

بنك أبوظبي الأول

**FAB**

First Abu Dhabi Bank



# FAB'S PATHWAY TO NET ZERO

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# EXECUTIVE SUMMARY

**FAB Climate Commitment  
of transitioning to a Low  
Carbon Future**





“At FAB, we recognise the significant challenges posed by climate change to our environment, society, and the economy. We have taken a significant step toward decarbonising our financing activities by joining the NZBA, which brings together global banks committed to aligning their lending and investment portfolios with Net Zero emissions by 2050. By working together across public and private sectors, we’ll have the best chance of making a positive impact and difference for generations to come.”

**Hana Al Rostamani,**  
Group CEO



**Unlike ever before, climate change and its wide range of associated and unprecedented impacts need to be addressed in haste.**

The 2015 Paris Agreement set a goal to limit global warming to 1.5°C above pre-industrial levels to tackle climate change and its negative impacts. In order to achieve this target, we collectively need to deliver a net-zero economy by 2050. This can only be achieved through global decarbonisation

so that greenhouse gas (GHG) emissions resulting from human activity are close to zero, and remaining GHG emissions are removed from the atmosphere.

By announcing the Net Zero 2050 strategic initiative, the UAE became the first country in the Middle East to declare its commitment to full decarbonisation. To support the UAE's transition and consequent growth ambition, FAB joined the Net-Zero Banking Alliance (NZBA) in October 2021.

In addition, we committed to the Partnership for Carbon Accounting Financials (PCAF) in January 2022, indicating that we will assess and disclose the GHG emissions of our financial portfolio.

As one of the leading banks in the region, we believe that engaging with and supporting our clients in their transition will contribute significantly to the Middle East's net-zero goals.

Along with reducing our carbon footprint, it is our responsibility to support our clients in reducing their GHG emissions through the operations that we finance, referred to as Scope 3 financed emissions. We have already delivered c.31% reduction in our GHG intensity in the period 2019 to 2022, per full time employee. In line with the NZBA requirement, FAB's next step in its net-zero journey is to plan for its commitment and set targets to reduce financed emissions for three priority sectors: oil & gas (O&G), power generation and aviation. These sectors account for c. 80% of our global GHG emissions.

**In identifying these three sectors as priorities and in setting 2030 reduction targets as a first step to achieve net-zero, FAB has:**

- Based its methodology on best practice and guidelines, such as from the PCAF and NZBA.
- Relied on recognised third-party data providers (e.g. Capital IQ, Refinitiv, Wood Mackenzie, Cirium, Trucost and more).
- Drawn upon the Boston Consulting Group's (BCG) climate and sustainability expertise, as well as their industrial sector & statistical capabilities.

Each sector has been analysed individually while considering the specificities of both the sector and the region. We also aim to continuously evolve our approach as guidelines, data availability and quality improve.

Following the PCAF standard, we have calculated our financed emissions across the three sectors, accounting for scope 1 and scope 2 emissions, and scope 3 for the relevant O&G actors. Given the availability of production data for most of our key clients, we have calculated our portfolio production intensity at a sector level. Cross-checks and quality control checks were implemented throughout our process to ensure the quality of the data collected and the consistency of the results obtained.

Across the three prioritised sectors, we have decided on production-based carbon intensity targets to better measure emissions' performance (at sector and company levels) and to support our clients with their specific decarbonisation efforts. Our targets are in line with the emissions reduction trajectory required to reach the International Energy Agency's (IEA) Net Zero Emissions (NZE) scenario as outlined below.

**Table 1 – 2030 emission reduction targets across our three prioritised sectors**

Sector	Sub-sectors	Scope	Scenario	Target Metric*	Baseline	2030 reduction target
<b>Oil &amp; Gas</b>	Upstream Downstream Midstream Integrated	Scopes 1,2 & 3	IEA NZE scenario	MtCO <sub>2</sub> e per EJ	63 (2021)	-7% to -15% (53 to 59)
<b>Power</b>	Power generation Integrated with power generation activities	Scopes 1 & 2	IEA NZE scenario	gCO <sub>2</sub> per kWh	460 (2021)	-64% (165)
<b>Aviation</b>	Airlines Lessors	Scopes 1 & 2	IEA NZE scenario	gCO <sub>2</sub> e per passenger-km	83 (2019)	-15% (71)

\*Metric and unit definitions can be found in the the glossary.



# OIL & GAS

**IEA's NZE scenario expects total O&G sector GHG emissions to decrease significantly by 2030, as economies transition to cleaner energy sources and undergo widespread transformation.**

O&G players will not only have to reduce operational emissions but also adapt to declining fossil-fuel demand by diversifying their activities.

This transition will have to be managed responsibly, at a pace that is in line with both the growing global demand for energy and the relevant decarbonisation targets. While we acknowledge that the Middle East, with its decade-long expertise in operating efficiently, will maintain its role as the world's preferred energy supplier on the path to net-zero emissions, we intend to support our clients as they accelerate their energy transition. Many key regional players have in fact already committed to net-zero emissions targets.

We have calculated scope 1 and 2 emissions for all segments of the value chain and added scope 3 emissions for upstream and refineries. In line with IEA's NZE trajectory, we have set a target to reduce our oil and gas sector emissions intensity by 7% to 15% across all three scopes by 2030.

- 1 Supporting our clients in increasing operational efficiency (e.g. minimising flaring and reducing methane emissions).
- 2 Financing hydrogen and ammonia projects.
- 3 Leveraging carbon capture utilisation and storage (CCUS) technologies.

We acknowledge that achieving our targets is also subject to external dependencies, such as technological advances and the successful execution of our clients' carbon mitigation strategies.





# POWER

**Power generation is vital to the global energy transition and to mitigate the impact of climate change.**

A high share of clean and green energy is particularly crucial to support hard-to-abate sectors in reducing their scope 2 emissions.

The share of renewables in the total electricity supply needs to grow significantly. Regional governments such as the UAE, Saudi Arabia and Egypt, are targeting a major increase in the share of renewable energy by 2030, with the ambition of becoming a leader in the clean energy space. This regional dynamic is supported by many of our clients who have already committed to net-zero targets, including a promising pipeline of projects requiring investments of more than USD 55 billion.

In line with IEA's NZE scenario, we are committed to a carbon intensity target for financed power generation activities that involves a 64% reduction in scope 1 and 2 production intensity by 2030.

This includes phasing out thermal coal exposure. Although our thermal coal exposure only represents 0.4% of our total portfolio, phasing it out will help to reduce our overall portfolio intensity.

**Three main initiatives will support this target:**

- 1 Engaging with our clients to support their transition.
- 2 Financing clean energy technologies such as solar, wind and green hydrogen.
- 3 Phasing out coal activities.

Coal is the most carbon intensive of all fossil fuels, generating 40% of the world's electricity needs but producing 46% of global GHG emissions, according to the IEA. Phasing out coal use, therefore, has become a key global climate priority, with many countries halting construction of new plants and committing to end public financing of the fuel by 2022.

Since COP15, the number of new coal plants in operation has dropped by 76% globally due to increased commitments to phase out coal use and a decline in coal financing. More recently, following COP26, more than 23 countries have made new commitments to limit coal-based power, including five of the world's top 20 coal-power-using countries. All G7 countries are committed to ending support for new unabated coal-fired power, and all public international financing for coal power is expected to end by 2022. As banks commit to NZBA, coal production in OECD countries is expected to be phased out by 2030. While the transition in emerging economies will be slower, all global coal use is expected to end by 2040.

FAB's current exposure to coal is small, representing 0.4% of the total portfolio – a relatively low figure when compared with other NZBA signatory banks. In line with our net-zero goals, we have set a commitment to cease all new financing (including trade financing) of thermal coal mining and coal-fired power plants by 2023, in all the geographies in which we operate. This commitment is also reflected in our ESG risk framework and policy through the inclusion of thermal coal related activities within our negative/exclusionary screening list.

To ensure a feasible and sustainable transition, we will respect our current standing commitments to clients (including annual renewals until facility end dates). In parallel, we will also engage with existing customers to understand their current transition plans and explore the possibility of transition finance.

While we will make every effort to reach the target, we acknowledge that our success will be subject to technological advances and the execution of our clients' commitments.



# AVIATION

**Demand for global air travel is expected to grow substantially over the course of the decade, and efforts to reach net-zero emissions in this hard-to-abate sector will rely on technologies that are still under development or experimental. Thus, as reflected by the IEA NZE scenario, the aviation sector's decarbonisation process will only accelerate after 2030.**

For our baseline, we have included scope 1 and scope 2 emissions from airline operators and scope 3 from lessors<sup>1</sup> to which we provide aircraft and general financing. Informed by IEA's NZE scenario for aviation, our target for aviation is a 15% reduction in financed production intensity by 2030, based on our 2019 baseline. This will position our portfolio below IEA's NZE pathway by 2030.

<sup>1</sup>Scope 3 emissions from lessors can also be captured in the scope 1 and 2 emissions of the operators to which aircraft are being leased.

**Based on currently available technologies, we will work towards our target by:**

- 1 Financing fleet renewal with funds focused on efficient and next-generation aircraft.
- 2 Supporting the widespread adoption of sustainable aviation fuels (SAF).

Once again, our success in reaching our target will depend on the pace at which more efficient aircraft and sustainable fuels are developed at scale, as well as the ability of our clients to achieve their own goals.



# ACHIEVING OUR TARGETS

To achieve our targets across all three sectors and to support the region's climate and growth ambitions, we will cascade our targets internally, and update our governance, frameworks and business strategy, in line with our commitments.

Our net-zero journey will continue to identify other sectors to expand the scope of our engagement. The methodology will be reviewed regularly and adjusted in case of any changing best practices and requirements. Finally, we will disclose updates (annually) to provide our stakeholders with transparency on our progress towards the targets.



# INTRODUCTION AND APPROACH

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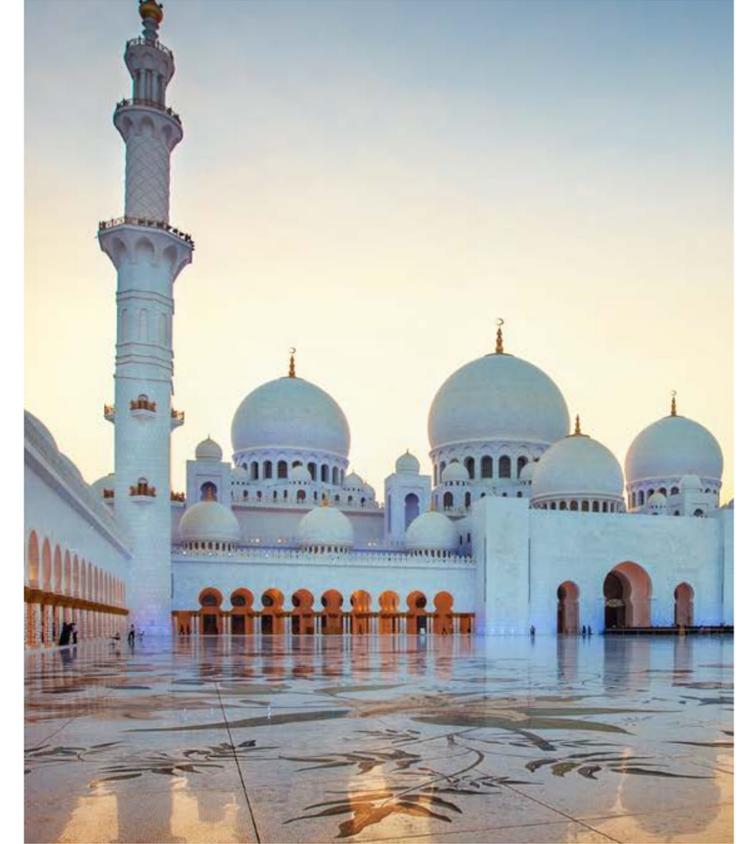
# 2.1 REGIONAL DECARBONISATION COMMITMENTS

The UAE is at the forefront of the mission to combat climate change, demonstrating its commitment by being the first country in the region to launch a net-zero strategy in October 2021, and subsequently updating its Nationally Determined Contributions (NDC) in 2022 to raise GHG emissions reduction targets to 31% by 2030, from 23.5%. To cement this commitment, during the 27th UN Climate Change Conference (COP27) in 2022, the UAE announced its pathway to reach net zero GHG emissions by 2050. The UAE will aim to reduce 18% of absolute emissions by 2030, 60% by 2040 and reach net zero by 2050, from a 2019 baseline. The sectors tapped by the UAE's 2050 net zero

pathway are domestic transportation, buildings, industry, power & water, waste & others. Similarly, other key regional markets in which we operate are pursuing vast decarbonization efforts as well:



The Kingdom of Saudi Arabia (KSA) aims to decrease its GHG emissions by nearly 280 million tons annually by 2030. The KSA has put together a comprehensive investment plan of nearly USD 200 billion to reach this target.



Egypt brought together the world's climate pioneers by hosting COP27 in 2022 and further plans to heavily invest in renewables to reach a share of more than 40% of its energy mix.



In October 2022, Oman committed to reach net-zero emissions by 2050.



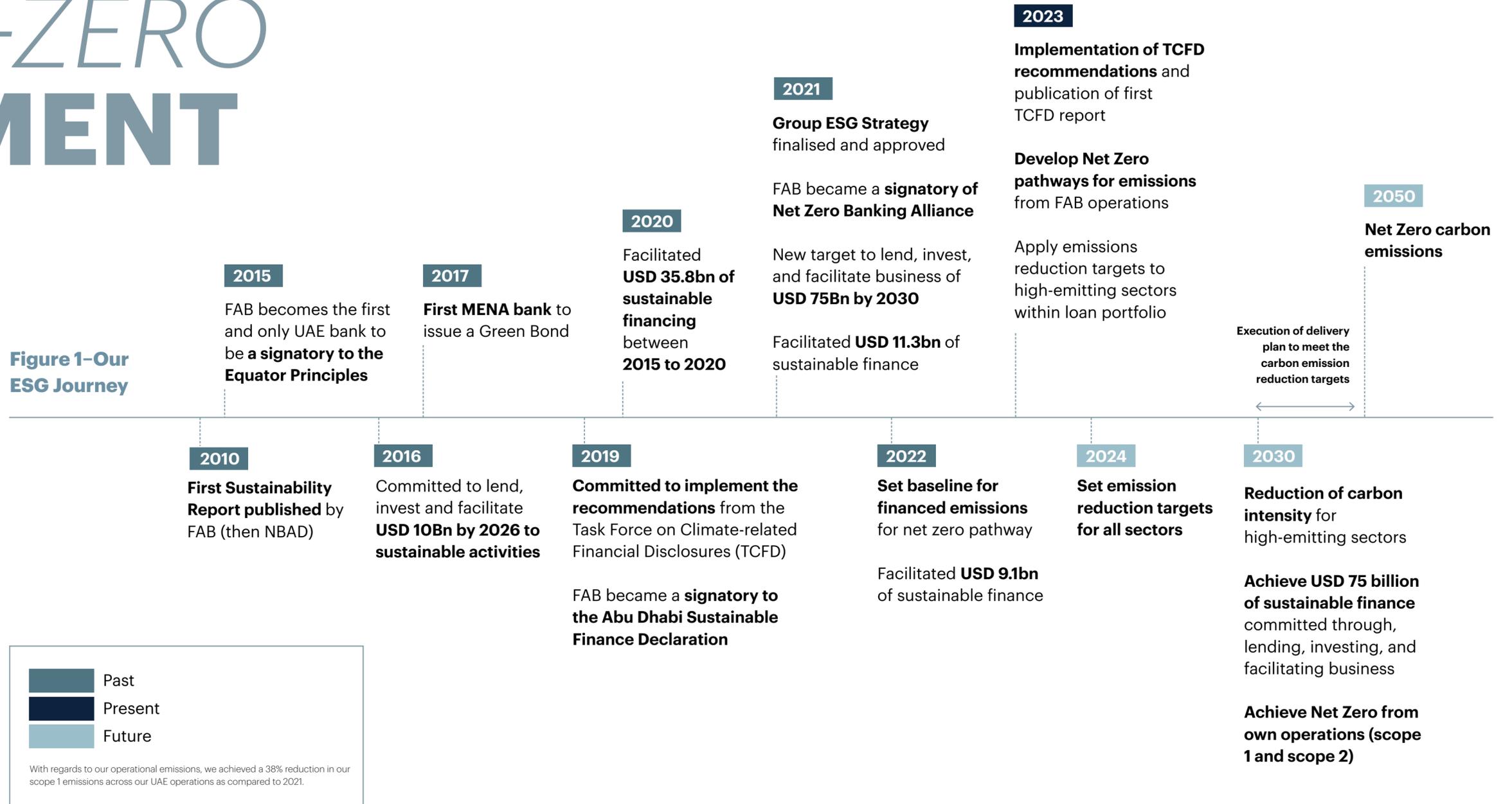
In October, 2021, Bahrain pledged to reach carbon neutrality by 2060.

# 2.2 FAB'S NET-ZERO COMMITMENT

As a regional pioneer, FAB supports the UAE's Net Zero by 2050 strategic initiative and growth ambition to leverage a sustainable development pathway as a vehicle to create economic value, increase industrial competitiveness and enhance the country's standing as an attractive destination for investment, in line with the UAE's 10 principles for the next 50 years.

In October 2021, FAB was the first Gulf Cooperation Council (GCC) bank to commit to a net-zero emissions target by 2050. This declaration was just one of the events in our long history of ESG efforts in the region:

Figure 1—Our ESG Journey



FAB's aim is to be a sustainable financial institution model in the Middle East and North Africa (MENA) region and to continue being recognised as a leader in sustainable finance. In pursuit of our aim of becoming a sustainable financial institution and in support of the bank's net zero commitments, we are developing a 2030 net zero roadmap for our operational emissions. This work represents an extension of FAB's efforts throughout the years to improve energy efficiency and the reduction of energy consumption.

**Table 2 – FAB's Emissions reduction against baseline year of 2019**

<b>GHG emissions (tCO<sub>2</sub>e)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>% reduction (vs 2019)</b>
Scope 1	9,092	631	2,618	3,489	-62%
Scope 2*	28,538	28,797	28,433	32,807	15%*
Scope 3 (excluding category 15, financed emissions)**	7,601	3,515	4,827	2,508	-67%
<b>Total emissions</b>	<b>45,231</b>	<b>32,943</b>	<b>35,878</b>	<b>38,804</b>	<b>-14%</b>
<b>Total FTEs</b>	<b>5,451</b>	<b>5,054</b>	<b>5,078</b>	<b>6,765</b>	
<b>Intensity per FTE</b>	<b>8.30</b>	<b>6.52</b>	<b>7.07</b>	<b>5.74</b>	<b>-31%</b>

The scope of the GHG emissions data covers our locations in UAE and Egypt.

\*In 2022, scope 2 emissions increased due to consolidation of the acquisition of Bank Audi in Egypt, where 1600 employees were transferred to the Group.

\*\*All data related to Waste Generation (including Paper Consumption & Recycling) will be released in our consolidated ESG report in Q1 2023.

We will also set specific targets for our financed emissions (scope 3 category 15) at group level, covering all geographies in which we operate.

As part of our commitment, we are pleased to share our methodological approach and first interim financed emissions reduction targets. The purpose of this report, published in conjunction with our targets announcement, is to provide a detailed explanation of the methodology used to estimate our current financed emissions and to set our targets. It also provides a first view of the levers we expect to employ to reach them and maps out the first steps on our path to net zero by 2050.

We intend to inform our stakeholders of our ambitions and approach, as well as inspire and motivate our clients and other businesses to start formulating and continue progressing their own decarbonisation journey – knowing that we will support them.

## 2.3

# PRINCIPLES AND STANDARDS

**Our methodology is based and expands on existing approaches in line with the latest best practices as defined by PCAF and NZBA. Several principles have further guided us in designing our methodology:**



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### **Our approach is science-based:**

In line with the aim of the Paris Agreement to limit the global temperature rise to 1.5°C, our targets are grounded in science and based on industry standards and guidelines (PCAF and NZBA) and internationally recognised scenarios from international entities such as the IEA.

### **Our approach is sector-specific:**

We believe that while the global economy needs to decarbonise in order to meet the goals of the Paris Agreement, each sector faces its own challenges and requires a unique and tailor-made decarbonisation trajectory. In line with NZBA's guidelines, we have estimated baselines and set carbon intensity reduction targets for each priority sector and are pursuing sector-specific levers to achieve them.

### **Our approach is based on materiality:**

We carefully analysed our portfolio and, as part of the first wave of target setting, we focused on the highest-emitting sectors accounting for most of our financed emissions. Details on why we have chosen O&G, power generation and aviation as our priority sectors can be found in section 3.1.

**Our approach accounts for regional differences:**

The Middle East has a vital role to play in the mission to mitigate climate change. It has the opportunity to transform itself from being the world's leading supplier of fossil fuels to the world's leading supplier of clean energy. The transition will have to be managed responsibly: at a pace that is in line with both the growing global demand for energy and the relevant decarbonisation targets. With its scale of operations, efficiency, and lower environmental costs, the region will remain as the global supplier of choice to ensure a smooth transition. At the same time, several countries—including the UAE—have announced specific targets to increase their share of clean energy in the total energy mix. We have taken those specificities into account when setting our sectoral targets and identifying the required levers to meet them. They will not only reflect the need to support our regional clients in their large-scale and ongoing decarbonisation efforts, but also leverage the region's broader opportunity (e.g. developing a global sustainable aviation fuel hub, developing and scaling new energies such as green hydrogen).

**Our approach will evolve over time:**

We are embarking on the road to net-zero emissions with a vision to set an example for the region and to be at the forefront of helping realise the regional decarbonisation ambitions. To achieve this, we acknowledge that the journey will be an evolving process and we are committed to improving our approach as scenarios are updated by international organisations, new standards emerge, available data quality improves, and as our clients disclose new transition plans.

**Figure 2 – Our approach to setting emission reduction targets:**

- 1 Baseline estimation to identify priority sectors.
- 2 ESG questionnaire rollout and client engagement to gather data.
- 3 Fincanced emissions baseline enhancement and validation.
- 4 Assessment of sectoral decarbonisation pathway and identification of levers.
- 5 Emission reduction target setting.
- 6 Development of action plan to cascade down our targets internally.

**BASELINE**

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# 3.1 DETAILED CALCULATION METHODOLOGY AND USED METRICS

**As part of our first wave of disclosures, we have prioritised the O&G, power generation and aviation sectors. We chose these sectors as they contribute around 80%<sup>3</sup> of our global greenhouse gas emissions. In line with NZBA requirements, we are focusing our efforts on priority sectors where we can have the most significant impact, i.e. the most GHG-intensive sectors within our portfolios.**

In addition, multiple pathways for decarbonisation have already been developed and adopted by companies and other banks. Despite certain limitations and required improvements, there is already sufficient data available to estimate each sector's emissions in the context of its required reduction pathway. Also, by focusing on these sectors, our methodology considers key interdependencies between them such as the supply of SAF by O&G players to decarbonise aviation. Our outstanding exposure was measured, following PCAF standard recommendations, by considering loans and advances and long term investments held for financing as of year-end 2021. Undrawn commitments and off-balance-sheet commitments are not considered. Our priority sectors represent less than 20% of our exposure.

<sup>3</sup>This approximate figure will be refined in the coming years as emissions from other sectors are measured more accurately

<sup>4</sup>Since 2020 and 2021 were not representative of a normal year for the airlines, we chose 2019 figures as our aviation baseline

## Outstanding exposure definition

$$\text{Outstanding exposure}_{Client} = \text{Drawn loans and advances}_{Client} + \text{Long term investments}_{Client}$$

To calculate client enterprise value including cash (EVIC), we used three different approaches depending on the level of data available and in line with PCAF:

- **Listed companies:** Total market capitalisation plus total debt.
- **Private companies with disclosed financials:** Book value of equity plus total debt.
- **Private companies with undisclosed financials:** For a few selected clients in O&G we did not have access to the relevant financial data, and where relevant, estimated their EVIC using a regression based on comparable firms and production output.
- **Private companies with undisclosed financials and undisclosed production data:** Asset based approach using emission factors recommended by PCAF guidance.

Our methodology is built on global standards, including those developed by NZBA and PCAF. In line with the PCAF methodology, we assessed the current level of financed emissions of our portfolio ("the baseline") at client level as of 2021<sup>4</sup>. To do so, we used two different metrics:

- **Absolute emissions** (in MtCO<sub>2</sub>e): A measurement of our attributed share of GHG emitted by our clients.
- **Production intensity** (gCO<sub>2</sub>/output): A measurement of our attributed share of the quantity of GHGs emitted by our clients for 1 production unit.

Our approach aims to estimate a portfolio emissions baseline per sector by adding up the emissions of each of our clients operating in the sector in proportion to FAB's share in its financing.

## ABSOLUTE FINANCED EMISSIONS:

**At the client level (or project level when available) absolute financed emissions are calculated using the following formula:**

**Equation 1 – Absolute financed emissions at client level**

$$\text{Absolute financed emissions}_{Client} = \frac{\text{Outstanding exposure}}{EVIC} \times \text{Client GHG emissions}$$

Client GHG emissions are multiplied by an “attribution factor” to account for FAB’s share of the emissions, calculated as the bank’s outstanding exposure with the client divided by client EVIC.

**The portfolio’s total emissions are calculated as the sum of all our client emissions weighted by their attribution factor:**

**Equation 2 – Absolute financed emissions at portfolio level**

$$\text{Absolute financed emissions}_{Portfolio} = \sum \text{Absolute financed emissions}_{Client}$$

**Carbon intensity:**

**At the client level, production-based carbon intensity is calculated using the following equation:**

**Equation 3 – Carbon intensity at client level**

$$\text{Carbon intensity}_{Client} = \frac{\text{Client GHG emissions}}{\text{Production}}$$

We used the following production-based intensity units by sector:

- For Oil & Gas: MtCO<sub>2</sub>e per EJ
- For Aviation: gCO<sub>2</sub> per pkm (passenger-kilometre)
- For Power: gCO<sub>2</sub> per kWh

**The weighted average portfolio carbon intensity is the sum of each client’s emissions weighted by FAB’s attribution factor. This is divided by the sum of each client’s production, weighted by the same factor:**

**Equation 4 – Carbon intensity of financed emissions at portfolio level**

$$\text{Carbon intensity}_{Portfolio} = \frac{\sum \left( \frac{\text{Outstanding exposure to client}}{\text{Client EVIC}} \times \text{Client GHG emissions} \right)}{\sum \left( \frac{\text{Outstanding exposure to client}}{\text{Client EVIC}} \times \text{Client Production} \right)}$$

# 3.2 INPUT DATA, SOURCES AND LIMITATIONS

We have included scope 1 (direct emissions from owned assets) and scope 2 emissions (emissions from purchased energy) across the three sectors and we accounted for O&G scope 3 emissions (emissions from product use) for relevant actors (upstream and refining) since it accounts for a large proportion of emissions.

Figure 3 – Overview of GHG Protocol scopes and emissions across the value chain

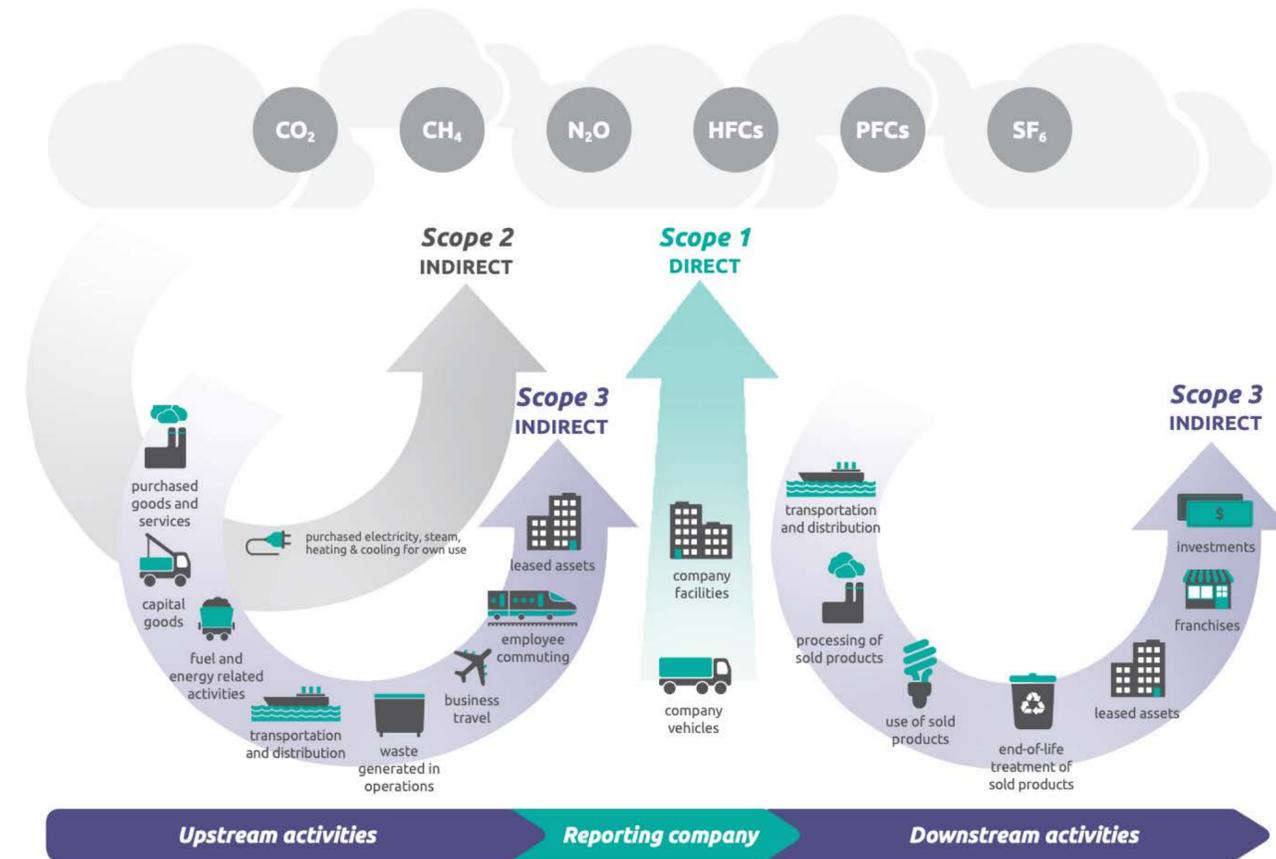


Figure 4: Greenhouse Gas Protocol, **Corporate Value Chain (Scope 3) Accounting and Reporting Standard**

Each sector comprises sub-sectors across its value chain that will play distinct roles in the energy transition as they differ in materiality (from a GHG emissions perspective). The power generation sector, for instance, produces most emissions from combusting fossil fuels rather than from operating its grids or transmitting energy.

Additionally, IEA's NZE scenarios often refer to a certain sub-segment of a sector, reflecting how vastly the effect of each can vary across sectors and activities. Therefore, our baselining and target setting exercise focused on a set of relevant subsectors within each sector.

The following table illustrates value chain activities that we have kept in scope according to each sector. A more granular breakdown of the key activities in each scope can be found in the sector deep dives.

**Table 3 – Value chain in scope by sector**

Sector	Value chain in scope			
<b>Oil and gas</b>	Upstream (e.g., drilling)	Midstream (e.g., transport)	Downstream (e.g., refineries)	Integrated players
<b>Power</b>	Upstream (generation)	Midstream (transmission and distribution)	Downstream (e.g., retail)	Integrated players
<b>Aviation</b>	Aircraft manufacturers	Lessors	Airline operators	Logistics, maintenance and other services

■ Included in Baseline

• **Oil & Gas:** We have classified our O&G clients across the value chain (upstream, midstream, downstream and integrated players). Scope 3 emissions are only included in extraction (upstream) and refining (downstream) activities.

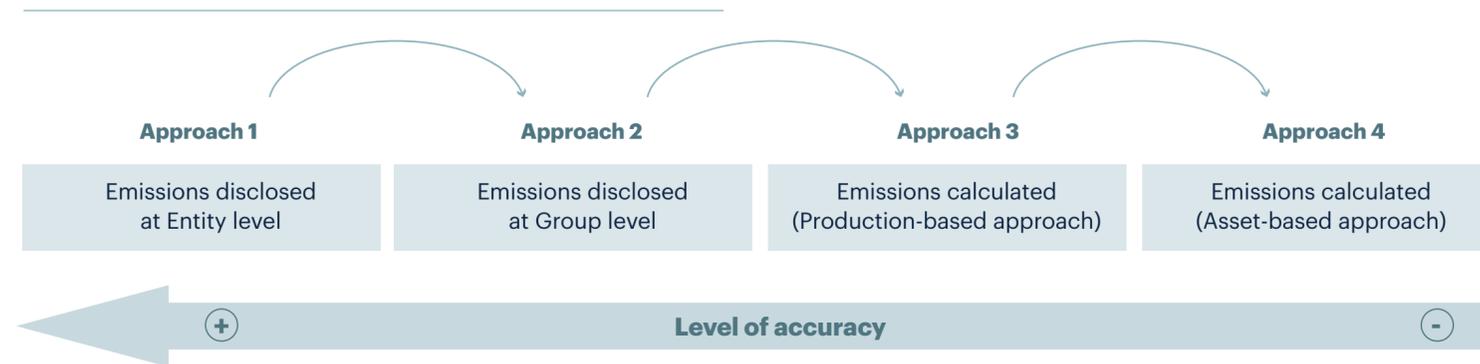
• **Power Generation:** We have classified power companies and projects across the value chain (power generation, transmission and distribution, retail and integrated players). Power generation and integrated players (involved in power generation activities) were kept in scope as they represent the largest part of the sector's emissions

• **Aviation:** We have split aviation companies between operators, manufacturing, logistics, service and maintenance providers, and lessors, allowing for a more accurate allocation of

emissions. Airline operators and lessors were kept in scope as the operation of aircraft (and the associated combustion of fuel) accounts for the largest part of the sector's emissions.

Client emissions were collected using information publicly disclosed by the client or a third-party data aggregator at entity level, when possible, or at group level otherwise. When data was not available, we assessed client emissions by multiplying their production with a specific emissions factor coming from IPCC reports. As a last resort, we estimated client emissions based on their asset intensity.

**Figure 5 – Emission data collection approaches**



The following table illustrates the availability of disclosed emissions data per sector based on total sectoral exposure:

**Table 4 – Scope 1 & 2 emissions availability per sector as a percentage of sectoral exposure**

Sector	% of portfolio with directly disclosed emissions	% of portfolio covered by 3 <sup>rd</sup> party emission date	% of portfolio with emissions calculated internally
<b>Oil and gas</b>	35%	24%	41%
<b>Power</b>	86%	-	14%
<b>Aviation</b>	74%	-	26%

Client financials, emissions or production data was collected through publicly disclosed information, our internal data or third-party data providers (e.g. Capital IQ, Refinitiv, Wood Mackenzie, Cirium, Trucost and more).

Although we applied the methodology using the best data available, it is still subject to limitations:

- Our measurement depends on data availability at the client level.
- Methodology to calculate emissions might differ from one client to another.
- Client emissions data is generally not audited.

As we initially mentioned, we understand our baseline as an evolving process. In that context, we expect data quality to improve in the coming years as more clients disclose their emissions data, financial and production data become more available in the emerging markets and third-party data aggregators improve their coverage of climate topics. As such we will re-calculate our emissions baseline if client disclosures make data available which materially changes the results of our calculations.

## 3.3 QUALITY CONTROL CHECKS

We have implemented several cross-checks and quality control checks throughout our process to ensure the quality of the data collected and the consistency of the results obtained.

- **Outlier cross-checks:** We cross-checked data input, comparing data from third-party providers or other banks to publicly disclosed data (e.g. for client financials). We also reviewed outlier values within each sub-sector to understand and potentially correct discrepancies.
- **Regression models:** We used regression models either to fill certain data gaps (e.g. missing production data or financial data) or to check for consistency. For clients with no disclosed emissions, we used proxies and performed regressions wherever feasible (e.g. emissions related to production output on available data points) to estimate their respective emissions.





# TARGET SETTING



## 4.1 OVERVIEW OF THE APPROACH

**Across our three priority sectors, we have chosen production-based carbon intensity targets. This is for two key reasons. Firstly, it allows us to measure emissions performance at the sector and company level and captures technological advancement. Secondly, it provides us with the opportunity to engage with each client on their specific decarbonisation efforts and finance the appropriate projects. Such targets are all based on the emissions trajectory needed to reach IEA's NZE scenario.**

We further intend to review IEA's World Energy Outlook (WEO) projections annually and assess whether a recalibration of our defined benchmark targets is required.



## 4.2 DELIVERING ON OUR TARGETS

**While we understand the scale of the challenge required to mitigate climate change, we also perceive it as an opportunity. Many of the key regional players and our clients across our primary sectors are already pursuing decarbonisation efforts and have net-zero commitments in place. We have further identified a significant pipeline of renewable and clean energy projects across our key markets that both O&G and power players are tapping into.**

Going forward, we plan to coordinate our lending and underwriting decisions for our priority sectors and align them with our ESG evaluation tools to work towards meeting our targets. FAB has drafted its net-zero framework to actively track and monitor emission trajectory of target sectors.

As one of the leading financial institutions in the region, we are well positioned to leverage both our capital and expertise to encourage and support our clients in their transition.

We will also continue to engage with other banks within NZBA to exchange best practices and advance collaboration towards the net-zero emissions cause.

More broadly, we intend to realise our goals by working with clients to formulate and deliver on their commitments. This will include focusing on the financing of transition and least-emissive projects and technologies (such as green and blue hydrogen, renewables or next-generation aircraft technology). We hope to inspire our clients and other players in the region that have not yet made net-zero commitments and we are keen to help them to do so through advising and our full range of financial solutions. For each sector, we have identified specific levers that we will pursue – those are described in detail in the following sections.

# SECTOR DEEP-DIVES

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# 5.1 OIL & GAS

### Table 5 – Oil & Gas commitment

Sector	Scope	Scenario	Metric	2021 baseline	2030 reduction target
Oil & Gas	Scopes 1,2 & 3	IEA NZ scenario	MtCO <sub>2</sub> e per EJ	63	-7% to -15% (53 to 59)

### KEY LEVERS TO ACHIEVE THE TARGET:

- 1 Supporting our clients in increasing operational efficiency.
- 2 Financing hydrogen and ammonia project financing.
- 3 Leveraging carbon capture utilisation and storage (CCUS) technologies.

# 5.1.1 GENERAL DYNAMICS AND TRENDS

**The O&G sector is a major source of global GHG and the resulting climate change. Global energy use is still largely reliant on fossil fuels, the combustion of which accounts for approximately 70% of global GHG emissions (IEA, 2020).**

While most of the sector's emissions stem from combustion, concerns remain about the sector's direct emissions, which need to be addressed on the path to net-zero. These emissions occur during the extraction and refining of fossil fuels. According to IEA, operational emissions account for 15% of the total lifecycle for O&G<sup>5</sup>.

IEA's NZE scenario assigns a crucial role to the O&G sector to mitigate climate change and meet the goals of the Paris Agreement. It expects the total sectoral emissions from O&G (covering CO<sub>2</sub> and methane released during extraction and combustion processes) to decrease by 34%

between 2021 and 2030. Such a substantial decrease will need widespread transformation as economies transition to cleaner energy sources. However, IEA expects this shift to accelerate predominantly beyond 2030 as O&G's share of the total global energy supply decreases by 11% by 2030 and a further 68% between 2030 and 2050. Beyond 2050, IEA expects almost 73% of extracted O&G to be consumed for non-energy uses<sup>6</sup>.

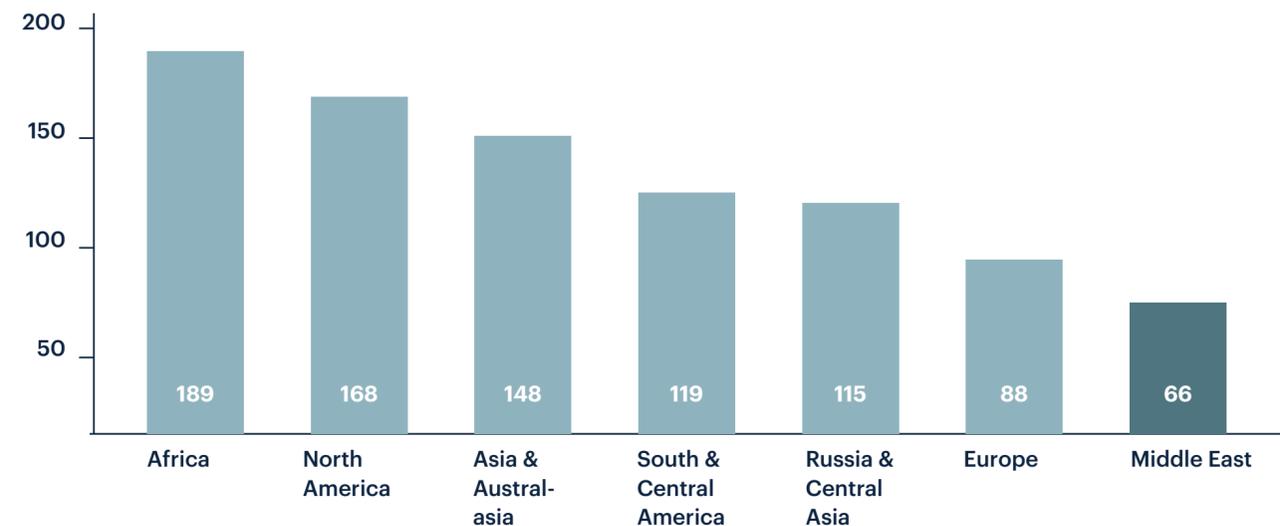
Challenges for the O&G sector are twofold:

1. **Reducing operational CO<sub>2</sub>** and methane emissions during extraction
2. **Adapting to declining demand for fossil fuels** and transitioning to renewables and other forms of low-carbon energy (e.g. hydrogen)

The Middle East in particular is home to the world's largest proven O&G fields and has long been a reliable supplier of energy. As nearly 70% of our exposure in O&G is with players in the Middle East,

**Figure 6 – Geographic comparison of direct emissions per production output**

GHG emissions per unit of hydrocarbon production by region (2020, tons GHG per thousand tons of production)



we have been very keen on developing specific expertise in how we can help decarbonise local players further. The International Association of Oil & Gas Producers (IOGP) has worked extensively with the world's leading O&G players and regularly assesses the efficiency degrees of upstream operations.

As shown in the graph below, producers in the Middle East have the lowest direct emissions (scope 1 and 2) per thousand tons of production globally thanks to geographic advantages and their decade-long expertise in operating efficiently.

Despite this and given that even in the swiftest energy transition scenarios fossil fuel demand is expected to persist for decades, it is crucial for the sector to be as carbon efficient as possible. Most major Middle Eastern O&G players, including some of our clients, are already committed to net-zero by 2050.

FAB intends to support these players to improve the efficiency of their operations and to shift to cleaner energy, while also acknowledging that the region's efficient operations will maintain its role as the world's preferred energy supplier on the path to net-zero emissions.

<sup>5</sup> World Energy Outlook special report. IEA, 2020

<sup>6</sup> World Energy Outlook 2022. IEA, 2022

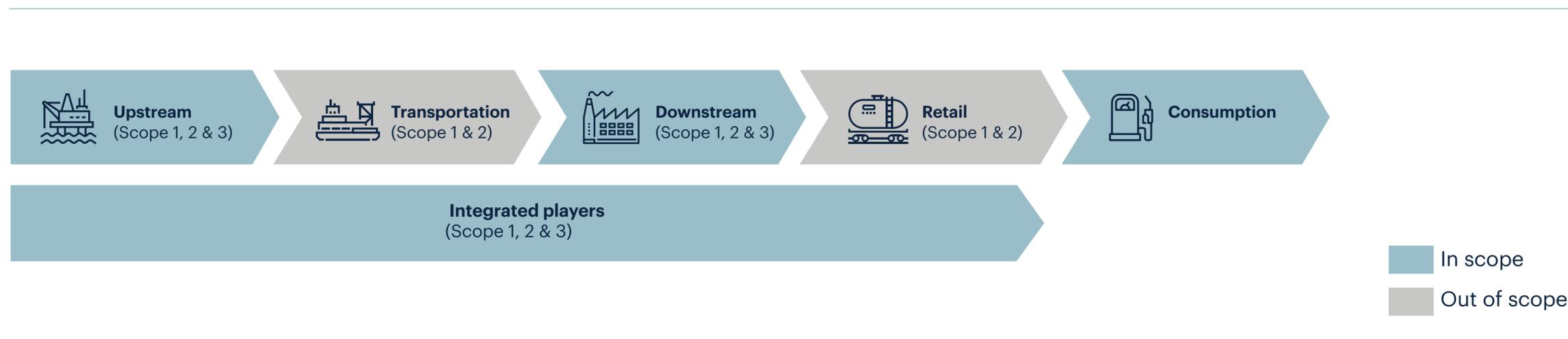
# 5.1.2 BASELINE AND METRIC

Our baseline Scope 1 and 2 assessments (including methane) focused on clients across different segments of the O&G value chain. To the extent possible, we have classified legal entities according to their primary operations, as shown below:

- Exploration and extraction (upstream)
- Transportation (midstream)
- Refining operations (downstream)
- Retail (downstream)

We only considered Scope 3 emissions for upstream and refining activities. Such methodology might induce double counting, as the same volumes extracted by upstream or integrated players may be used by refiners, thus might be counted twice. We are aware of that double counting and tolerate it as it helps us gain a better understanding of the highest emitters and the areas in which we can support them on their decarbonisation journey.

**Figure 7 – O&G value Chain**



Other segments of the value chain, such as commodities trading, storage, marketing, petrochemicals (apart from refining) or oil-field services were not included. As Scope 3 emissions are not typically disclosed nor estimated by O&G players, we have used the IPCC 2006 standard

emission factor to estimate Scope 3 emissions for oil, natural gas and refined products (e.g., for gasoline and diesel)<sup>7</sup>.

For all companies where Scope 3 emissions were included, the production output in barrels of oil

equivalent and cubic feet for natural gas were used at the group level. In addition, as per the IEA standard, we have assumed an energy use of 84% for oil and 97% for gas, respectively.

<sup>7</sup> 2019 refinement to the 2006 IPCC guidelines for National Greenhouse Gas Inventories. IPCC, 2019.

The estimate of Scope 3 emissions is as follows:

**Equation 5 – Calculation of Scope 3 emissions**

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$$\text{Scope 3 emissions} = \text{Production output (BOE)} * \% \text{ energy use} * \text{emissions factor}$$


---

We have encountered a few challenges in establishing the baseline data for the O&G sector, in particular:

- **Missing/lack of financial data:** In a few instances, we have used regressions to estimate the EVIC of clients. These regressions related the enterprise value of other peers (both regional and international O&G players) to their respective production outputs.
- **Missing emissions data:** Some of our clients have not yet published sustainability reports to estimate their Scope 1 and Scope 2 emissions. In such cases, we performed a regression analysis and related the disclosed Scope 1 and Scope 2 emissions of regional peers to their respective production outputs.

We have further retained a production intensity metric for Scope 1, 2 and 3 emissions expressed as  $\text{MTCO}_2 / \text{EJ}$ . This reflects our principle that in order to achieve responsible and inclusive growth, outputs need to be generated at lower levels of GHG emissions. It allows us to better engage with our clients and support them in their transition towards green and blue technologies. At the same time, the evolution of the technology mix can be easier tracked at both the client and portfolio level.

**Equation 6 – Carbon intensity projections for O&G**

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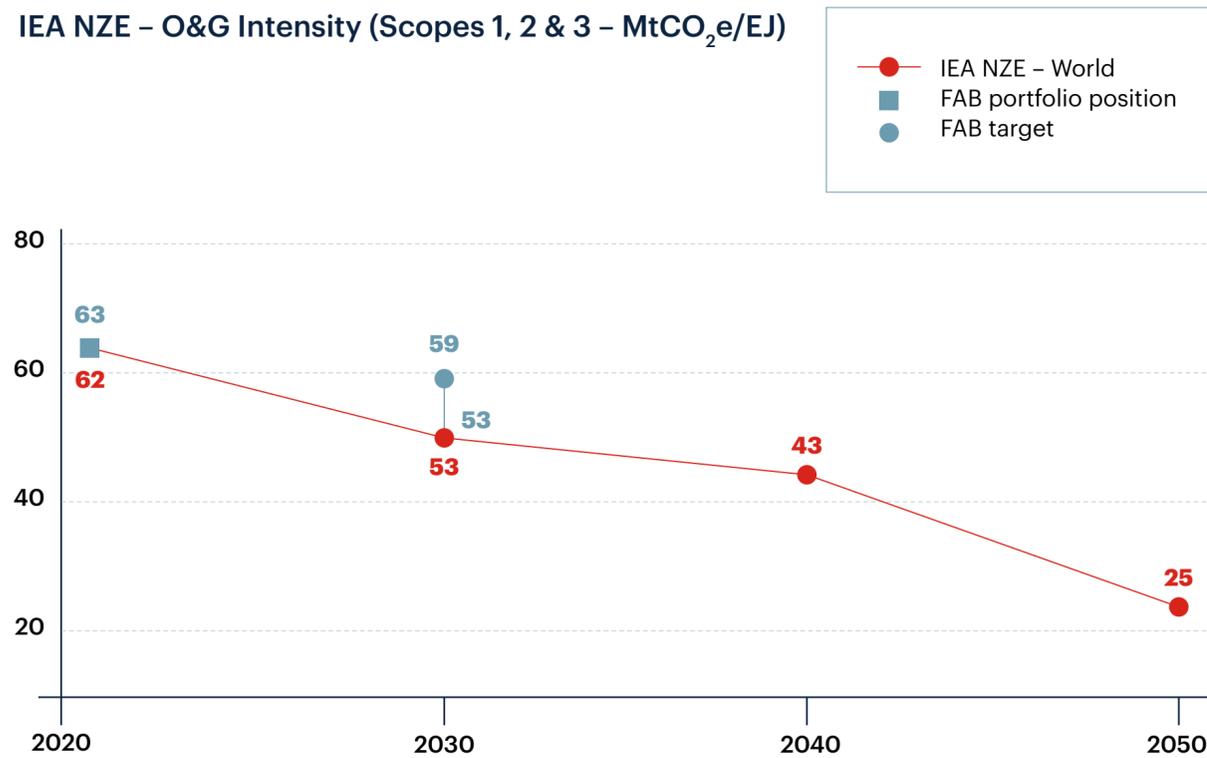

$$\text{Carbon intensity}_{\text{year X}} = \frac{\text{CO}_2\text{e emissions Gas}_{\text{year X}} + \text{CO}_2\text{e emissions Oil}_{\text{year X}}}{\text{Total Oil Supply}_{\text{year X}} + \text{Total Gas Supply}_{\text{year X}}}$$


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# 5.1.3 SCENARIO AND TARGET SETTING

As per the NZBA requirements, we have used IEA's global NZE scenario to define the 2030 benchmark trajectory for O&G, in line with the 1.5°C requirement and covering Scopes 1-3, including methane. In line with the trajectory, we have set one unique target for the O&G sector: between 7% and 15% reduction in Scope 1-3 production intensity from 2021 to 2030 (from 63 MtCO<sub>2</sub>e/EJ to between 53 and 59 MtCO<sub>2</sub>e/EJ).

Figure 8 – FAB O&G baseline and target set



## 5.1.4

# LEVERS *AND* LIMITATIONS

**As one of the largest banks in the Middle East, we are a major financier of the regional energy firms that are to large extents already committed to transitioning their models toward low-carbon operations. We believe that these players have the technical capabilities and right levers to accelerate their transition and deliver transformative solutions (e.g. biofuels, blue and green hydrogen). FAB will be their partner to finance that transition. We will work towards our targets by:**

- 1. Supporting our clients to increase their efficiency:** We will engage with our clients to reduce their Scope 1 and 2 emissions, further optimising the management of their facilities and processes (e.g. methane reduction plan and zero routine flaring).
- 2. Focusing on green and blue project financing:** Low-carbon energy, such as green and blue hydrogen or ammonia projects, are key to decarbonising O&G but require massive investment. Saudi Arabia has already committed to attracting more than USD 36 billion in hydrogen investments by 2030. In line with this regional dynamic, major players in the region are already undertaking efforts and we continue to be an active part of their financing.

### **3. Leveraging CCUS technologies:**

We will finance and encourage our clients to use carbon capture, utilisation and storage (CCUS) technologies once they become commercially viable. Indeed, in the UAE's updated second NDC, CCUS was identified as a priority technology and is expected to contribute to 5.3% the country's emissions reduction goal. For the O&G sector, this will be especially relevant for refining operations.

Despite rigorous efforts that are under way to decarbonise the O&G sector, our targets are subject to external dependencies:

- **Energy mix:** The O&G scenario is heavily dependent on the supply-demand equation – only if the energy transition succeeds can the energy use of O&G decrease by 2030. IEA's NZE scenario assumes a vast decrease, which we partially included in our projections.
- **Technological advances:** The time needed to further mature the most promising technologies (e.g. hydrogen or CCUS) varies significantly and may affect the pace of the net-zero journey.
- **Client commitments and realised investments:** While we are committed to supporting our clients' transition plans, achieving our goal will depend on them meeting their own public commitments.

# 5.2 POWER GENERATION

**Table 6 – Power generation commitment**

Sector	Scope	Scenario	Metric	2021 baseline	2030 reduction target
Power	Scopes 1 & 2	IEA NZ scenario	gCO <sub>2</sub> per kWh	460	-64% (165)

## KEY LEVERS TO ACHIEVE THE TARGET:

- 1 Engaging with our clients to support their transition.
- 2 Financing clean energy technologies such as solar, wind, hydrogen and CCUS.
- 3 Phasing out coal activities.

# 5.2.1 GENERAL DYNAMICS AND TRENDS

**Power generation represents more than 30% of global GHG emissions, according to the World Resources Institute. Given that power generation relies heavily on non-abated fossil fuel and coal-based technologies, decarbonisation of the sector is vital to the global energy transition.**

Electrification will play a major role in the decarbonisation of many carbon-intensive sectors, such as transportation and industry. Consequently, demand for electricity will grow significantly over the next decades and will gain an increasingly larger share in the global energy mix. Decarbonising electric power generation will be key to the transition, emphasising the need to develop and implement renewables technology to meet demand sustainably.

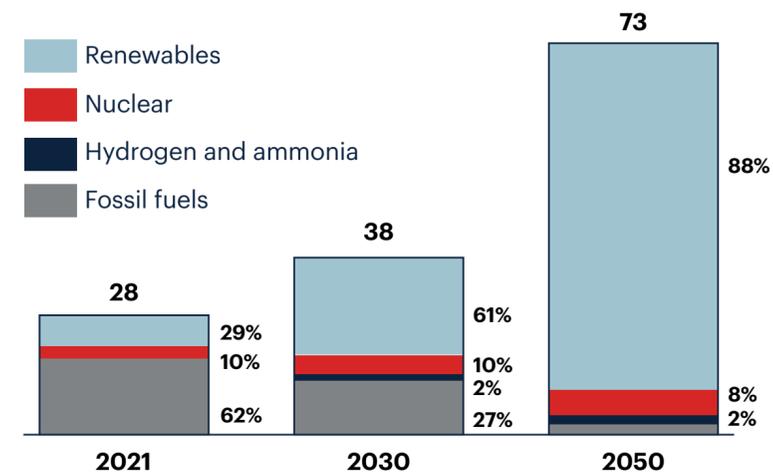
Based on the IEA World Energy Outlook 2022 report, the NZE scenario requires global electricity supply to increase by 36% by 2030 and 161% by 2050 compared to levels recorded in 2021<sup>8</sup>. These projections anticipate significant demographic and economic growth, as well as the electrification of other sectors. In parallel, the sector is also required to achieve net-zero carbon emissions by 2040.

This increase in electricity supply is expected to be supported primarily by increases in the generating capacity of renewables, raising its share in the electricity mix from 29% in 2021 to 61% in 2030 and to 88% by 2050. While the development of all low-carbon technologies is imperative, wind and solar will also need to follow an accelerated pace of development by 2030.

<sup>8</sup> World Energy Outlook, 2022

**Figure 9 – Global electricity generation and mix by IEA NZE**

Global electricity generation and mix in IEA NZE (PWh)



This overall increase in the share of renewables will bring challenges, related to intermittence, storage, land use and distribution. Steering this transition will thus require an unprecedented level of investment.

Many of our power generation clients are already committed to net-zero targets, and also disclosed intermediate targets for 2030. The UAE Energy Strategy for 2050 outlines a roadmap for the country to increase its share of clean energy from 25% in 2021 to 50% in 2050. Similarly, Saudi Arabia's National Renewable Energy Program (NREP) targets 50% from renewables in the electricity mix by 2030<sup>9</sup> and, through the National Hydrogen Strategy (NHS), targets to attract more than USD 36 billion in hydrogen investments by 2030<sup>10</sup>. In that context, we have already observed a growing share of green projects in our pipeline.

In line with these agendas, FAB's ambition focuses on engaging with key regional clients to support their growth and transition, accelerating the expansion of their renewables capacity while improving existing power generation plants.

<sup>9</sup> Saudi Arabia National Energy Program, 2021

<sup>10</sup> Saudi Arabia National Hydrogen Strategy, 2021

# 5.2.2 BASELINE AND METRIC

**In line with NZBA, we have restricted the scope of our assessment to clients engaged in electricity generation, including pure power producers and integrated players with power generation activities.**

**Figure 10 – Power value chain**



We measured Scope 1 and 2 emissions from power generation companies to estimate material emissions in the sector and remain consistent with IEA projections — allowing better comparison with the IEA’s NZE pathway. Scope 1 tracks the most significant emissions related to power generation operations. Scope 2 tracks emissions from purchased electricity, which are negligible compared to Scope 1.

Production (MWh) and carbon emissions (tCO<sub>2</sub>) were available for most clients, representing 92% of exposure in the sector. This data allowed us to calculate the portfolio carbon intensity, which is in line with the global average reported by IEA.

We further chose a carbon intensity metric for Scope 1 and 2, in grams of CO<sub>2</sub> emissions per kilowatt-hour (gCO<sub>2</sub>/kWh) of electricity generated. This metric is well suited to assess the alignment of our clients with the benchmark scenario. It also reflects and tracks the evolution of the technology mix, at both the client and portfolio level.

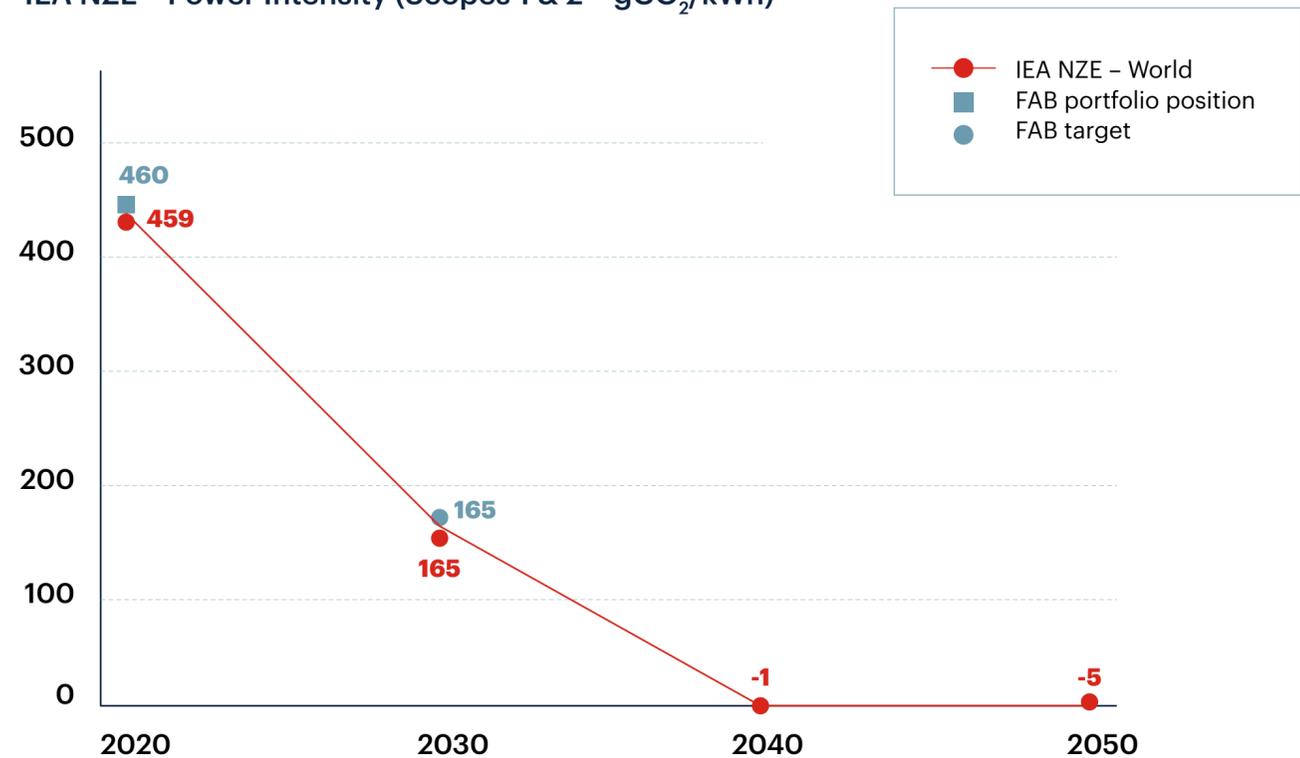
# 5.2.3 SCENARIO AND TARGET SETTING

**We retained the IEA NZE scenario to benchmark our commitment for the power generation sector. Firstly, the scenario is in line with the 1.5°C Paris agreement and the NZBA requirements. Secondly, it provides a direct carbon intensity pathway and is regularly updated, ensuring proximity with the latest in climate science. We used the latest updates from the IEA World Energy Outlook 2022.**

In line with the IEA NZE scenario, we are committed to a carbon intensity target for financed power generation activities that involves a 64% reduction in Scope 1 and 2 production intensity during the period 2021–2030 (from 460 to 165 gCO<sub>2</sub>/kWh). Achieving this target will allow us to align our power generation portfolio with the mandates of the Paris Agreement.

**Figure 11 – FAB Power baseline and set target**

IEA NZE – Power Intensity (Scopes 1 & 2 – gCO<sub>2</sub>/kWh)



## 5.2.4

# LEVERS AND LIMITATIONS



**We are committed to making every effort to reach our ambitious target and will leverage several initiatives to do so.**

Firstly, we will engage with our clients to help them set and achieve their decarbonisation targets and support them with transition and sustainable financing. Many of our clients are already committed to net-zero targets (representing around 45% of our power exposure) and well engaged with world-class renewable power plants.

Secondly, we will significantly increase the share of low-carbon technologies in our portfolio including specific-purpose lending to companies involved in low-carbon electricity generation activities or renewable energy company subsidiaries. We will focus on the most promising and relevant technologies to proactively support the region's transition across:

- **Solar and wind:** With the world's highest rates of sun exposure, the Middle East is well suited to exploit solar technologies to help meet energy needs. We already support several clients engaged in large-scale solar projects and intend to intensify these activities by leveraging our internal expertise to tap into a larger pipeline of projects.
- **Green hydrogen:** Several countries in the Middle East have declared their ambitions in relation to green hydrogen (hydrogen from renewable energy), and the region is in pole position to emerge as an important global player in the space. Our objective is to back this regional aspiration and hasten progress through our expertise on the subject. We will only consider the power generation part of green hydrogen projects to avoid double counting with O&G.
- **CCUS:** We recognise the long lifespans of fossil-fuel-based power plants and the need to run them in a more sustainable way to ensure an adequate transition. Our strategy includes bolstering the region's efforts to build CCUS capacity, although this technology might only mature in the medium term.

And finally, we are committed to phasing out thermal coal exposure. By 2023, we will cease new financing of thermal coal mining and coal-fired power generation across all the geographies in which we operate. Although our thermal coal exposure only represents 0.4% of our total portfolio, phasing it out will help to reduce our overall portfolio intensity.

While we intend to make every effort to reach our targets, the following external dependencies are important to consider:

- **Technological advances:** The time needed to further mature most promising technologies (e.g. green hydrogen and CCUS) varies significantly and may affect the pace of the net-zero journey.
- **Client commitments and realised investments:** While we are committed to supporting our clients' transition plans, achieving our goal will depend on them meeting their own public commitments.

# 5.3 AVIATION

Table 7 – Aviation commitment

Sector	Scope	Scenario	Metric	2021 baseline	2030 reduction target
Aviation	Scopes 1 & 2	IEA NZ scenario	gCO <sub>2</sub> e per p-km	83	-15% (71)

## KEY LEVERS TO ACHIEVE THE TARGET:

- 1 Financing fleet renewal with funds focused on next-generation aircraft.
- 2 Supporting the widespread adoption of sustainable aviation fuels (SAF).
- 3 Encouraging clients to use high-quality offsets.

## 5.3.1 GENERAL DYNAMICS AND TRENDS

Aviation is widely recognised as a hard-to-abate sector. Airplanes have a long lifecycle and the latest aircraft engines are already at the cutting edge of what is technologically viable. Only novel technologies, such as electric and hydrogen-based propulsion, can achieve zero-emissions flying, but they are only at experimental stages and unlikely to be viable for long-haul flights (at least for decades). This context is also reflected by the NZE pathway for aviation, which projects that decarbonisation progress will only pick up significantly beyond 2030.

Globally, aviation contributed approximately 2% of total GHG emissions as of 2019, with more than 98% of that coming from the combustion of jet fuel<sup>11</sup>. While minimal, this share is expected to grow in line with the increasing demand for global air travel: IATA projects 5.6 billion scheduled passengers by 2030 (compared to 4.5 billion in 2019).



<sup>11</sup>IATA, 2019.

# 5.3.2 BASELINE AND METRIC

Aviation clients included in our baseline and targets include both operators and lessors to which we provide aircraft and general financing. For our baseline, we have relied, where possible, on data published by airline operators regarding their Scope 1 and 2 emissions and passenger-kilometres (pkm). Similarly, we have employed a bottom-up approach by allocating outstanding exposure to lessors based on the operator to whom they are leasing aircraft.

Figure 12 – Aviation value Chain



Choosing the baseline year was more complex than for other sectors, as Covid and the resulting travel restrictions during 2020 and 2021 significantly disrupted airline operators. Load factors were at a historic low, which drove up emissions intensities significantly. We firmly believe that 2020 and 2021 were not representative of a normal year from an airline’s perspective and have therefore chosen 2019 figures as our baseline.

We have also adopted a production intensity metric based on emitted grams of CO<sub>2</sub> per passenger-kilometre (gCO<sub>2</sub>/pkm), to allow us to distinguish between more and less efficient airlines and assess their technological progress.

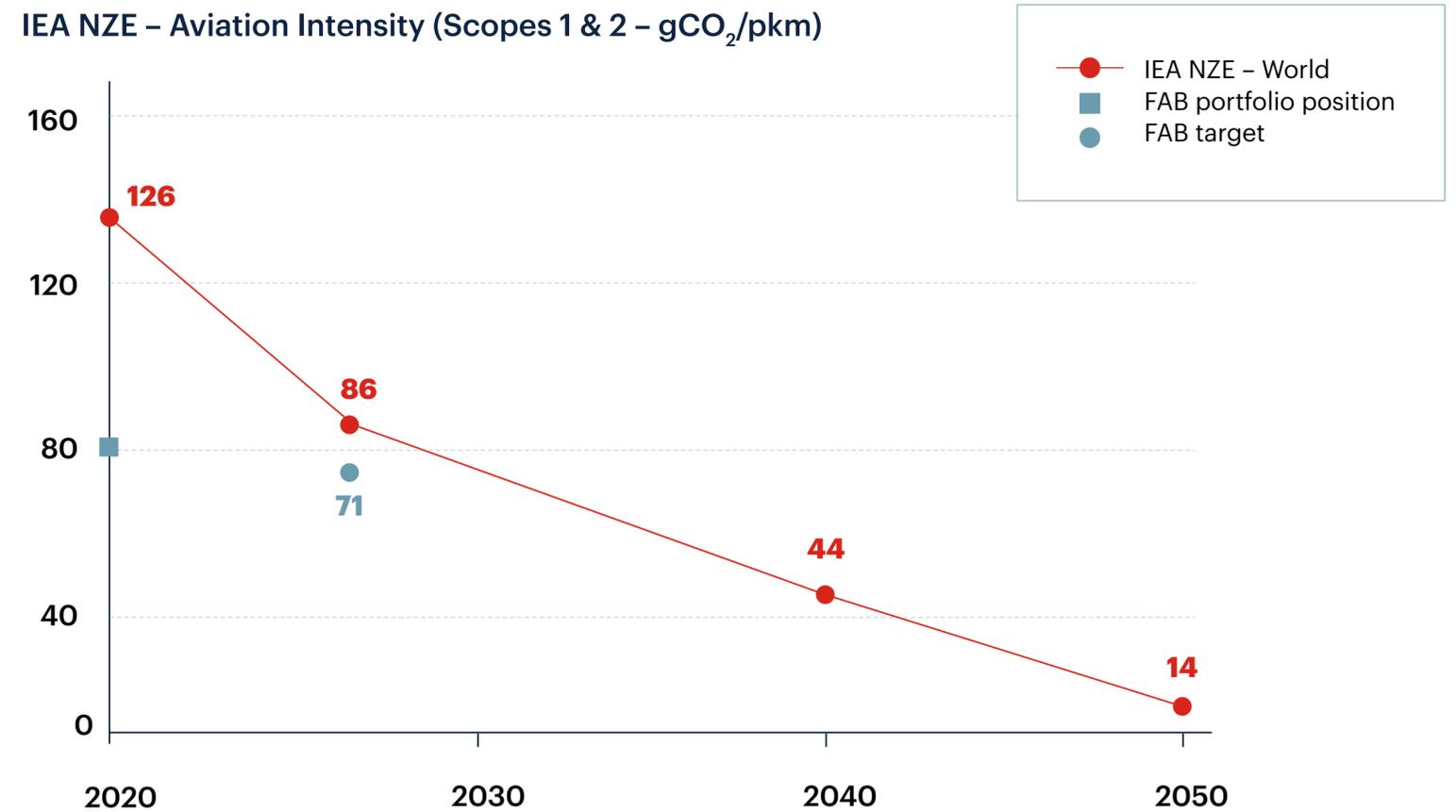
Our current financed intensity is estimated at 83 gCO<sub>2</sub>/pkm, which lies 34% below the global 2019 average of 126 gCO<sub>2</sub>/pkm (IEA). This reflects the young fleet and efficient operations (e.g., high load factors through effective routing and scheduling) of our current clients.

# 5.3.3 SCENARIO AND TARGET SETTING

To translate the IEA's NZE scenario into intensity, we used the total emissions for aviation as projected by IEA's World Energy Outlook report from October 2021 and combined it with forecasts for passenger kilometres (pkm) from IEA's NZ March 2021 report.

Our target for aviation is a 15% reduction in financed intensity by 2030 based on our 2019 baseline of 83 gCO<sub>2</sub>/pkm. This translates into a targeted intensity of 71 gCO<sub>2</sub>/pkm, below the IEA's NZE pathway of 86 gCO<sub>2</sub>/pkm by 2030<sup>12</sup>. As our current clients have already a track record of being able to decarbonise effectively, we firmly believe this target is feasible to reach by 2030 through our joint efforts.

Figure 13 – FAB Aviation baseline and target set



<sup>12</sup> World Energy Outlook, 2022

## 5.3.4 LEVERS AND LIMITATIONS

**Based on currently available technologies, we will work towards our target by:**

**1. Financing fleet renewal with funds focused on next-generation aircraft:**

The latest aircraft designs and engine developments are up to 25% more fuel efficient. Replacing older aircraft with newer ones is a significant lever with which FAB intends to support its clients.

**2. Supporting the widespread adoption of SAF:**

SAF is one of the key levers and can reduce emissions by up to 80% compared to traditional jet fuel. Although already available, SAF is not yet produced on a scale large enough to make it commercially viable. We will foster the increased supply of SAF through our joint efforts with our O&G clients in the region, while also encouraging our aviation clients to adopt it.

As mentioned previously, aviation is a challenging sector to decarbonise, and our target is subject to several limitations. The widespread adoption of SAF is the most promising option with which to pursue decarbonisation in aviation. Despite its significant potential, less than 200,000 tonnes of SAF were produced in 2019, accounting for less than 0.1% of the fuel used by airlines. The timely development of SAF at scale is essential for airlines to deliver on decarbonisation plans and our targeted financed intensity. In addition, we have taken the existing net-zero commitments of our clients in earnest – not meeting them will impact our financed intensity.





**WAY  
FORWARD**

# 6.1 FUTURE ENHANCEMENTS

One of our initial guiding principles was to acknowledge that our approach is an evolving one. We are therefore prepared to update our baseline and targets, should:

- **Available data be enhanced**
- **NZE scenarios be adjusted according to IEA updates**
- **New carbon accounting standards be released**  
(e.g., by PCAF or NZBA)



# 6.2 ACCELERATING OUR TRANSFORMATION

**As the largest bank in UAE, we are determined to continue playing a key part in decarbonising the global economy and contributing to the UAE's net-zero agenda and growth ambition. As part of this report, we have defined targets for the three highest emitting sectors in our portfolio: O&G, Power Generation and Aviation. We are currently in the process of extending and adapting our approach to other sectors in our portfolio.**

Our ambition is to become the number one go-to banking partner for supporting clients in the region in their transition journey. Maintaining our customer-centric approach is therefore at the heart of our efforts.

To achieve that, we will cascade down our targets internally to fully embrace them across the organisation.

Action item	Current progress
Engage proactively with our clients to support them on their journey	Initiated talks with our highest emitters per sector
Adapt our governance frameworks	Developed draft concept to strengthen our steering processes with planned roll out in 2023
Enhance our risk and monitoring framework to fully incorporate our net-zero and climate risk KPIs	Engaged with internal and external stakeholders on KPI selection and process design
Update our sectoral business strategies	Aligned reduction targets with business and investment banking teams and set out roadmap to fully incorporate in 5-year business strategy
Raise awareness across functions and train relationship managers at scale	Embedded our net-zero targets in multiple townhalls and conceptualised training programmes for this year

A photograph of three business professionals in a meeting. On the left, a man in a white thobe and ghutra. In the center, a man in a blue suit. On the right, a woman in a brown blazer. They are all looking down at a document. The background is a bright, modern office with large windows. A white geometric graphic is overlaid on the right side of the image.

# NEXT STEPS



**We have developed a strong foundation to deliver on our set targets. It is based on the best data and frameworks available and reflects regional specificities to better support our clients' transitions across three sectors: O&G, power generation and aviation. Yet, this is just the first step of a long journey to reach net-zero by 2050.**

We will proactively engage with our clients to provide them with advisory and financing solutions. Since our ability to reach, the targets is intrinsically tied to our clients' success, the journey to net-zero will be a joint effort.

In line with NZBA requirements, we will set targets on other sectors to further expand the scope of our engagement. We will also seize the opportunity to carry out reviews periodically and where appropriate, to update our targets and methodologies. We intend to disclose annual updates on our progress to provide our stakeholders with full transparency.

Finally, we hope this demonstrates strong progress and the right intent for all our stakeholders. We look forward to collectively contributing to a better future.

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# GLOSSARY

CCUS	Carbon capture, utilisation and storage
CO <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> e	Carbon dioxide equivalent
COP	Conference of the Parties
EVIC	Enterprise value including cash
EJ	Exajoule (10 <sup>18</sup> joules)
ESG	Environmental, Social and Governance
FAB	First Abu Dhabi Bank
GCC	Gulf Cooperation Council
MtCO <sub>2</sub> e	Million tons of CO <sub>2</sub> equivalent
MtCO <sub>2</sub> e/EJ	Million tons of CO <sub>2</sub> equivalent per exajoule
GHG	Greenhouse gas(es)
IATA	International Air Transport Association
IEA	International Energy Agency
IEA NZE	International Energy Agency's Net Zero Emissions by 2050 Scenario
IPCC	Intergovernmental Panel on Climate Change
gCO <sub>2</sub> /kWh	Grams of CO <sub>2</sub> emissions per kilowatt hour of power produced
gCO <sub>2</sub> /p-km	Grams of CO <sub>2</sub> emissions per passenger kilometre travelled
KSA	Kingdom of Saudi Arabia
MENA	Middle East and North Africa
Mt	Million ton
NDC	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NZBA	Net-Zero Banking Alliance
NZE	IEA's Net Zero Emissions by 2050 scenario
O&G	Oil & Gas
PCAF	Partnership for Carbon Accounting Financials
SAF	Sustainable aviation fuel
Scope 1 emissions	Company's direct emissions from company-owned and controlled resources
Scope 2 emissions	Company's indirect emissions from the generation of purchased electricity, steam, heat or cooling
Scope 3 emissions	All indirect emissions - not included in scope 2 - that occur in the value chain of the reporting company
Scope 3 category 15	Category of scope 3 emissions associated with the reporting company's investments in the reporting year
UAE	United Arab Emirates
USD	United States Dollar
WEO	World Energy Outlook
CCUS	Carbon capture, utilisation and storage

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