Introduction
FAB continues to uphold its commitment to implement the Equator Principles and is currently one of the 96 international financial institutions to officially adopt the principles. FAB’s commitment to implement the Equator Principles is aligned with its ambition to support the United Nations’ (UN) Sustainable Development Goals and the UAE sustainability agenda by financing projects that help drive the UAE towards achieving its national sustainability targets.

About the Equator Principles
The Equator Principles framework is a risk management framework, adopted by financial institutions, that aims to provide a minimum standard of environmental and social due diligence to support responsible risk decision-making. The Equator Principles are based on International Finance Corporation (IFC), Environmental and Social Performance Standards and the World Bank Group Environmental, 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
- Bridge loans relating to projects

Equator Principles Financial Institutions (EPFIs) 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 June 2019, 96 financial institutions across 37 countries have officially adopted the Equator Principles, covering the majority of international project finance debt within developed and emerging markets. In the Middle East and North African region, five banks have adopted the Equator Principles.
Implementation at FAB

The Equator Principles form a core part of FAB’s sustainability framework. The Equator Principles screening tools have been incorporated in FAB’s credit policies and loan assessment forms. Internal checklists and guidance documents were reviewed and updated to facilitate an understanding of the application of the Equator Principles and their implementation at FAB. The credit policies and processes have been updated to include the evaluation of transactions as part of a wider ESG risk awareness programme. The Equator Principles is managed by the Corporate Sustainability (CS) team at FAB, which includes environmental consultancy expertise. The team is responsible for ensuring sound implementation of the Equator Principles.

The CS team is also responsible for the development and management of the FAB Group Sustainability and Environmental policies. As part of its policies, FAB commits to identify, evaluate and manage environmental, social and governance (ESG) risks in its lending portfolio and apply the Equator Principles.

The bank’s amended credit policies and processes were reviewed and finalised during 2018. In accordance with these processes, the team responsible for submitting a credit application is required to make a preliminary assessment of the ESG performance of the relevant project and sponsor. Credit applications for transactions applicable to the scope of the Equator Principles are then directed to the CS team for detailed evaluation and review. The team provides ESG guidance and support to the credit, product and coverage teams throughout the credit application process. The identified applicable projects are evaluated and categorised by the CS team based on potential environmental and social risks and impacts. The team conducts detailed ESG due diligence for EP applicable projects and reviews relevant environmental, social or legal documentation. The ESG due diligence process includes monitoring project compliance with the identified mitigation measures and actions required to reduce the project’s environmental and social related impacts. FAB’s CS team monitors compliance after the financial close and over the life of the loan for all Category A projects, and appropriate Category B projects.

The main responsibilities of the CS team include:

- Providing advisory support and identification and categorisation of Equator Principles applicable loans
- Annual reporting on Equator Principles performance
- Monitoring the ESG performance of Equator Principles applicable projects
- Conducting ESG due diligence for Equator Principles applicable projects
- Providing training, guidance and recommendations to the product, coverage and credit teams
- FAB Equator Principles Report
Reporting

This report covers FAB’s Equator Principles implementation for the year 2018 (1 January 2018 - 31 December 2018).

The following table outlines FAB’s Equator Principles results covering the period from 1 January 2018 to 31 December 2018.

One Project Finance transaction reached financial close during the reporting period. One Project Finance Advisory Service was mandated during the reporting period.

*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.

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### Project Finance transactions that received client consent for disclosure:

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>SECTOR</th>
<th>HOST COUNTRY NAME/ PROJECT LOCATION</th>
<th>YEAR OF FINANCIAL CLOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Cooling Plant at DWTC</td>
<td>Other</td>
<td>UAE</td>
<td>2018</td>
</tr>
</tbody>
</table>