

# Equator Principles

2016 Reporting

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بنك أبوظبي الأول

**FAB**

First Abu Dhabi Bank

## Equator Principles – 2016 Reporting

The Equator Principles (EP) is a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in capital projects.

On 20 September 2015, National Bank of Abu Dhabi (NBAD) became the first UAE bank to adopt the Equator Principles, joining 90 other international institutions in implementing a responsible approach to environmental and social risk in its lending decisions and advisory assignments. Following the merger with FGB on 1st April 2017, NBAD is now known as First Abu Dhabi Bank (FAB).

### About the Equator Principles

The Equator Principles framework was launched to provide a minimum standard of environmental and social due diligence to support responsible risk decision-making, particularly in non-OECD countries.

The Equator Principles are based on International Finance Corporation environmental and social performance standards and the World Bank Group health and safety guidelines.

The principles apply globally to all industry sectors and to four financial products:

- Project finance loans
- Project finance advisory services
- Project-related corporate loans
- Bridging loans relating to projects

Adoptees commit to implementing the Equator Principles across their internal environmental and social policies, procedures and standards for financing projects. This also means refraining from providing project finance or project-related corporate loans to projects where clients will not, or are unable to, comply with the Equator Principles.

The principles have significantly increased attention and focus on social/community standards and promoted convergence in common environmental and social standards throughout the international finance community.

As of July 2017, 91 financial institutions in 37 countries have officially adopted the Equator Principles, covering over 70 percent of international project finance debt in emerging markets.

## Implementation at NBAD

The Equator Principles formed a core part of NBAD's sustainability framework. In 2016, the Equator Principles was managed by the Sustainable Business team – a dedicated unit established in July 2015 to lead the bank's institutional response to the risks and opportunities of climate change and the wider sustainability agenda. The Sustainable Business team featured three senior bankers with expertise and backgrounds in project finance and environmental consultancy. The Sustainable Business team members represented NBAD at the previous two Equator Principles annual meetings and the IFC's Community of Learning in 2015 and 2016.

Adherence to the Equator Principles was fully incorporated into the bank's credit risk policy and procedures.

In 2016, following adoption of the principles, the bank's credit processes were amended to include a requirement for any Client Relationship officer responsible for submitting a credit application to make a preliminary assessment of the environmental, social and corporate governance (ESG) performance of the relevant project and sponsor, to determine whether the credit application falls under the scope of the Equator Principles.

Credit applications for transactions applicable to the scope of the Equator Principles were directed to the Sustainable Business team for detailed evaluation and review. The Sustainable Business team provided guidance and support to Client Relationship officers throughout the credit application process and was responsible for categorising projects, reviewing any relevant environmental, social or legal documentation and providing guidance/approval to NBAD's credit risk function.

In 2016, the Sustainable Business team provided over 175 NBAD staff with face-to-face training on the scope of the Equator Principles, covering how the principles have been incorporated into the bank's credit application procedures as part of a wider ESG awareness programme. Internal Equator Principles checklists and summary guidance notes were developed and distributed to relevant bank staff.

## Reporting

The following table outlines NBAD's Equator Principles results from the date of adoption (20 September 2015) to 31 December 2016.

One Project Finance Transaction and one Project-related Corporate Loan achieved financial close during the reporting period.

Five Project Finance Advisory Services mandates were awarded during the reporting period.

Sector / Category *	Project Finance Transactions			Project-related Corporate Loans			Project Finance Advisory Services
	Cat A	Cat B	Cat C	Cat A	Cat B	Cat C	
Mining							
Infrastructure							1
Oil & Gas							2
Power	1						1
Others					1		1
<i>Subtotal</i>	1				1		5
<b>Region</b>							
Americas							
EMEA**	1				1		4
Asia Pacific							1
<i>Subtotal</i>	1				1		5
<b>Country Designation</b>							
Designated Country							
Non-designated Country	1				1		5
<i>Subtotal</i>	1				1		5
<b>Independent Review</b>							
Yes	1				1		
No							
<i>Subtotal</i>	1				1		

\* Equator Principles Categories:

Category A - projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

Category B - projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

Category C - projects with minimal or no adverse environmental and social risks and/or impacts

\*\* Europe, Middle East and Africa

**Project Finance Transactions that received client consent for disclosure:**

Project Name	Sector	Host Country Name / Project Location	Calendar Year of Financial Close
Barakah Nuclear Power Project	Power	UAE	2016

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