the design, implementation and harmonisation of monitoring and evaluation systems for climate-smart agriculture http://www.fao.org/climate-smart-agriculture/en/*	✓	15 LIFE ON LAND

Terrestrial and Aquatic Biodiversity Conservation The protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to: • Conservation and restoration of natural landscapes • Safeguarding and/or developing protected terrestrial and marine areas and systems • Forest conservation, or REDD (Reducing Emissions from Deforestation and Forest Degradation • Preserving terrestrial, marine natural habitat • Training conservation workers, forestry personnel, farmers in biodiversity conservation	✓	
Circular economy • Development, manufacture and/or distribution of products designed for circularity and/or adaptive re-use. • Design and introduction of reusable, recyclable and refurbished materials, components, and products; circular tools and services); • Products go beyond an eco-label and demonstrate significant waste diversion and/or use of waste products. • Products will be assessed for reduction of raw resource inputs and outputs	✓	
Food security and Sustainable food systems Food security and Sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers): • Improve agricultural productivity and enhance livelihoods and food security and nutrition in poor rural communities • Food security and livelihoods pprograms ensuring access to food and the protection of livelihoods during and immediately after an emergency • Strengthening food security, expanding climate-smart and green livelihoods, and	✓	

building household resilience by supporting improved rural and urban production, self- and paid employment, and entrepreneurship • Improve agricultural efficiency, the agricultural supply chain and prevent food wastage • Modern technologies related to hydroponic farming/organic farming methods.		

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS

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

ASSESSMENT AGAINST ISS ESG KPI	
ESG guidelines into financing process	
FAB has put in place an ESG Risk Management Framework and Policy that is applicable to all clients and transactions across the Bank. Processes include an assessment during client onboarding, as well as periodic credit and customer reviews, among other things. The assessment complements inputs from ESG risk ratings provided by external agencies with an internally developed ESG risk questionnaire in order to assess how counterParties manage ESG-related factors. Additional due diligence is undertaken for all transactions that are included under the SFF and explicitly designated as 'Sustainable' or 'transition'. The Bank addresses risk mitigation on a case-by-case basis, depending on the respective risk ratings underlying the transaction. Strategic action plans are prepared to ensure a portfolio's non-critical activities are maintained at 75% of total revenue. High-risk counterParties are continuously engaged for rolling out risk mitigation action plans aimed at reducing ccustomers' risk exposure. The Group Risk Committee continually monitors all such high-risk rated entities and customers for ESG critical activities and appraises the Board through the Board Risk and ESG Committee. Whilst the primary geographic focus of FAB is within the Middle East, it is involved in transactions across the globe. However, FAB does not provide funding to high-risk countries in accordance with relevant regulations, and is committed to being compliant with relevant sanctions requirements including UAE, UN, EU, UK and USA.	
Carbon-related financing	
✓	The Bank is transparent about the relative share of loans and advances that are being made to high ESG-risk sectors, including among others, petroleum extraction, refinery, mining and airlines.
○	There is currently limited information available to what extent the Bank has put policies in place to systematically scale down or phase out fossil fuel-related financing activities.
Financed emissions	
✓	There is currently limited information available to what extent the Bank systematically measures its financed emissions in line with relevant methodologies. However, it is noted that FAB has recently joined the Partnership for Carbon Accounting Financials (PCAF), through which it commits to measuring and disclosing the greenhouse gas emissions of its portfolio companies within three years.

Health and Safety	
✓	FAB is a signatory to Equator Principles, and in compliance with the requirements, the Bank screen for relevant EHS compliance standards including monitoring social assessment reports for projects. For relevant transactions, EHS covenants are added within term sheets. Further, the Bank has implemented a Modern Slavery Policy that addresses its stance on modern slavery and human trafficking.
Labour Standards	
○	As part of its ESG risk management process across all transactions, the Bank includes a self-assessment checklist to be filled out by all new clients/customers which includes questions on the adherence to labor rights, among other things. This assessment feeds into the ESG Risk Rating issued for each new client. Besides, if any project found to face a major allegation, it would immediately be excluded from any eligible sustainable financing under this Framework. However, there is limited information available to what extent clients are systematically excluded in case of non-compliance with relevant labor standards.
Biodiversity	
✓	FAB is a signatory to Equator Principles, and in compliance with the requirements, the Bank screens for relevant EHS compliance standards including monitoring environment assessment reports for projects.
✓	As per the due diligence processes described previously, for transactions classified under this Framework, the Bank confirms considering biodiversity aspects for projects/clients/financing that is being evaluated for their eligibility to qualify as sustainable finance.
Community Dialogue	
✓	As per the due diligence processes described previously, for transactions classified under this Framework, the Bank confirms considering biodiversity aspects for projects/clients/financing that is being evaluated for their eligibility to qualify as sustainable finance.
Inclusion	
✓	As per the due diligence processes described previously, the Bank confirms that financing will only be allocated to social projects in case social impact assessments have been conducted that are subject to verification from external Parties. These assessment take inclusion considerations into account.
Marketing	
✓	FAB complies with the UAE Central Bank's Consumer Protection Law[18] which includes requirements with respect to responsible marketing practices. This entails the need to disclose consumer suitability, fees and termination conditions, among other things.

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

Data protection and information security	
✓	FAB complies with the UAE Central Bank's Consumer Protection Law[19] which includes requirements with respect to the protection of consumer data.

Exclusion Criteria

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

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

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

SECTION 2 EXTERNAL REVIEW ASSESSMENT

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

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

SECTION	SUMMARY OF SFF AND ISS ESG OPINION
0. Strategy & objectives	FAB defined a Sustainable Finance Framework to outline a methodology for classification of financial products and services as Sustainable or Transition Finance and tracking of performance against its Sustainable finance commitments. The group commits to lend, invest, and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions. Annual updates on progress against the target based on this Framework will be reported. The Bank's approach to sustainability is guided by three pillars: Transforming its Governance Model, Transitioning to a Low Carbon Future, and Capitalising on its Social Responsibility. All three pillars ultimately support FAB's goal of Sustainable financial performance by reducing risk and creating new business opportunities. FAB is also Part of the Net Zero Banking Alliance (NZBA). The Bank provided further details in its Annual ESG Report[20]. 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 Defense related activities, Liquor and Tobacco businesses. gaming activities, lotteries & Raffles. • Activities involving modern slavery, child labour or forced labour 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. **Opinion**: *ISS ESG finds that the sustainability strategy and objectives defined by FAB for its entire activities and for its financing activities specifically are credible*

[20] FAB Sustainable Finance Report 2022

	and relevant to its sector and business model (as outlined in Section 3.II of this report). In its Sustainable Finance Framework, the Bank puts forth a clear definition of the sustainability objectives in line with the wider company strategy. The Bank provides information to what extent these commitments have been calibrated in line with key market guidelines. The industry-led, UN-convened Net-Zero Banking Alliance brings together Banks worldwide which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. The Alliance is convented by the UN Environment Programme Finance Initiative. The Bank sets a quantiative target, measures and reports on a regular basis on its progress against commitments.
1. Definition of Sustainable finance products	In the FAB SFF, 'Sustainable finance' refers to green, social and Sustainability-linked Financing, which can either target use of proceeds or general corporate purpose. FAB bases its definition of Sustainable financing on established national and international standards, Frameworks, and principles. Among others, these include the Green Loan Principles, the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association, the Green Bond Principles, the Social Bond Principles and the Sustainability-Linked Bond Principles of the International Capital Market Association. Particularly with regard to Transition Finance, FAB states to further draw on elements from the EU Taxonomy and the CBI Transition Finance White Paper. **Eligible types of financing** FAB's SFF sets out types of financing which are eligible as Sustainable financing for tracking and disclosing its performance against its public targets, which include: • Dedicated Purpose Financing where the use of proceeds satisfies either the green or social eligibility category. • General Purpose Financing where the business mix of the entity satisfies the green eligibility category based on the thresholds set out in the Framework. • Sustainability-linked Financing which meets the internal proprietary screening criteria set out in the SFF. Note that Sustainability-linked financing is not required to satisfy either the green or social eligibility category. • Transition Finance where funds are raised for Climate Transition-related purposes, through Use of Proceeds Instruments or General Corporate Purpose Instruments. • The Bank also includes a separate 'Transition Finance' category, where assets need to align with principles of 'Do No Significant Harm' (DNSH) and the entity needs to be in the process of developing a credible climate transition strategy. The SFF currently only categorizes financing to be 'Transition Finance', if the use of proceeds is clearly defined. In addition to the above requirements, an Environmental, Social & Governance Due Diligence Assessment will need to be passed successfully for its ESG financing activities to be classified as 'Sustainable'.

Product Scope

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

Product/Service	Description
Debt Capital Markets	Corporate, supranational, sovereign issued green/social/blue/sustainability bonds or government or related development Bank issuances
Equity Capital Markets (ECM)	Initial public offerings (IPOs), follow-on offerings (FPOs), convertible bonds, at-the-market (ATM) transactions and ESG special-purpose acquisition company (SPAC) transactions
Derivative Capital Market	Sustainability-linked derivatives are derivatives which create an ESG-linked cash-flow in the context of a traditional derivative instrument; such as an increase in spread linked to a failure to meet an ESG target.
Syndicated Loan	Loans for qualifying social and green themes
Private Capital Market (PCM)	Private placements for qualifying ESG themes
Sustainability-Linked Loans (SLLs) and Sustainability-Linked Bonds (SLBs)	Sustainability-linked financing instruments are loan instruments or contingent facilities which incentivise the borrower to achieve a pre-determined sustainability target or targets by linking them to the pricing mechanism of the facility. Sustainability targets which are included in the pricing ratchet can be for individual performance metrics or linked to third Party ESG scores. SLLs/SLBs facilitate the integration of sustainability factors into a broader set of products and offer an additional means of engaging clients on sustainability considerations
Securitised Products	Securitised products across asset classes including asset-backed securities, residential and commercial solar loan securitisation, real estate and electric vehicles
Green Loans	Green Loan is a term lending product for use in eligible green themes
Sustainable Trade Finance	Financial products that facilitate trade flows and transactions between importers and exporters across both domestic and international markets
Green Asset Finance	Green Asset Finance are Asset Finance products where the purpose of the funding is used exclusively for assets eligible green activities as defined by this Framework
Other ESG Loans	Loans (includes any type of loan instrument to finance or re-finance) to companies whose business mix is eligible as per this Framework
Green Mortgage	Mortgage product that rewards customers for purchasing an energy efficient new build home. It offers a lower interest rate in comparison to the equivalent core range and is available to customers purchasing an EPC (energy efficiency) A or B rated new build home from a select group of Partner house builders
Sustainable Investing	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 relevant green use of proceeds Sustainable linked current or savings accounts (CASA) or other deposits
Treasury Issuances and Investments	Treasury Principal investments (Sustainable Impact Capital initiative) Additional Treasury investments

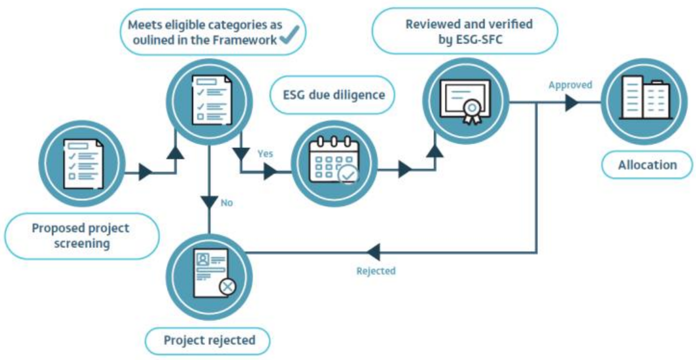
Opinion: *ISS ESG finds that FAB presents a clear definition including precise parameters of what it considers Sustainable financing under Dedicated, General Purpose Financing, Sustainability-Linked Financing and Transition Finance (assessed further in Section 2 Part II) and refers to relevant market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

	related eligibility criteria are precise and clearly described. Further, the Bank provides a list of impact indicators committing to report on the contribution to relevant sustainability objectives and ensure a minimum level of contribution to the objectives. ISS ESG commends a transaction-specific assessment together with the borrower's transition plan for Transition Finance transactions and a transaction-specific assessment for Sustainability-Linked Instruments assessing the alignment with applicable market guidelines, and attesting the relevance and materiality of the performance indicators and ambition of the targets. For its Dedicated, General, Sustainability-Linked Financing and Transition Finance transactions, the Bank commits to aligning with commonly used Market Guidelines and Principles contributing to the standardization of Sustainable Finance transactions.
2. Process for Sustainable finance product Selection and Evaluation	FAB's ESG and Sustainable Finance Committee is responsible for ensuring compliance with all aspects of FAB's Sustainable Finance Framework. The Committee has oversight of the Framework, including the approval of eligible projects. For its Dedicated Purpose Financing activities, eligible projects that are allocated in whole or in part to the instruments have undergone a multi-step assessment process. **Due Diligence procedures** FAB performs ESG due diligence and analysis on projects and activities identified as potentially eligible. Its ESG Due Diligence Toolkit has been designed to assess the ESG performance of both the projects and clients and to generate environmental and social due diligence reports that are reviewed by our committee. The toolkits have been developed taking into consideration IFC performance standards and EP requirements, among others. A variety of environmental and social parameters are evaluated before reaching a conclusion on the project's sustainability benefits throughout the course of the project's lifetime. The due diligence component of the loan pool examination comprises of the evaluation of the Equator Principles, as well as the evaluation of project risk and organization allegation reviews. On a quarterly basis, ESG Due Diligence reports are created and approved by the relevant committee. **Opinion:** *ISS ESG finds that a comprehensive and documented process is described to ensure that the funded projects align with the eligibility criteria. Whereas the ESG Risk Management Framework and Policy is applicable to all transactions, ISS ESG commends to further extend the current preliminary Due Diligence procedures, applicable for Dedicated Purpose Financing transactions to the entire range of Sustainable Financing transactions as set forth in the underlying Framework.*
3. Internal Governance, Monitoring, and Control design	FAB's ESG and Sustainable Finance Committee (ESG-SFC) is responsible for assessing and classifying financing, lending and investing as Sustainable in compliance with the requirements of this Framework. Further, the ESG and Sustainable Finance Committee's role entails: • Review all new proposed use of proceeds of each Green/ Social Bond issuance and endorses green/social projects, as appropriate, in accordance with the standards and processes set out in this Framework.

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

Every transaction in the Bank is reviewed before credit approval from an ESG perspective, which includes assessment for ESG risks as defined in FAB's ESG Risk Framework and Policy, after which it undergoes additional review for eligibility to be classified as Sustainable finance based on the classification criteria set out in its Framework. All qualifying transactions continue to undergo periodic due diligence checks (quarterly for projects associated with sustainability bonds and annual for all others). Any transaction which is found to no longer meet the minimum requirements set out in this Framework during the due diligence checks is disqualified and material changes will be disclosed in the Banks annual reports.

The Banks ESG Due Diligence Toolkit has been designed to assess the ESG performance of both the projects and clients and to generate environmental and social due diligence reports that are reviewed by the Banks committee.



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

4. Reporting

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

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

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

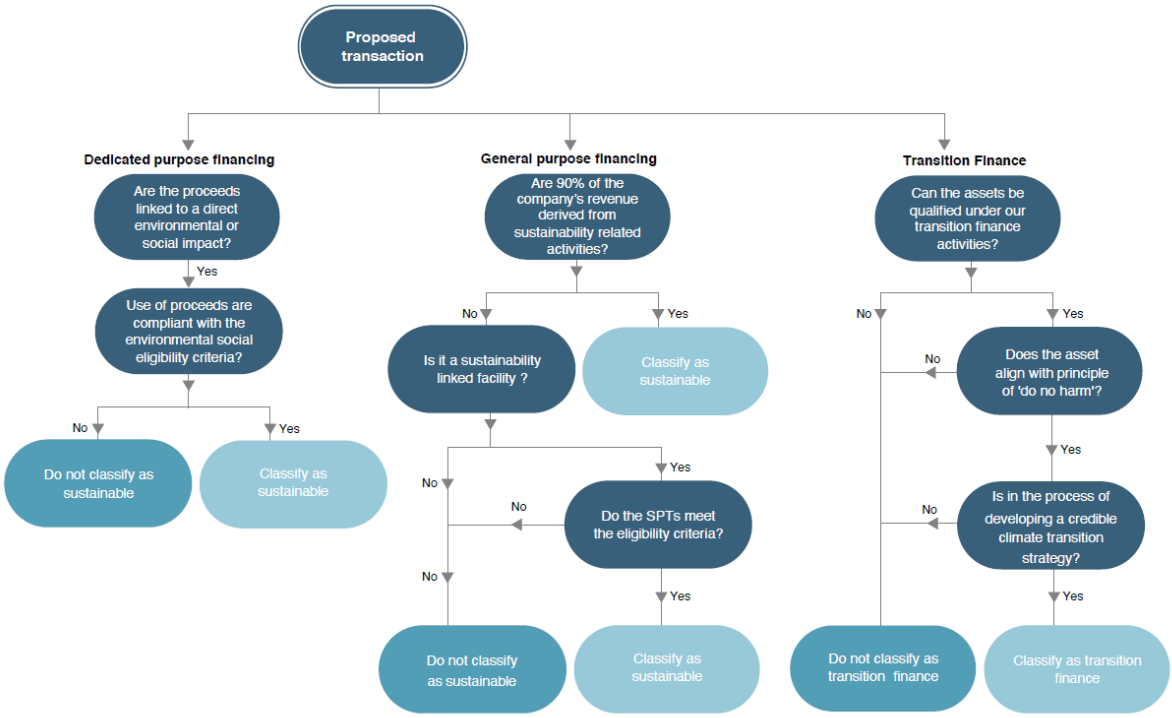
	the overall progress of the Sustainable financing strategy. As data availability in terms of impact reporting improves, ISS ESG recommends further developing tracking of the expected impact of Banks' Sustainable financing and investing activities on environmental and social objectives.
5. External Review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

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

Assessment methodology

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

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



ISS ESG assessment of FAB's Classification parameters

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

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

[21] These include, but are not limited to the ICMA GBP, SBP, and SBG, the SLBP and the Climate Transition Handbook; the GLPand SLP, the SLBP and SLLP, as administered by the LMA; the UNEP FI PRB and the EBA LOaM guidelines for environmentally sustainable lending.
[22] LSEG, 2019

		ISS ESG favorably highlights the inclusion of a safeguard threshold of 50%, in order to prevent financing of a company that only marginally contributes to sustainability objectives. Similarly, the thresholds also draw on common market practice, as outlined by the London Stock Exchange[23], and are complemented by an overarching exclusion policy from the Bank. At the same time, ISS ESG notes that best market practice of considering a company as Sustainable is linked to the 90% threshold, included in the discussion of the aforementioned standard approach to general purpose financing. The financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing.
Sustainability-Linked Instruments (General Purpose Financing)	Sustainability-linked Financing contributes to Sustainable objectives if the associated KPIs are material, core, and relevant to the client's business model and the associated targets are ambitious. Further, the transaction should ideally be subject to an external review that verifies the aforementioned dimensions and, in particular, the ambition of the selected SPTs. Financial and/or structural characteristics are linked to the SPT's performance.	The Framework draws on the core principles and recommendations for Sustainability-linked Instruments following key components of the LMA Sustainability-Linked Loan Principles and the ICMA Sustainability-Linked Bond Principles. The Bank provides a list of KPIs, relevant to the current and future business, and a sample of qualitative/quantitative performance indicators. In connection with the issuance of a Sustainability-linked Bond, FAB will engage an external review provider (such as a Second Party Opinion) to confirm alignment with the Bond's core components, or in cases where no external input is sought, FAB will apply internal expertise to verify its methodologies. For Sustainability-linked Bonds, FAB will annually seek independent and external verification pre and post-signing to review their performance level against each SPT for each KPI or to accommodate any potential adjustment of the bond's financial and/or structural characteristics, by a qualified external reviewer with relevant expertise. The verification of the performance against the SPTs will be made publicly available. For Sustainability-linked Loans, the borrower will also be required to provide a verified baseline or reference point, clarify if any recalculations or pro-forma adjustments of the baseline, follow the recommended benchmarking approach and adhere

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

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

[24] Including, for instance, guidance from the CBI White Paper on financing credible transitions.

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

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

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

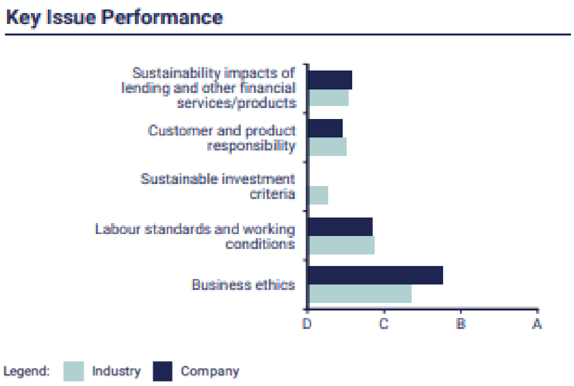
ESG risks associated with the Issuer's industry

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

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

ESG performance of the Issuer

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



Sustainability Opportunities

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

Sustainability Risks

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

Sustainability impact of products and services portfolio

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

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED TOTAL BUSINESS VOLUME[25]	DIRECTION OF IMPACT	UN SDGS
Financing of the oil industry	4%	**OBSTRUCTION**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

Breaches of international norms and ESG controversies

At Issuer level

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

At industry level

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

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

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

Key sustainability objectives and priorities defined by the Issuer

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

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

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

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

Rationale for Sustainable Finance Framework

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

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

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

[26] FAB Sustainable Finance Report 2022

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

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

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

Socioeconomic Advancement and Empowerment	✓	✓	Contribution to a material objective
Food Security and Sustainable food systems	✓	✓	Contribution to a material objective

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

DISCLAIMER

1. Validity of the SPO/External Review: Valid as long as the Framework remains unchanged.
2. ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells/distributes SPOs which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG's proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide.
3. SPOs are based on data provided by the Issuer/Borrower and ISS does not warrant that the information presented in this SPO is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these SPOs, or any information provided therein.
4. Statements of opinion and value judgments given by ISS are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the SPO is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

SECTION 1 PART II: ASSESSMENT OF THE CONTRIBUTION TO THE SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Fonterra's Sustainable Finance Instruments contributes to related SDGs has been identified.

ISS ESG ESG RISK MANAEMENT KPIs

The ISS ESG ESG Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described. If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

In addition, the ISS ESG KPIs assess sustainability-related risks considered relevant to the financing operations of a bank. The evaluation was carried out based on information and documents provided on a confidential basis by the bank (e.g. Due Diligence procedures).

ANNEX 2: Methodology External Review

SECTION 2 PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

We consider relevant market guidelines in the assessment of the governance procedures for sustainable finance strategies including but not limited to fixed income transactions. The analysis included criteria from a set of different market standards and voluntary guidelines and best practices 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
0. 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 should be expressed in line with key market guidelines such as the UN Sustainable Development Goals or the Paris Climate Agreement.
1. Definition of sustainable finance products	The sustainable financing strategy should define clearly and comprehensively what financing products are deemed as Sustainable based on precise parameters. Ideally, the bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold, or impact indicators) while ensuring that other objectives are not harmed.
2. Evaluation & Selection process	The bank 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 should be collected.
3. Governance, monitoring & Control design	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable investment, lending, or financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Monitoring systems and clear accountability should be established. With respect to borrowers, where applicable, banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.
4. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the allocation of proceeds, as well as the impact and progress

	of the sustainable 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.
5. Verification	It is recommended that the sustainable financing strategy for specific issuances should be reviewed by an external independent third party. The external reviews should be made available to the respective stakeholders involved.

SECTION 2 PART II: ASSESSMENT OF FAB'S SUSTAINABLE CLASSIFICATION TAXONOMY

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

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

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the group's overarching sustainability policies as well as the management of related ESG risks.

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-RatingMethodology.pdf

ANNEX 4: Quality Management Processes

SCOPE

FAB commissioned ISS Corporate Solutions to compile a sustainable financing instrument's SPO. The Second Party Opinion process includes verifying whether the eligiblity criteria aligns with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association and to assess the sustainability credentials of its bonds and loans, as well as the Issuer's sustainability strategy.

Further FAB commissioned ISS Corporate Solutions to compile a Sustainable Finance Framework external review. The external review process includes verifying whether the Sustainable Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's classification taxonomy.

CRITERIA

Relevant Standards for this Second Party Opinion and External Review stem from key principles for transparency and non-contamination of sustainable labeled products, including:

- International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles
- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- UNEP-FI PRB
- Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0
- Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally Sustainable lending

ISSUER'S RESPONSIBILITY

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

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

ISS ESG VERIFICATION PROCESS

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

ISS Corporate Solutions has conducted this independent Second Party Opinion of the • Green, Social, and Sustainability Bonds, Green and Social Loans to be issued by FAB based on ISS ESG methodology and in line with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan

Principles and Social Loan Principles, administered by the Loan Market Association. Further ISS Corporate Solutions has conducted this independent external review of the Bank's Sustainable Finance Framework based on ISS ESG methodology and in line with market practices and relevant guidelines for sustainable financing strategies.

The engagement with FAB took place between August and September 2022.

ISS ESG BUSINESS PRACTICES

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

About ISS ESG

ISS ESG is one of the world's leading rating agencies in the field of Sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

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

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

ISS provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of our client's frameworks.

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

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

For more information on this specific Sustainable Finance Instrument's SPO and External Review, please contact: SPOOperations@iss-esg.com

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