

First Abu Dhabi Bank
Low-Carbon Energy Bond Issuance

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Firm Background

First Abu Dhabi Bank (FAB) is the UAE's global bank, and one of the world's leading financial institutions, with an international network that spans five continents and a presence in over 20 markets to facilitate cross-border liquidity, trade, and investment flows.

Headquartered in Abu Dhabi, FAB offers a comprehensive suite of financial products and services to retail, corporate, and investment clients across global markets. The bank maintains a strong credit rating and is listed on the Abu Dhabi Securities Exchange (ADX). FAB plays a pivotal role in driving economic growth and financial innovation in the region.

FAB is a regional pioneer in sustainable finance and ESG integration. As the first bank in the MENA region to commit to net zero by 2050, FAB has embedded sustainability into its core strategy, operations, and client offerings.

The bank's ESG strategy is built on three pillars: transitioning to a low carbon future, capitalising on social responsibility, and transforming governance. FAB was the first bank in the region to issue a green bond, the first financial institute in the Gulf Cooperation Council (GCC) to issue a blue bond and the first globally to issue a low-carbon energy bond. The bank has a commitment to lend, invest, and facilitate AED 500 billion (US\$ 136 billion) of sustainable and transition finance by 2030.

FAB's sustainability leadership was recognised when it was named "["Middle East's Best for Sustainability 2025"](#)" by Euromoney.

Transition Financing Strategy

FAB defines transition finance as funding directed towards projects and activities that support businesses to shift to a net-zero economy, particularly in hard-to-abate sectors (e.g., oil & gas, manufacturing, transportation). These projects and activities must meet specific eligibility criteria outlined in FAB's [Sustainable Finance Framework](#) (the Framework). FAB's approach to transition financing is aligned with their long-term net-zero commitment to position lending and investment portfolios with net-zero emissions by 2050. The Framework was inspired by the EU Taxonomy, ICMA Principles, and CBI Transition Finance White Paper.

FAB expects clients to demonstrate:

- A credible sustainability strategy with a roadmap to net zero by 2050 either published by the client or provided to FAB as borrower's internal document.
- Alignment with "Do No Significant Harm" principles.
- Credible verification of transition impact.

Key activities included as transition categories of the Framework:

- Nuclear energy generation
- Greenhouse gas reduction
- Water use reduction

All sustainable finance deals go through a robust Environmental and Social (E&S) Due Diligence, in line with the banks [Environmental & Social Risk Framework](#) before checking their eligibility in alignment with the Sustainable Finance Framework. The assessment is conducted on both an obligor and project level.

Obligor assessment is conducted using an ESG risk assessment tool that integrates external ESG ratings from reputable agencies with insights from an internally developed questionnaire, enabling a comprehensive evaluation of the counterparty's ESG management approach.

Projects go through the Equator Principles assessment and tracked through watchlists for potential allegations and controversies.

Low-Carbon Energy Bond Issuance

United Arab Emirates – Power

Transaction Overview

Type	Fixed income, public bond issuance
FI Role	Issuer
Size	US\$ 750 million
Duration	5-year tenor
Counterparties	<ul style="list-style-type: none">• Non-GCC investors contributing over 90% of the bond's proceeds• Medium and dark green investors contributing 50% of the bond's proceeds
Expected / Defined Use of Proceeds	The use of proceeds is earmarked for low-carbon energy generation, specifically nuclear and renewable energy sources.

Details

To advance the Middle East and North Africa (MENA) region's energy transition and support the [UAE's Energy Strategy 2050](#), FAB issued the first low-carbon energy bond globally by a bank.

- The bond finances nuclear energy and other reliable low-carbon power generation projects that enhance energy security while contributing to climate progress.
- Energy produced through these projects accounts for approximately 25% of the UAE's annual electricity demand. FAB's participation in the financing directly supports the UAE's Net Zero 2050 target, helping avoid more than one million tonnes of CO₂-equivalent emissions* each year.
- Represents an innovative approach to sustainable finance, broadening the definition of green and transition financing by including the addition of nuclear energy and acknowledging that credible pathways to net zero require pragmatic, science-aligned solutions.
- Fully aligned with the International Capital Market Association (ICMA) Green Bond Principles.

The issuance was more than three times oversubscribed, reflecting strong investor confidence and market recognition of FAB's sustainability leadership. Over 90% of the allocation was placed with non-GCC investors, underscoring robust international demand and diversification of FAB's investor profile. More than 50% of the issuance was allocated to medium and dark green investors, institutions with dedicated ESG mandates and stringent sustainability screening criteria.

**Avoided emissions (tCO₂e) are estimated by comparing renewable energy output (MWh) to emissions from conventional generation, using national grid emission factors, assuming negligible emissions from renewables. Primarily, actual energy production data is used; where unavailable, estimates are derived from comparable projects with similar capacity.*

Key Success Factors

Financial and strategic drivers

- **Experience and keeping the promise:** As the first in the region to issue a green bond, FAB is positioned as a regional leader in sustainable finance. With 23 sustainability-themed bond issuances to date, FAB has built a track record of meeting its commitments by delivering financial performance alongside measurable environmental and social outcomes for investors.
- **Sustainable Finance Framework:** FAB's Sustainable Finance Framework supports activities that address environmental and socially responsible objectives. It is regularly updated to reflect evolving regulatory requirements and global best practices, ensuring continued credibility and alignment with market expectations.
- **ICMA Principles and global best practices:** FAB's Sustainable Finance Framework is aligned with the ICMA Principles for bond issuances. These principles guide FAB's structuring, classification, allocation and reporting processes, ensuring that each issuance meets internationally recognized standards.
- **Impact-driven financing:** The bank plays an important role in advancing national, regional, and global environmental objectives. By aligning financing activities with sustainability targets, the bank contributes to climate action, energy transition, and long-term environmental resilience. The capital allocated are expected to generate approximately 2 million MWh of low-carbon energy annually, meeting around 2% of Abu Dhabi's annual electricity consumption and supporting the UAE's Energy Strategy 2050.
- **Innovation:** FAB became the first financial institution globally to issue a "low-carbon energy bond", redefining the boundaries of green and transition finance. This innovative instrument reflects the bank's commitment to pragmatic, science-aligned solutions that support credible pathways to net zero.
- **ESG risk assessment:** FAB conducted comprehensive ESG risk assessments in alignment with its E&S Risk Policy and Framework on clients and projects identified as potentially eligible for the bond allocation. These assessments are jointly carried out by business lines and the Group ESG team, covering both client and project-level evaluations.
- **Investor relations:** FAB maintains proactive and transparent engagement with investors—before, during, and after issuance. The bank's communications emphasize clarity on financial performance, strategic direction, use of proceeds, and risk management, delivered through roadshows and investor presentations to build long-term trust.
- **Strong ESG and credit ratings:** FAB has the strongest combined credit rating among MENA banks: Aa3 / AA- / AA- (Moody's/Fitch/S&P) Outlook: stable. MSCI ESG Rating: AA (best rating in MENA) and Refinitiv ESG Score: 79 (top 6% worldwide)*.

Policy, regulatory, and government alignment

- **Supports the UAE agenda on low-carbon emissions:** FAB's participation in financing nuclear energy projects supports the country's Net Zero 2050 target and the broader goals of the UAE Energy Strategy 2050. This aligns with the UAE's strategy's on expanding clean energy capacity, enhancing energy efficiency, and promoting low-emission technologies, including nuclear energy, as part of the UAE's transition to a diversified energy mix.
- **Nuclear energy classification:** Categorizing nuclear energy within sustainable finance frameworks presents unique challenges. After a thorough review of various taxonomies, regulatory guidelines, and global best practices, FAB has classified nuclear energy under the 'transition' category, reflecting a pragmatic approach that acknowledges its role in supporting regional decarbonization while recognizing the complexity of stakeholder perspectives.

Data, disclosure, and monitoring infrastructure

- **Borrower reporting:** Borrowers of eligible projects provided comprehensive documentation that enabled a due diligence review of the projects' environmental and social impacts, supporting robust risk assessment. Each borrower is required to submit periodic verified operational reports detailing energy generation performance.
- **Transparency to investors:** Clear frameworks, policies, and definition of use-of-proceeds give a steady foundation for thematic bond issuances. Annual transparent reporting of allocation of proceeds and impacts on an instrument level builds investor trust.

Third-party verification and oversight

- The bond is issued under FAB's Sustainable Finance Framework which ensures alignment with ICMA Principles and has a Second-Party Opinion (SPO) by ISS.
- FAB publishes annually the Sustainable Finance Impact Report with the bond proceed allocations with limited assurance from a third-party verifier on the use of proceeds.

Lessons Learned

Clarity on use-of-proceeds is crucial

- Investors demand transparency. Clear and specific allocation of proceeds to eligible green or transition projects is essential. Vague or overly broad categories in the sustainable finance framework can erode confidence and deter investment. A well-defined pipeline of projects enhances credibility and demonstrates readiness.
- FAB's Sustainable Finance Framework provides clear criteria for both renewable and nuclear energy generation project eligibility. While the renewable energy category is quite straightforward, the nuclear energy category lists additional criteria such as ensuring that the project aligns with “Do No Significant Harm” principles or the lifecycle emission is less than 100g CO₂e/KWh to enhance credibility.

Alignment with recognized frameworks

- Adhering to internationally accepted standards, such as the ICMA Green Bond Principles, adds legitimacy to the issuance.
- FAB's Sustainable Finance Framework, supported by an SPO by ISS, reinforces trust and ensures alignment with global best practices.

Robust governance

- Strong governance processes for evaluating and selecting eligible projects are critical. Investors expect clear oversight and accountability mechanisms that ensure integrity throughout the lifecycle of the issuance. Investors frequently inquired about the ESG risk assessment process during investor calls.
- FAB applies rigorous E&S due diligence to validate project eligibility and prevent greenwashing, safeguarding both reputation and investor confidence.
- The Sustainable Finance Committee (ESG-SFC) is responsible for reviewing and approving the new sustainable bond issuances as well as sustainable, green, social, and transition assets that are eligible for the use of proceeds. The Chief Sustainability Officer is the Chairman of ESG-SFC, while the other members represent the bank's key business lines and operations, namely Investment Banking Group, Group Operations, Group Risk, Corporate and Commercial Banking, Consumer Banking, Group Finance, Group Human Resources, Group Credit, Group Private Banking and Group Communications and External Affairs.
- For accountability, a dedicated team sits within Group ESG with a mandate to oversee the allocation of proceeds from the sustainable finance instruments to the earmarked sustainable, green, transition, and social assets.

Alignment with the Bank's ESG strategy

- FAB's ESG strategy is built on three core pillars that include 'Transitioning to a Low Carbon Future', 'Capitalizing on Social Responsibility', and 'Transforming Governance', which collectively guide the bank's approach to sustainability across operations, client engagement, and financial products.
- The strategic pillar 'Transitioning to a Low Carbon Future' supports FAB's commitment to mobilize AED 500 billion (US\$ 136 billion) in sustainable and transition finance by 2030.
- The 'Transforming Governance' pillar ensures that all eligible projects are environmentally and socially responsible and aligned with minimum safeguards and FAB's ESG risk frameworks.
- FAB publishes annual sustainable finance impact reports that communicate how sustainable bond proceeds are allocated to projects along with their environmental and social impacts.

Scalability considerations

- The structure of FAB's low-carbon energy bond—issued under its Sustainable Finance Framework and aligned with ICMA Principles—is highly replicable across geographies and sectors. Key scalable elements include the use-of-proceeds model focused on low-carbon energy (nuclear and renewables), robust due diligence on environmental and social impacts, and transparent post-issuance reporting with third-party assurance.
- For replication in other regions or sectors, enabling conditions would include a supportive regulatory environment for sustainable finance, access to credible project pipelines with measurable impact, and investor appetite for green-labelled instruments. Local adaptation may also require tailoring the taxonomy of eligible assets and assurance mechanisms to regional standards and market maturity.

Stakeholder engagement

- Ongoing dialogue with investors is key. FAB actively engages stakeholders to understand their expectations and co-create innovative financing solutions that support credible transition pathways. This collaborative engagement directly informed the issuance of the low-carbon energy bond.

