



Equator Principles

2017 Report

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بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

Introduction

First Abu Dhabi Bank (FAB) is the UAE's largest bank and one of the world's largest financial institutions. FAB is the result of the merger between First Gulf Bank (FGB) PJSC and National Bank of Abu Dhabi (NBAD) PJSC, which was completed in April 2017.

On 20 September 2015, National Bank of Abu Dhabi (NBAD) became the first UAE bank to adopt the Equator Principles, joining other international institutions in implementing a responsible approach to environmental and social risk in its lending decisions and advisory assignments and ensuring institutional adherence to EP requirements at a global level.

Following the merger, FAB continued to uphold its commitment to implement the Equator Principles and is currently one of 94 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 July 2018, 94 financial institutions in 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 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. During the merger process in 2017, we started the process of reviewing and aligning the bank's credit risk policies and procedures to ensure adherence to the Equator Principles requirements. Leveraging from our experience of implementing the Equator Principles at legacy NBAD, we adopted a similar framework and approach to incorporate the principles within FAB's credit processes. The overall alignment of the policies and processes started in 2017 and continued into 2018.

Equator Principles screening tools are being incorporated in FAB's credit policies and loan assessment forms. Internal checklists and guidance documents are being reviewed and updated to facilitate an understanding of the application of the Equator Principles and their implementation at FAB. The credit policies and processes are also being 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 main responsibilities of the CS 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 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 are being reviewed and will be 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 financial close and over the life of the loan for all Category A projects, and appropriate Category B projects.

Reporting

This report covers FAB's Equator Principles implementation for the year 2017 (1 January 2017 – 31 December 2017). All Equator Principles financial transactions originated by NBAD and FGB and executed by FAB have been reviewed.

The following table outlines FAB's Equator Principles results covering the period from 1 January 2017 to 31 December 2017.

One Project Finance transaction reached financial close during the reporting period.

One Project Finance Advisory Service was mandated during the reporting period.

	Project Finance			Project-related Corporate loans			Project Finance Advisory Services
	Category A	Category B	Category C	Category A	Category B	Category C	
Total		1					1
By Sector/Category*							
Mining							
Infrastructure							1
Oil and gas							
Power		1					
Other							
By Region							
Americas							
Europe, Middle East & Africa		1					1
Asia and Oceania							
By Country Designation							
Designated							
Non-designated		1					1
Independent Review							
Yes		1					
No							

***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	Calendar year of financial close
Sweihan Project	Power	UAE	2017

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