

Grow
Stronger

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank



**CORPORATE
ESG REPORT** | 2020



A MESSAGE FROM OUR GROUP CEO



Driving towards a better future. A strong sustainability ethos, matters.

Welcome to FAB's 2020 Environmental, Social and Governance (ESG) Report.

Our ESG report outlines our notable achievements for 2020 and highlights how we are consistently rising to sustainability challenges and leading the way with our commitment to generating broader value for our shareholders, advocating sustainable business practices and growing sustainable finance in the UAE, the region and abroad.

The past year has truly been unique, and a period of unprecedented challenges across the globe. I am proud of the resilience and leadership we displayed and how we stood by our commitments to customers, employees and communities.

We launched several supportive measures during the year, including financial relief to customers' in-line with the UAE Central Bank's Targeted Economic Support Scheme (TESS), a variety of people wellness programmes for our employees and their families, and we continued to actively support our local communities through philanthropic partnerships.

As a Group, we recognise the importance and benefits of integrating sustainability into our corporate culture and business strategies. This is proven through our leading position on ESG in the region and I firmly believe that delivering on environmental, social and governance initiatives is an essential contributing factor in generating deeper connectivity and long-term value for our stakeholders.

I am proud of the resilience and leadership we displayed and how we stood by our commitments to customers, employees and communities

Looking ahead, we will harness this momentum and remain strongly committed to furthering our sustainability agenda to support the wider UAE economy, with a clear plan to embed ESG principles into our culture, and risk management framework, in alignment with Global compact and national programmes, driving growth and a better future for all.

Best regards,

Hana Al Rostamani
Group Chief Executive Officer



VP STATEMENT – ESG ON THE RISE



The ESG movement is gaining prominence worldwide, across all sectors. From extreme heat to flooding, climate change is undoubtedly impacting the world and bringing to the fore increasing risks to the stability of financial systems. Banks and financial institutions need to be adaptable, responsive and plan to address ESG risks to safeguard themselves and ensure a responsible manner of conducting business.

When asked 18 months ago about ESG in the region, I would have talked about how quickly it was moving and developing. If anything, the pandemic has contributed to that growth in understanding how we can, and indeed must, prepare for a future that is going to be very different from the present.

In this year's report, we have endeavoured to cover, in more depth, the topics of concern to our stakeholders that emerged from our materiality workshops. One of the challenges was how to address the COVID-19 pandemic and its impact while balancing this with our progress in sustainability and ESG. Rather than having a separate section, we have decided to embed the issues of COVID-19 within the different sections of our report.

FAB has always championed gender diversity, and at the beginning of 2021, we proudly announced Hana Al Rostamani as our first female Group Chief Executive Officer. Women represent 40% of our total workforce and hold over 30% of our senior and middle management positions, which are increases from 2019. We also announced our partnership with Aurora50, a UAE-founded social enterprise working on increasing the representation of female board members in corporations.

FAB has always championed gender diversity, and at the beginning of 2021, we proudly announced Hana Al Rostamani as our first female Group Chief Executive Officer

At FAB, we are guided by the increasing focus and mandates set out by the UAE Government to diversify and transition the nation's economy. We support the UAE's sustainability objectives, we are represented on numerous national sustainability committees and task forces, and we are a proud signatory of the Abu Dhabi Sustainable Finance Declaration to support sustainable financing for economic development.

As a bank, we are clearly seeing the opportunities open to us by embedding ESG into everything we do. It has become clear how crucial health and wellbeing are to economic prosperity, and how important considering the impact of our behaviour today is on having a viable, liveable and more equitable future.

Belinda Scott
VP & Head of Corporate Sustainability



REPORT OVERVIEW

FAB is committed to communicating our sustainability disclosures to our stakeholders, to provide insight into our business and performance. The following report has been prepared in accordance with the GRI 2016 standards: Core and Sustainability Accounting Standards Board (SASB) Index: Commercial Banks for the year ending 31 December 2020. We have also outlined our alignment to the UN Sustainable Development Goals.

SUSTAINABILITY HIGHLIGHTS

#4

FAB is the 4th largest MENA constituent on FTSE4Good and 3rd largest MENA constituent on MSCI ESG Leaders index



We were named

“The best bank in the Middle East for Corporate Responsibility”

from Euromoney.

We expanded our Green Bond Framework to create a Sustainable Finance Framework

This framework will be applied to any type of Sustainable Financing Transaction that will be used to fund projects that will deliver environmental and/or social benefits.

We issued a new Green Bond, a Hong Kong Dollars (HKD) 750 million five-year Green Bond and have been recognised as **the first MENA issuer denominated in HKD**

and the first Green Bond in HKD by an offshore financial institution.



In 2020, our *payit* customer base increased 110% to 250,000 customers. Our digital wallet was also awarded the “Best NEO Bank” and “Best User Experience” at the MEA Finance Awards 2020.



We attained ISO 45001:2018 accreditation the most widely recognised international benchmark for occupational health and safety management.



Total sponsorships and donations for 2020 (Group): AED 69.3 million (~0.64%) of our pre-tax profit.



SUSTAINABILITY COMMITMENTS

	Reporting Frameworks	Global Reporting Index (GRI)	FAB's non-financial reporting is presented in the Bank's annual ESG reports, in accordance with the GRI Standards – Core option.
		Sustainability Accounting Standards Board (SASB)	We are committed to reporting against the SASB Index for Commercial Banks.
		Equator Principles (EP)	FAB's commitment to the EP 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.
		CDP	We aim to continuously reduce the Bank's carbon footprint and provide transparency across our environmental performance.
		Green Bond	Our Green Bond follows the International Capital Market Association (ICMA) Green Bond Principles. Our Green Bond Framework sets out the governance and approach, outlines eligible project categories and emphasises transparency.
		Task Force on Climate-Related Financial Disclosures (TCFD)	FAB is committed to implementing 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 2020 we performed a screening assessment to understand the next steps required for implementation.
		Abu Dhabi Securities Exchange (ADX) ESG Guide for Listed Companies	FAB demonstrates its commitment to voluntarily disclose its ESG performance in alignment with ADX ESG guidelines and the recommendations of the Sustainable Stock Exchanges.
		The Green Investment Principles (GIP) for the Belt and Road Initiative	FAB is a signatory for the GIP for the Belt and Road initiative (BRI). The GIP aim to enhance the sustainability of the infrastructure and economic development of BRI countries, FAB reports annually on our progress towards integrating these principles.
	National Goals	Abu Dhabi Economic Vision 2030	We are committed to the growth and prosperity of Abu Dhabi and 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.
		UAE Vision 2021	
		UAE Green Agenda 2015-2030	FAB is 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.
	International Goals	UN Sustainable Development Goals (SDGs)	We align our business practices and sustainability performance to relevant SDGs. We are a member of the UAE Private Sector Advisory Council, which is focused on the implementation of the SDGs.
		UN Global Compact	We have committed to submit an annual Communication on Progress (COP) report that describes our efforts to implement the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption.



HOW SUSTAINABILITY IS GOVERNED AT FAB

FAB's sustainability policy sits within our Corporate Sustainability Team who guide and implement the Bank's sustainability strategy. The team also monitors performance and reports on progress by collaborating with leadership and business units across the organisation. Our sustainability policy feeds directly up into the Deputy Group CEO Team with the Deputy Group CEO having oversight of the actions and activities relating to sustainability, climate change and ESG. Furthermore, our Executive Committee is involved in the sustainability reporting process and reviews our annual ESG Report.

We also have a Green Bond Committee, made up of senior FAB management including representatives from FAB's Corporate Sustainability team. Projects that pass the ESG due diligence test are put forward for a decision on eligibility by FAB's Green Bond Committee.





WHAT MATTERS MOST

In 2020, we conducted a materiality refresh, in accordance with the principles developed by the Global Reporting Index (GRI). The objective of this exercise was to determine which environmental, social and governance (ESG) topics are most material to FAB. We revalidated our list of material topics from 2019 based on their relevance and context in 2020 and opted to maintain our four pillars with only slight adjustments in language and definition of the material topics.

A total of 19 initial topics were identified which are classified under the four categories below: Responsible Banking, Responsible Employment, Positive Social Impact and Governance, Integrity and Risk Management.



Responsible Banking

- Financial performance
- Customer experience
- Financial inclusion and accessibility
- Responsible lending and investing
- Digitalisation
- Disruptive innovation



Responsible Employment

- Talent attraction and retention
- Employee wellbeing
- Diversity and inclusion
- Learning and development



Positive Social Impact

- Community investment and socio-economic development
- Socially responsible procurement
- Emiratization
- Direct environmental impact of operations



Governance, Integrity and Risk Management

- Governance, business ethics and compliance
- Systemic risk management
- Customer privacy and data security
- Anti-money laundering and anti-corruption
- Business continuity



Responsible Banking – reflects our aim for an overall sustainable banking system, it describes how we help to make a positive contribution to our customers by embedding sustainability in the strategy, operations, and transactional levels of the Bank, as well as across all our business areas.

Responsible Employment – is about what we are doing to be a company of choice, how we value our people and ensure everyone is included, regardless of their backgrounds.

Positive Social Impact – describes what we are doing to benefit the community, the environment and our local Emirati population.

Governance, Integrity and Risk Management

– highlights our transparent governance structure that helps improve decision making, customer privacy, management of risks, due diligence and safe guarding of money laundering and corruption. We also describe how we continue the delivery of our services during disruption.

The ranking of these 19 topics was conducted twofold.

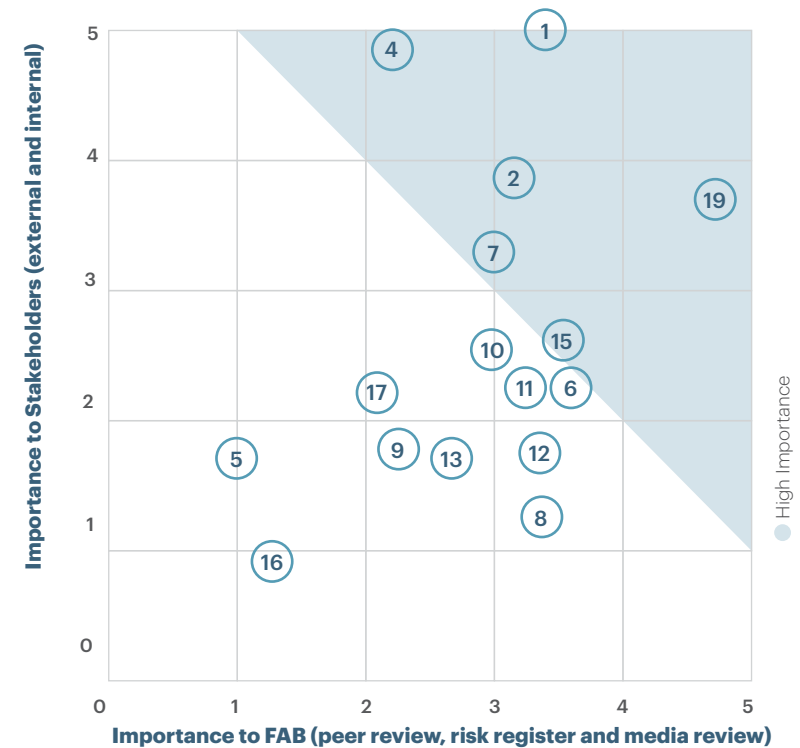
The first input was from stakeholders, both internally and externally. Our stakeholder engagement sessions were conducted remotely through an online platform which allowed participants to raise queries, voice opinions, vote on material topics, and interact anonymously. A total of 31 internal stakeholders and 15 external stakeholders were involved from various stakeholder groups. The interactive approach encouraged engagement and enabled representative results and feedback. The stakeholder selection process involved reviewing the level of ESG issues that were impacting the various business lines and ensuring representatives with a mix of seniority and skills attended workshops. Our Investor Relations team were supported in the selection of external stakeholders, which included regulators, rating agencies, government entities and NGO's

(non-governmental organisations).

The second ranking element involved assessing the material topics based on three areas; how often they were observed in media reports of FAB, a peer review, and their occurrence in our risk register. A media search of 2020 public articles regarding FAB was cross-checked against our material topics. Topics appearing more frequently in the media ranked higher due to their perceived importance. We also conducted a comparative analysis of the material topics against those from seven international and regional banks, topics were ranked higher if they appeared across more than one bank. Finally, our risk register review highlighted the material topic occurrence in the risks raised by FAB internally where an exercise was carried out to identify the prevalence of the topic in the register. The three exercises generated a ranking for each of the topics, which was used as the X-axis in the assessment.

From the 19 topics examined, six were deemed material (Financial Performance, Responsible Lending and Investing, Employee Wellbeing, Governance Business Ethics and Compliance, Customer Experience and Systemic Risk Management). The graph on the right depicts the importance of each topic both to internal and external stakeholders and to FAB, based on the assessments previously described. The following report is written in compliance with GRI Core and the most important materiality topics have been mapped against the following GRI indicators:

- Financial performance (GRI: 201-1)
- Responsible lending and investing (GRI: 203-2)
- Employee wellbeing (GRI: 403-6)
- Governance, business ethics and compliance (GRI: 102)
- Customer experience (No GRI disclosure is fully aligned with the definition of Customer Experience)
- Systemic risk management (GRI: 102-30)



1. Responsible lending and investing
2. Governance, business ethics and compliance
3. Business continuity
4. Employee wellbeing
5. Socially responsible procurement
6. Financial inclusion and accessibility
7. Systemic risk management
8. Talent attraction and retention
9. Learning and development
10. Digitalisation
11. Customer privacy and data security
12. Diversity and inclusion
13. Community investment and socio-economic development
14. Emiratisation
15. Customer experience
16. Disruptive innovation
17. Direct environmental impact of operations
18. Anti-money laundering and anti-corruption
19. Financial performance



COVID-19 had a profound impact on the way we work. The transition to work-from-home and increasing isolation has placed employee wellbeing at the forefront of agendas globally, this was clearly reflected in this year's materiality assessment where employee wellbeing increased its ranking from 10th in 2019 to 3rd in 2020.

Several comments were raised in the materiality workshops to include climate change as a standalone topic. Our approach to addressing climate change is through multiple material topics and we will be addressing this throughout the report. Additionally, we have streamlined our report this year to focus on key material topics, information on the following material topics that were ranked of lower importance this year can be found on our website:

- Learning and development
- Socially responsible procurement
- Anti-money laundering and anti-corruption

Furthermore, the topic of disruptive innovation is included within our digitalisation chapter.





COVID-19 RESPONSE

2020 was an unprecedented year due to COVID-19. At FAB we ensured we followed both national guidelines and international best practices to meet our stakeholders' expectations, protect our employees and continue to help and provide the highest quality of services to our customers. We introduced a wide range of measures to keep customers and colleagues safe and to continue providing banking services through selected branches, digital platforms and alternative channels. Around 90% of staff were enabled to work from home during the pandemic and we rapidly adapted our branch timings and put in place strict controls to reduce risks including temporary closure of branches, enhanced sanitisation and, introduction of thermal scanners and document drop-boxes at branches.

We enhanced customers' ability to self-serve by increasing daily cash withdrawal limits, launching a Whatsapp service for credit cards and increasing awareness of digital channels. Our contact centre maintained an answer rate >90% and we maintained communication with customers via our digital channels.

In April 2020, we launched our #GrowStronger campaign to convey messages of support to our communities, customers and stakeholders. Our videos strengthened our message of support and resilience.

No matter the challenge, no matter the circumstances, we remain united to emerge stronger together

We helped customers to apply for the Targeted Economic Support Scheme (TESS), the UAE Central Bank's economic support programme that was launched in response to the pandemic. Our customers could use our online and mobile banking platforms to access TESS loan deferment and TESS Credit Card Payment deferment. More than 23,000 requests for TESS loan deferment and 16,000 for TESS Credit Card Payment deferment were received via FAB's digital platform.

Internally we conducted surveys to understand employee feedback to our COVID-19 response measures. In general feedback was positive, with employees stating they received consistent and clear communication and that they were able to ensure business continuity. Our employees said they received a good level of support for their health and wellbeing and that they agreed with our Work-From-Home (WFH) measures.

As shown in our materiality assessment results, it is evident that COVID-19 influenced our material topics for this year, particularly 'Employee Wellbeing' which increased seven places from its 2019 rank. We also witnessed an increased score in 'Digitalisation' and 'Diversity and inclusion', two topics that gained prominence in 2020. Other COVID-19 response initiatives appear throughout this report. For further information please refer to our webpage.





FINANCIAL PERFORMANCE

FOR MORE INFORMATION, PLEASE REFER TO OUR 2020 ANNUAL REPORT



Ensuring positive financial performance is key to ensuring we sustain our operations, drive value to our shareholders and enables us to further support the communities in which we operate. Our corporate and retail banking

capabilities lead to secured financial returns, which drives growth and delivers strong shareholder value. Improving our financial performance leads to a multitude of benefits to our shareholders, these include:



Employee benefits, compensation and job creation



Investments to support our local communities, local business and suppliers



Dividends for shareholders



Disruptive innovation through the creation of new products and services



Significant tax payments to governments, which they use to provide public services

KEY HIGHLIGHTS

In 2020, one of the biggest challenges faced was the slowdown in business activity created by the COVID-19 pandemic, which significantly affected our performance in the middle portion of the year. However, thanks to targeted new business volumes in the second half of the year led by recovery in activity and business momentum, we maintained healthy portfolios, meeting desired profitability and cost thresholds.



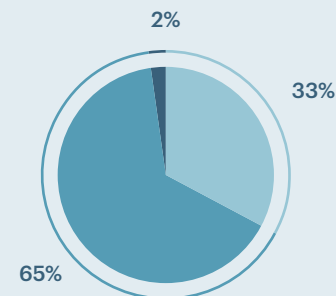
Net Profit

AED billion

2020	10.6
2019	12.5
2018	12.0

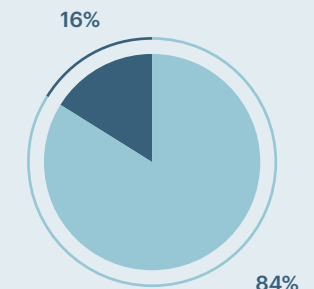
- Total assets up by 12% year-on-year to AED 919 billion at the end of December 2020.
- Revenue from our international operations grew 3% contributing 16% to Group revenue.
- We enhanced many business processes and accelerated our digital transformation, leading to an 8% reduction in operating expenses for the Group.

Revenues by Business Segment



- Personal Banking
- Corporate and Investment
- Head Office and Subsidiaries

Revenues by Geography



- UAE
- International



RESPONSIBLE LENDING AND INVESTING



FAB is spearheading Sustainable Financing initiatives, in line with our commitment to support the UAE Vision 2021 and the UAE Green Agenda for 2015 – 2030. Our aspiration is to be recognised as a leader in Sustainable Finance in the region and make a lasting positive impact on the clients and communities we serve. We are committed to financing and supporting environmental and sustainable projects whilst at the same time providing insights, analysis and knowledge of Sustainable Financing, strengthening our

relationships with stakeholders in the Middle East and market participants.

ESG risk factors are examined across our debt and advisory services. We conduct ESG due diligence and screening for clients on the development of financing frameworks, project finance and other associated services to this segment of our banking franchise. Our governance structure responsible for lending and financing is summarised below.

FAB Board and Executive Committee

Oversee our activities, performance and approach to responsible lending.

Corporate and Investment Banking Division

Driving the ESG transition through sustainable finance and responsible learning. We are also integrating and addressing ESG risks and opportunities across our business products.

Corporate Finance Team

At the forefront of regional innovation in ESG activities, creating awareness, advising clients on establishing Sustainable frameworks and enabling access to Sustainable bonds and loans.

EQUATOR PRINCIPLES

We are the only UAE Bank to be a signatory of the Equator Principles (EP). The EP is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in project finance. 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.

KEY HIGHLIGHTS

Our total lending and advances across the Group as of December end-2020 was AED 387 billion, down from AED 408 billion as of December-end 2019.

At the end of December 2020, 13 applicable Equator Principles projects had undergone the **ESG due diligence process**.

We expanded our Green Bond Framework to create a Sustainable Finance Framework. This framework will be applied to any type of Sustainable Financing Transaction that will be used to fund projects that will deliver environmental and/or social benefits.

We issued a new Green Bond a Hong Kong Dollars (HKD) 750 million five-year Green Bond and have been recognised as the first MENA issuer denominated in HKD and the first Green Bond in HKD by an offshore financial institution. More details are available in our 2020 Sustainable Finance report.





OUR GREEN LOAN CASE STUDIES



Abu Dhabi Future Energy Co

USD 75 million

Revolving Credit Facility

**Mandated Lead Arranger
& Bookrunner**

September 2018

ABU DHABI FUTURE ENERGY COMPANY (MASDAR)

Masdar signed a green revolving credit facility (RCF) with four local and international banks, including FAB, for global clean technologies and sustainable real estate. Under the three-year USD 75 million RCF, Masdar is committed to report on its performance against key sustainability targets annually:

- ✓ Displacement of CO2 emissions
- ✓ Electricity generation from renewable energy sources
- ✓ Levels of embodied carbon; CO2 emissions during manufacture, transport and construction.
- ✓ First Green Revolving Credit Facility in the region
- ✓ 2019 Best Green Loan (Asset Asian Awards)



Fraser's Property Limited

AUD 750 million

Term Loan Facility

**Mandated Lead Arranger,
Underwriter and
Bookrunner**

September 2019

FRASER PROPERTY LIMITED

FAB was Mandated Lead Arranger, Underwriter and Bookrunner for International real estate company, Fraser's Property Limited's (FPL) AUD 750 million five-year Syndicated Term Loan. The loan became the First Green Loan with pricing structures linked to "BCA Green Mark" providing a margin reduction if Green Mark Gold is achieved. There are two properties which were secured by the loan, Alexandra Point and 51 Cuppage Road, both in Singapore. Both properties are using this loan to create a passive design with sustainable air conditioning, lighting systems and water utilisation.

- ✓ 2019 Best Green Loan (Asset Asian Awards)



DP World Limited

USD 2 billion

Conventional and Murabaha
Revolving Credit Facility

Original Lender

October 2018

DP WORLD

DP World signed a repricing and extension of its USD 2 billion conventional and murabaha RFC by two years to July 2023. DP World is incentivised to reduce its greenhouse gas emissions as the transaction is linked to their current carbon emission production. This became the first green loan in the Middle East with an Islamic format that links pricing to environmental performance. FAB acted as the lender on this transaction.

- ✓ First Islamic Green Loan in the Middle East



Steep Slope Property LLC

USD 160 million

Green Term Loan Facility

**Join Lead Arranger, Joint
Bookrunner and Co-Green
Loan Coordinator**

February 2021

ABU DHABI INVESTMENT AUTHORITY (ADIA)

FAB was mandated as Joint Lead Arranger, Joint Bookrunner and Co-Green Loan Coordinator for USD 160 million financing of an Abu Dhabi Investment Authority (ADIA) sponsored new office complex in Palo Alto, California. The loan structure is based on the achievement of LEED Gold Certification of the building. In the event of non-achievement or declassification of LEED Gold Certification, the borrower will: (a) cease representing in all internal and external communications, marketing or publications that the Loan is a Green Loan and (b) ensure that all material, publications and information it publishes relating to the Loan no longer refers to it as a Green Loan.



ISSUING, ARRANGING, STRUCTURING AND INVESTING IN GREEN BONDS

Green bonds and Sukuk present a unique opportunity to finance and support a positive environmental change and secure fixed income returns. Our involvement in the green bonds and Sukuk market spans across several roles including as an issuer, structure, bookrunner and investor.

We are proud to have bookrun, structured and issued the first Green Bond in the region

We have developed a Sustainable Finance Framework to support in our transparency and identification of eligible projects. Our framework includes a stringent due diligence assessment, internal and external audits and building relationships with our green investors.

As of December 2020, we have four Green Bonds outstanding with over USD 1 billion of issuance making FAB the largest Middle East and North Africa (MENA) issuer by number of Green Bond transactions outstanding and the largest MENA Financial Institution by issuance of Green Bonds outstanding.

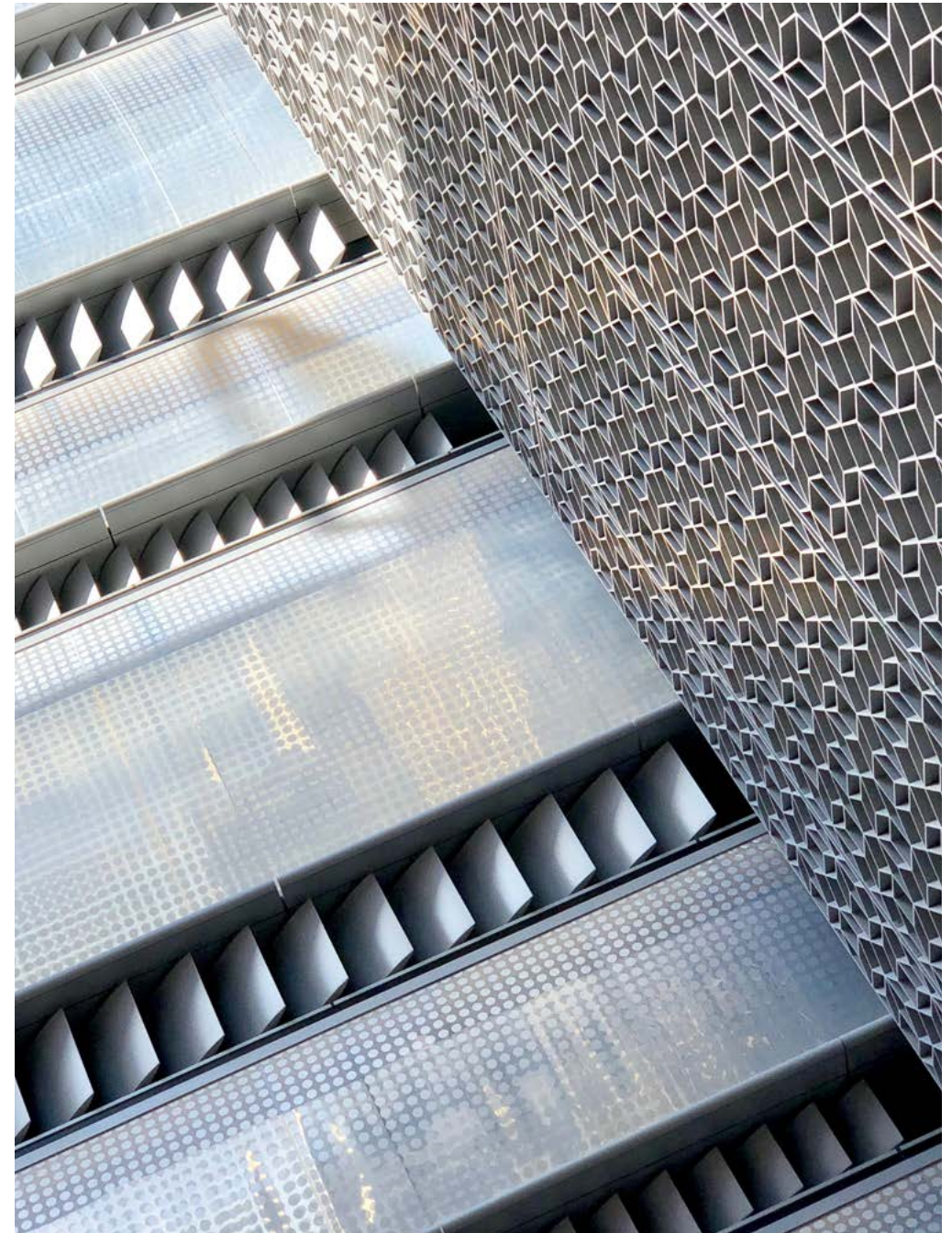
SAUDI ELECTRICITY COMPANY'S GREEN SUKUK

In 2020 we were the joint lead manager and bookrunner for SEC's Green Sukuk, the first green capital markets offering from the Kingdom of Saudi Arabia and largest offering from the MENA region in 2020. The USD 1.3 billion dual tranche offering was issued under SEC's Green Finance Framework for investment in its transmission and distribution infrastructure (including smart meters) and to connect renewable energy sources to the grid.

ETIHAD AIRWAYS TRANSITION SUKUK

In 2020 we were the joint lead manager and bookrunner for Etihad Airways Transition Sukuk, a world first and the first Sustainability-Linked Sukuk financing in global aviation, under a Transition Finance Framework. The USD 600 million transaction will support Etihad's drive for sustainable aviation linked to the United Nations Sustainable Development Goals including:

- A commitment to Net Zero Carbon emissions by 2050
- 50% reduction in net emissions by 2035
- 20% reduction in emissions intensity in the airline's passenger fleet by 2025





BRINGING FINANCE TO DEBT CAPITAL MARKETS

Since 2014, FAB has participated in and led numerous innovative sustainable finance transactions in the debt capital markets. Some of our key achievements include:

 <p>The IFFim</p> <p>USD 500 million Senior Sukuk Floating Rate Trust Certificates due 2017</p> <p>Joint Bookrunner November 2014</p>	 <p>First Abu Dhabi Bank</p> <p>USD 587 million Green Bond Senior Unsecured Notes 3% due 2022</p> <p>Joint Structuring Agent and Joint Bookrunner March 2017</p>	 <p>State Bank of India</p> <p>USD 650 million Senior Unsecured Green Bond 4.5% due 2023</p> <p>Joint Bookrunner September 2018</p>	 <p>ICBC - Singapore Branch</p> <p>USD 1.5 billion Senior Unsecured Dual-tranche Green FRN due 2022 and 2024</p> <p>Joint Bookrunner April 2019</p>	 <p>Majid Al Futtaim</p> <p>USD 600 million Senior Unsecured Green Sukuk 4.638% due 2029</p> <p>Joint Bookrunner May 2019</p>
<ul style="list-style-type: none"> ✓ First-ever socially responsible Sukuk ✓ First ever "Vaccine Sukuk" 	<ul style="list-style-type: none"> ✓ First internationally offered Green Bond from the MENA region 	<ul style="list-style-type: none"> ✓ Largest ever Green Bond by a Financial Institution from the Emerging Markets ex. China 	<ul style="list-style-type: none"> ✓ Largest USD Green FRN from Emerging Markets in 2019 	<ul style="list-style-type: none"> ✓ First-ever Green corporate capital markets offering from Middle East ✓ First-ever Green Sukuk from Middle East
 <p>Islamic Development Bank</p> <p>EUR 1 billion Senior Unsecured Green Sukuk 0.037% due 2024</p> <p>Joint Bookrunner December 2019</p>	 <p>Saudi Electricity Company</p> <p>USD 1.3 billion Senior Unsecured Green Sukuk 1.740% due 2025 2.413% due 2030</p> <p>Joint Bookrunner September 2020</p>	 <p>Etihad Airways</p> <p>USD 600 million Senior Unsecured Transition Sukuk 2.394% due 2025</p> <p>Joint Bookrunner October 2020</p>	 <p>First Abu Dhabi Bank</p> <p>CHF 260 million 0.068% Green Notes due 2027</p> <p>Joint Bookrunner February 2021</p>	
<ul style="list-style-type: none"> ✓ Debut green Sukuk from IsDB supra national 	<ul style="list-style-type: none"> ✓ SEC's debut Green Sukuk ✓ First ever USD Green capital markets offering from KSA 	<ul style="list-style-type: none"> ✓ First ever Transition Sukuk 	<ul style="list-style-type: none"> ✓ First green CHF issuance from MENA FI 	



CUSTOMER EXPERIENCE

Our customers sit at the core of our way of operating and drive our desire to Grow Stronger. Our commitment to customer experience is reflected in our customer-centric programmes. In 2020 we made several technological developments to provide our customers with tailor-made solutions, products and services. More information on these developments can be found in the

Positive customer experience is our core value. We place our customers at the heart of our operations and maximise our resources to deliver service excellence. Every customer is equally important, every employee is a brand ambassador, and every interaction is an opportunity to shape perceptions positively.

EMBEDDING CUSTOMER SERVICE IN OUR CULTURE

The Bank developed a service culture programme to support our continuous improvement. The programme is an ongoing initiative designed to help us further grow our service capabilities and build a relentless commitment to serving our customers to the absolute best of our ability. Through various initiatives such as education, communication and recognition, FAB employees are equipped with FAB's service aspirations, build capabilities, and learn how to create "FAB Moments" every day.

Embedding a true customer-first mind set across the Group requires the participation and energy of everyone. That's why all employees are part of the excellence programme, because whether we are customer-facing or not, we all have an essential role in shaping the overall customer experience.



Recognition programme

In 2020 we launched a simple, virtual recognition tool which is designed to recognise and reward efforts from FAB employees. This programme aims to build a strong culture within the organisation through appreciation, connectivity of the different functions and identifying employees demonstrating good customer service.

PROVIDING CLEAR COMMUNICATION

The Personal Banking Group (PBG) introduced a customer communications toolkit to enhance the interactions our employees have with our customers through clear and transparent communication. Our latest toolkit not only outlines the fundamentals of good customer communication, but also provides a clear set of rules to set a consistent tone across all our functions in alignment with the Bank's Vision.





“Clear, transparent, confident and appropriate communication is key to building trust in our workplace and everyday lives. With the events of 2020 shaping so much of our new reality and that of our customers’, it is important that we take stock of these key principles to build long-term relationships and put them into practice.

PBG has been doing just that and undertook a major project during 2020 to improve the way we communicate with our customers, and to give all employees easy-to-use tools for creating clear, simple and relevant customer messages from a letter or email, to a note by SMS, and scripts for our customer-facing employees.”

Hana Al Rostamani – Group Chief Executive Officer



RESPONDING TO CUSTOMER FEEDBACK

As part of our commitment to improving customer experience, we have a robust and comprehensive customer insights program implemented, as well as a strong root cause analysis (RCA) process for analysing complaints. Based on the findings and insights from both programmes, there are multiple improvement initiatives undertaken across the Bank to further improve the experience of our customers. This is an ongoing process.

KEY HIGHLIGHTS

Our initiatives in 2020 have resulted in significant improvements in the quality of customer service provided by FAB. **By the end of 2020 our Net Promoter Score (NPS) was above 55.** We also noted a 33% reduction in complaints in December 2020 compared to January 2020.

For our shareholders

- Increased frequency of investor communications, providing comprehensive updates on the Bank’s operational and financial performance as well as the UAE economy through a range of digital channels.
- Held first ever hybrid General Annual Meeting (GAM).



FINANCIAL INCLUSION AND ACCESSIBILITY



At FAB, we want to ensure that individuals and businesses from all backgrounds have access to affordable and helpful financial products that meet their needs. Our aim is to reduce barriers, improve the economic health and increase the financial literacy of our communities, particularly for unbanked or undeserved groups and those in remote regions. We achieve this through a range of products and services, a growing suite of digital offerings, financial literacy events and with banking agents who speak with our customers in their native languages.

2020 HIGHLIGHTS

DWALLET

Our Prepaid business partnered with the Ministry of Human Resources and Emiratisation (MOHRE) to launch the DWallet Card, a payroll card exclusively designed for domestic workers across the UAE. DWallet cards will enable domestic workers to have instant access to their wages in a safe and secure manner. The solution is an alternative to cash, whereby domestic workers can bank and can make electronic payments through the integration of FAB's 'payit wallet' services.

RATIBI

We issued 660,000 new Ratibi prepaid payroll cards in 2020, an increase of 57% from 2019. The total number of active cards reached 1.5 million in 2020 with a total load of AED 15 billion. Our Ratibi prepaid payroll

cards allow low-wage workers to receive their salaries without the need of a bank account. Our Ratibi customers can access cash from ATM networks and use the card as a pre-paid debit card worldwide.

SUPPORTING START-UPS

We collaborated with Hub71, a global tech ecosystem in Abu Dhabi that supports start-ups. Our partnerships allowed us to identify issues that start-ups face when opening a bank account and revealed that the typical bank account opening period could be reduced from 63 days to just five days. The business plan and digital roadmap for 2021 focuses on delivering and launching real-time customer onboarding capabilities and services.

eDirham

We partnered with the Ministry of Finance (MoF) to launch a new range of eDirham contactless cards. The eDirham was set up as a system of electronic channels capable of collecting service fees and revenue for the Federal Government via prepaid cards.

SOCIAL AID DISTRIBUTION CARD

We launched the first digital platform by Abu Dhabi Social Authority to extend Social Aid payments via a prepaid card through FAB for limited income families in the UAE. So far FAB has issued over 5,900 cards which have been credited with AED 356 million during 2020.

LAPTOP SUPPORT

During school shut-downs, as a result of the pandemic, we partnered with the UAE Ministry of Education to provide Dh 5 million funding for laptops which were distributed to pupils nationwide.

INCREASING ACCESSIBILITY IN EGYPT

To increase accessibility of our financial services in the Arab region, we announced our acquisition of Bank Audi-Egypt in October 2020. This is in line with our long-term Egypt expansion plan and is a continuation of our targeted growth strategy in key international markets.

"FAB has a long history in Egypt, having opened its first branch in the country more than 45 years ago. **FAB's first international acquisition accelerates the Group's expansion in a high potential market**, with the addition of Bank Audi's (Egypt) operations offering the scale, expertise and financial strength to support our growth journey and sustainable returns."

André Sayegh (Board Member)



DIGITAL TRANSFORMATION



The global pandemic in 2020 accelerated the digital transformation of our products and services. COVID-19 necessitated the use of a wider digital platform to enable a smooth contactless experience with branch transactions reduced by 31%. Our digitisation drive has assisted customers across geographical boundaries to effectively operate in times of restrictive functioning and movement, enabling Banking everywhere and anywhere.

OUTLOOK FOR 2021

Technology will continue to play an important role as we continue the journey to improve customer experience where we will provide guidance and education to our customers on the use of our existing and future digital services.

In efforts of continued simplification of our transaction processes for our customers, FAB plans to digitise six additional branches in the upcoming year and improve our internal processes using robotics.



KEY HIGHLIGHTS



Mirgration Online

We helped our customers activate debit and credit cards without visiting a branch including instant international transfers, know your customer (KYC) updates and temporary card freeze/unfreeze. 50,000 new customers registered accounts online in 2020. Around 86% of all transactions and 71% of financial transactions are done digitally. Year-on-year our digital acquisition grew nearly 200%.



FAB Mobile Banking

We significantly improved stability, features and user experience on our mobile app. 6,000 positive ratings were received on Google Playstore and 19,000 positive ratings on Apple App Store. With our FAB One App, new customers can download and open an account within ten minutes. 65,000 new customers registered accounts using the FAB One App in 2020.



FAB rewards via Digital Channels

We have a robust loyalty redemption programme that provides incentives to our loyal customers. All the redemption options are conveniently accessible in one place within the banking app. In 2020 more than 1.9 million customers visited the loyalty page while 89% of the redemptions were claimed via the mobile and internet platforms. We also observed 72,000 customers redeeming their points in the first 81 days of launching.

payit

Our 'payit' digital wallet is free for all customers, allowing instant transfers to select countries with zero fees and no minimum balance requirements. In 2020, our 'payit' customer base increased 110% to 250,000 customers. Our digital wallet was also awarded the "Best NEO Bank" and "Best User Experience" at the MEA Finance Awards 2020.

In addition, our Ratibi customers (prepaid payroll cards for lower-wage workers) are also able to access 'payit'. We saw a 500% increase in Ratibi customers using 'payit' to 45,000.



EMPLOYEE WELLBEING

Our employees are one of our strongest assets and ensuring their wellbeing is of pivotal importance. We offer a range of tools and services to our employees to maintain their physical, mental and financial wellbeing. Our Human Resources philosophy and framework creates a human-centric environment, focused on four key pillars.



Connectedness



Resilience



Agility



Empathy

KEY HIGHLIGHTS

We attained ISO 45001:2018 accreditation,

the most widely recognised international benchmark for occupational health and safety management

Our employee wellbeing programme was launched

to provide support during COVID-19, this will continue into 2021

We launched a new employee communication channel

to enhance our communication, collaboration and engagement

We launched culture surveys on a quarterly basis,

our NPS score in Q4 had increased by 105% (eNPS achieved is +41 in Q4'2020 from +20 Q1 of 2020) from Q1 of 2020. We attribute this improvement to our employee wellbeing programme, increased communication around COVID-19 and work-from-home (WFH) support

Our voluntary employee turnover **reduced from 9.9% in 2019 to 6% in 2020**

Our employee absentee rate in 2020 was 11.16%, this is a 2% decrease

compared to the previous year

HR should support the organisational strategy and continuously adapt to the shifting work environment. COVID-19 has fundamentally changed our employment model, we no longer have the same face-time in the office and employees are accountable more than ever for their delivery and results. It is critical to find ways to connect and motivate employees, and provide them opportunities to be successful.



FAB Cares – Employee Wellbeing Programme

As part of our FAB Cares Initiative, we launched an employee wellbeing programme (EWP) in 2020. The programme included the following:

- Wellness Coaching
- Life Management Services
- Telephone and Face to Face Counselling
- Managerial Coaching

The programme is offered to all employees and their family members.



Dental Care for Kids

We offered our employee's children free dental health check-ups



24x7 Access to Medical Support

As a result of the restrictions caused by COVID-19, we provided all our employees with free access to a mobile and teleconsulting application that provides 24x7 access to medical support. Through the app/ phone, a doctor may prescribe medication directly to the employees from the comfort of their homes and the medicines are delivered to the employees' doorstep.



COVID-19 Awareness

We invited a guest speaker from the COVID-19 Government Awareness Team to a virtual Townhall meeting. He provided guidance on taking steps to prevent the spread of COVID-19 and what to do if employees contract the disease. His talk provided some comfort and support to our employees during a challenging time.



Fitness Exercise Videos

To encourage healthy and active lifestyles during the lockdown, we partnered with fitness instructor Miguel Fragoso and launched a series of online videos including anti-stress breathing exercises, improving strength, stretching exercises and postural correction.



Voucher and Discount Application

We provided our employees with free access to a mobile application that allows users to redeem vouchers at hundreds of restaurants and retail outlets in the Middle East.





COVID-19 MANAGEMENT

In 2020 several initiatives were undertaken to ensure the wellbeing of our employees while also maintaining excellence in our operations and customer centricity through the COVID-19 pandemic. We demonstrated our commitment to the health and safety of our employees and ensured business continuity amidst the various challenges faced and the hurdles we were required to overcome.

Key highlights on FAB's response to the pandemic for our employees included:

KEY HIGHLIGHTS

Enabling employees to work from home and providing flexible working arrangements

Implementation of stringent health and safety measures at the workplace including distribution of PPE

How-to videos to support increasing use of digital software

Regular communication emails with official helpline numbers and additional information on crisis management

We partnered with health authorities and organised multiple vaccination camps in Abu Dhabi and Dubai for the provision of the COVID-19 vaccinations to employees and their family members

Continuous sanitisation in offices

Provision of laptops to all employees

Free screening tests at FAB One Tower

A dedicated support email address was created to report issues to the Health, Safety and Environment team

Ongoing travel monitoring of employees and providing necessary support



We do expect a number of the above responses to continue throughout 2021, however with the continuous roll-out of the vaccine and easing of national restrictions we hope to gradually return to pre-pandemic conditions over the next few months.



DIVERSITY AND INCLUSION

As an organisation, we always champion diversity, the appointment of our first female group CEO is testament to that. We work hard to build a workforce that reflects the communities and countries we operate in and the diversity of our customers, while creating a safe and inclusive environment that is based on collaboration, respect and fairness.

A diverse and inclusive workforce can drive innovation, engage our people, increase job satisfaction, build productivity and deliver better business results and better experiences for our customers. In 2020 our diverse workforce comprised of more than 5,000 people representing 80 different nationalities, 40% of which are female.

As an equal opportunity employer, we consider all qualified candidates for employment

regardless of gender, age, ethnicity, disability, religion or marital status. Diversity and inclusion is embedded within our codes and policies, such as our Employee Code of Conduct, Directors Code of Conduct and other relevant policies such as our Anti-Bullying and Harassment Policy. We encourage all employees to report incidents of discrimination or harassment, whether they are a victim or witness to it, and we investigate all allegations.



KEY HIGHLIGHTS

We announced **Hana Al Rostamani as our first female Group Chief Executive Officer**

Women represent 40% of our total workforce and held 30% of senior and middle management positions.

Our workforce comprised approximately **5,000 people from over 80 different nationalities**

We announced our partnership with Aurora50, a homegrown social enterprise that works on solutions to global problems. One of Aurora50's key initiatives is initiatives is to increase the representation of female of female board members in corporations.

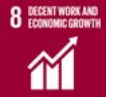
In partnership with PwC, **FAB hosted a virtual event with Hana Al Rostamani speaking about leadership** and the importance of building your brand and leading change effectively.

Over 100 female employees took parental leave and returned to work
We offer 60 paid calendar days and an additional 30 half-paid days' maternity leave for eligible employees, this is greater than the 45 day minimum required by law. Five paid days of paternity leave is also available.

According to CBUAE Corporate Governance regulation article 8 "...at least twenty per cent (20%) of candidates for consideration for the Board's membership must be female". All UAE banks have been given until end 2022 to

implement this regulation. Hence in order to comply with the CBUAE regulation the Bank should aim to present 20% of the candidates for AGM in (Feb) 2023 to be females.

TALENT AND ATTRACTION



At FAB, we believe in attracting, retaining and building our people's strengths and abilities to empower them to be strong ambassadors for FAB. We recognise and value the importance of our employees for the success and sustainability of our business. We regularly capture their feedback through surveys to understand what is important to our employees. Recognition also plays an important role in creating a positive culture, our annual Gold Awards and Stars in a Box programme provides opportunities for employees to be awarded for their outstanding efforts.



KEY HIGHLIGHTS



We introduced 'Launchpad'

a digital interview platform to streamline our hiring process. Over 2,000 virtual and automated interviews were conducted in 2020.



We created the FAB competency framework and AGILE model of potential

which became a core focus for use in assessment and development initiatives across the Bank. In 2020, over 450 development assessments were completed bank-wide supporting line managers and employees with a clear and transparent understanding of strengths and development areas in line with the competencies required for future success.



We started the development of our FAB Talent Marketplace initiative

which will be launched in 2021. We will use an artificial intelligence (AI) platform to analyse different career paths for employees based on their achievements, preferences and goals.



LEARNING AND DEVELOPMENT

Our learning and development (L&D) strategy is based on business outcomes, strategic directives, benchmarks and identified needs in the organisation. Our objectives are centred on building functional, digital, behavioural and leadership capabilities that will help our colleagues perform to meet and exceed the expectations of business. We are driven by the following strategic pillars.

1. Skilling

to help colleagues excel in current roles

2. Re-skilling

to help colleagues excel in future roles

3. Upskilling

to help colleagues to deliver FAB's strategic objectives

4. Risk and Compliance management

5. L&D integration with HR

6. Embedding a learning culture

We develop appropriate skill gap and learning journeys that are delivered using internal subject matter experts as well as reputed external partners. Business leaders are actively involved in content preparation as well as the measurement of impact. Our approach ensures that the necessary behavioural changes are implemented to improve performance.

KEY HIGHLIGHTS

In 2020, we have undertaken various L&D interventions, below are some highlights:

The Customer First (CF) Educational stream - multiple levels of training on our CF values

The Relationship Manager Certification programme - functional and behavioural training for our Branch Managers

DigiFlex - Multiple levels of training on Design Thinking, Cloud and Agile

ACAMS (Certified Anti - Money Laundering Specialist) and ICA (Certification in Compliance) Certification Programme

Discovery Programme - to enhance leadership skills (organised by the Leadership Centre of Excellence)

Total training hours are provided in the table below, note there was a drop in total training (in-person and virtual training) in 2020 due to the pandemic. However around 41,000 hours of eLearning training was delivered in 2020, which in total adds up to 118,500 hours. The shift to eLearning was partly due to the pandemic and partly arising from our strategy to provide capability at the point of work using eLearning tools. As a result, this helps to reduce the time employees are away from work and also provides a more engaging and personalised learning experience.

Training	2018	2019	2020
Total training delivered (days*)	17,372	16,652	11,069
Total training delivered (hours)	121,605	116,566	77,483
Average training per employee (days)**	2.591	1.984	1.624
Senior management employees	1,295	2,588	2,735
Middle management employees	2,212	2,362	2,584
Non-management employees	1,836	1,905	1,111

* One training day is equivalent to seven training hours

** Average training hours/days are calculated based on number of people trained, not total employee numbers.



POSITIVE SOCIAL IMPACT



Supporting the wellbeing of individuals and the communities in which we operate is a strategic objective for FAB. In a rapidly changing world, stakeholders increasingly demand organisations to shift their business models and drive sustainable development. Our commitment to positive social impact extends across our operations and business strategy. We acknowledge and support the importance of providing career opportunities and development for Emirati nationals, partner with a large number of non-profit and social enterprises to maximise our impact on socio-economic development and work to reduce our carbon dioxide emissions.

KEY HIGHLIGHTS

We are proud to have announced **Hana Al Rostamani as our new Group CEO.**

37% of our workforce are Emirati, up from 33% in 2019. 24% of our Senior Management are Emirati, up from 17% in 2019.

Total sponsorships and donations for 2020 (Group): AED 69.3 million (~0.64% of our pre-tax profit).

Ramadan Food box initiative – we helped to provide essentials to low-income households and quarantined communities in the UAE during Ramadan 2020 through the Emirates Foundation.

Our donations to the Emirates Down Syndrome Association helped with initiatives to support mental health to individuals and their families.

We supported Dubai Courts community initiatives which included financial support to blue collar workers who lost their jobs as a result of COVID-19

We provided AED 3 million for 30 scholarships to be awarded to Emirati students to study in their Bachelor of Laws LLB programme at the Paris II University of Law.

We saw a 27% reduction in total carbon dioxide emissions in 2020 compared to 2019.



EMIRATISATION



We are focused on hiring, developing and retaining Emirati talent. This remains one of our key pillars. Our Emiratisation programmes and initiatives provide a foundation for developing local talent; they are essential to the success of both our business and the national economy. We offer Emirati nationals meaningful work, diverse and interesting careers, and progression opportunities for high potentials, from graduate level up to the most senior roles in FAB.

A key initiative implemented during 2020 was the HID (**High in Demand**) programme, which targets mid-senior Emirati candidates for top positions at the Bank. Through FAB's excellent community network and professional relationships, we shortlisted outstanding Emirati talent from outside of the banking community who, irrespective of a vacancy, would be a great fit for the Bank. The HR team put selected individuals through a rigorous assessment process and then proactively worked with the business to identify potential employment opportunities. In 2020, this led to 33% of all Emirati direct hiring.



KEY HIGHLIGHTS

Al Masar – Fast track for existing staff, proactively preparing high-potential Emirati talent for “Critical Roles” in 12 months;

Leadership Development Programmes – Building UAEN leadership capability through bespoke leadership programmes in collaboration with London Business School and New York University;

The Banker Programme – Focuses on creating employment for UAE national fresh graduates in the banking and finance sector, in collaboration with HRA and ADGM.

Nujoom Management Trainee Programme – Graduate development programme to support **FAB Emirati talent pipeline**, offering ambitious fresh graduates career growth opportunities to take on “Middle Management” roles in 18 months on job development and 6 months specialist;

20 for 2020 Programme – An initiative that aims to increase and empower female Emirati representation at Board-level, with the selection process ongoing;

“The HR experience was so refreshing, the approach was wonderful as not only did they look at my experience but took the time to understand where a role fits in my career journey! They were attentive and engaging making the experience seamless. I’m super happy to be a part of FAB, but mostly where I feel I can contribute my best!”

Hamama Ali Almansoori, VP, Change Practitioner - IT Program Management Office



COMMUNITY INVESTMENT AND SOCIO-ECONOMIC DEVELOPMENT

Community investment and socio-economic development underpins our sustainability strategy. We are proud to invest in the communities where we live, work and conduct business. Our contributions have a measurable positive impact on their prosperity and growth.

Our employees often go beyond their job roles by taking advantage of opportunities to participate in volunteering activities. Unfortunately, due to the COVID-19 pandemic volunteering activities were limited due to restrictions and safety requirements. In 2021 we plan to launch a virtual volunteering programme to continue to support our communities.

Our approach to community investment includes partnering with a number of 'not for profits' to help address the key social, economic and environmental needs of our communities. In 2020 our donations and sponsorships exceeded AED 69.3 million, representing 0.64% of our annual global pre-tax profit, up from our 0.62% pre-tax profit in 2019. More information on the various initiatives and programmes can be found on our website.



CASE STUDY – AJEEVIKA PROJECT BY FAB INDIA



FAB India supports the livelihood programmes run by Srujna - a non-profit, working to create small-scale business enterprises that provide continuous income to marginalised women affected by poverty, abuse, and human trafficking. These business enterprises are 100% owned and managed by the beneficiary women, who are trained by the Srujna team to make and sell handcrafted jewellery, clothes, and other consumer products.

In the year 2020, FAB India supported six such business enterprises spread across Mumbai and nearby districts under the project titled Ajeevika – which translates to 'livelihood'. The Srujna team trained a group of 356 women in the age range of 20-45 years, with an annual family income of less than USD 275, where a large number of the participants were victims of human trafficking. The training included up-skilling and capacity building in tailoring, digital literacy, financial literacy, and business management. Apart from

training, Srujna also provided the necessary machinery and raw materials required to set up the enterprises.

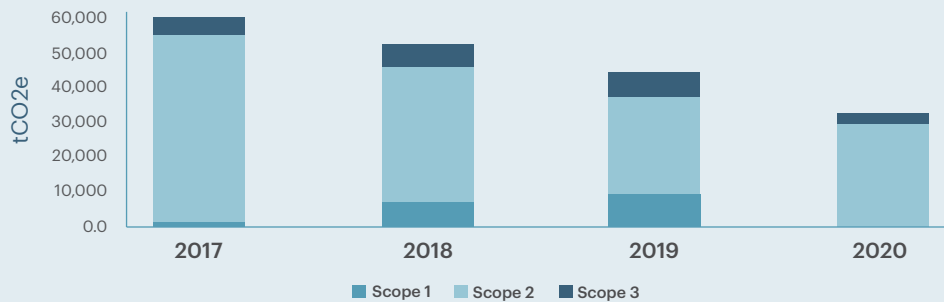
The Srujna team faced its biggest challenge during the initial phase of the COVID-19 pandemic, when training centres were shut for four months due to a countrywide state imposed lockdown. However, Srujna managed to turn this adversity into opportunity by pivoting the training model towards the production of handcrafted masks. Masks manufactured by the enterprises were exhibited at multiple marketplaces, generating orders worth USD 56,000. Srujna also complemented these efforts by supporting the COVID-19 hit families of the trainees, through the distribution of medical and food relief packages among the communities. Srujna plans to connect these business enterprises with global online exhibitions, helping the brands generate more visibility and become more sustainable.



DIRECT IMPACT OF OPERATIONS



FAB Group Carbon Dioxide Emissions (tCO₂e)



KEY HIGHLIGHTS

We saw a 27% reduction in total carbon dioxide emissions in 2020 compared to 2019. The reduction is mainly due to reduced natural gas usage in our Egypt premises, since natural gas there is used to fuel air conditioning chillers in the office buildings and remote working during COVID-19 resulted in lower consumption. Similarly, Switzerland branches also had lower consumption during 2020 as a result of restrictions from COVID-19. Refrigerant and gasoline consumption in the UAE also reduced significantly in 2020.

We had a 259 tCO₂e (tons of carbon dioxide equivalent) increase in scope 2 emissions The increase was due to an increase in the UAE and India's electricity usage. In India, there was a server malfunction during the lockdown period and the air conditioning systems had to function overtime to maintain the temperature in the server room. Furthermore, the majority of our UAE and India assets have centralised air conditioning systems, which could not be adjusted for the reduced capacity in buildings.

There was a 4,086 tCO₂e reduction in scope 3 emissions, this is due to reduced consumption of travel and fuel consumption in all regions as a result of COVID-19.

60% reduction in paper consumption compared to 2019

10% reduction in water consumption compared to 2019

Since 2017, we have had an **average annual decrease in emissions of 18%**



Carbon Dioxide Emissions 2020

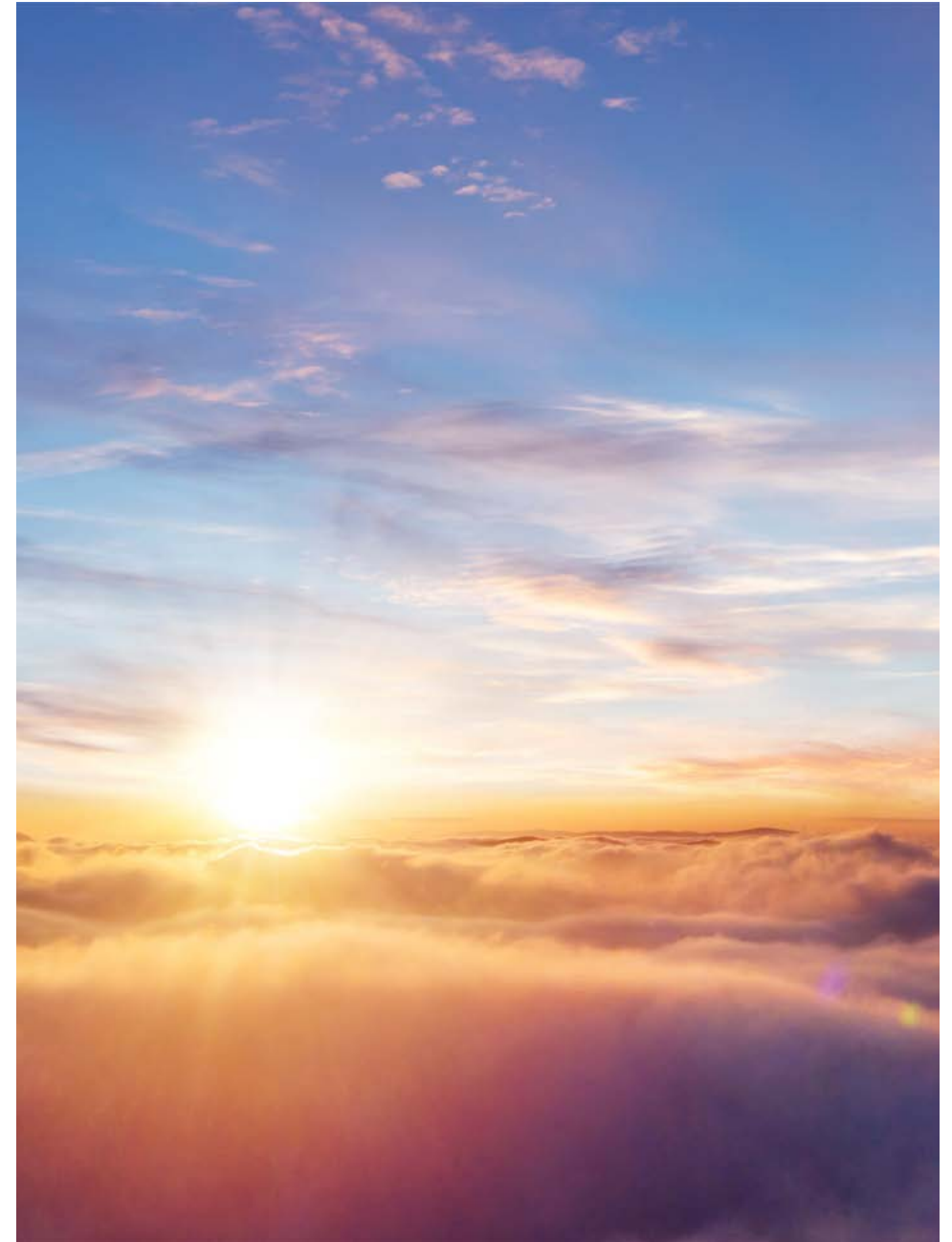


Materials Consumption and Waste 2020



Carbon Dioxide Emissions	Unit	Scope	2017	2018	2019	2020
Scope 1	tCO2e	Group	963	7,398	9,092	666
Scope 2	tCO2e	Group	53,676	38,835	28,538	28,797
Scope 3	tCO2e	Group	6,369	6,891	7,601	3,515

Materials Consumption and Waste	Unit	Scope	2017	2018	2019	2020
Total paper consumption	Kg	Group	135,803	244,880	245,472	98,625
Total paper recycled	Kg	Group	90,191	114,616	75,056	33,627
Waste produced	Kg	Group	633,715	1,271,300	1,189,476	850,390
Total water consumption	kL	Group	543,404	335,970	205,133	187,454





GOVERNANCE, INTEGRITY AND RISK MANAGEMENT



A transparent governance structure helps to improve decision-making, plays a key role in shaping our corporate culture, business practices and regulatory compliance, and fosters better relations with stakeholders through improved transparency and better quality disclosures. Within our governance structure, we have a robust risk management framework that helps us manage risks associated with the breakdown of an entire system. We also have stringent requirements for protecting client privacy and handling personal information entrusted to the Bank.

KEY HIGHLIGHTS

Our Group Board members increased from 9 to 10 members.

In 2020, and according to the criteria set by the CBUAE, 9 of our Board of Directors are considered Independent.

Technology Risk related matters became a part of the Group Technology Risk and Information Security Committee's (GTRIS) responsibility.

A director declaration form was rolled-out to establish a record of other directorships and to avoid conflicts of interest.

99.7% of our employees completed our data privacy and security training.

We achieved the Payment Card Industry Data Security Standard (PCI DSS), an information security standard for organisations that handle branded Credit / Debit / Prepaid cards from the major card schemes.

We formed a Real Estate Committee

which reports directly to the Group Executive Committee (EXCO).

The Islamic governance framework was revamped

in accordance with the CBUAE Standards regarding Islamic Shari'ah Governance.

There were 151 breaches of the Code of Conduct,

which is in a similar range to the 2019 data.

We were recognised as one of the 'Safest Banks in the Middle East'

for the 4th year running at the Global Finance Magazine's Best Banks Awards.

We achieved certification under Service Organisation Control 2 (SOC 2).

The SOC 2 certification is an assurance on the organisation's principal service commitment in accordance with International Standard on Assurance Engagements (ISAE) 3000 issued by International Auditing and Assurance Standards Board (IAASB).



GOVERNANCE, BUSINESS ETHICS AND COMPLIANCE



CORPORATE GOVERNANCE

We are committed to the highest standards of corporate governance, and believe it is essential for good decision making, transparency, responsible compliance and building strong relationships with stakeholders. Our governance structure approaches business in an ethical and transparent manner both internally and externally and is integral to long-term performance and sustainability.

Our Board of Directors are the principal decision-making forum for the Bank, they ensure standards of corporate governance are maintained and align with the best international practices in addition to various regulatory guidelines, including the Central Bank of the UAE (CBUAE) and our associated committees. We adopted virtual meeting guidelines and an electronic approvals process to ensure continuity throughout the pandemic.

Our process of Board self-assessment is designed to assess the composition and mix of skills on the Board. The tool also assesses how the Board has performed through the year with a view to identifying how the Board has met its obligations.

BUSINESS ETHICS AND TRANSPARENCY

Our Director Code of Conduct and Employee Code of Conduct support our business ethics by defining the procedure for identifying, monitoring and reporting inappropriate behaviour. We have a dedicated compliance team which ensures adherence to FAB's Codes of Conduct and other compliance requirements. Employees are encouraged to raise issues and clarifications with our compliance teams, dedicated help desk or through their line managers. Any person who does not abide by the FAB Codes of Conduct

and all applicable laws is subject to disciplinary measures up to and including termination. In 2020 there were 151 breaches of the Code of Conduct, this is in line with the 2019 range.

The Code of Conduct addresses how we serve our customers, our principles on financial security and how we care for our people and communities. All our employees are subject to mandatory online training and assessments for our Code of Conduct on an annual basis. The training also incorporates fraud risk and IT security awareness. In 2020, 99.7% of our employees completed the Code of Conduct compliance training.

We also publish a range of reports containing financial and non-financial data from teams including Investor Relations, Corporate Communications, Corporate Sustainability and Regulatory Compliance. We communicate key

statistics internally to ensure that our employees are aware of FAB's strategies, risks and duties whilst protecting confidential commercial information.

REGULATORY COMPLIANCE

We ensure compliance with the applicable laws and regulations of the Central Bank of the United Arab Emirates (CBUAE), FAB's lead regulator, and other regional and international government authorities. We have a zero-tolerance policy for instances of non-compliance. Education and continuous communication is key to ensuring that we embed compliance responsibility across our organisation. All matters regarding compliance are reported on a quarterly basis to the Compliance Committee.

Our policies:



Directors Code of Conduct



Group Corporate Governance Policy



Gifts, Giveaways and Hospitality Policy



Whistleblowing Policy



Employee Code of Conduct



Anti-Bribery and Anti-Corruption Policy



Disclosure of Financials and Investor Relations Policy



WHISTLEBLOWING POLICIES

We regularly communicate to and train our employees with respect to our Group Whistleblower Policy, which has been created to strengthen a culture of transparency and trust. Whistleblowing incidents can be reported using various secure and protected channels. The reporting mechanism enables employees to raise serious issues without fear of reprimand. A preliminary enquiry will be conducted to determine if a full investigation should be undertaken and by whom. The whistleblower has the right to be informed of the outcome of the disclosure and the findings of any investigation. Examples of misconduct include:

- Workplace misconduct – matters related to Human Resources and Environment Health and Safety.
- Fraud including financial related misconduct – theft, abuse of assets and other general/financial related fraud matters
- Bribery/Corruption misconduct – corrupt practices including giving or receiving bribes or other improper benefits
- Regulatory and business misconduct – compliance issues, conflict of interests and other regulatory violations
- Data and Security misconduct – information security, data privacy and other cyber security related matters.





SYSTEMIC RISK MANAGEMENT



Risk management drives consistent value for all stakeholders through effective risk reward optimisation. Our enterprise risk management (ERM) framework has sound fundamentals to withstand financial and non-financial risks. The framework is designed to be in compliance with regulatory requirements and contains a comprehensive suite of risk policies. FAB's "three line of defence" model is central to the risk management framework and helps identify possible risks and the effectiveness of related policies and frameworks. Our Board and Group EXCO provide oversight of the three lines of defence.



First Line of Defence (FLOD) – Business and Enabling Functions

This is an initial review of the data that could be a possible risk to the Bank:

- Day-to-day identification, assessment, management and owner of Enterprise wide risks.
- Ensures strict adherence to policies and procedures.



Second Line of Defence (SLOD) – Control Functions Risk, Credit, Finance and Compliance

The second line of defence to mitigate possible risks:

- Design frameworks, policies, procedures and programmes for enterprise wide Risk Management
- Partner and guide first line of defence to understand and implement risk frameworks
- Ensure frameworks are compliant with laws, regulations, internal policies and procedures to mitigate unacceptable risks



Third Line of Defence (TLOD) – Internal Audit

The final line of defence to ensure the risk does not affect the Bank:

- Provide independent, objective assurance to improve FAB's operations
- Independently test the effectiveness of the enterprise wide Risk Management framework

ACCOUNTABILITY

Our Board Risk and Compliance Committee (BRCC) has overall accountability for risk governance. The BRCC is supported by several committees in FAB, including: Group Risk Committee, Compliance Committee, Operational Risk Committee and the Information Technology/ Information Security Risk Committee. Credit risk is managed by the Corporate and Investment Bank Credit Committee and the Personal Banking Credit Committee.

STRESS TESTING

We have a well-defined risk appetite framework, stress testing framework and capital management policy framework. All these frameworks are approved by the Board Risk Committee. The target capital levels for the Bank are defined by our capital management policy framework. The stress testing framework defines the severity and impact of the stress scenarios, which are measured against the risk appetite thresholds. Internally stress testing is conducted on the overall Bank portfolio on a quarterly basis and covers the majority of material risks for the Bank. The management and the Board risk committees are apprised of stress testing scenario impacts on a regular basis. In case the capital adequacy levels breach thresholds, then the capital contingency plans are implemented as per the Board and management directions.

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

In 2020, we were proud to announce our ambition to implement the Task Force on

Climate-related Financial Disclosure (TCFD) recommendations. TCFD was established by the Financial Stability Board to assist investors, lenders and insurance underwriters to assess the financially related climate-related risks and opportunities. The Task Force was made responsible for developing voluntary, consistent climate-related financial disclosures that help stakeholders to understand material risks.

The TCFD recommendations are structured around four thematic key elements:

1. Governance: The organisation's governance around climate-related risks and opportunities
2. Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
3. Risk Management: The processes used by the organisation to identify, assess, and manage climate-related risks
4. Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Last year we conducted a gap analysis of our current public disclosures against the TCFD recommendations. We identified that our disclosures are ahead of our regional competitors, although steps are required to meet the levels of global banks. As a result of this exercise we plan to develop a formal process for identifying climate risks and opportunities and integrate climate-related risk management in our overall risk management procedure.



AN INTERVIEW WITH NIELS STORM STENBAEK

SVP and Head of Risk - Economic Intelligence and ESG Risk



Why is it important for banks to consider ESG risks?

Banks need to manage all risks, and the ESG risk landscape is evolving fast with a lot of focus from stakeholders and reputational risk, with new products being developed, new standards, regulations and guidelines from authorities, and increasing expectations from market participants.

How is FAB planning to address ESG risks in the future?

From the start of the second half of 2021 ESG Risks will be part of our ERM framework, which includes among other things a separate policy instruction, changes in other risk policies, governance requirements, changes in risk appetite, development of models / methodologies / tools for ESG risk assessment, reporting and disclosures. We will implement this in stages, starting with credit to our CIB customers and assessing the investments in our own book. Soon after the rest of the balance sheet should follow.

How has COVID-19 impacted FAB's risk management systems?

It has impacted various parts of the framework, such as our credit, market and liquidity risk, risk appetite, fraud prevention and operational risks to name a few, but in particular our Business Continuity Management, making sure we could continue to put our customers first, while working from home.

In terms of climate change risk, what is the impact from international regulatory authorities and how is FAB addressing this?

So far, we have seen new guidelines and reporting requirements from PRA, MAS and HKMA, and we expect more to follow. We have slowly started to experiment with climate scenario analysis in our ESG risk framework in order to better understand how physical and transition risk can impact our balance sheet across the Group in the coming years.





CUSTOMER PRIVACY AND DATA SECURITY

Our data privacy and security approaches are supported by a comprehensive governance process. We have a comprehensive data protection programme to secure data across its entire lifecycle. FAB's Group Security Office (GSO) provides an oversight of our data privacy and security programme including employee training and awareness. All related policies and procedures are periodically reviewed by the GSO and approved by our executive team. Our Executive Vice President, Chief Information Security Officer and Head of Business Continuity Management monitors and reviews FAB's data security controls of critical data. FAB's information cyber security risk, regulatory requirements and security initiatives are discussed and reviewed by our Committees monthly and by the Board level Risk Committee (BRCC), on a quarterly basis.

Our dedicated Cybersecurity Team monitors the data security controls according to the Bank's business application criticality framework. The Group Technology Risk and Information Security Committee (GTRIS), represented by Senior management of FAB fully support and fund installation of high quality data security controls. As a result, we provide a safe and secure banking experience to our customers and ensure protection of confidential data. Our information security policies and practices are aligned with leading cybersecurity standards including ISO27001, PCI DSS, SOC2 and regulations such as NESAs, HKMA, MAS etc. In addition, we have implemented a robust Technology Risk Management

(TRM) practice in alignment with our Enterprise Risk Management (ERM). Our TRM practice identifies the key security control objectives that help us to evaluate the adequacy of data security controls from both control design and control operation perspective for all technology implementations at FAB.

Our Technology Risk Assessment library provides a list of risk and control objectives to be designed for all layers of the data lifecycle. All technology installed at FAB undergo a detailed Risk Assessment to ensure implementation of data security controls at all layers.





BUSINESS CONTINUITY



Business Continuity is critical for us to ensure we maintain and continue our operations and services when faced with an adverse event. During a crisis, such as a natural disaster, terrorism, technological failure or a pandemic our objective is to minimise financial loss, continue to serve our customers and quickly mitigate any negative impacts. Every committee is responsible for differentiating between critical and non-critical functions to support business continuity. The perception of a disruption is typically dependent on the associated cost of implementing business or technical recovery solutions. COVID-19, was notably a key disruption for 2020 and the Bank adopted various measures to ensure our business continued at an adequate level and adapted to the times:

- We ensured the wellbeing of staff as utmost imperative by rolling out employee welfare programmes.
- We achieved 100% continuity of business services during the crisis using a hybrid recovery model.
- We activated a Work-From-Home (WFH) model for 90% of staff. Our IT infrastructure scaled up to accommodate WFH using cloud based virtual desktop capabilities.
- We closed several of our personal banking group (PBG) branches and reduced the hours of others in response to the pandemic. 100% have now returned to

operation with normal business timing since 2 January 2021.

- We have invoked a phased return to office plan for 30% of staff in business units which have office dependency and are susceptible to risk when working from home.
- We published Work-From-Office guidelines; Health and Safety measures were enabled in line with local guidelines such as social distancing, contact tracing, quarantine policy, restricted business travel and halting of physical meetings and events.
- We enhanced our WFH cybersecurity, fraud prevention and operational risk controls.
- We partnered with the Department of Health to provide vaccines to employees and families at Burjeel Medical City, Mussafah to break the chain of COVID-19 and also rolled-out a self-declaration portal to encourage staff to opt in on the vaccination programme.
- We ensured extensive sanitisation measures across all FAB facilities and regular communication with internal and external stakeholders to keep them informed.

