

# EQUATOR PRINCIPLES REPORT

2 0 1 9



G R O W   S T R O N G E R   T O G E T H E R

Grow  
Stronger

بنك أبوظبي الأول  
**FAB**  
First Abu Dhabi Bank

# TABLE OF CONTENTS

03	Introduction
03	FAB at a Glance
04	About the Equator Principles
05	Implementation at FAB
06	Equator Principles applicable projects ESG due diligence
07	Reporting
08	Equator Principles Categories

# INTRODUCTION

Since 2015 we have been committed to implementing the [Equator Principles \(EPs\)](#) and are currently one of 104 international financial institutions to have officially adopted the principles.

Our commitment to the EPs is aligned with our ambition to support the United Nations' (UN) Sustainable Development Goals (SDGs) and the UAE sustainability agenda by financing projects that help drive the UAE towards achieving its sustainability objectives. The UAE Government is committed to:

- The UAE Vision 2021
- The UAE Green Agenda 2015-2030
- The Abu Dhabi Economic Vision 2030
- The Abu Dhabi Sustainable Finance Declaration
- The United Nations Sustainable Development Goals (SDGs) 2030

We always conduct business in a responsible manner and focus our sustainability efforts on the issues that matter most to us, firmly embedding sustainability within the organisational culture of our bank. We follow international best practice across our sustainability priorities.

In our lending, we integrate Environmental, Social and Governance (ESG) considerations in our due diligence processes across our lending portfolio.

Our long-term objective is to grow in strength through our sustainability journey. Positioning ourselves as a highly visible and successful leader and a partner of choice in sustainability best practice, with a focus on generating long term stakeholder and shareholder value.

# FAB AT A GLANCE

FAB is the UAE's largest bank and one of the world's largest and safest financial institutions. Headquartered in Abu Dhabi, we offer an extensive range of financial products and services through two market-leading business lines, 'Corporate and Investment Banking' and 'Personal Banking', as well as subsidiaries.

FAB is the result of the historic merger between two iconic Abu Dhabi-based brands (FGB and NBAD) in 2017. The company is listed on the [Abu Dhabi Securities Exchange](#).



# 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 Equator Principles Association (EPA) published on 18 November 2019, the final text of the fourth iteration of the Equator Principles (EP4). We took an integral part in the review of EP4 by participating in the stakeholder consultation process and providing feedback in group-led internal discussions on the four key thematic areas: Social impact and human rights; Climate change; Designated Countries and Applicable Standards; and Scope of applicability of the Equator Principles.

The Equator Principles are updated to reflect ongoing learning and emerging best practice. The scope of the Equator Principles (under EP4) has been extended to apply to Project-Related Refinancing and Project-Related Acquisition Financing where the following criteria are met:

- i The underlying Project was financed in accordance with the Equator Principles framework
- ii There has been no material change in the scale or scope of the Project
- iii Project completion has not occurred at the time of signing the relevant facility

The Principles now apply to the following five financial products:

- Project finance loans
- Project finance advisory services
- Project-related corporate loans
- Bridge loans relating to projects
- Project-related refinance and project-related acquisition finance

At FAB we will apply EP4 to new projects from 1 July 2020. During 2019, we applied the EP3 methodology.

We have adhered to [the Equator Principles since 2015](#). By being a signatory, we commit to implementing the Equator Principles across our 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.



Since the Equator Principles were implemented, they have significantly increased their attention and focus on social and community standards, promoting convergence across common environmental and social standards throughout the international finance community.

As of March 2020, 104 financial institutions in 38 countries have officially adopted the Equator Principles, covering the majority of international project finance debt within developed and emerging markets. In the Middle East North African region, five banks have adopted the Equator Principles with FAB being the first and only UAE bank to join the Equator Principles Association.

# IMPLEMENTATION AT FAB

The Equator Principles form a core part of FAB's sustainability framework, with screening tools incorporated into FAB's credit policies and loan assessment forms.

Internal checklists and guidance documents are in the process of being reviewed and updated according to EP4 to facilitate an understanding of the application of the Equator Principles and their implementation at FAB.

Our credit policies and processes have been updated to include the evaluation of transactions as part of our wider ESG risk awareness programme. At FAB, we manage the Equator Principles through our Corporate Sustainability team.

The team is responsible for ensuring sound implementation of the Equator Principles. The main responsibilities of the Corporate Sustainability team include:

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



The Corporate Sustainability team is also responsible for the development and management of the FAB Group Sustainability and Environmental policies. As part of our policies, we commit to identify, evaluate and manage ESG risks in our lending portfolio, through the application of the Equator Principles and other best practice commitments. 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 Corporate Sustainability 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 Corporate Sustainability team based on potential environmental and social risks and impacts.

The team conducts detailed ESG due diligence for Equator Principles 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. Our Corporate Sustainability team monitors compliance after financial close and over the life of the loan for all Category A projects, and appropriate Category B projects.

# EQUATOR PRINCIPLES APPLICABLE PROJECTS ESG DUE DILIGENCE

This report covers FAB's Equator Principles implementation for the year 2019 (1 January 2019 – 31 December 2019).

During 2019, 11 applicable Equator Principles projects went through the ESG due diligence process. Three projects have reached financial close.

Applicable Equator Principle projects that underwent ESG due diligence during the 2019 fiscal year by sector:

Sector	Number of Projects
Mining	2
Infrastructure	0
Oil and gas	1
Power	4
Other	4
<b>Total</b>	<b>11</b>

Applicable Equator Principle projects that underwent ESG due diligence during the 2019 fiscal year by region:



## UAE

Number of projects:  
6



## BAHRAIN

Number of projects:  
1



## SAUDI ARABIA

Number of projects:  
1



## EGYPT

Number of projects:  
1



## GUINEA

Number of projects:  
1



## SINGAPORE

Number of projects:  
1

# REPORTING

Applicable Equator Principle projects that underwent ESG due diligence during the 2019 fiscal year by category:

Category	Number of Projects
Category A	5
Category B	6
Category C	0
<b>Total</b>	<b>11</b>

Applicable Equator Principle projects that underwent ESG due diligence during the 2019 fiscal year by product type:

Product type	Number of Projects
Project Finance	8
Project-Related Corporate Loans	3
Bridge loans relating to projects	0
Project finance advisory services	0
<b>Total</b>	<b>11</b>



The following table outlines FAB's Equator Principles results covering the period from 1 January 2019 to 31 December 2019.

Three transaction reached financial close during the reporting period.

	Project Finance			Project-related Corporate loans		
	A	B	C	A	B	C
<b>By Sector</b>						
<b>Total</b>	2				1	
Mining	1					
Infrastructure						
Oil and gas	1					
Power					1	
Other						
<b>By Region</b>						
Americas						
Europe, Middle East & Africa	2					
Asia Pacific					1	
<b>By Country Designation</b>						
Designated						
Non-designated	2				1	
<b>Independent Review</b>						
Yes	2					
No					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.

Project Finance Transactions that received client consent for disclosure:

Project name	Sector	Host country name/ Project location	Year of financial close
GAC Bauxite	Mining	Guinea	2019
REC Solar	Power	Singapore	2019
SATORP	Oil and gas	Saudi Arabia	2019





For more information, please visit  
[www.bankfab.com](http://www.bankfab.com)