## Principle 1 – Alignment

We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

### 1.1. Business model

Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAB is UAE’s largest bank and one of the world's largest financial institutions. We offer an extensive range of financial products and services through our business lines. Headquartered in Abu Dhabi, our international network spans five continents, providing the global relationships, expertise, and financial strength to support local, regional, and international businesses seeking to do business at home and abroad.</td>
<td>Investor presentation March 2023</td>
</tr>
<tr>
<td>With total assets of AED 1,100 Bn (USD 302 billion) as of 31 December 2022, FAB is rated Aa3/AA-/AA-by Moody’s, S&amp;P and Fitch respectively, the strongest combined ratings of any bank in the MENA region. The Bank is also rated A (‘Leader’) by MSCI ESG Rating and has been ranked by Global Finance Magazine as one of the safest bank in the UAE and the Middle East.</td>
<td>- Customer and employees on page 9</td>
</tr>
<tr>
<td>FAB has a diversified banking franchise with four business lines, Investment Banking (IB), Consumer Banking (CB), Corporate and Commercial Banking (CCB) and Global Private Banking (GPB). Moreover, we serve our customers at our branches and through a wide range of self services and digital transaction solutions.</td>
<td>- Gross loan by counterparty, net loans by geography, gross loan by product and gross loan by economic sector on page 41</td>
</tr>
<tr>
<td>FAB employs about 6765 people, and we serve over 3 million customers across our global operations.</td>
<td>- Ratings on page 4, 6 and 7</td>
</tr>
<tr>
<td></td>
<td>- Business line on page 8, 31 and 48</td>
</tr>
<tr>
<td></td>
<td>- Breakdown by business on page 8, revenue distribution and 31</td>
</tr>
</tbody>
</table>
### Response

**Revenue distribution:**

<table>
<thead>
<tr>
<th>in AED Mn</th>
<th>Q4’22</th>
<th>QoQ%</th>
<th>YoY%</th>
<th>FY’22</th>
<th>YoY%</th>
<th>Quarterly trend (last 5 quarters)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income</strong></td>
<td>5,911</td>
<td>8</td>
<td>4</td>
<td>20,840</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>IB</td>
<td>2,818</td>
<td>26</td>
<td>(27)</td>
<td>8,848</td>
<td>(26)</td>
<td></td>
</tr>
<tr>
<td>CCB</td>
<td>1,518</td>
<td>19</td>
<td>69</td>
<td>4,992</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>CB</td>
<td>957</td>
<td>(9)</td>
<td>(22)</td>
<td>4,128</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>GPB</td>
<td>273</td>
<td>(1)</td>
<td>16</td>
<td>1,035</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>HO*</td>
<td>346</td>
<td>(47)</td>
<td>na</td>
<td>1,838</td>
<td>264</td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>4,122</td>
<td>(6)</td>
<td>(11)</td>
<td>15,818</td>
<td>(12)</td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>1,789</td>
<td>62</td>
<td>70</td>
<td>5,022</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

* Bank Audi Egypt consolidation effective 28 April 2021; Integration into FABMisr was completed in Q4’22 and grouped under HO
Response

Distribution by geography:

Gross loan by counterparty:
Response

Gross loans by product:

**Gross loans by product**

<table>
<thead>
<tr>
<th>Product</th>
<th>Dec'21</th>
<th>Dec'22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle financing loans</td>
<td>428.8</td>
<td>479.7</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Personal Loans</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Trade related loans</td>
<td>78%</td>
<td>81%</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gross loan by economic sector:

**Gross loans by economic sector**

- **YoY Loan growth driven by:**
  - Other FIs: +37Bn (+93%)
  - Government: +15Bn (+36%)

2 Real Estate by geography, Abu Dhabi 44%, Dubai 24%, Other UAE 2%, UK 18%, Other Int 12%
### 1.2. Strategy Alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☑ Yes  ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
</table>
| Our ESG strategy rests on three pillars or areas of emphasis: Transitioning to a Low Carbon Future; Capitalising on our Social Responsibility; and Transforming our Governance Model, across our business. These pillars are a reflection of our core values that enable us to respond to the rising ESG challenges we are facing. While each pillar stands on its own, they are also interconnected and mutually reinforced to help achieve our broader business vision and objectives, in a sustainable manner. We are committed to making a difference around our three ESG pillars. FAB’s ESG strategy can be viewed on page 11 in the 2021 ESG report. | **ESG report 2021**  
- Our ESG strategy is presented on page 8-9 and our sustainability commitments is presented on page 10-11  
- Our net-zero commitment is presented on page 24-27  
- Stress-testing activities is presented on page 18  
- TCFD commitment is described on page 10, 20 and 27  
- GIP commitment is presented on page 10  
- Equator principles is described on page 10, 18, 27 and 28  

**FAB’s pathway to Net Zero**  
- Description of FAB’s approach to Net Zero and the methodology used can be found on page 5, 15, 18, 19, 20, 21 and 22  
- Presentation of our targets and how we aim to achieve them is presented on page 6 and 10  
- FAB’s emissions reduction against baseline is presented on page 14 |
Response

We recognise that the ESG requirements and expectation from Banking Institutions are constantly evolving and maturing over time. Our employees, customers, shareholders and stakeholders not only want us to make more of an impact, but they also want us to be more transparent about our methods to do so. Our dedicated Board Risk and ESG Committee ensures that we keep up with the above expectation and continue to lead with examples across MENA and globally.

FAB is the UAE's leading bank, and one of the world's largest and safest financial institutions, FAB has the responsibility to enable the transition to a net-zero economy, all while ensuring economic and social development.

To do so, we have developed our strategies in line with national and international and local visions and frameworks. The Net Zero Banking Alliance (NZBA) is an industry-led, UN-convened alliance that brings together banks worldwide representing over 40% of global banking assets, which are committed to aligning their lending and investment portfolios with Net Zero emissions by 2050. In 2021 FAB became the first bank in the UAE and GCC region to join NZBA.

In 2022, we took necessary steps to understand our financed emissions and define business strategies to ensure that we will successfully reach the ambition to be net-zero from portfolio financed emissions by 2050. In addition, we joined to the Partnership for Carbon Accounting Financials (PCAF) in January 2022, indicating that we will assess and disclose the GHG emissions of our financial portfolio.

As one of the leading banks in the region, we believe that engaging with and supporting our clients in their transition will contribute significantly to the Middle East's net-zero goals. Along with reducing our carbon footprint, it is our responsibility to support our clients in reducing their GHG emissions through the operations that we finance, referred to as Scope 3 financed emissions.

We have already delivered c.31% reduction in our GHG intensity in the period 2019 to 2022, per full time employee. In line with the NZBA requirement, FAB's next step in its net-zero journey is to plan for its commitment and set targets to reduce financed emissions for three priority sectors: oil & gas (O&G), power generation and aviation. These sectors account for c. 80% of our global GHG emissions. To achieve our targets across all three sectors and to support the region's climate and growth ambitions, we will cascade our targets internally, and update our governance, frameworks and business strategy, in line with our commitments.

Our net-zero journey will continue to identify other sectors to expand the scope of our engagement. The methodology will be reviewed regularly and adjusted in case of any changing best practices and requirements. Finally, we will disclose updates (annually) to provide our stakeholders with transparency on our progress towards the targets.

Links and references

Statement on modern slavery

Investor presentation March 2023
- How ESG ties into FAB's group strategy on page 14
- FAB is committed to the country’s sustainability agenda can be found on page 18
- Roadmap for FAB to become Net Zero is presented on page 20

Sustainable Finance Report 2022
- Illustration of SDG contribution in our sustainable finance activities can be found on page 11-15

UAE gender balance pledge
We are committed to the growth and prosperity of the UAE. Supporting the UAE's sustainability objectives – included in the UAE Vision 2021, the UAE Green Agenda 2015-2030, and the Abu Dhabi Economic Vision 2030 – is a priority for us and connects to our core purpose of creating shared value for our stakeholders. FAB is also represented on national sustainability committees and task forces, and we are a signatory to the Abu Dhabi Sustainable Finance Declaration to support sustainable financing for economic development. FAB demonstrates its commitment to voluntarily disclose its ESG performance in alignment with ADX ESG guidelines and the recommendations of the sustainable Stock Exchanges.

FAB is committed to implement the recommendations of the TCFD. In 2019, we joined forces with 92 other financial institutions from around the globe and were the first financial institution within the MENA region to make this commitment. In 2023 FAB will produce its first TCFD reporting.

FAB's commitment to the Equator Principles provides the basis for the bank to further define its ESG frameworks when engaging with clients, and to adopt international best practice in social and environmental risk evaluation.

The GIP is a set of principles for greening investment in the Belt and Road. The GIP aim to enhance the sustainability of the infrastructure and economic development of the BRI countries. FAB is a signatory for the GIP for the BRI, we report annually on our progress towards integrating these principles.

FAB is committed to eradicating modern slavery from its operations and supply chain. It is important to us that our corporate values are upheld across our supply chain and that our ethics are not compromised at any point in our business operation. To this end, we have aligned our strategies and operations with the United Nations Global Compact (UNGC) and the UNGC’s 10 Principles encompassing human rights, labour, the environment and anti-corruption, and the UN Sustainability Development Goals (SDGs), as well as UN Resolution 55/15 November 2000 – Prevention of Human Trafficking Act (1 March 2015) and UN TIP Protocol. The use of involuntary labour and human trafficking in any form is strictly prohibited in our direct business and supply chain. This prohibition is explicitly stipulated in our Modern Slavery Policy and our Vendor Code of Conduct.

In December 2022 FAB signed the UAE Gender Balance pledge, which is a federal entity responsible for developing and implementing the gender balance agenda in the United Arab Emirates. The objective of the Gender Balance Council is to advance gender equality in the UAE's workplace by focusing efforts on increasing the representation of women in leadership roles to ensure their full and effective participation at the highest levels of decision-making. FAB is committed to an inclusive culture and joining the Pledge to Accelerate Gender Balance is another initiative on this journey.
Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- [ ] UN Guiding Principles on Business and Human Rights
- [x] UN Global Compact
- [x] Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD, Equator principle's, NZBA, Abu Dhabi Securities (ADX) ESG Guide for listed companies, The Green Investment Principles (PIB) for the Belt and Road Initiative (BRI) and Abu Dhabi Sustainable Finance Declaration
- [ ] International Labour Organisation fundamental conventions
- [ ] UN Declaration on the Rights of Indigenous Peoples
- [x] Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Modern Slavery Act 2015, UAE gender balance pledge
- [ ] None of the above

Response

Please find links and references to the frameworks and sustainability regulatory reporting that we follow to the right. Abu Dhabi Securities Exchange (ADX) is a market for trading securities, including shares issued by public joint stock companies, bonds issued by governments or corporations, exchange traded funds, and any other financial instruments approved by the UAE Securities and Commodities Authority (SCA). FAB is committed to disclose its ESG performance in alignment with ADX ESG guidelines and the recommendations of the sustainable stock exchanges.

Links and references

- ESG report 2021
  - Information about our commitment to UN Global Compact can be found on page 11
  - Our commitment to Modern Slavery is described on page 38
  - TCFD commitment represented on page 9, 10, 20 & 25
- FAB Climate Position Statement
- UAE Green Agenda
- Abu Dhabi Sustainable Finance Declaration
- FAB Modern Slavery Statement
**Response**

FAB is committed to eradicating modern slavery from its operations and supply chain. It is important to us that our corporate values are upheld across our supply chain and that our ethics are not compromised at any point in our business operation. To this end, we have aligned our strategies and operations with the United Nations Global Compact (UNGC) and the UNGC’s 10 Principles encompassing human rights, labour, the environment and anti-corruption, and the UN Sustainability Development Goals (SDGs), as well as UN Resolution 55/15 November 2000 – Prevention of Human Trafficking Act (1 March 2015) and UN TIP Protocol. The use of involuntary labour and human trafficking in any form is strictly prohibited in our direct business and supply chain. This prohibition is explicitly stipulated in our Modern Slavery Policy and our Vendor Code of Conduct.

The objective of the Gender Balance Council is to advance gender equality in the UAE’s workplace by focusing efforts on increasing the representation of women in leadership roles to ensure their full and effective participation at the highest levels of decision-making. It also includes the review of compensation practices, equitable hiring practices and realising ambitions through enhanced policies and programmes. We currently have 23% women in our Executive Management team, and 40% women in middle and senior management roles combined. However, to drive sustainable change, we also review and refresh our policies – most recently providing our employees with flexible working. FAB is committed to an inclusive culture and joining the Pledge to Accelerate Gender Balance is another initiative on this journey.

**Links and references**

- Equator Principle Reporting 2021
- General Assembly reporting
- ADX report 2022
- FAB Modern Slavery Statement
Principle 2 – Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1. Impact analysis (Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

2.1.1. Scope

What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

Scope

- FAB has used UNEPFI’s portfolio impact analysis module (Context module and Institutional Banking identification module) on its lending (Non-retail book) and investments portfolio (accounting classification AFS and HTM) to identify major impact areas. Retail portfolio has been excluded as it accounts for only 16% of FAB’s total lending and remaining 84% is towards Non-retail portfolio.

- Key geographies (UAE, KSA, other GCC, USA, UK, SG, India) covering more than 85% of FAB total exposure have been considered in context module and these exposures account for a significant majority of FAB’s total income.

- Detailed analysis to identify positive and negative impacts associated with Bank’s activity was carried out using Institutional Banking module for following five countries (UAE, KSA, UK, USA, India) as they account for more than 85% of loans and advances.

- Outcomes of the UNEPFI’s context module tool can be found in the appendix.

Links and references

- Partnership for Carbon Accounting Financials (PCAF)
- FAB’s pathway to Net Zero
- FAB Consolidated Financial Statement

¹That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

²Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
**Response**

- Impact analysis context module output shows that climate stability is an area of focus across all the geographies and has a large potential for impact.

- Climate stability was prioritised for an in-depth analysis. Accordingly, FAB undertook an extensive analysis to understand its baseline emissions covering scope, scope2 and scope3. FAB has used PCAF prescribed industry standard methodology to identify high emitting sectors in its lending and investments portfolio. Exposures to all geographies and sectors were considered in the analysis, FAB's Non-retail portfolio was prioritized as it accounts for 84% of lending done by the group. No exclusions were made based on industry of operation and geography.

- High emitting sectors in FAB's portfolio include Oil & gas, Power, Aviation, Cement, Aluminium, Iron and Steel, Transportation, Manufacturing, Agriculture, Real Estate and construction, Other mining & metal and Public sector.
Response

- Asset classes considered:
  - Corporate loans and advances
  - Long-term investments

- FAB's retail portfolio, trade finance, off-balance sheet items and contingent products were out of scope as emission accounting methodologies for these asset classes are not well developed. We might want to consider them in future when methodologies evolve and mature.

- Below table provides distribution of FAB's loans and investments portfolio across geography and business segment

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Corporate Banking</th>
<th>Retail Banking</th>
<th>Investments (AFS and HTM securities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>62%</td>
<td>12%</td>
<td>26%</td>
</tr>
<tr>
<td>ROW</td>
<td>30%</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

| UAE | 70% | 95% | 30% |
| ROW | 30% | 5%  | 70% |

Links and references
2.1.2. Portfolio composition
Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries\(^3\) for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

Response

- FAB’s non-retail and investment portfolio accounted for 88% of exposure in the baseline period Dec’22 and was considered in scope for the impact assessment. Retail portfolio was out of scope as it accounted for just remaining 12% of FAB’s lending and investing

- No exclusions were made based on geography and industry of operation, however, exposures in high-risk sectors were prioritized as they account for a significant portion of emission. As of Dec, ’21(baseline year) under 20% of our exposures comprising of financing to oil & gas, aviation, and power, contributed to over 80% of FAB’s financed emissions.

- The main industry sectors that FAB lends and invest across our business and geographical markets are real estate and construction (20%), FI’s (10%), government (31%), energy (8%), transportation and communication (8%), services (6%), trading (5%), manufacturing (5%), a total of ~93%. The remaining ~8% is spread across several sectors, all individually representing less than 5%.

- UAE exposures accounted for approximately 70% of FAB’s non-retail lending, followed by KSA (5.5%), UK, USA and VG (11%) and relatively small exposures in other parts of GCC and the world.

- Investments with accounting classification Held till Maturity (HTM), Available for Sale (AFS) accounted for 76% of investment and were considered in scope, whereas as investments in trading book with accounting classification Held for Trading (HFT) accounted for 24% of exposure and was considered out of scope.

\(^3\) ‘Key sectors’ relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.
Response

Business Units

<table>
<thead>
<tr>
<th>Corporate Banking</th>
<th>Retail Banking</th>
<th>Investments (AFS and HTM securities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62%</td>
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<td>ROW</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>95%</td>
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<td></td>
<td>ROW</td>
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<td></td>
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<td>5%</td>
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<td>26%</td>
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<td></td>
<td></td>
<td>UAE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ROW</td>
</tr>
</tbody>
</table>

Investment distribution across countries %

Sector distribution exposure (inv + lending)
2.1.3. Context
What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank’s portfolio impacts into the context of society’s needs.

Response
FAB is the UAE's largest bank with the majority of its exposure located in the GCC region. The bank has a considerable amount of lending to energy sector based on fossil fuel. This is both a challenge and an opportunity for FAB, as it means we can play a significant role in our client’s transition to low emission technology and help them in transition to cleaner and more sustainable solutions.

A significant portion of our energy sector clients in UAE have net zero targets and are committed to transition to greener and more sustainable technologies. We see this as a great opportunity, we have started to engage with our clients and relevant stakeholders in discussions around sustainability and in the context of our and their targets. Our business levers and net zero strategies are further detailed in our net zero roadmap.

Our exposures in emerging market countries are low and are mostly towards Oil & gas and iron & steel, cement sector which are emission intensive and will be prioritised in next phase of calculation and target setting. We believe it will be easier for FAB to decarbonise its portfolio in high emitting low exposure sectors outside UAE region.

Data quality of client's emission, financial and production disclosure in GCC region is relatively weak and this has been a major limitation for our analysis. Client financials, emissions or production data was collected through publicly disclosed information, our internal data or third-party data providers (e.g. Capital IQ, Refinitiv, Wood Mackenzie, Ciriun, Trucost and more). Although we applied the PCAF methodology using the best data available, it is still subject to limitations:

- Our measurement depends on data availability at the client level.
- Methodology to calculate emissions might differ from one client to another.
- Client emissions data is generally not audited.

We understand our assessment as an evolving process. In that context, we expect data quality to improve in the coming years as more clients disclose their emissions data, financial and production data become more available in the emerging markets and third-party data aggregators improve their coverage of climate topics. As such we will re-calculate our emissions if client disclosures make data available which materially changes the results of our calculations.

Links and references
FAB's pathway to Net Zero
### 2.1.4. Summary of the first three steps

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

#### Response

UNEPFI's Institutional banking identification module has been used to identify major positive and negative impact areas in countries of relevance and exposure. Our assessment shows that ‘climate stability’ and ‘circularity’ are negative impact area in the country of our relevance whereas ‘Availability, accessibility, affordability, quality of resources & services’, ‘livelihood’ and ‘infrastructure’ are positive impact areas in most of the countries.

1. **United Arab Emirates**
   - In the United Arab Emirates we have identified availability, accessibility, affordability, quality of resources & services and livelihood as the most positive impact areas. Whereas circularity, health safety and livelihood represents the most negative impact areas.

2. **United States of America**
   - In the United States of America we have identified availability, accessibility, affordability, quality of resources & services, infrastructure and livelihood as the most positive impact areas. Whereas circularity, health & safety, climate stability, and livelihood represents the most negative impact areas.

3. **United Kingdom**
   - For the United Kingdom we have identified availability, accessibility, affordability, quality of resources & services, health & safety and livelihood as the most positive impact areas. Whereas circularity, health & safety and livelihood represents the most negative impact areas.

#### Links and references

- FAB's pathway to Net Zero
- FAB's approach to Sustainable Finance
## Response

|-------------|-------------|-------------|-------------|-------------|-------------|

### 4. Saudi Arabia
In Saudi Arabia we have identified availability, accessibility, affordability, quality of resources & services, and livelihood as the most positive impact areas, moreover Healthy Economies is a close follow up. For the most negative impact areas we have identified circularity, health & safety and livelihood to be present.

### 5. India
For India we have identified availability, accessibility, affordability, quality of resources & services, infrastructure and livelihood as the most positive impact areas. Whereas circularity, health & safety and livelihood to be present.
“Climate stability” stood out as the most relevant area for FAB to address as these are classified as impact areas across countries in our portfolio.

Climate stability was prioritised for an in-depth analysis as we recognise climate risks as a major threat to our existence, it is irreversible in nature and it is very material in terms of its impact on economy and on our portfolio. FAB's most emitting exposures are based in UAE which is committed to decarbonisation with 2050 Net zero target. Most of related companies also have decarbonisation targets which is a big positive for FAB as their transition to cleaner technologies will be easier. At the same time, this can potentially be a challenge as decarbonisation levers for two of our high-risk sectors oil & gas and aviation are not yet commercially available.

**Targets**

**Climate Change**

- Net zero: FAB has selected climate change as its first impact area and has assessed its financed carbon emissions to form basis for target setting. Intermediate emission reduction targets to three priority sectors can be referred to in our net zero disclosure report.

- Sustainable Finance: FAB has set 2030 sustainable financing target of 75Bn $ under its sustainable financing programme. This is governed by FAB's sustainable finance framework (SFF) developed in 2022.

**Diversity and Inclusion**

- FAB recognise the importance of gender diversity and has set 2025 gender diversity target with an aim to have more than 30% women representation in senior leadership.
### 2.1.5. Performance measurement *(min. two prioritised impact areas)*

Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

<table>
<thead>
<tr>
<th><strong>Response</strong></th>
<th><strong>Links and references</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>In line with the governance structure described in Principle 5.1, the results of the Impact analysis were discussed with and approved by the FAB's Board Risk and Compliance Committee.</td>
<td><strong>FAB's pathway to Net Zero</strong></td>
</tr>
<tr>
<td>Targets were set under two broad themes described below:</td>
<td><strong>FAB's approach to Sustainable Finance</strong></td>
</tr>
<tr>
<td><strong>1. Climate change</strong></td>
<td></td>
</tr>
<tr>
<td><strong>1.1. Net Zero</strong></td>
<td></td>
</tr>
</tbody>
</table>

The 2015 Paris Agreement set a goal to limit global warming to 1.5°C above pre-industrial levels to tackle climate change and its negative impacts. In order to achieve this target, we collectively need to deliver a net-zero economy by 2050. This can only be achieved through global decarbonisation so that greenhouse gas (GHG) emissions resulting from human activity are close to zero, and remaining GHG emissions are removed from the atmosphere. By announcing the Net Zero 2050 strategic initiative, the UAE became the first country in the Middle East to declare its commitment to full decarbonisation. To support the UAE’s transition and consequent growth ambition, FAB joined the Net-Zero Banking Alliance (NZBA) in October 2021.

In addition, we committed to the Partnership for Carbon Accounting Financials (PCAF) in January 2022, indicating that we will assess and disclose the GHG emissions of our financial portfolio. As one of the leading banks in the region, we believe that engaging with and supporting our clients in their transition will contribute significantly to the Middle East’s net-zero goals.
### Response

Along with reducing our carbon footprint, it is our responsibility to support our clients in reducing their GHG emissions through the operations that we finance, referred to as Scope 3 financed emissions. We have already delivered c.31% reduction in our GHG intensity in the period 2019 to 2022, per full time employee. In line with the NZBA requirement, FAB’s next step in its net-zero journey is to plan for its commitment and set targets to reduce financed emissions for three priority sectors: oil & gas (O&G), power generation and aviation. These sectors account for c. 80% of our global GHG emission.

Identifying three priority sectors and setting 2030 reduction targets was a first step to achieve net-zero, FAB has:

- Based its methodology on best practice and guidelines, such as from the PCAF and NZBA.
- Relied on recognised third-party data providers (e.g. Capital IQ, Refinitiv, Wood Mackenzie, Cirium, Trucost and more).
- Drawn upon the Boston Consulting Group’s (BCG) climate and sustainability expertise, as well as their industrial sector & statistical capabilities.

Each sector has been analysed individually while considering the specificities of both the sector and the region. We also aim to continuously evolve our approach as guidelines, data availability and quality improve.

Following the PCAF standard, we have calculated our financed emissions across the three sectors, accounting for scope 1 and scope 2 emissions, and scope 3 for the relevant O&G actors. Given the availability of production data for most of our key clients, we have calculated our portfolio production intensity at a sector level. Cross-checks and quality control checks were implemented throughout our process to ensure the quality of the data collected and the consistency of the results obtained.

FAB’s lending portfolio is wholesale focused with approximately 86% financing towards wholesale portfolio and just 14% of exposure towards retail loans. Out of total credit exposure to non-retail portfolio approximately 17% of exposure was towards oil & gas, power and aviation.

Although our exposure to heavy-emitting sectors is limited, these sectors represent the vast majority (~80%) of our total financed emissions. These sectors have been prioritized for target setting and clean energy transitioning. Among the remaining portfolio, significantly high emitting sectors are cement, aluminum, iron & steel which collectively along with oil & gas power and aviation accounts for more than 90% of financed emissions.

### Links and references

- Based its methodology on best practice and guidelines, such as from the PCAF and NZBA.
- Relied on recognised third-party data providers (e.g. Capital IQ, Refinitiv, Wood Mackenzie, Cirium, Trucost and more).
- Drawn upon the Boston Consulting Group’s (BCG) climate and sustainability expertise, as well as their industrial sector & statistical capabilities.
Oil & Gas:
We calculated the scope 1 and 2 emissions of all segments of the value chain and added scope 3 emissions for upstream and refineries. In line with IEA’s NZE trajectory, we have set a target to reduce our oil and gas sector emissions intensity by 7% to 15% across all three scopes by 2030.

Three main initiatives that will support this target:
- Support our clients in increasing operational efficiency (e.g. minimise flaring and reduce methane emissions).
- Finance hydrogen and ammonia projects
- Leverage carbon capture utilisation and storage (CCUS) technologies.

We acknowledge that achieving our targets is also subject to external dependencies, such as technological advances and the successful execution of our clients’ carbon mitigation strategies.

Power:
In line with IEA’s NZE scenario, we are committed to a carbon intensity target for financed power generation activities that involves a 64% reduction in scope 1 and 2 production intensity by 2030.

Three main initiatives that will support this target:
- Engage with our clients to support their transition
- Finance clean energy technologies such as solar, wind and green hydrogen
- Phase out coal activities

While we will make every effort to reach the target, we acknowledge that our success will be subject to technological advances and the execution of our clients’ commitments.

Aviation:
For our baseline, we have included scope 1 and scope 2 emissions from airline operators and scope 3 from lessors1 to which we provide aircraft and general financing. Informed by IEA’s NZE scenario for aviation, our target for aviation is a 15% reduction in financed production intensity by 2030, based on our 2019 baseline. This will position our portfolio below IEA’s NZE pathway by 2030.
Response

Two main initiatives that will support this target:
• Finance fleet renewal with funds focused on efficient and next-generation aircraft
• Support the widespread adoption of sustainable aviation fuels (SAF)

Once again, our success in reaching our target will depend on the pace at which more efficient aircraft and sustainable fuels are developed at scale, as well as the ability of our clients to achieve their own goals.

Our sector scope is aligned with the list of priority sectors included in the Science Based Targets initiative, the Net Zero Banking Alliance (NZBA) and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI. IEA NZE scenarios were used for setting 2030 target which is 1.5 degree aligned.

FAB’s aim is to be a sustainable financial institution model in the Middle East and North Africa (MENA) region and to continue being recognised as a leader in sustainable finance. In pursuit of our aim of becoming a sustainable financial institution and in support of the bank’s net zero commitments, we are in addition to the above net zero target, also developing a 2030 net zero roadmap for our operational emissions. This work represents an extension of FAB’s efforts throughout the years to improve energy efficiency and the reduction of energy consumption.

Table 2 – FAB’s Emissions reduction against baseline year of 2019

<table>
<thead>
<tr>
<th>GHO emissions (tCO₂e)</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>% reduction (vs 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>9,092</td>
<td>631</td>
<td>2,618</td>
<td>3,489</td>
<td>-62%</td>
</tr>
<tr>
<td>Scope 2*</td>
<td>28,538</td>
<td>28,797</td>
<td>28,433</td>
<td>32,807</td>
<td>15%*</td>
</tr>
<tr>
<td>Scope 3 (excluding category 15, financed emissions)**</td>
<td>7,501</td>
<td>3,515</td>
<td>4,827</td>
<td>2,508</td>
<td>-67%</td>
</tr>
<tr>
<td>**Total emissions</td>
<td>45,231</td>
<td>32,943</td>
<td>35,878</td>
<td>38,804</td>
<td>-14%</td>
</tr>
<tr>
<td>**Total FTEs</td>
<td>5,451</td>
<td>5,054</td>
<td>5,078</td>
<td>6,765</td>
<td></td>
</tr>
<tr>
<td>Intensity per FTE</td>
<td>8.30</td>
<td>6.52</td>
<td>7.07</td>
<td>5.74</td>
<td>-31%</td>
</tr>
</tbody>
</table>
In the future we will also set specific targets for our financed emissions (scope 3 category 15) at group level, covering all geographies in which we operate.

1.2. Sustainable Finance

With the launch of FAB’s 2021 Strategy, FAB has committed to lend, invest, and facilitate business of USD 75 billion from 2022 until 2030 to activities focused on environmental and socially responsible solutions. During the first half 2022, FAB updated its Sustainable Finance Framework (SFF) to accelerate its positive impact and to proactively engage with clients on emerging sustainability opportunities. The updates will also enable our customers to transition to cleaner technologies and help us achieve our net zero targets, thus mitigating the impact of transition risk in our financing and investment portfolio. FAB received a Second Party Opinion by ISS, which confirmed FAB’s SFF alignment with The International Capital Market Association (ICMA) and Loan Market Association’s (LMA) sustainable/green/social financial instrument principles and level of contribution to international ESG benchmarks. ISS has rated FAB’s eligibility criteria as Positive, with a predominant significant contribution.

FAB continues to lead the way in Sustainability regionally being the first bank in the GCC to issue the 1st Green Bond in 2017. Since then, we have led the first Green Loan, first Transition Sukuk, first SDG Loan, and first Vaccine Sukuk in the region and has emerged as a trusted ESG advisor and delivered a successful year in Sustainable Financing in 2022. In 2022 alone, FAB advised on structured and led sustainable finance transactions worth a total of USD 9.1Bn (12% of FAB’s 2030 target of USD 75 bn), several of which were landmark deals, demonstrating FAB’s specialism and expertise in structuring and advising on Sustainable Finance solutions. FAB closed several partnerships to support its clients ESG journey, such as the partnership with Coriolis Technologies to provide sustainable supply chain solutions for clients. The engagement will further enhance FAB’s sustainability strategy by leveraging Coriolis’ sustainability related data analytics and sustainability rating.

Other key sustainable finance updates in regards to our 2022 performance:
- Overall, FAB has issued 14 Green Bonds with a total amount of USD 2,847,663,050
- FAB’s current outstanding Green Bond balance is USD 2,260,663,050
- The first Green Bond issued in the MENA region in 2017, reached maturity in 2022
  (For more details refer to the Sustainable Finance report here)
- Launched a Sustainable Supply Chain financing product (For more details refer to this link here)
- Launched a Sustainable Current and Saving Account (CASA) for corporate customers
  (For more details refer to this link here)
- Launched Green Car loans (Tesla – link) and Green Home loans (Link)
Response

2. Diversity and inclusion

D&I is a key driver for First Abu Dhabi Bank. As a bank we are proud of our diverse workforce. We have 6765 employees, representing 80 nationalities of which, 41% are female. True inclusion for First Abu Dhabi Bank also means the elimination of barriers to financial services, specifically for underbanked segments consisting of people with disabilities, lower income segments, the elderly, youth and even women. This has been committed to in our reporting and external communication. We firmly believe that a diverse and inclusive workforce drives innovation, engages employees, boosts job satisfaction, increases productivity, and fulfills our ethical responsibilities both for our employees and our customers. Our employment code of conduct ensures equal consideration for employment opportunities irrespective of gender, age, race, disability, religion, or marital status. Our policies, including the Employee Code of Conduct, Directors Code of Conduct, and Anti-Bullying and Harassment Policy, are grounded in our commitment to D&I. This is mandatory training for all employees, including senior management.

In Q4 2022, FAB's executive committee prioritised 3 pillars of D&I – Nationalization, Gender Balance and People of Determination.

1. Nationalisation:
Our commitment to fostering local talent in the banking sector offers meaningful opportunities, ensuring the creation of qualified, skilled, and competent industry leaders of tomorrow.

2. Gender Balance:
We are continuing to shine light on matters of gender balance and approaching our policies with a lens on equality and equity wherever necessary. To further strengthen its commitment, FAB has taken a pledge of Gender Equality with the UAE's Gender Balance Council in December 2022. FAB has also enhanced its leave and flexible working policies, making it the strongest offering across the region when compared to peers.

3. People of Determination:
Moreover, FAB is also focused on creating a more inclusive working environment and is embarking on a journey to ensure the employment of people with disabilities. FAB strengthened its commitment in this space by joining the Inclusive Employment Ecosystem from The Butterfly Group, an advocacy services organisation that was an incubator of Ma'an, the Social Authority of Abu Dhabi.
**Response**

Other initiatives:

- **Payit Wallet**: With Financial Inclusion at the forefront, FAB's Payit Wallet is also the most widely used digital wallet for UAE's lower-income segment with special education provided to this segment of workers. The Wallet will soon be expanded to other segments like non-earning family members, with a focus on youth.

- **Khalifa Fund**: Continued support for the Government of Abu Dhabi's Khalifa Fund for Enterprise Development, through the provision of 3-5 year secured loan to support the entrepreneurial ventures of small business owners. FAB currently manages 50% of the Khalifa Fund Portfolio and plans to increase its size by 8-10% annually.

- **Social Aid Distribution Card**: The establishment of the first digital platform by the Abu Dhabi Social Authority; we were able to expand Social Aid payments to low-income families in the UAE through a prepaid card issued by FAB.

- **She’s Next**: In 2022, FAB ran the She’s Next competition with Visa and Dubai Businesswomen’s Council. This was a pioneering advocacy initiative designed to economically empower local female entrepreneurs and help them to grow and develop their businesses.
Climate change is a big concern globally, which is estimated to result in vast costs. From rising sea levels and greater storm surges financial risks today are very much tied into the risk arising from climate change. Mitigating the effects of climate change is becoming both an environmental and economic concern, exposing businesses to significant financial and non-financial risks. Banks are no exception, and must act on two fronts, by managing their own financial exposures and by financing the green agenda, which will be critical to mitigate the impact of global warming.

At First Abu Dhabi Bank (FAB) we recognise the seriousness of the environmental pressures facing this planet and its people. We have also long acknowledged the significant risks that climate change can pose to human health, built environments and the disruptive impact on economies and livelihoods. Ultimately, we understand that an urgent global response is required to ensure greenhouse gas emissions are cut significantly so that the world can reach net-zero by 2050.

As a leading regional bank, we believe we have a responsibility to drive impactful developments in climate action for our employees, clients, and in the markets where we operate. This will be achieved through recognising the opportunities climate action creates for economic diversification, lasting prosperity, and social development.

You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.
Diversity and Inclusion will continue to remain an area of focus for FAB. We are currently strengthening gender equality inclusive employment to create a workplace that promotes employee wellbeing and fosters innovation and growth.

We are committed to continually enhancing our due diligence on Human Rights violations across our value chain – including vendors, clients, customers and employees.

### How recent is the data used for and disclosed in the impact analysis?

- [x] Up to 18 months prior to publication
- [ ] Up to 12 months prior to publication
- [ ] Up to 6 months prior to publication
- [ ] Longer than 18 months prior to publication

*Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)*

### Response

1. **Emissions Data**: Number of companies disclosing their emission is less and the quality of emission data is relatively weak, we expect to see some enhancements in our emission accounting as data quality improves over coming years.

2. **Financial Data**: In a few instances, we have used regressions to estimate the EVIC of clients. These regressions related the enterprise value of other peers (both regional and international O&G players) to their respective production outputs.

3. **Regional pathways**: We have used IEA NZE scenarios which are 1.5 degrees aligned. However, these pathways do not have regional granularity and so we may have to revisit our targets as regional pathways develop and finalise over coming years

### Links and references

- FAB’s pathway to Net Zero
4. **Double counting:** We have tried to minimise double counting by considering only specific value chains in respective sector definition. For example, for power we have considered only power generation for target setting as upstream raw material extraction will be covered in oil & gas and metal and mining sector. Similarly for oil & gas our targets are set on upstream, downstream and consumption. However, we acknowledge that double counting cannot be fully avoided.

## 2.2. Target setting (Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets’ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

### 2.2.1. Alignment

Which international, regional or national policy frameworks to align your bank’s portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

<table>
<thead>
<tr>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our climate target-setting has taken the following aspects into consideration:</td>
</tr>
<tr>
<td>• The overall objectives of the Paris Agreement to go Net-Zero by 2050 with interim 2030 decarbonisation targets.</td>
</tr>
<tr>
<td>• UAE’s vision of net zero and county decarbonisation trajectory for respective industry sectors.</td>
</tr>
<tr>
<td>• Best practices based on leading industry associations and scientific research such as the Partnership for Carbon Accounting Financials (PCAF) standards, Net Zero Banking Alliance (NZBA) and IEA guidance on sectoral decarbonisation targets.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAB’s pathway to Net Zero</td>
</tr>
</tbody>
</table>
Despite rigorous efforts that are under way to decarbonise priority sector, our targets are subject to external dependencies:

Technological advances:

- The time needed for availability and commercialisation of most promising technologies (e.g., hydrogen or CCUS) is uncertain and may affect the pace of the net-zero journey.

- Although already available, SAF is not yet produced on a scale large enough to make it commercially viable. We will foster the increased supply of SAF through our joint efforts with our Oil and Gas clients in the region, while also encouraging our aviation clients to adopt it.

We are aligned to the follow international frameworks for our climate target and Net zero journey:

- Partnership for Carbon Accounting Financials (PCAF)
- The Net Zero Banking Alliance
- The Carbon Disclosure Project
- Task Force for Climate-related Financial Disclosures
- The Principles of Responsible Banking
### 2.2.2. Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<table>
<thead>
<tr>
<th>Code</th>
<th>Indicator</th>
<th>Response options &amp; metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1.1</td>
<td>Climate strategy: Does your bank have a climate strategy in place?</td>
<td>Yes: FAB has joined Net Zero Banking Alliance (NZBA) and is committed to go Net Zero by 2050</td>
</tr>
<tr>
<td>A.1.2</td>
<td>Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?</td>
<td>In progress: FAB has disclosed interim 2030 targets for 3 priority sectors Oil &amp; Gas, Power and Aviation and will disclose targets for remaining portfolio by September 2024. IEA NZE scenarios were used for target setting in priority sectors. Baseline year for Oil&amp;Gas, Power is Dec’21 and for Aviation it is Dec’19.</td>
</tr>
<tr>
<td>A.1.3</td>
<td>Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients’ activities and business model?</td>
<td>In progress: We engage with major key clients in respective sectors sectors (oil &amp; gas power and aviation) to understand their decarbonisation journey and to provide them support in transition to cleaner technologies.</td>
</tr>
</tbody>
</table>

**FAB's pathway to Net Zero**
Response

A.1.4 Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?

Yes: FAB has analysed its loans and long-term investments portfolio in detail for 3 sectors and is undergoing a similar assessment for its remaining portfolio.

A.1.5 Business opportunities and financial products: Has your bank developed financial products tailored to support clients’ and customers’ reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitizations etc.)?

Yes: FAB has undertaken 2030 sustainable financing and facilitation target of 75 Bn $ to help its clients transition to cleaner technologies.

2. Output indicators

<table>
<thead>
<tr>
<th>Code</th>
<th>Indicator</th>
<th>Response options &amp; metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.2.1</td>
<td>Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?</td>
<td>Yes: FAB engages with its major clients in respective sectors (oil &amp; gas, power, and aviation) to understand their decarbonisation journey and them provide support wherever needed.</td>
</tr>
<tr>
<td>A.2.2</td>
<td>Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?</td>
<td>Absolute emissions will be disclosed later as we complete assessment of our whole lending and investing portfolio. Our sector intensities are disclosed in FAB’s Net Zero report</td>
</tr>
<tr>
<td>A.2.3</td>
<td>Sector-specific emission intensity (per clients’ physical outputs or per financial performance): What is the emission intensity within the relevant sector?</td>
<td>Power: gCO2/KWH Oil &amp; Gas: tCO2/EJ Aviation: gCO2/pkm</td>
</tr>
</tbody>
</table>
### A.2.4 Proportion of financed emissions covered by a decarbonisation target:

What proportion of your bank's financed emissions is covered by a decarbonisation target, i.e. stem from clients with a transition plan in place?

Under review

### A.3.1 Financial volume of green assets/low-carbon technologies:

How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?

3.2 Bn$ of sustainable financing was on our balance sheet as of Dec'22

### A.3.2 Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:

How much does your bank lend to / invest in carbon-intensive sectors and activities\(^1\)? How much does your bank invest in transition finance\(^2\)?

Approximately 16% of total loans and advances is towards high ESG risk sectors as of Dec'22

### A.4.1 Reduction of GHG emissions:

How much have the GHG emissions financed been reduced?

Under review

### A.4.2 Portfolio alignment:

How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?

Under review
**Climate change**

We have set Net Zero targets for priority sectors (oil and gas, power, and aviation) covering loans & investments based on analysis of our loan exposure, investments, our total financed emissions, customer analysis, and the quality of GHG emission data. Our definition of sector scope is aligned with SBTi’s recommendations, the Net-Zero Banking Alliance and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI. Please refer to below table for high level sector details and to our Net Zero report for further drilldown on each sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Scope</th>
<th>Scenario</th>
<th>Target Metric*</th>
<th>Baseline</th>
<th>2030 reduction target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>Scopes 1,2 &amp; 3</td>
<td>IEA NZE scenario</td>
<td>MtCO₂e per EJ</td>
<td>63 (2021)</td>
<td>-7% to -15% (53 to 59)</td>
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<tr>
<td>Power</td>
<td>Scopes 1 &amp; 2</td>
<td>IEA NZE scenario</td>
<td>gCO₂ per kWh</td>
<td>460 (2021)</td>
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</tr>
<tr>
<td>Aviation</td>
<td>Scopes 1 &amp; 2</td>
<td>IEA NZE scenario</td>
<td>gCO₂ per passenger-km</td>
<td>83 (2019)</td>
<td>-15% (7)</td>
</tr>
</tbody>
</table>

**2.2.3. SMART target (incl. key performance indicators)**

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target?
1. Climate Change

- **Net zero**: FAB has committed to be by 2050. We are also committed to achieving net zero in our own operations (scope 1 and 2) by 2030. The significant majority of our emissions come from our finance and investing activities and in 2022 we identified our highest emitting sectors. Emissions from our oil and gas, power and aviation portfolios make up around 80% of total portfolio emissions. We have set up a baseline and set targets on emissions intensities per unit of production for these three sectors. To monitor these targets, we have developed a governance framework to identify the emissions intensity impact for all new projects and financing in the oil and gas, power and aviation sectors on our progress towards our target. Portfolio emissions intensities are monitored and updated on a quarterly basis to account for changes in exposure and new clients and projects.

- **Sustainable finance**: We have committed to provide USD 75 billion in sustainable financing by 2030 to support our clients meet their net zero commitments. We developed a Sustainable Finance Framework in 2022 to lay out the criteria for identifying eligible green, social and transition projects to meet this goal. FAB financed and facilitated US$ 9.1 billion in eligible sustainable projects in 2022.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Scope</th>
<th>Scenario</th>
<th>Target Metric*</th>
<th>Baseline</th>
<th>2030 reduction target</th>
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<td>Aviation</td>
<td>Scopes 1 &amp; 2</td>
<td>IEA NZE scenario</td>
<td>gCO₂e per passenger-km</td>
<td>83 (2019)</td>
<td>-15% (71)</td>
</tr>
</tbody>
</table>
FAB recognise the importance of gender diversity and has set 2025 gender diversity target with an aim to have more than 30% women representation in senior leadership.

Response

2. Diversity and inclusion

FAB recognise the importance of gender diversity and has set 2025 gender diversity target with an aim to have more than 30% women representation in senior leadership.

% of women in senior leadership

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00%</td>
<td>0.00%</td>
<td>30%</td>
</tr>
<tr>
<td>5.00%</td>
<td>9.10%</td>
<td></td>
</tr>
<tr>
<td>10.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.2.4. Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.
Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response

1. Climate change

- **Net zero**: FAB envisions Net Zero as a collective goal shared between itself, its peers, its customers, and other major players in the global economy. We believe this goal cannot be achieved in isolation and hence we need support from our customers and peers to progress in the journey and achieve this goal.

  A significant portion of our major clients in high emitting priority sectors are committed to Net Zero which will support achieving our targets.
We have been actively engaging with our major clients to understand their needs and to provide them advisory services and financing solutions to help them achieve their respective decarbonisation targets. A separate 2030 sustainable financing target of 75Bn$ has been set to help respective clients transition to low carbon technology. We also expect our peers to share our vision and join us in our decarbonisation journey.

Within FAB, our front-line business managers in priority sectors are incorporating Net zero calculations and targets in their short and long term business strategies. Respective business units were actively engaged and familiarised with Net Zero goals during baseline estimation and target setting process. Business levers to achieve Net Zero were discussed at stretch with business heads and front-line managers to help them embed Net zero in their business planning and strategy.

We are currently finalising FAB’s Net Zero governance structure to ensure that we are aligned on our Net Zero targets, and we screen out potential deals and transactions that can take us away from the target. Portfolio alignment scores will be measured and reported internally every quarter and externally once a year.

- **Sustainable Finance:**
  Deals are assessed from ESG and sustainable financing perspective during client onboarding and existing facility renewal. Our progress towards 75 Bn$ sustainable finance target is measured and reported in internal committees on a quarterly basis.

2. **Women Leadership**

The percentage of women in senior leadership is monitored and tracked on a quarterly basis and is reported in respective ESG risk and board committees.
### 2.2.5. Self-assessment summary
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>PRB</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
<td>☐ No</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
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<tr>
<td>PRB</td>
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<td>☑ In progress</td>
<td>☐ No</td>
<td>☐ Yes</td>
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<tr>
<td>PRB</td>
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<td>☐ No</td>
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<td>PRB</td>
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<tr>
<td>PRB</td>
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<td>☐ No</td>
<td>☐ Yes</td>
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<tr>
<td>PRB</td>
<td>☐ Yes</td>
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</tr>
<tr>
<td>PRB</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
<td>☐ No</td>
<td>☐ Yes</td>
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<tr>
<td>PRB</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
<td>☐ No</td>
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</tr>
<tr>
<td>PRB</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
<td>☐ No</td>
<td>☐ Yes</td>
<td>☑ In progress</td>
<td>☐ No</td>
</tr>
</tbody>
</table>

### 2.3. Target implementation and monitoring

**For each target separately:**

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.
1. Climate Change

- **Net zero**: We are currently formalising our net zero governance structure to ensure that we are aligned on our Net Zero targets and to screen out potential deals and transactions that can take us away from the target. Portfolio alignment scores will be measured and reported internally every quarter and externally once a year.

  FAB has used PCAF prescribed industry standard methodology to identify high emitting sectors in its lending and investments portfolio. Exposures to all geographies and sectors were considered in the analysis, FAB's Non-retail portfolio was prioritized as it accounts for 84% of lending done by the group. No exclusions were made based on industry of operation and geography.

  High emitting sectors in FAB's portfolio include Oil & Gas, Power, Aviation, Cement, Aluminium, Iron and Steel, Transportation, Manufacturing, Agriculture, Real Estate and construction, other mining & metal and Public sector.

- **Sustainable Finance Target**: Deals are assessed from an ESG and sustainable financing perspective during client onboarding and facility renewals. Our progress towards 75 Bn$ sustainable finance target is measured and reported in internal committees on a quarterly basis.

2. Women in Leadership

Women percentage in senior leadership is monitored and tracked on a quarterly basis and is report it in respective ESG risk and board committees.
Principle 3 – Clients and customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☐ Yes ☑ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☑ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients’ transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

We are in the process of setting and formalizing our engagement with clients, this forms part of our ESG strategy and commitments. Throughout 2022 we have been taking the initiative to invite customers and clients with a high portfolio exposure and/or high ESG risk profile to engage with us in client meetings, to communicate our ambition, strategy and commitments, as well as engage with our customers on their sustainability practices and how this will impact them in the future.

Furthermore, we acknowledge that we as UAE largest financial institution have a significant responsibility towards our stakeholders and society in general, why we participated in COP27 and hosted a range of events throughout the year to put focus and encourage sustainable practices. Likewise, we have published a number of white papers and weekly updates to spread awareness and increase knowledge around sustainability practices and enable sustainable economic activities.

FAB's Sustainable Finance Framework has been enhanced in 2022 and it provides a basis to be able to offer a wide range of sustainable products and services to different client groups based on their needs.

Links and references

FAB weekly updates
FAB White Papers
FAB Stakeholder engagement
FAB engagements
Sustainable Finance Report 2022
- Information about the different projects can be found on page 4 and 11
Sustainable Finance Framework 2022
- Updates on the sustainable finance framework is presented on page 4 and 29

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* A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

* Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.
## Response

The Framework supports:
- Clients that are already mature in their sustainability journey and require financing for a dedicated green or social purpose.
- Clients who are just starting off their sustainability journey and require financing to transition to do their activities in a more sustainable way.
- Clients who wish to invest responsibly and trust FAB to manage this for them.

FAB offers sustainable products across all client segments, from personal banking to corporate and investment banking.

### Our ESG risk framework and policy

In our ESG Risk Policy we identify ESG Key Risk Indicators (KRIs) to measure our concentrations in high ESG risk sectors and countries. We monitor and assess these KRIs on a quarterly basis. For reference

FAB launched its new ESG Strategy in 2021 that includes the bank’s commitment to lend, invest and facilitate business of USD 75 billion by 2030 to activities focused on environmental and socially responsible solutions. Annual update on progress against target and any sustainable financing classifications based on FAB’s Sustainable Finance Framework is reported annually in FAB’s Sustainable Finance Report and ESG Report. As of 2022, the annual facilitation target was USD 8 billion and FAB achieved this target and even more by facilitating USD 9.1 billion.

FAB rolled out its inaugural ESG risk framework and policy in Jan 2022. Since the roll out, we began to assess the ESG risk level of our stakeholders in a phased manner, starting with our most material business activities and greatest exposures, which includes or Investment Banking (IBG) Group clients and vendors.

FAB ESG risk assessments are completed at an obligor and transaction level. An in-house ESG risk assessment tool is completed for obligors through a combination of inputs from third party ESG ratings and client specific ESG management approaches. Meanwhile, a transaction level assessment is also completed (E.g. negative/exclusionary list screening, ESG screening for critical activities and the Equator Principles for project financing).

Please find a summary overview of the steps followed below to assess and mitigate risks:

1. Negative screening/exclusionary and ESG screening for critical activities and countries

## Links and references

- [ESG report 2021](#) - Information about targets and achievements is included on page 3 and 5

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**FAB | Principles for Responsible Banking Reporting 2022**

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**Response**

We start with conducting negative screening to assess our customers against a list of clients, countries, and activities that are ineligible for business based on the bank’s strategic ESG preference, values, and local requirements. Our exclusionary lists include the following examples, to name a few:

- Financing of tobacco and alcohol manufacturers (we also included thermal coal mining and power in 2023)
- Obligors classified with a severe ESG risk under the ESG risk assessment tool and approved by the relevant committees
- Companies or governments that fail to meet internationally accepted ESG norms (e.g., UN GC, UNESCO, Critical natural habitat areas etc.)

In addition to the negative screening, we also apply different approaches in conducting business with certain sectors of heightened sensitivity to ESG risks, in which we call ‘ESG critical activities’ (e.g., palm oil industries, waste incineration without energy capturing, hazardous substances), which are not particularly considered within the exclusionary list, but have the potential to negatively impact the bank.

In such cases, we would apply certain conditions to limit our exposure to critical activities (e.g., revenues generated from critical activities are not more than 25% of the counterparties total revenue, ESG risk mitigation measures are in place with a clear action plan and ESG monitoring KPIs, etc.).

2. **ESG risk assessment to assign an ESG risk score for the bank’s counterparties**

FAB’s counterparties are assessed through a standalone ESG risk assessment tool available on the SharePoint, developed by FAB, to help provide an ESG risk ratings to IBG clients and vendors. The tool combines qualitative inputs from internal ESG risk management questionnaires along with a quantitative data from ESG rating agencies to grade portfolios under ‘Acceptable’, ‘High’ and ‘Severe’ ESG risk level. Further, strategies and escalations are designed around clients and vendors that pose a ‘High’ and ‘Severe’ ESG risk ratings in line with the Group ESG Risk Policy as presented in the below figure.

For ‘Severe’ ESG risk client cases, we escalate them to the credit committee to take a call on whether endorse for exit or to rule an overriding decision to keep them subject to stringent ESG risk mitigation measures. For vendors, those are escalated to a different higher operational and fraud committee.
3. ESG risk mitigation plan set for clients and vendors with ESG risk exposures.

FAB adopts measures and controls to mitigate the identified ESG risks for the most ESG risky counterparties. This is achieved by prompting front liners (e.g. RMs) to develop an ESG risk mitigation action plan for the most ESG risky counterparties to assist in reducing ESG risk exposures and to support them transition towards sustainable business practices.

3.2. Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).
Response

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

The Sustainable Finance Report is published annually to report on the values of the different product offerings:

- Dedicated purpose finance, where the proceeds are channelled towards a project that meet the eligibility criteria of green or social categories as per ICMA Green/Social Bond Principles: We have issued 4 green bonds in 2022 in a value of USD 1.5bn to the existing 9 and we are financing projects with renewable energy, energy efficiency, sustainable water management, food security and green building agendas.

- General purpose finance: we have a steady growth in providing sustainability-linked loans following Loan Market Association’s (LMA) Sustainability-Linked Loan Principles (SLLP). This product helps incentivising our client’s commitment to sustainability.

- In 2022, we launched many new products, like Sustainable CASA to allow corporate clients to embed sustainability into their cash management, green car loan in cooperation with Tesla and sustainable supply chain finance that enables clients to gain visibility across their supply chain, assign a sustainability rating for each individual supplier, and contribute to their own sustainability KPIs.

- FAB supported its key clients and partners in facilitating their green bond issuances in the value of more than USD 2billions.

Links and references

- **Sustainable Finance Framework 2022**
  - The classification approach is included on page 4 and 29
  - Process for sustainable finance is presented on pages 6-10
  - General Purpose Financing is described on pages 11-14 & 23-24
  - Eligible activities for sustainable financing is included on pages 15-22
  - Product Scope is presented on page 29

- **Sustainable Finance Report 2022**
  - Used of proceeds and projects is presented on page 4 and 11

- **Green Bonds Principle**

- **Social Bond Principle**

- **Sustainability Linked Loan Principles**

- **Green Car Loan**

- **Sustainability Linked Current Account**
**Principle 4 – Stakeholder identification and consultation**

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

### 4.1. Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

- [ ] Yes
- [ ] In progress
- [ ] No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

**Response**

To achieve the Group's ambitions and commitments, we proactively consult, engage and partner with stakeholders regularly.

From the development of the Group's ESG strategy itself to developing and executing programmes and initiatives to achieve its outlined objectives we engage with various stakeholders including clients, international and local regulators, investors, clients and industry, academia. Key stakeholders have been identified through analysis of our mandate, scope of offering by market and parties impacted by the group's commitments.

Below are some examples of stakeholder groups and engagements carried out during 2022:

**Investors:** Group FAB engages regularly with investors and includes updates pertaining Group FAB ESG rating status, progress report on our ESG ambitions and more. Additionally, the briefing material is published on the group website. We also, commission third parties to conduct surveys with this stakeholder group.

**Links and references**

- Investor presentation 2023: [Investor Presentations | First Abu Dhabi Bank (FAB) - UAE (bankfab.com)]
- NZBA engagement at COP27: [FAB takes part in COP27 panel to explore the future of NZBA in the MENA region | FAB - UAE (bankfab.com)]
- First Abu Dhabi Bank announced as strategic partner: [GCC BDI announce First Abu Dhabi Bank as Strategic Partner - GCC Board Directors Institute]
Industry and Clients: It is important that Group FAB maintains and develops an open dialogue with clients and industry groups to be an efficient enabler of economic growth and social development in the markets we operate. For example, during COP27 FAB co-hosted an engagement with the NZBA and invited CIB to discuss experiences since becoming the only two signatories in the MENA region. This with the objective to encourage regional banks to begin their net-zero journeys.

In 2022, we worked on assessing our financed and investment portfolio’s carbon impact. During the development process we reached out to clients to understand the sectors and their net-zero ambitions and journeys. Additionally, prior to the disclosure we held briefings with clients to discuss the FAB pathway to net-zero.

FAB Group CEO chaired an SDG Global Council dedicated to progress action towards a nexus of SDGs. Future Fuels, specifically Sustainable aviation fuel, was selected as the agenda of choice for the term of the council. In 2022, the council published a whitepaper exploring requirements to enable the global SAF industry. To develop the paper, we held a series of consultations and interviews with stakeholders across the SAF global and local value chain. In addition, we held two roundtables and a panel discussion.

FAB partnered with GCC Board Directors Institute in 2022.

Government and Regulators: Group FAB actively engages with International and local regulators on issues of relevance to implementing our commitments. For example, we are active in consultation working groups with the UAE Central Bank. A member of the UAE Council for Climate Change and Environment managed by the UAE Ministry of Climate Change and Environment.

Academia and Non-Profit Organisations: Group FAB engages with local and international academic institutions to develop and execute initiatives, examples:

- **FAB partnered with Yale University and Emirates Foundation to launch ‘Frontiers in Finance’**: Launched in 2021, the programme aimed to enhance Emirati talent in the financial sector.

- **FAB launched ‘Future Business Leaders’**: An initiative that aims to encourage students at different levels of their academic careers reflect on the role sustainability in business. The first programme in this initiative was launched in 2022, “Future Business Leaders Competition”, an essay writing competition targeted to undergraduate university students.
### Response

- **FAB launched ‘Sustainability Frontiers’**: FAB partnered with International Institute for Management Development (IMD) to develop and launch a bespoke programme targeted to senior executives in UAE corporates. Starting in 2022, the programme aims to provide tools and knowledge necessary for the participants to be sustainability change makers in their respective organizations.

- **FAB partnered with The Climate Bonds Initiative**: The partnership facilitated access to sector net-zero technical expertise, training opportunities for FAB staff and thought leadership engagements during COP27 including a panel discussion on requirements to scale sustainable finance in the MENA region.

In order to achieve our climate targets, our clients are our primary stakeholders, and we engage extensively with them. While setting targets and identifying business levers for our high emitting sectors, we rolled out questionnaires to our biggest clients to assess their net zero journey and we continue to engage with them on their climate strategy. We also participate in industry-led working groups and discussions to bring a regional perspective on global climate-related standard setting.

### Links and references
Principle 5 - Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1. Governance structure for implementation of the principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes  ☐ In progress  ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

• Which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
• Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
• Remuneration practices linked to sustainability targets.

Response

FAB integrates ESG risk within its three lines of defence model and responsibilities are shared across the organisation all the way to the c-suite and board level. Committees with ESG responsibilities to oversee the ESG risk policy (ESGRP), approve escalations and agree on mitigation measures.

• The Board Risk and ESG Committee has the ultimate responsibility for the implementation of the Group's ESG risk framework and ESG strategic direction.
• Group ESG Committee has the highest authority at management level for decisions on ESG related matters across the group.
• ESG and Sustainable Finance Committee assists in implementing and endorsing the Group's ESG strategy, ESG risk policy and sustainable finance framework.

In 2022, ESG-related KPIs were introduced to the C-suite's balance score card, which ties into their remuneration.

Links and references

FAB ESG risk framework
- Governance structure presented on page 4
## 5.2. Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

<table>
<thead>
<tr>
<th>Response</th>
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<tbody>
<tr>
<td>In 2022 we provided employees with over 10,000 hours of focused sustainability training. Trainings provided in a blending learning format. To ensure that all employees gain knowledge around how FAB is working with and integrating sustainability into its practices, all employees attended a mandatory ESG awareness e-learning in 2022 with a focus on giving a basic introduction to ESG concepts and how this applies to the financial sector. Moreover, bespoke training sessions were hosted on topics such as FAB ESG strategy, ESG risk and Sustainable Finance as it applied to the different business lines. ESG risk training is a core element of our Risk Framework to encourage a ESG risk culture through building ESG risk awareness and understanding at all levels. To drive forward the direction and implementation of our ESG strategy, we have started to put in place KPI’s for the executive leadership level. Our executive leadership team fully support the sustainability agenda and strategy and often communicates about this in internal newsletters, townhalls, and it is also a big part of our external communication for instance in our General Assembly meeting. For 2023 we have plans in place to bring in external certification from accredited organisations, hosting both e-learning and live sessions.</td>
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<th>Links and references</th>
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<tbody>
<tr>
<td>ESG report 2021</td>
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<tr>
<td>- ESG risk training included on page 16 &amp; 17</td>
</tr>
<tr>
<td>- ESG awareness training mentioned on page 37</td>
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<tr>
<td>ADX report</td>
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<td>- number of training hours represented on page 9</td>
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## 5.3. Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.
Response

FAB Group is committed to identifying, evaluating, and managing environmental, social and governance (ESG) risks associated with its portfolio in lending, investment, funding and vendor management processes. On top of the standard Know-Your-Customer and Group Customer Due Diligence process, FAB Group will identify countries, sectors and activities of heightened sensitivity to ESG risks which could negatively impact the Group based on prior experience of engagement with the customer and external third party ESG risk assessment from credible sources. Based on this, the appetite of the Group is defined through Negative screening list and ESG critical activities.

As part of our continuous efforts to accessing and managing environmental and social risks when financing projects, FAB is following the Equator Principles (EP) for its project financing due diligence process. The EP is a core part of our credit processes and FAB’s overall sustainability framework. The EP is embedded in our internal policies, procedures and practices for financing projects. As signatories we have committed to evaluate and address social and environmental risks in a consistent way and have pledged to report annually our EP activities for applicable projects.

<table>
<thead>
<tr>
<th>5.4. Self-assessment summary</th>
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<tbody>
<tr>
<td><strong>Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?</strong></td>
</tr>
<tr>
<td>✚ Yes</td>
</tr>
<tr>
<td><strong>Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?</strong></td>
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<tr>
<td>✚ Yes</td>
</tr>
<tr>
<td><strong>Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?</strong></td>
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<tr>
<td>✚ Yes</td>
</tr>
</tbody>
</table>

Links and references

- **Group ESG Risk Policy**
  - ESG risk due diligence procedure and identification of ESG Risk is presented on pages 10-21
  - Negative screening list is presented on page 13 & 14
  - ESG critical activities is presented on page 14 & 26

- **Equator Principle Reporting 2021**
  - Project financing due diligence process is presented on pages 5-7
**Principle 6 - Transparency & accountability**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1. Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- [ ] Yes
- [ ] Partially
- [x] No

If applicable, please include the link or description of the assurance statement.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
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<tbody>
<tr>
<td>In 2022 we have not pursued assurance of this report, but according to the framework this will be pursued in the future.</td>
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### 6.2. Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- [x] GRI
- [x] SASB
- [x] CDP
- [ ] IFRS Sustainability Disclosure Standards (to be published)
- [x] TCFD
- [ ] Other: ...

<table>
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<tr>
<th>Response</th>
<th>Links and references</th>
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<tbody>
<tr>
<td>GRI and SASB cross reference index tables are included in our annual ESG report. FAB reports annually to CDP, and in 2022 we received a D score, which is the second-best score in the Middle East. In 2023 we will publish the first TCFD report.</td>
<td></td>
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</table>
6.3. Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
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<tbody>
<tr>
<td>● Finalize its baseline calculation and target setting for remaining portfolio in next 12 months and disclose targets in public by September 2024.</td>
<td></td>
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<tr>
<td>● Set up Net Zero governance framework for deal monitoring and for regular updates on NZ portfolio alignment score.</td>
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<tr>
<td>● Monitor Net zero portfolio alignment score for each sector and publish annual report describing FAB's progress on its Net Zero journey.</td>
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<tr>
<td>● Further increase client engagement, provide more advisory consultations to help them achieve their Net zero targets.</td>
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<tr>
<td>● Engage more with FAB's internal business units to understand key challenges and related opportunities.</td>
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<tr>
<td>● Develop sector policies following NZ commitments.</td>
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<tr>
<td>● In the UAE, we continued to deliver against our target of 50% Emiratisation by 2025. Our continuous focus on this target has resulted in 44% Emiratization.</td>
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<td>● FAB has set diversity targets for women in senior leadership, aiming to have 30% women in these position by 2025, and 40% by 2030. Similar targets associated with our subsidiary boards have been set, aiming to have 20% women across all subsidiary boards by 2025 and 40% by 230.</td>
<td></td>
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<tr>
<td>● Keeping in line with FAB's Financial Inclusion commitment, we are also working on enhancing our physical and online accessibility for People of Determination. Several initiatives are underway in this space – updating our website to meet accessibility standards, most of our branches are physically accessible and training for customer-facing employees on People of Determination is also in progress.</td>
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6.4. Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

- [ ] Embedding PRB oversight into governance
- [ ] Gaining or maintaining momentum in the bank
- [ ] Getting started: where to start and what to focus on in the beginning
- [ ] Customer engagement
- [ ] Stakeholder engagement
- [ ] Data availability
Conducting an impact analysis
Assessing negative environmental and social impacts
Choosing the right performance measurement methodology/ies
Setting targets
Other: ...

If desired, you can elaborate on challenges and how you are tackling these:

<table>
<thead>
<tr>
<th>Response</th>
</tr>
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</table>
| Most financial institutions are struggling with the lack of quality data. Poor data quality can lead to difficulty in assurance the data is valid and thereby also question our target setting. Without proper quality data the impact analysis and choosing the methodology to use will be challenging. As FAB has started the journey on integrating ESG in everything we do, we have collaborate a great deal with internal stakeholders and we provide training to raise awareness on the importance of this agenda. With this said, it still can be challenging to gain or maintain momentum within the bank, as the ESG agenda is evolving.

FAB will continue to position ESG as part of its strategy, and collaborate with all employees, stakeholders and customers to further advance this agenda. |

<table>
<thead>
<tr>
<th>Links and references</th>
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Appendix: 2.1. Impact analysis

2.1.4. Summary of the first three steps

1. United Arab Emirates:

![POSITIVE IMPACTS Impact areas](image)
2.1.4. Summary of the first three steps

1. United Arab Emirates:
### Appendix: 2.1. Impact analysis

#### 2.1.4. Summary of the first three steps

1. United Arab Emirates:

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<th>Positive Key Sectors</th>
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2. United States of America:

![POSITIVE IMPACTS](image)
Appendix: 2.1. Impact analysis

2. United States of America:
### Appendix: 2.1. Impact analysis

#### 2. United States of America:

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Appendix: 2.1. Impact analysis

3. United Kingdom:
Appendix: 2.1. Impact analysis

3. United Kingdom:
### Appendix: 2.1. Impact analysis

3. United Kingdom:

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Appendix: 2.1. Impact analysis

4. Saudi Arabia:
Appendix: 2.1. Impact analysis

4. Saudi Arabia:
## Appendix: 2.1. Impact analysis

4. Saudi Arabia:

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</table>
5. India:

### POSITIVE IMPACTS

**Impact areas**

- ALL ASSOCIATIONS
- KEY ASSOCIATIONS
- COUNTRY PRIORITIES
- LOCAL PRIORITIES
- SMEs

- Integrity & security of person
- Circularity
- Health & safety
- Biodiversity & healthy ecosystems
- Climate stability
- Availability, accessibility, affordability, quality of resources & services
- Livelihood
- Socio-economic convergence
- Equality & justice
- Infrastructure
- Strong institutions, peace & stability
- Healthy economies
5. India:

NEUTRAL IMPACTS
Impact areas

ALL ASSOCIATIONS
KEY ASSOCIATIONS
COUNTRY PRIORITIES
LOCAL PRIORITIES

Integrity & security of person
Health & safety
Availability, accessibility, affordability, quality of resources & services
Livelihood
Equality & justice
Strong institutions, peace & stability
Healthy economies
Infrastructure
Socio-economic convergence
Climate stability
Biodiversity & healthy ecosystems
Circularity
### Appendix: 2.1. Impact analysis

#### 5. India:

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</table>

The table above lists the positive and negative driver topics and key sectors for the impact analysis in India.
2.1. Impact analysis

Outcome of UNEPFI's context module tool

Main priority and trending areas across countries

[how often an impact area is showing as a priority area or as a priority and trending area across all countries of operation]
2.1. Impact analysis

Outcome of UNEPFI's context module tool

Global priorities (based on statistics)

- Global level of need
- Integrity & security of person
- Health & safety
- Biodiversity & healthy ecosystems
- Availability, accessibility, affordability, quality of resources & services
- Climate stability
- Livelihood
- Socio-economic convergence
- Equality & justice
- Infrastructure
- Strong institutions, peace & stability
- Healthy economies
## 2.1. Impact analysis

Outcome of UNEPFI's context module tool

### 2.1. Impact analysis

#### a. Needs and priorities per country & location

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