

بنك القاهرة
Banque du Caire



Banque du Caire's

Second PRB Progress Report

RESPONSIBLE GROWTH

RESPONSIBLE GROWTH

Table of Content

I. About this report

II. Chairman's Letter

III. Banque du Caire at A Glance

- 3.1. Our Value Creation Model
- 3.2. Our Multi-Country Network
- 3.3. BdC In Figures

Pillar 1: Strategy

- 1.1. Our Strategic Approach
- 1.2. Our Sustainability Commitments

Pillar 2: Social and Environmental Impacts

- 2.1. Impact Identification
- 2.2. Impact Assessment
- 2.3. Impact Analysis
- 2.4. Target Setting

Pillar 3: Internal Sustainability and Governance

- 3.1. Sustainability Governance
- 3.2. Our Environmental & Social Risk Management
- 3.3. ESG-linked Remuneration

Pillar 4: Capacity Building and Partnerships

- 4.1. A Culture of Responsible Banking
- 4.2. Stakeholder Engagement and Partnerships

Pillar 5: Sustainable Finance

- 5.1. Our E&S Lending Policy
- 5.2. Accelerating Financial Inclusion
- 5.3. Supporting SMEs' Growth
- 5.4. Promoting Microfinance
- 5.5. Financing Mega Projects

Pillar 6: Reporting and Disclosures

- 6.1. Assurance
- 6.2. Reporting on Other Frameworks
- 6.3. Outlook

I. About this Report

This report highlights the second progress report for Banque du Caire (BdC) on its implementation of the Principles of Responsible Banking (PRB). This report spotlights the initiatives and measures taken by BdC to progress towards implementing the principles and create value for all its stakeholders. The report covers progress achieved during the period from November 2022 to November 2023. BdC conducted a comprehensive portfolio impact assessment, using UNEP-FI Portfolio Impact Analysis Tool (Version 3). In this report, “BdC”, “the Bank”, “our,” or “we” refer to Banque du Caire, which is a full-service bank based in Cairo, Egypt.

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Editorial Policy

Driven by our leading position in the nation, and as a founding signatory of the Principles for Responsible Banking, this report reflects the steps we have taken towards the implementation of the Principles of Responsible Banking, highlighting our efforts taken to enhance all aspects of our sustainability performance and governance, while considering both national and regional challenges and needs.

Forward-Looking Statements

This report contains forward-looking statements on various future estimations. While the management of Banque du Caire believes that the forward-looking statements included in this report are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, since actual results and future events could differ materially from those anticipated in such statements.

Mistakes and Typographical Errors

Any errors discovered following the publication of the report will be corrected and displayed on our website. In consideration of the environment, our reports are published as a downloadable PDF file on our website.

JOURNEY OF A RESPONSIBLE BANK

II. CEO Statement

On behalf of the board of directors, I am pleased to present our second PRB progress report. This report highlights the Bank's efforts in implementing the Six Principles for Responsible Banking. We celebrate our second year of becoming a signatory to the UNEP-FI Principles for Responsible Banking since November 2021.

In fulfillment of Principle 1, the Bank crafted a sustainability framework to safeguard our environment and stakeholders and pave the way for sustained growth, incorporating financial profitability and social advancement. BdC's sustainability framework rests on key pillars; Strategy, Capacity Building, Internal Sustainability and Governance, Sustainable Finance and Reporting and Disclosures. We ensure that our strategy is aligned and contributes to the UN Sustainable Development Goals (UNSDGs), United Nations Global Compact (UNGC) and Egypt's Vision 2030. To fulfil Principle 2, we re-conducted a holistic impact assessment on our Corporate Banking, SMEs Banking and Retail Banking portfolios, using the updated version of UNEP-FI Portfolio Impact Analysis Tool (Version 3) and taking into account Egypt's SDGs priorities since it represents our main country of operations. The outcomes confirmed that our most significant impact areas are financial inclusion and circularity. Concerning financial inclusion, the Bank has measured its baseline for the retail banking portfolio segmented by age, income and gender. BdC targets to set plan for increasing the share of Women and Youth segments in terms of number of clients and portfolio through developing and creating new proposition to youth segments with more benefits, with flexible on boarding process, and to increase products and loans provided to the most vulnerable groups. The Bank will also increase the credit facilities to women to support women

Banque du Caire has become an official signatory of the UNEP-FI Principles for Responsible Banking (PRB), which is the leading framework for ensuring that banks' strategy and practice align with the vision society has set out for its future in the UN Sustainable Development Goals

empowerment and promote financial inclusion. In addition, the Bank will work on opening more current and saving accounts for the low-income populations. Regarding Circularity, the Bank will start a pilot analysis on the key corporates financed under the key sectors in the corporate banking which are construction, real estate and manufacturing of basic iron and steel. We will engage with the top 10%-15% in the key sectors identified through conducting circularity workshops to improve our clients' understanding of circular solutions and support their transition towards a circular economy.

In fulfillment of Principle 3, the Bank has endorsed the environmental and social lending policy as a vital component of implementing BdC's Environmental and Social Management System (ESMS). We are creating SME products that will consider multiple incentives for our clients working on projects that support sustainability, reduce GHG emissions, or save resources. We are also planning to develop communication materials to raise our clients' awareness regarding the importance of sustainable transformation. Moreover, the Bank has offered sustainable finance products and services to support SMEs, women, youth and microfinance to empower them.

In fulfillment of Principle 4, the Bank has formed partnerships with the aim to create value to all its stakeholders and deliver positive impact to the community, economy and environment. Regarding Principle 5, BdC is actively executing the Environmental and Social Risk Management (ESRM) as the subsequent phase following the establishment of executive procedures linked to the sustainable finance lending policy. Parallel, we are working towards the development of a comprehensive Environmental and Social Management System (ESMS), which will encompass various policies and cover the entirety of the Bank's operations. Concerning Principle 6, we are committed to annually report on our progress towards implementing the Principles for Responsible Banking.

Tarek Fayed
Chairman and CEO




III. Banque du Caire at A Glance

Banque du Caire (BdC) maintains a robust operational and financial foundation characterized by a strong balance sheet, diversified lines of business, and an unwavering commitment to customer-centricity and innovation. Throughout November 2022-November 2023, the Bank continued to capitalize on its strengths, delivering high-quality offerings to customers and ensuring sustainable returns for shareholders through a variety of lines of business, service offerings, and products.

Principle 1: Alignment 1. Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients.

Since the end of October 2023, BdC operates a network of 249 branches and 1670 ATMs, supported by a dedicated team of 8654 employees, well-equipped to serve all our clients and address their financial needs. Our branches are widely distributed across Egypt, with a subsidiary in Uganda and a representative office in the UAE.

Our Value Creation Model



• Institutional Banking

BdC offers a diverse range of products and services, spanning from capital financing products to more structured solutions tailored for large, mid-size corporations and SMEs across various sectors.

• Retail Banking

BdC provides consumer banking products and personalized digital services designed for clients of all categories, aligning with their needs and risk profiles.

• Microfinance

A pivotal sector that finances micro-projects in commercial and industrial services across diverse segments, facilitating ongoing activities and production requirements spread across Egypt. Our microfinance department ensures streamlined product procedures, diverse product offerings, high financial capacity, and the liquidity necessary for financing operations.

• Investments

The Bank offers clients innovative investment solutions and hedges, contributing to creating economic opportunities, fostering growth, and empowering individuals.

Our Multi-Country Network

Our wide network of operations, encompassing a representative office in the UAE and a strategic subsidiary in Uganda, positions BdC as a gateway for regional capital management. This infrastructure enables us to offer partnerships, expertise, and a range of financial services, empowering both individuals and institutions to meet their banking needs.



249
BRANCHES
Covering most of Egypt's governorates

1670
ATMS
Spread nationwide

BdC In Figures

Financial Resilience



Market Position

#1 CSR Bank in Egypt Awarded By

- Global Economics Magazine
- Global Business Magazine
- International Finance Magazine
- Global Business Outlook Magazine

#1 Trade Finance Bank in Egypt Awarded By

- Global Business Magazine
- Global Trade Review Magazine

#1 Structured Financing Deal in North Africa Awarded By

- EMEA

Local Currency Deal And Local Custodian Awarded By

- EMEA



1. Pillar One: **Strategy**

1. Pillar One: Strategy

1.1 Our Strategic Approach

Expanding upon the Bank's effective 'Decisive Actions' strategy outlined for 2018-2021 and having successfully undergone the desired transformation and turnaround in 2022, BdC has embraced a strategic vision centered around sustainable growth, customer-centricity, improved efficiency, and comprehensive synergies. The Bank is now engaged in a substantial transformative journey, guided by a robust strategy that prioritizes addressing customers' evolving needs.

Since 2015, BdC has been actively taking tangible measures to establish a solid foundation to create a secure and thriving environment for all stakeholders. This encompasses shareholders, staff, customers, and the beneficiaries of our philanthropic initiatives. Employing an innovative and pragmatic approach, the Bank crafted a sustainability framework to safeguard our environment and stakeholders and pave the way for sustained growth, incorporating financial profitability and social advancement. BdC's sustainability framework rests on key pillars, serving as the bedrock for the Bank's second phase of transformation, which encompasses:

- i. Strategy
- ii. Capacity Building
- iii. Internal Sustainability and Governance
- iv. Sustainable Finance
- v. Reporting and Disclosures

A fully-fledged strategy is the basis for all of BdC's successes, sustainability included. Once the strategy is finalized, full integration into the Bank's one Voice strategy will be completed..

Principle 1: Alignment

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- ☒ Yes
- ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- ☐ UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization fundamental conventions UN Global Compact
- ☒ UN Declaration on the Rights of Indigenous Peoples
- ☐ Any applicable regulatory reporting requirements on
- ☐ Environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- ☐ Any applicable regulatory reporting requirements on social
- ☐ Risk assessments, e.g. on modern slavery - please specify which ones: -----
- ☐ None of the above.

1.2 Our Sustainability Commitments

As a leading financial institution in Egypt, BdC works diligently to support the Sustainable Development Goals (SDGs) and the objectives outlined in Egypt Vision 2030. We actively contribute to advancing multiple SDGs related to poverty alleviation, quality education, gender equality, climate action, and sustainable economic growth. Our strategic initiatives and business practices align with the pillars of economic development, social justice, and environmental sustainability in this visionary roadmap. By driving innovation, promoting entrepreneurship, and facilitating inclusive growth, we contribute to realizing Egypt's long-term vision for prosperity and progress.

Alignment with SDGs and Egypt's Vision 2030

Through a strategic mapping process, we have identified key areas where our initiatives align with the SDGs and Egypt's vision goals, focusing on economic empowerment, social inclusion, and environmental sustainability.



Our Value Creation Mapping with SDGs

Product/Service/ Initiative	Value Creation to SDGs
The Bank has implemented diverse awareness programs through an online platform, embracing the Go Green concept to minimize paper usage.	<div><div>13 CLIMATE ACTION</div><div>15 LIFE ON LAND</div></div>
The Bank provided its staff and employees with sustainability training and capacity-building sessions.	<div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>4 QUALITY EDUCATION</div></div>
We are creating SME products that will consider multiple incentives for our clients working on projects that support sustainability, reduce GHG emissions, or save resources.	<div><div>13 CLIMATE ACTION</div><div>15 LIFE ON LAND</div></div>
BdC worked diligently on empowering women and youth by providing them with tailored products to meet their needs, such as Bokra accounts for women and Waffar accounts for unbanked segments	<div><div>1 NO POVERTY</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>5 GENDER EQUALITY</div></div>
We launched Engaz Loan to support micro segment enterprises in growing their businesses to support Egypt's national financial inclusion agenda.	<div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div></div>

Product/Service/ Initiative	Value Creation to SDGs
We launched the “Waffar Business” account, which can be used by startups and small entities that may not have the complete documentation required by traditional banking channels, encouraging them to enter the financial system and reduce their reliance on cash.	<div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div></div>
In line with the Bank’s strategic focus on non-financial services, the Bank partnered with the NilePreneurs initiative, powered by the CBE in collaboration with the Nile University, to promote SME and entrepreneurship growth.	<div>17 PARTNERSHIPS FOR THE GOALS</div>

8.Principle Eight:

BdC undertakes initiatives to promote greater environmental responsibility, such as bGreen initiative.

9. Principle Nine:

BdC is committed to developing and diffusing environmentally friendly technologies. Our digitalization business model already supports this commitment.

10. Principle Ten:

BdC works against corruption in all forms, including extortion and bribery.

Contribution to UNGC

Our steadfast commitment to the United Nations Global Compact (UNGC), of which we became a member in 2016, remains unwavering. Our commitment to these directives underscores our dedication to advancing Egypt's economic development and fostering financial stability. We are dedicated to integrating the UNGC's ten principles into our business and operations:



1. Principle One:

BdC supports and respects the protection of internationally proclaimed human rights.

2. Principle Two:

BdC ensures that the Bank is not complicit in human rights abuses.

3. Principle Three:

BdC upholds the freedom of association and effectively recognizes the right to collective bargaining.

4. Principle Four:

BdC ensures the elimination of all forms of forced and compulsory labor.

5. Principle Five:

BdC ensures the effective abolition of child labor.

6. Principle Six:

BdC is committed to eliminating discrimination regarding employment and occupation through implementing a non-discrimination policy.

7. Principle Seven:

BdC supports a precautionary approach to environmental challenges. The Bank published our first Carbon Footprint Report for the reporting year 2021.

2. Pillar two: **Social and Environmental Impacts**

2. Pillar two: Social and Environmental Impacts



2.1 Impact Identification

A comprehensive impact assessment of our lending portfolio was conducted. In this report, we demonstrate the findings examining the impact of our portfolio on the economic, social, and environmental dimensions, using the most recent version of the UNEP-FI Portfolio Impact Analysis Tool (Version 3).

Scope:

Our impact assessment encompasses Corporate Banking, Retail Banking, and SME Banking portfolios representing 45%, 36%, and 13% of the Bank's total portfolio. Together, these business lines constitute 94% of the total portfolio. The remaining 6% includes microfinance which was excluded from the impact assessment due to the tool's limitation.

Principle 2: Impact Analysis & Target setting

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements:

- a) *Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.*
- b) *Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope*
- c) *i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or*
- d) *ii) by products & services and by types of customers for consumer and retail banking portfolios.*
- e) *If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.*

Business Line	Share of the total portfolio
Corporate Banking	45%
Retail Banking	36%
SME Banking	13%
Microfinance and Financial Institutions (FIs)	6%

Portfolio Composition

Given the substantial scale of our Corporate and SME Banking portfolios, we effectively addressed a significant share of these portfolios, encompassing approximately 97.4% and 83.9%, respectively. The selection of sectors was determined by the following criteria:

- The assessment prioritized sectors with the highest share within the respective portfolio, ensuring a comprehensive analysis of the most financially impactful sectors.
- Priority was given to sectors exhibiting significant negative impacts or high Environmental, Social, and Governance (ESG) risks. This strategic approach enabled a concentrated focus on sectors where potential adverse effects on the environment, society, or corporate governance were of particular concern.
- The Bank considered sectors aligning with national objectives and the Central Bank of Egypt's (CBE) direction regarding sustainability and responsible banking practices.

Context (Egypt's Priority Area)

We conducted an impact analysis focusing on Egypt due to its substantial contribution to the Bank's operations. Utilizing the UNEP-FI Portfolio Impact Analysis Tool, we assessed the specific needs within each impact area, shedding light on challenges and priority areas in Egypt. Our approach included a comprehensive review of Egypt's National Determined Contributions (NDC), National Climate Change Strategy (NCCS) 2050 and the latest Voluntary National Review (VNR 2021), to align with the country's key priorities. This holistic evaluation considered Egypt's varied impact needs, ensuring a thorough and clear impact assessment. The table below shows Egypt's country needs which include the impact areas with score 3-4, based on the UNEP-FI Portfolio Impact Analysis Tool (Version 3).

C) Context:

- What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Egypt's Country Needs

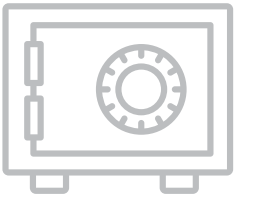


Impact Areas	Impact Topic
Integrity and Security	Conflict, Modern Slavery, Child Labor, Data Privacy, and Natural Disasters
Health and Safety	Health and Safety
Availability, Accessibility, and Quality of Resources and Services	Water, Food, Energy, Housing, Healthcare and Sanitation, and Finance and Education
Livelihood	Employment, Wages, and Social Protection.
Equality and Justice	Gender Equality, Ethnic/Racial Equality, and Age Discrimination
Healthy Economies	Flourishing MSMEs
Strong Institutions, Peace, and Stability	Rule of Law
Infrastructure	Infrastructure
Socio-Economic Convergence	Socio-Economic Convergence
Climate Stability	Climate Stability
Biodiversity and Healthy Ecosystems	Waterbodies, Air, Soil, Species, and Habitat
Circularity	Resource Intensity and Waste

Principle 2: Impact Assessment

Corporate Banking

The Main Sectors Financed Under Corporate Banking



Sectors	Total % of Portfolio
Construction of buildings	17.9%
Real estate activities with own or leased property	7.3%
Manufacture of basic iron and steel	6.3%
Extraction of crude petroleum	6.3%
Construction of other civil engineering projects	5.6%
Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores	5.6%
Electric power generation, transmission, and distribution	4.5%
Manufacture of basic chemicals	3.7%
Financial leasing	3.5%
Construction of utility projects	2.9%

Prioritized Impact Areas - Corporate Banking Results

Positive Associations

Impact Areas	Proportion of Portfolio
Livelihood	97.4%
Availability, accessibility, affordability, quality of resources & services	78.8%
Healthy economies	68.1%
Infrastructure	52.8%

Negative Associations

Impact Areas	Proportion of Portfolio
Health & Safety	97.4%
Circularity	97.4%
Livelihood	89.4%
Climate stability	83.8%

Heat Map

	Employment	Livelihood		Availability, accessibility, affordability, quality of resources & services						Healthy economies	Infrastructure	Health & safety	Circularity		Climate stability
			Social Protection	Energy	Housing	Healthcare	Education	Mobility	Culture & Heritage	Flourishing MSMEs			Resource Intensity	Waste	
Construction of buildings															
Real estate activities with own															
Manufacture of basic iron and steel															
Extraction of crude petroleum															
Construction of other civil															
pharmaceutical & medical goods,															

In the table, green indicates a positive impact, red indicates a negative impact, and the intensity of the color reflects the degree of impact.

SME Banking
The Main Sectors Financed Under SME Banking

Sectors	Total % of Portfolio
Wholesale trade, except of motor vehicles and motorcycles	12.1%
Construction of buildings	8.8%
Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms	7.3%
Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	6%
Manufacture of grain mill products	4.8%
Manufacture of basic iron and steel	4.%
Retail trade, except of motor vehicles and motorcycles	3.9%
Manufacture of other fabricated metal products; metalworking service activities	3.2%
Manufacture of other food products	2.9%
Manufacture of transport equipment n.e.c.	2.5%

Prioritized Impact Areas – SME Banking Results
Positive Associations

Impact Areas	Proportion of Portfolio
Livelihood	83.9%
Availability, accessibility, affordability, quality of resources & services	79.3%
Healthy economies	67.9 %
Infrastructure	49.6%



Negative Associations

Impact Areas	Proportion of Portfolio
Health & Safety	83.9%
Circularity	83.9%
Livelihood	83.9%
Climate stability	79.5%

Heat Map

	Livelihood			Availability, accessibility, affordability, quality of resources & services						Healthy economies	Infrastructure	Health & safety	Circularity		Climate stability
	Employment	Wages	Social Protection	Food	Energy	Housing	Healthcare	Connectivity	Culture & Heritage	Flourishing MSMEs			Resource Intensity	Waste	
Wholesale trade, except of motor vehicles															
Construction building															
Manufacture of electric motors, generators transformers and electricity															
Manufacture of basic chemicals , fertilizer															
Manufacture of grain mill products															
Manufacture of basic iron and steel															

In the table, green indicates a positive impact, red indicates a negative impact, and the intensity of the color reflects the degree of impact.

Retail Banking

The retail banking portfolio is categorized into assets and liabilities. The liabilities cover the current accounts, saving accounts, certificate of deposits and time deposits. Due to the limitation of the tool, the certificate of deposits and time deposits were aggregated during the portfolio impact assessment. The assets cover the credit products including credit cards, consumer loans and overdrafts, home loans (mortgages) and auto loans. Our retail banking portfolio is segmented by income, age and gender for all current accounts, saving accounts and credit products, following the UNEP-FI classification for income, gender and age. We also have government employees loans as part of the credit facilities that we provide to our retail customers, but was excluded from the impact assessment, due to the unavailability of data for government employees loans segmented by income, age and gender.

The Retail Banking Portfolio is Segmented into Assets and Liabilities:

Category	Product	Share of Portfolio
Liabilities (Current Accounts and Saving Accounts)	Certificate of Deposits and Time Deposits	67.96%
	Saving Accounts	23.9%
	Current Accounts	8.13%
Assets (Credit)	Consumer Loan and Overdrafts	82.58%
	Home Loans and Mortgages	8.64%
	Vehicle Related Loans	6.16%
	Credit Cards	2.62%

Prioritized Impact Areas – Retail Banking Results

Positive Impact Areas	Prioritized SDGs
Finance (Financial Inclusion)	<div><div>5 GENDER EQUALITY</div><div>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div></div>
Mobility	
Housing	

2.3 Impact Analysis

The impact assessment reveals that livelihood, financial inclusion, healthy economies and infrastructure have been identified as our key positive impact areas. Meanwhile, health and safety, circularity, livelihood and climate stability has been identified as our key negative areas of impact.

D) Preformance Measurement

- For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

BdC’s Areas of Impact

Positive Impact Areas	Negative Impact Areas
Livelihood	Employment, Wages, and Social Protection.
Availability, accessibility, affordability, quality of resources & services (Including Financial Inclusion)	Circularity
Healthy economies	Livelihood
Infrastructure	Climate stability

Circularity

BdC selected circularity as one of the most significant impact areas to set targets on. The sectors we support, including the construction of buildings, real estate activities with own or leased property, manufacture of basic iron and steel, extraction of crude petroleum, wholesale trade and the manufacture of basic chemicals and fertilizers, exhibit adverse impacts on circularity. The Bank is currently working to incentivize circular practices, provide support for technological innovations promoting circular economy principles, and collaborate with businesses to develop sustainable practices within these sectors. By addressing circularity challenges in these sectors, the Bank can contribute to broader environmental sustainability goals and align with its commitment to fostering positive environmental impacts.

Financial Inclusion

Following the CBE’s direction, BdC prioritizes financial inclusion as one of the impact areas to set targets on. Financial inclusion was identified as the main positive impact area, resulting particularly from our retail banking portfolio. Thus, the Bank collected the data for retail banking portfolio by income, age and gender, in order to measure our baseline and decide to which population segment that Bank shall increase finance to. In the upcoming year, the Bank will gather data for SME Banking portfolio segmented into youth-led and women-led enterprises.

Livelihood

In pursuing Egypt's Vision 2030, establishing a robust social protection system is a top priority. Egypt has launched diverse initiatives to support vulnerable groups to alleviate citizens' burdens amidst challenges. Legislative developments are underway to streamline social action and unify NGO efforts, creating a model for integrated state-civil society collaboration in social protection. This approach focuses on optimizing resources and improving livelihoods, particularly in rural and remote areas.

Therefore, through our Corporate and SME Banking portfolios, we acknowledge the crucial role of livelihood in the well-being of communities. Our active support spans various sectors, including the construction of buildings, real estate activities involving both owned and leased properties, extraction of crude petroleum, and the manufacture of basic chemicals. These sectors have a positive impact on livelihood through creating social employment.

We acknowledge that the sectors financed under the Corporate and SME Banking portfolios adversely impact livelihood through social protection. We are actively addressing these challenges and working towards finding sustainable solutions to minimize negative consequences. Furthermore, we recognize a prevailing trend within our portfolio where the majority of sectors, encompassing both Corporate and SME, tend to negatively influence livelihood through creating wage inequality.

Healthy Economies

Egypt's economy relies heavily on MSMEs, With 3.8 million enterprises in 2023, these businesses play a vital role in shaping Egypt's economy. Thus, the sectors we finance, encompassing both Corporate and SME Banking, play a crucial role in contributing positively to vibrant and healthy economies by fostering the growth of Micro, Small, and Medium Enterprises (MSMEs). The following sectors serve as catalysts for economic development and job creation, contributing to the overall well-being of communities: pharmaceutical and medical goods, construction of buildings, manufacture of grain mill products, real estate activities and manufacture of electric motors.

Infrastructure

Infrastructure is a pivotal positive impact area within our Corporate and SME portfolios, underscoring the significance of resilient infrastructure in driving economic growth and development in Egypt. The financed sectors under Corporate and SME portfolios include the construction of buildings, manufacture of basic iron and steel, extraction of crude petroleum, manufacture of electric motors, and wholesale trade. By strategically supporting these sectors, we contribute to creating and maintaining robust infrastructure, laying the foundation for sustained economic progress and overall societal advancement.

Health and Safety

We recognize that specific sectors we finance, including the Petroleum sector, construction of buildings, real estate activities, and the manufacture of basic chemicals and fertilizers, may pose potential risks to human health and safety.

Climate Stability

We acknowledge that the sectors financed under Corporate and SME Banking portfolios have a negative impact on climate stability with different intensities. The financed sectors encompass the construction of buildings, real estate, manufacture of basic iron and steel, extraction of crude petroleum, manufacture of electric motors, and wholesale trade.

2.4 Target Setting

BdC identified circularity and financial inclusion as the key areas of most significant impact. The Bank is currently in the process of setting qualitative particularly engagement targets for the selected impact areas, to capitalize on the positive impacts and mitigate any negative impacts associated with our portfolio. Once the targets are set, the Bank will develop the implementation plan and monitoring procedures that will be used to ensure that targets are met. Following the establishment of the targets, the progress on implementing these targets will be reported.

2.2 Target Setting (Key Step)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

A. Circularity

As per the heat map, we identified the key sectors that negatively contributed to circularity below corporate banking which are construction of buildings, real estate activities, manufacture of basic iron and steel and extraction of crude petroleum. In the SME banking portfolio: wholesale trade, except of motor vehicles, construction of buildings, manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms, manufacture of electric motors, generators, transformers and electricity distribution and control apparatus, manufacture of grain mill products, manufacture of basic iron and steel, retail trade, except of motor vehicles and motorcycles are the key sectors that negatively contribute to circularity. These sectors generate waste and consume water and energy intensively, negatively contributing to circularity

through waste and resource intensity. The Bank will start a pilot analysis on the key corporates financed under the key sectors in the corporate banking which are construction, real estate and manufacturing of basic iron and steel. We will engage with the top 10%-15% in the key sectors identified through conducting circularity workshops to improve our clients’ understanding of circular solutions and support their transition towards a circular economy. We will send data requests to clients to understand alignment of their economic activities with the circular economy. Relevant to the sector nature, water efficiency/reduction, energy efficiency/reduction indicators and waste indicators will be collected to reference key impact indicators for circularity. BdC will work on collecting data for these indicators to be able to set quantitative targets in the upcoming years.

Following UNEP-FI Circularity Guidelines and Indicator Library, these are the actions/measures that the Bank is planning to take:

Client Engagement Targets and Actions

1. Engaging with Clients		
	Action	Indicator
Client Engagement	Engage with key clients to develop data collection templates incorporating circularity data and impact data.	Water Efficiency Indicators: <ul style="list-style-type: none">• Water use reduction (m3 p.a. or %)• Water use intensity (m3/product)• Water use efficiency (EGP/m3)• Water reuse / recycled in production processes (m3 p.a. or %)• % reduction in water withdrawals per business unit• % reduction in water withdrawals per business unit• % reduction of water discharge per business unit• % reduction of product water intensity per business unit• % increase in water use met through recycling/reuse
	Engage with clients to collect data, starting with key clients and progressively broadening to all clients.	Energy Efficiency Indicators <ul style="list-style-type: none">• Energy Purchased: Non-Renewable• Energy Purchased: Renewable• Energy Purchased: Total• Energy use reduction (GWh p.a. or %)• Energy efficiency (EGP/GWh)

		Waste Indicators: <ul style="list-style-type: none">• Waste Produced: Hazardous Waste• Waste Disposed: Recycled/Reused• Recycled Materials• Waste Disposed: Landfill• Biodegradable Materials• Waste Disposed: Total• Waste Produced: Total• Waste Produced: Non-Hazardous Waste• Waste Reduced
	Engage with clients to raise their awareness and share knowledge and expertise on the circular economy.	<ul style="list-style-type: none">• Number of Circular Economy Workshops• Number/percent of Client Participation/engagement.
	Engage with clients to determine appropriate KPIs to assess and monitor the circularity of projects or activities.	Energy Conservation Strategy: Indicates whether the organization implements an energy conservation strategy to reduce its operational energy usage. • Recycling Policy: Indicates whether the organization implements a recycling policy in its operating facilities.
	Proactively engage with clients in key sectors and portfolios to understand their value chain and identify and support circular opportunities.	Supplier Screening Policy: <ul style="list-style-type: none">• Indicates whether the organization has a written policy of evaluating supplier organizations based on their social and environmental performance and a system to monitor compliance with this policy.• Percentage of new suppliers that were screened using environmental criteria.

2. Financial products and services offering		
	Action	Indicator
Client Engagement	Develop new financial products, e.g., resource efficiency or circular performance based financial products such as sustainability linked loans, sustainability linked bonds or green bonds including circularity criteria	
	Develop new financial services aiming at accelerating the transition to a circular economy, e.g., technical assistance to clients.	
	Actively stimulate and scale innovation for the circular economy, e.g., by connecting growth-stage entrepreneurs to corporate clients within your bank's clients' base.	

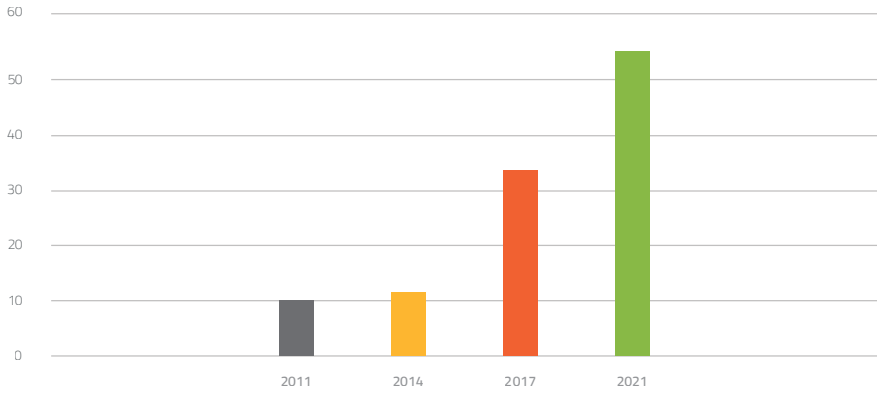
B. Financial Inclusion

1. Understanding Egypt's Context

Egypt is considered a young population with more than half of its population under 25, according to the CAPMAS databases. Egypt is considered a young society with more than half of its population is under 25. females represent approximately 49.5% of the total population in Egypt in 2022. According to the World Bank Global Findex Data base, Egypt's financial

inclusion rate has improved significantly in the past 4 years, reaching 56% in 2021 relative to 33% in 2017. Egypt has a low banking density and branches outreach, but in order to compensate that, CBE have issued regulation to support accessibility and acceptance, such as Financial Inclusion Agent Banking, payment facilitator/aggregator, POS and ATM initiatives.

Figure 1: Evolution of Financial Inclusion in Egypt
Evolution of Financial Inclusion in Egypt (%)



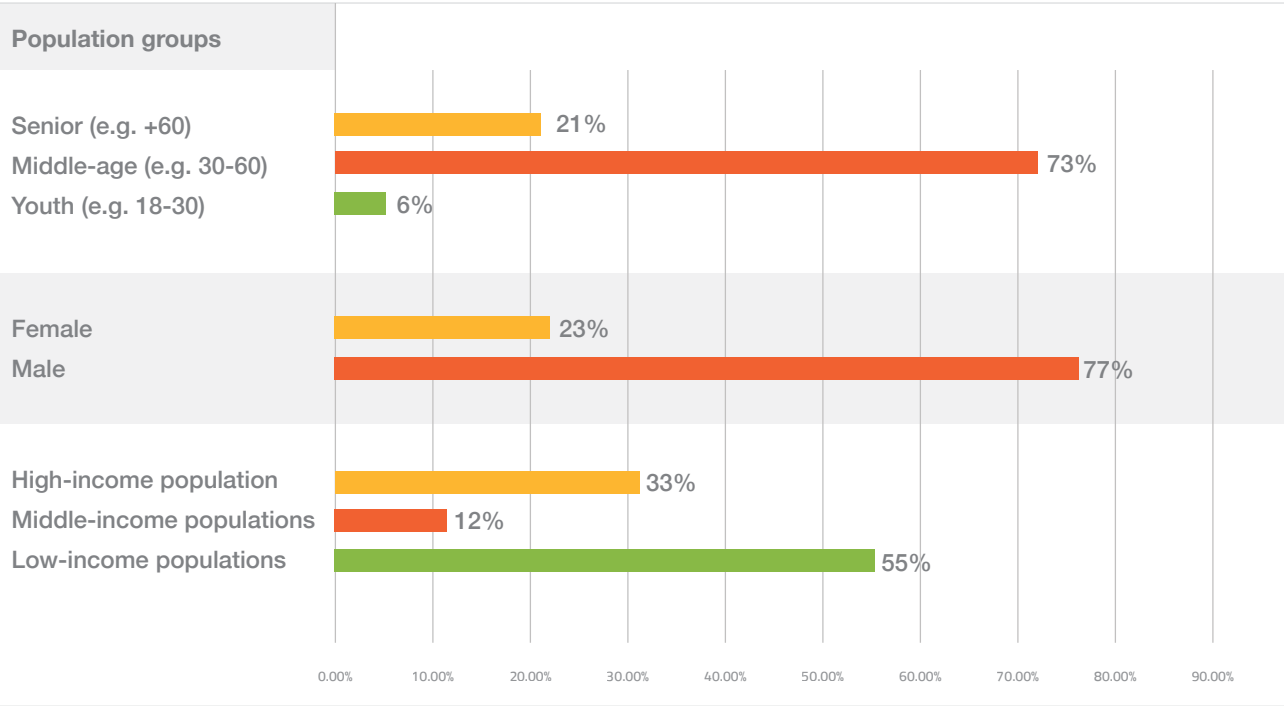
Source: World Bank Global Findex Data base

2. Setting Baseline

The Bank segmented the retail banking portfolio (including current accounts, saving accounts and certificate of deposits) by income, gender and age. We followed the classification of the UNEP-FI for income, age and gender. For the Current and Saving Accounts, youth, low-income bracket and females represent 7%, 13.94% and 34% of the liabilities portfolio, respectively. Concerning Credit Products, youth, females and low-income bracket represent 6%, 23% and 55% of the assets portfolio.

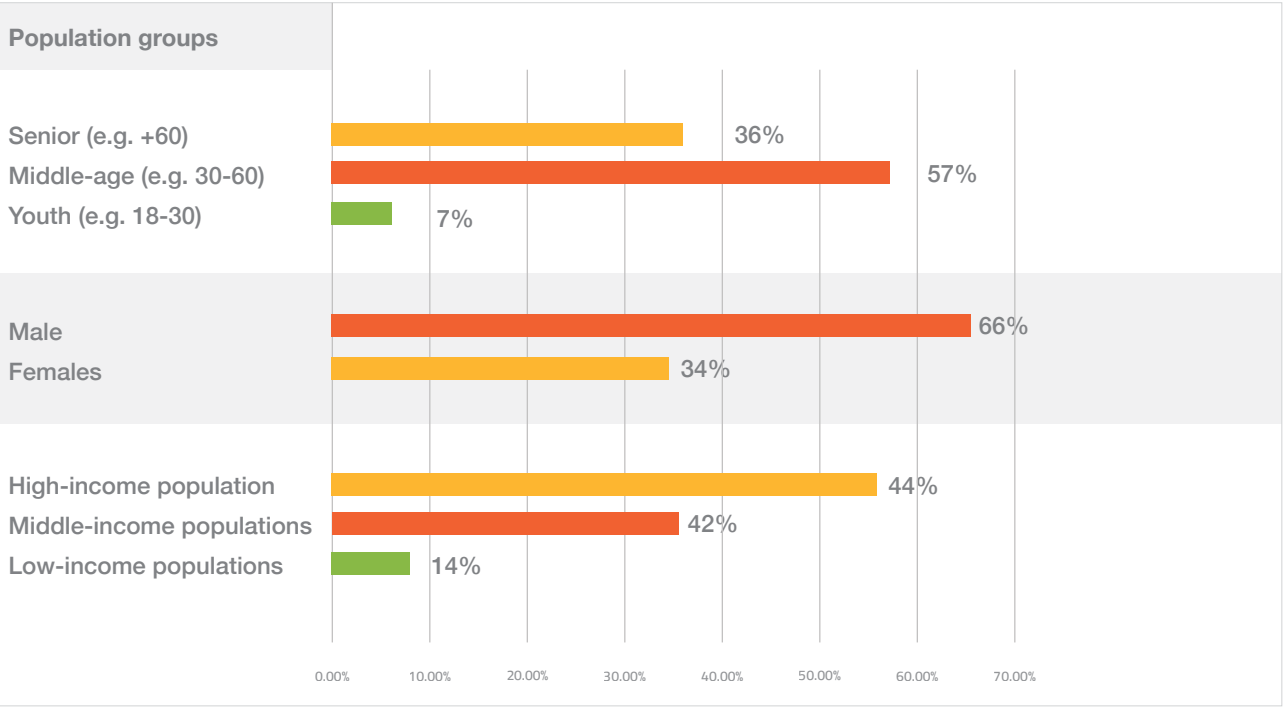
Classification	Population Groups	Percentage of Current and Saving Accounts	Percentage of Credit Products
Income Level	Low-income	13.94%	55%
	Middle-income	42.27%	12%
	High-income	43.79%	33%
Gender	Females	34%	23%
	Males	66%	77%
Age	Youth (18-30)	7%	6%
	Middle Age (30-60)	57%	73%
	Senior (+60)	36%	21%

Figure 3: Segmentation of Credit by Income, Gender and Age



Source: UNEP-FI Portfolio Impact Analysis Tool

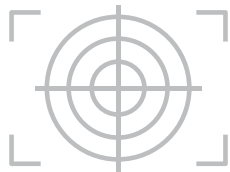
Figure 2: Segmentation of Current and Saving Accounts by Income, Gender and Age



Source: UNEP-FI Portfolio Impact Analysis Tool

3. Target Setting and Performance Indicators

After measuring the baseline, BdC will set a plan for increasing the share of Women and Youth segments in terms of number of clients and portfolio through developing and creating new proposition to youth segments with more benefits and with flexible on boarding process and to increase products and loans provided to the most vulnerable groups. The Bank will also increase the credit facilities to women to support women empowerment and promote financial inclusion.



- The Bank has defined the following core indicators for measuring its performance in achieving financial inclusion.

Indicator	Data Source	Level
# of products and services in the portfolio with a focus on financial inclusion	Internal data	Actions
# of new customers per month	Transactional	Output
% of customers with effective access to a basic banking product	Transactional	Output

3. Pillar Three: **Internal Sustainability and Governance**

3.

Pillar two:

Internal Sustainability and Governance



3.1 Sustainability Governance

BdC embarked on a fulfilling its commitment to sustainability by developing a robust governance framework. This framework was crafted to oversededicated journey towards e and govern ESG matters and supervise the implementation of the PRB.

The ESG Board Committee at BdC holds the responsibility for overseeing the sustainability strategy and approving and monitoring targets. To provide strategic oversight and ensure the effective implementation of its sustainability initiatives, BdC established the Sustainability Steering Committee. With a direct reporting line to the Chairman, this committee was tasked with monitoring the ongoing transformation, evaluating progress, and steering the bank toward achieving positive and sustainable outcomes. BdC's commitment to sustainability extended beyond rhetoric, as evidenced by the comprehensive governance structure and multifaceted initiatives undertaken. The Bank's journey towards sustainable banking practices was characterized by a proactive and collaborative approach, with a keen focus on embedding sustainability principles at every level of its operations.

Moreover, the establishment of BdC's sustainable finance department marked a pivotal step in aligning the institution with sustainable practices. This dedicated department was designed to navigate the complexities of sustainable finance

and contribute significantly to the Bank's overarching sustainability goals. All internal communications pertaining to sustainability are channeled through our sustainability and sustainable finance department, which falls under the purview of the Head of Corporate Communications, Sustainable Development, and Sustainable Finance. This Department directly reports to the Chairman and CEO. Additionally, BdC undertook a strategic review of its lending policies, ensuring that they were attuned to the identification and management of environmental and social risks and opportunities. This approach aimed to integrate sustainability considerations into the core of the Bank's lending practices.

Recognizing the importance of fostering a culture of sustainability within the Bank, BdC took proactive measures to develop a network of sustainability ambassadors internally. The ambassadors will play a crucial role in advocating for positive change within their respective departments, thereby creating a ripple effect throughout the organization. Collaboration emerged as a key theme in BdC's sustainability journey, particularly in the realms of energy and resource efficiency. The Bank took concerted action in tandem with various departments, fostering synergy to enhance sustainability practices, reduce environmental impact, and promote efficient resource utilization. Starting from 2023, BdC's management has set the strategic direction towards achieving a paperless environment within the Bank. This new policy is poised to evolve and gain further enhancements as it progresses.

Principle 5: Governance and Culture

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- Remuneration practices linked to sustainability targets.

3.2 Our Environmental and Social Risk Management

Our top objective is to prioritize integrating ESG perspectives into BdC's risk management framework, credit policies, and lending practices. We are actively engaged in crafting a sustainability strategy that harmonizes with our corporate strategy and risk appetite, ensuring the seamless integration of key sustainability considerations into our risk management practices. The ongoing revamping of our risk framework is specifically designed to comprehensively address all risks, encompassing economic, environmental, and social impacts. The cultivation of a robust risk culture remains paramount, and we are committed to articulating, communicating, advocating, and enforcing this culture throughout our organization. In the realm of lending, our commitment to sustainability is reflected in the infusion of policy frameworks into client acceptance, credit approval, and capital allocation processes. We are currently in the developmental phase of enhancing our credit screening procedures to incorporate each new loan's environmental and societal impact. BdC is actively executing the Environmental and Social Risk Management (ESRM) as the subsequent phase following the establishment of executive procedures linked to the sustainable finance lending policy. Parallel, we are working towards the development of a comprehensive Environmental and Social Management System (ESMS), which will encompass various policies and cover the entirety of the Bank's operations. This strategic initiative is aligned with UNEP-FI targets, the Paris Agreement, and other international/national targets. As part of BdC's forward-looking strategy, we plan to recruit two environmental specialists who will play a crucial role in assessing and categorizing our lending portfolio from an Environmental and Social (ES) perspective. This proactive approach underscores our commitment to sustainable and responsible banking practices, ensuring alignment with global and local sustainability targets.



5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

3.3 ESG-Linked Remuneration

At BdC, our approach to employee remuneration is intricately tied to performance. Both annual increments and variable pay are contingent upon the evaluation of employees' achievement of their set objectives. For those employees with assigned work objectives related to ESG considerations, their performance against these objectives will be closely assessed. The outcome of this evaluation will, in turn, influence their annual increment and variable pay for the respective year. This reflects our commitment to aligning employee incentives with the overarching goals of sustainability and responsible business practices.

4. Pillar Four: **Capacity Building and Partnerships**



Cells of a green plant under a microscope.

4.

Pillar four:

Capacity Building and Partnerships



4.1 A Culture of Responsible Banking

An integral aspect of BdC’s sustainable transformation is developing the right tools and instruments in order not only to raise employees’ awareness about sustainability but also to create and spread a culture of responsible banking within the Bank. To foster a culture of responsible banking, the Bank provided its staff and employees with the following sustainability training and capacity-building sessions:

- Annual GRI reporting training in collaboration with a consultancy firm.
- Ambassadors training in collaboration with local experts.
- Green bonds and sustainable finance in collaboration with the IFC.
- Certified Expert in Sustainable Finance Frankfurt School of Management and Finance.

- General sustainability awareness virtual training in collaboration with the EBI.
 - Introduction to Sustainability and Sustainable Finance with the PRB Academy.
 - Climate Risk Management through local experts.
- Moreover, the Bank has implemented diverse awareness programs through an online platform, embracing the Go Green concept to minimize paper usage. This initiative also provides a new way of communication between the head office, senior management, and staff in branches. The goal was to increase recognition, respect, and appreciation, which indirectly influences the best use of the Bank’s facilities towards a higher level of corporate sustainability. In addition, BdC provided financial Literacy to its staff through E-learning sessions to promote their awareness, covering all staff, summer trainees, and newly hired staff. Also, BdC is currently working on signing protocols of financial literacy with several entities, such as universities, to provide literacy and non-financial services to students.

Principle 5: Governance and Culture

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Capacity Building to Employees on ESG Topics

Program Name	Number of Attendees
Climate Risk Management and TCFD	8
Certified Expert in Sustainable Finance	1
Climate Finance - Acceleration Program	6
Climate Finance / Seminar	2
Climate Risk and Sustainable Finance	6
Climate Risk Management and TCFD "Advanced"	4
E&S Framework- Sustainability	30
Empowering SME's & Driving Sustainable Growth Workshop	2
Environmental & Social System (ESMS) program	6
ESG Risk Assessment for Lenders & Asset Managers	5
GGF Green Finance Expert Study Tour	2
Strengthening Access to finance for Agribusinesses in Egypt	2
Sustainability and Sustainable Finance Forum	13
Sustainability for Banks	258
Sustainability for SME's in cooperation with GIZ	6
Sustainability Principles	2976
Sustainable Finance and Risk Management	6
The Finance and Digitalization of Agriculture: Opportunities and Challenges Seminar	12
Grand Total	3345



4.2 Stakeholder Engagement and Partnerships

Stakeholder Engagement

BdC’s internal and external stakeholders are classified into several groups with which BdC places great importance on constant communication since one of our biggest commitments is ensuring that our business priorities align with their expectations and are appropriately prioritized. We also actively partner with our stakeholders to create shared social and environmental values.

Stakeholder Identification

The complete stakeholder identification process involved a clear understanding of the components of our value chain. We identified our stakeholders and categorized them into the following groups:

- The Central Bank of Egypt (CBE).
- Regulators.
- Board of Director.
- Shareholders.
- Clients and Customers.
- Employees.
- Environment.
- Community.
- Suppliers, Business and Sustainability Partners.

Relationship Mechanism

Having a clear idea of our main stakeholders, we have set up various information, consultation, and dialogue mechanisms to achieve different relationship levels.

Information

- Financial and sustainability reports
- BdC’s Website: <https://www.bdc.com.eg/bdcweb-site/home.html>
- Social Media
- Newsletter

Consultation

- Survey
- Complaint Systems

Dialogue

- Call Center
- Website & Social Media
- Customer Service
- Emails
- Face to Face Meetings and Roundtable Discussions

Participation

- Conferences & Events
- Training and Workshops
- Volunteering Programs and Campaigns
- Sponsorships, Donations, Events, and Initiatives (CSR activities)

Stakeholder Management

After engaging with our stakeholders, BdC identified each category’s key stakeholder needs and critical concerns. The Bank adopted a robust management approach for our stakeholders’ critical concerns and integrated these issues into our materiality assessment and decision-making processes.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☐ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the principles and improving your bank’s impacts, This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Impactful Partnerships

The Bank’s commitment to creating enhanced value for both its internal and external stakeholders is exemplified through its strategic partnerships with key international financial institutions in order to accelerate sustainable finance to create positive impact:

Finance in Common Program

In November 2022, BdC signed the Finance in Common Program with the French Development Agency (AFD) to provide facilities for eligible sustainable finance projects by BdC’s SME & Mid-Cap clients. The French Development Agency (AFD) signed cooperation agreements with the Banque du Caire, the National Bank of Egypt, and the Egyptian state, amounting to about 150 million euros, to finance investments that contribute positively to achieving the goals of sustainable development and Egypt’s Vision 2030. These agreements include a grant of 10 million euros provided by the European Union to encourage small, medium, and micro enterprises that provide investments with positive impacts on both environmental and social aspects.

EIB Microfinance Loan

In February 2023, the Bank concluded an agreement with the European Investment Bank worth 70 million euros to provide micro-loans to micro-entrepreneurs and enhance access to finance for Egypt’s most vulnerable population. The main objective of the agreement was to strengthen the support provided by BdC to underserved and unserved businesses in Egypt, mainly micro or small enterprises located outside the main urban economic centers of Cairo and Alexandria, as well as people largely excluded from the financial services.

Stakeholder	Critical Concerns	Management Approach
The Central Bank of Egypt (CBE)	<ul style="list-style-type: none">• Financial Performance• Governance and Compliance• Anti-corruption and Bribery Measures• Strong Risk Management• Socio-Economic Impact• Financial Inclusion Performance• Financial Literacy• Innovation and Digital Transformation	<ul style="list-style-type: none">• Ensuring strict compliance with CBE.• Prioritizing training and capacity building to meet regulatory requirements and maintain alignment.• Financial Inclusion and Literacy Initiatives.• Digital Transformation and Digital Banking
Regulators	<ul style="list-style-type: none">• Compliance and Ethical Conduct• Initial Public Offering projects• Financial Statements Auditing	<ul style="list-style-type: none">• Conducting periodic internal audit• Ensuring Compliance and Ethical Conduct
Boards of Directors	<ul style="list-style-type: none">• Reputation Management• BdC Corporate Strategy• Access to Finance• Environmental Practices• Community Commitments	<ul style="list-style-type: none">• Address concerns and queries in general assembly meetings.
Shareholders	<ul style="list-style-type: none">• Business Continuity• Return on Investment (ROI)• Risk Management• Strong Corporate Governance	<ul style="list-style-type: none">• Publishing Periodic Financial Statements• Ensuring robust governance and risk management
Clients and Customers	<ul style="list-style-type: none">• Seamless Banking Experience• Digitalization Services• Cyber Security and Data Privacy• New Products and Services	<ul style="list-style-type: none">• Digital Banking• Product and service development• Maintaining Customer Centricity• Ensuring customer privacy and data security
Employees	<ul style="list-style-type: none">• Career Development• Non-discrimination• Safe Working Environment• Health & Wellbeing• Benefits packages• Code of Conduct	<ul style="list-style-type: none">• Training and Career Development• Competitive Salaries• Non-discrimination• Promoting health, safety, and employee well-being
Environment	<ul style="list-style-type: none">• Reducing Environmental Footprint of Operations• Energy Management• Waste Management• Water Management• Paper Recycling• Monitoring of Resource Consumption	<ul style="list-style-type: none">• Environmental Management system• Energy Saving• Reducing carbon footprint• Wastewater management• Paper Saving through digitalization.• Material selection
Community	<ul style="list-style-type: none">• Support for the Social Needs of the Community• Health Support• Education Support• Employment	<ul style="list-style-type: none">• Community Investments
Suppliers, Business and Sustainability Partners	<ul style="list-style-type: none">• On-time Payments• Fair selection Process• Adequate Pricing• Responsible Procurement• Investment in Local Suppliers• PRB Reports• Sustainability Reports	<ul style="list-style-type: none">• Responsible Procurement• On-time payments• Publishing annual sustainability and PRB reports

5. Pillar Five: **Sustainable Finance**

5. Pillar Five: Sustainable Finance



As per the Central Bank of Egypt’s mandate, BdC established a new sustainability and sustainable finance department. This new department will focus on developing tools and instruments for our customers to gain access to green products that enable them meet their goals: financial profitability and sustainable growth, in addition to developing the reports needed to map Banque du Caire’s continuous growth in the market.

Outside of the Environmental component, and to address social inequality, BDC actively supports SMEs for their positive economic impact of creating job opportunities.

5.1 Our E&S Lending Policy

BdC has endorsed the E&S lending policy as a vital component of implementing BdC’s Environmental and Social Management System (ESMS). This policy is an integral part of the Bank’s Environmental, Social, and Governance (ESG) Strategy, outlining the Bank’s dedication to managing Environmental and Social (E&S) risks. The primary objectives of this Policy are:

- Establishing a strategic aim for the Bank to support projects with significant E&S benefits.
- Enforcing minimum criteria for addressing E&S impacts and risks in all business decisions.
- Refraining from financing businesses that do not align with the Bank’s E&S standards.
- Communicating E&S expectations to all relevant staff and stakeholders.
- Committing to continually enhancing the Bank’s staff capacity in identifying and handling E&S risks.

We are creating SME products that will consider multiple incentives for our clients working on projects that support sustainability, reduce GHG emissions, or save resources. We are also planning to develop communication materials to raise our clients’ awareness regarding the importance of sustainable transformation.

Principle 3: Clients and Customers

3.1 Client Engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☐ Yes ☒ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients’ transition, selected indicators on client engagement and, where possible, the impacts achieved.

This is part of our dedication to implementing a growth strategy focused on driving sustainable and scalable expansion, which will position BdC as the partner of choice for SMEs addressing sustainability in Egypt. Developing carefully designed green products will eliminate barriers, showcasing the synergy between sustainable growth and financial profitability.

5.2 Accelerating Financial Inclusion

BdC recognizes the importance of financial inclusion to achieving economic growth and sustainability. Accordingly, the Bank established the financial inclusion department in 2020, in line with the CBE’s decision to establish independent financial inclusion departments in the banking sector. The department is primarily responsible for coordinating the Bank’s pipeline of financial inclusion initiatives between its divisions and ensuring they are properly implemented. In 2022, our financial inclusion department worked towards making branches more suitable for people with disabilities. The department undertook the following initiatives to promote financial inclusion and financial literacy:

- BdC worked diligently on empowering women and youth by providing them with tailored products to meet their needs, such as Bokra accounts for women and Telda cards for youth. Women retail customers increased by 18 %, and youth retail customers increased by 54% from December 2021 till December 2023.
- BdC collaborated with the national initiative “Hayah Kareema in developing Hayah

Karima villages through providing financial services to citizens by installing 60 ATMs in 60 villages, providing microfinance loans to 45 K customers, and issuing prepaid cards and Waffar accounts. The Bank also provided 65 literacy sessions to almost 2.5 K citizens to spread financial literacy.

- BdC participated in all financial inclusion events to perform on-ground activation targeting youth women and rural areas at more than 250 locations from 2020 till the end of 2023 to be presented at clubs, universities, youth centers, local entities, and exhibitions.
- Members of the team visited over 45 villages to provide financial literacy sessions, issued prepaid cards, and taught residents how to make payments through them.
- Training was conducted for the employees of 24 branches on how to best cater to people with disabilities and they were taught sign language to better serve all segments of society.
- BdC provided accessibility to special needs through 24 dedicated branches. Additionally, applications now have a braille option, and several ATMs are equipped with a sound option and a braille keyboard.

Principle 3: Clients and Customers

3.2 Business Opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Waffar Accounts

BDC developed three types of Financial Inclusion products under the Waffar name with very low cost and fewer documents required from customers. The three products were launched in 2022 and achieved more than 70 K customers by the end of 2023, These accounts are characterized by their simplicity, requiring only a national ID to sign up and featuring reduced charges.

1. Waffar savings for individuals with their national ID only and with simplified KYC. These are dedicated to those aged 16 years without guardians to serve the youth, the special needs, and the uneducated segments.
2. Waffar current for an individual with economic activity without documentation to prove their activity.
3. Waffar Business for micro & small entities with incomplete documents Which can be used by startups and small entities that may not have the complete documentation required by traditional banking channels, encouraging them to enter the financial system and reduce their reliance on cash.

Engaz Loan

Supporting Egypt's national financial inclusion agenda, BdC offered quick and smooth credit products to support micro segment enterprises in growing their businesses. For this purpose, we launched Engaz Loan – a Digital/Online lending platform. Engaz Loan is a medium-term loan with ticket sizes ranging from EGP 300 K to EGP 500 K for new bookings, reaching EGP 1 mn upon top-up. The digital platform was launched in

February 2023 as part of SME Banking Group's digitalization strategy/plan. The loan aims to facilitate alternative accessibility solutions, allowing customers to apply for their loans online in less than 10 minutes. Engaz Loan is considered a market-leading and unique product with phenomenal performance throughout 2023. There are only two digital lending platforms across the banking sector in Egypt, and Engaz Loan is one of them.

Bancassurance

BDC's Bancassurance portfolio grew to EGP 872mn in 2022, up from EGP 687mn in 2021and reached EGP 943M as of Nov-23. The division focused on enhancing its offerings to clients through digital access to the Bank's insurance services. The division ensures they are aligned with the Bank's customer-centric approach by maintaining its strategic relationship with global insurance provider to satisfy customers' needs by providing wide range of insurance packages and programs. BDC offers an integrated set of insurance and investment programs for education, wedding plan, retirement, and life protection by providing coverage and ensuring the financial independence of families in case of unforbidden event. The programs are tailor-made to cater clients' needs with flexibility in terms of premium selection and sum insured amounts, ensuring meeting different customers' needs.

The division maintains a consistent line of communication with the Bancassurance clients to ensure proper communication and transparency is being delivered from the current insurance provider concerning product awareness. Planning to launch a new partnership with one of the biggest insurance companies in market providing different insurance programs which caters for all segments according to their age bands and needs.

5.3 Supporting SME Growth

Through offering a wide variety of services and products tailored to the SME segment, the Bank prides itself on its accessibility with its extensive branch network across Egypt. BdC is equipped to serve SME customers through dedicated relationship managers in 53 business centers across Cairo, Alexandria, Delta, Canal and Red Sea, and Upper Egypt. The SME Banking Group performed exceptionally well in 2022-2023, with the SME portfolio (Funded & Unfunded) exceeding a record of EGP 24BN, achieving 48% y-o-y growth, and attaining 30% of the CBE's mandate related to MSMEs. Our SME Banking developed two lending programs tailored to the needs of small clients during the year:

1. Small Enterprises Lending Program (SE) targets small clients with sales turnover from EGP 1 mn up to 50 mn and offers credit limits up to EGP 7 mn, serving industrial and non-industrial sectors.
2. Engaz Loan is a fast and simple lending scoring product through which very small enterprises with annual sales turnover below EGP 20 m can be granted loans of up to EGP 500 K in seven days.

Recognizing the importance of proximity to clients, ten new business centers were established, expanding the SME network to 53 business centers across Egypt, all dedicated to serving small and medium enterprises.

NilePreneurs

In line with its strategic focus on non-financial services, the Bank partnered with the NilePreneurs initiative, powered by the CBE in collaboration with the Nile University, to promote SME and entrepreneurship growth.

Our non-financial services are targeting startups,

entrepreneurs, and SMEs with the following services under the umbrella of the NilePreneurs initiative:

- Facilitating access to financing.
- Facilitating obtaining licenses, commercial register & activity registration.
- Knowledge dissemination services.
- Financial control and financial planning.
- Awareness of bank and non-bank funding sources.
- Awareness of budget elements and financial statements, & the conditions for obtaining financing and credit programs.
- Networking services (Networking with companies of the same size, commercial chains & supply chains in a specific sector).
- Feasibility study services and business model plan (Initial feasibility study/Project work model, work plan).
- Facilitating access to training opportunities (Creating new projects & project ideas / Financial Analysis Services).

BDC established new Business Development Service (BDS) hubs located in Ramses, the 10th of Ramadan, Sidi Beshr, New Damietta, and the 6th of October, bringing up to eight hubs dedicated to offering non-financial services. Furthermore, the Bank sponsors the Export Excellence Center (EEC) and all its activities to support newly established and existing SME clients. The Export Excellence Center is our innovation hub, which is developed in accordance with one of the strategic objectives of Egypt to promote & empower Egyptian exporters to scale out their business globally, as it offers a rich variety supported by targeted partnerships for export promotion, addressing export challenges in addition to promoting export as a driver for SME growth.

NAWAH SME Business School

During 2023 under the umbrella of NAWAH Academy, the bank managed to upscale experienced staff with the latest trends, learning academic tools and curriculums to ensure continuous investment in BDC’s calibre.



5.4 Promoting Microfinance

BdC recognizes that microfinance is a critical financial inclusion tool with the potential to empower individuals in marginalized communities through banking. The Bank has been a leader in the segment, taking actions that foster inclusive economic growth. In 2022, the Bank witnessed an increase in the microfinance loan portfolio, reaching EGP 7.2 bn, up from EGP 5.6 bn in 2021. The Bank launched an instant digital lending platform for microfinance clients with an expanded reach.



5.5 Financing Mega and Infrastructure Projects

BdC supports and finances several mega and infrastructure projects, contributing to national development through creating employment and income opportunities:

- 1. Rawasi for Urban Development: BdC participated in financing the purchase of a number of ready to move residential units in Madinaty and Celia in addition to a land, all to be developed and sold by Arab Company for Projects (TMG). BdC provided finance for the project of EGP 800 mn out of total finance of EGP 8970 mn.
- 2. First Design: The Bank acted as IMLA and book runner for the purchase of a number of ready to move residential, commercial units in Madinaty, Celia and rehab in addition to a land, all to be developed and sold by Arab Company for Projects (TMG). BdC provided finance for the project of EGP 1000 mn, out of total finance of EGP 6,373 mn.
- 3. Egyptian Electricity Transmission Company (EETC): BdC partially financed the estimated investment cost of some investment projects and electricity distribution companies, which is an expansion and the implementation of advanced stages and the development of some advanced stations /units as well as the purchase of new transformers and the necessary cells. Also, the installation of smart meters, their networks, electrical power transmission cables and lines, for High and Extra High voltage and efforts, across Egypt.
- 4. Inertia Properties
“Jeffaira” is a residential & commercial compound located in North Coast on a 1,200 acres area of land. BdC acted as IMLA for Jeffaira and a Bridge facility of EGP 425 mn was granted to finance urgent needs of the project. The facility financed a part of land cost in favor of NUCA, in addition to contractors’ payments. Bridge Facility amount shall be refinanced by the syndicated loan “in progress currently” upon the financial closure.

6. Pillar Six: **Reporting and Disclosures**

6.

Pillar six:

Reporting and Disclosures

a. Assurance

The publicly disclosed information regarding our PRB commitments has undergone a process of independent assurance. We are dedicated to ensuring the transparency and credibility of our sustainability commitments, and this independent assessment provides stakeholders with the confidence that our PRB-related disclosures are accurate, reliable, and aligned with our sustainability objectives.

b. Reporting on Other Frameworks

We are also committed to transparency and disclosure of sustainability information in line with different recognized standards and frameworks. We proudly disclose sustainability information following internationally recognized guidelines such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), United Nations Global Compact (UNGC) and will soon adhere to the IFRS Sustainability Disclosure Standards. These disclosures are an integral part of our commitment to responsible and sustainable banking practices, ensuring that our stakeholders have access to comprehensive and standardized sustainability information.

C. Outlook

Financial Inclusion

After measuring the baseline, BdC will set plan for increasing the share of Women & Youth segments in terms of number of clients and portfolio through developing & creating new proposition to youth segments with more benefits and with flexible on boarding process and to increase products and loans provided to the most vulnerable groups. The Bank will also increase the credit facilities to women to support women empowerment and promote financial inclusion.

Circularity

The Bank will start a pilot analysis on the key corporates financed under the key sectors in the corporate banking which are construction, real estate and manufacturing of basic iron and steel. We will engage with the top 10%-15% in the key sectors identified through conducting circularity workshops to improve our clients' understanding of circular solutions and support their transition towards a circular economy. We will send data requests to clients to understand alignment of their economic activities with the circular economy. Relevant to the sector nature, water efficiency/reduction, energy efficiency/reduction indicators and waste indicators will be collected to reference key impact indicators for circularity. BdC will work on collecting data for these indicators to be able to set quantitative targets in the upcoming years.

Principle 6: Transparency and Accountability

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☒ SASB
- ☐ CDP
- ☒ IFRS Sustainability Disclosure Standards (to be published)
- ☐ TCFD
- ☐ Other:

PRB PROGRESS REPORT

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