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# GLOSSARY

<b>BdC</b>	Banque du Caire
<b>ESG</b>	Environmental Social Governance
<b>ESDD</b>	Environmental Social Due Diligence
<b>CC</b>	Climate change
<b>ESMS</b>	Environmental Social Management System
<b>ESRM</b>	Environmental Social Risk Management
<b>E&amp;S</b>	Environmental and Social
<b>GRI</b>	Global Reporting Initiative
<b>DFI</b>	Development Financial Institution
<b>UNGC CoP</b>	United Nations Global Compact Communication on Progress
<b>UNEP FI</b>	United Nations Environment Programme Finance Initiative
<b>PRB</b>	Principles for Responsible Banking
<b>UN SDGs</b>	United Nations Sustainable Development Goals

# SUSTAINABILITY AT BANQUE DU CAIRE

## Strategy

At Banque du Caire, Sustainability has evolved into becoming a core pillar embedded into the bank's business model, ensuring sustainable growth over the long-term. Aligning our financial targets, operations and brand positioning with our ambitions venturing into a more sustainable economy has become essential for our bank's long-term success.

## Values

With a continuously changing financial ecosystem, Banque du Caire continues to promote sustainable finance through our core values and practices. We recognize the importance of Environmental, Social and Governance (ESG) considerations in financial decision-making and integrating sustainability principles into our operations.

## Commitments

At Banque du Caire, we are working towards alignment with the various national and international initiatives and agreements that help promote the bank's ambitions and commitments for a better future. These initiatives include:

1. Egypt's Vision 2030
2. Hayah Karima
3. Ethadar lel Akhdar
4. UN SDGs
5. UNGC
6. UNEP FI
7. IFRS S1 & S2
8. Paris Agreement
9. GHG Protocol

To ensure effective alignment, the following principles have become at the core of our forward-looking strategy and will be incorporated into our operations. Highlighting the bank's commitment to integrating sustainability into our business model and creating the right opportunities for impact investing, we are committed to:

- Integrate **ESG** principles into our business model
- Promote **green financing** and increase our Green Asset Ratio
- Reduce our **carbon footprint**
- Support the **Sustainable Development Goals (SDGs)**
- Enhance our transparency and accountability through our **reporting & disclosures**
- Foster **financial inclusion**

# SUSTAINABLE FINANCE FRAMEWORK

## Framework purpose

Banque du Caire's Sustainable Finance Framework signals a significant shift in how our bank conducts its business. Setting out a comprehensive roadmap for integrating environmental, social and governance (ESG) considerations into the bank's lending practices, investment decisions, activities and operations. By aligning our financial activities with sustainability principles, BdC aims to drive positive change, support responsible development and contribute to a more sustainable economy.

This framework also outlines the methodology applied to classify products and services as sustainable, with a focus on the regulatory and lenders requirements and criterias.

Implementation of BdC's Sustainable Finance Framework will have far-reaching implications for the bank's strategic approach. Through shaping the bank's lending practices, by encouraging the financing of projects that demonstrate strong E&S performance. This includes industries such as renewable energy and energy efficiency among other E&S friendly activities. Additionally, the Framework will provide a viable resource for all stakeholders to understand what Banque du Caire's hopes to achieve.

By embracing this Framework, Banque du Caire cements its place as changemakers within the Egyptian banking sector, easing access to funds for projects that balance financial profitability with sustainable development.

## Governance and operations

Banque du Caire's sustainability governance is based on a synergetic approach built upon a centralized model developed to ensure innovation, efficiency, integrity and accountability. Embedding the important role sustainability plays in the various layers of the bank.

### Sustainability Board Committee

The Committee holds the responsibility for assisting the Board in overseeing the Bank's **ESG** performance as a responsible and sustainable business, and the implementation of our sustainability strategy after integration into the bank's business model.

### Sustainability and Sustainable Finance department

The Bank's Sustainability and Sustainable Finance department was established as per the 2021 CBE Circular in order to enhance the bank's sustainable transformation. Under the department's mandate to transform BdC into a sustainable financial institution, innovative ideas are put into practice to further integrate sustainability principles into the bank's

day-to-day practices. From ESMS and product development to reporting and capacity building, the **S&SF** department is the overarching umbrella that coordinates all efforts in this impactful transformation.

### **Sustainability ambassadors**

Since 2021, BdC established our Sustainability Ambassadors Network to help raise awareness internally throughout the bank. Our ambassadors represent the various departments such as Lines of Business, Risk Management, Finance, Treasury, Human Resources.

### **Risk Management**

Risk Management plays a crucial role in BdC's sustainability framework, effectively identifying and managing risks. As a result, the bank ensures long-term viability of our operations and protects the interests of all of our stakeholders. Through comprehensive risk management practices, including our **ESRM**, BdC mitigates potential financial, operational, compliance and E/S risks, thereby safeguarding the bank's reputation and maintaining sound financial position. This proactive approach enables the bank to navigate uncertainties and adapt to the ever-changing market, especially, maintaining positive outlook and sustainable growth upholding our commitment to responsible and ethical banking practices.

### **E&S policies & procedures**

BdC is committed to develop the comprehensive policies and procedures that will further integrate sustainability principles into every aspect of our operations, building upon the foundation laid by our E&S lending policy. Moreover, we strive to enhance our practices, promote responsible lending and encourage our stakeholders, internally and externally to actively contribute to the betterment of their communities

## **Environmental Social Management System (ESMS)**

The implementation of BdC's ESMS is a landmark milestone in BdC's continuously transforming strategy. Embedding ESG principles into the bank's policies and procedures is integral to optimizing the bank's compatibility with the sustainability focused strategic direction moving forward.

Under the umbrella of the ESMS, various operational policies and procedures will be put in place to act as the foundation for all future bank activities. These policies will cover various aspects of our operations, such as:

1. Environmental Management
2. Gender
3. Diversity & inclusion
4. Grievance mechanism
5. Procurement
6. Remuneration
7. Employee Health and Safety

In addition to aforementioned policies, BdC is committed to upholding the IFC's E&S performance standards

## Environmental Social Risk Management (ESRM)

An important component of our ESMS is our ESRM. Developed in collaboration between our Risk Management, Sustainable Finance and concerned business lines and an external consultant. To enhance the ESRM's effectiveness, certain components were created:

1. Board approved E&S lending policy
2. BdC's exclusion list

Our exclusion list is predominantly aligned with the exclusion lists of international DFIs. This approach ensures that our risk management methodology is dynamic and adaptive to the continuously changing financial ecosystem, meeting our customers' needs without damaging the communities served whether environmentally or socially.

## Climate Risk Management

As part of planned commitment to enhancing our risk management to cover the adverse impact of climate change, we are in the process of developing our Climate Risk Management framework as part of our Climate Corporate Governance. This development is an integral part of our strategy that will help us protect the interests of all of our stakeholders from physical and transition risks.

## Climate Finance

Climate change has become an undeniable threat to our planet, with its impact covering all aspects of our day-to-day lives. From an economic angle, climate change has brought new types of risks to the financial sector, physical and transition. To meet those risks head-on, we are in the process of developing our Climate Finance Strategy, setting the path for climate integration into our bank's overall operations and lending practices. Additionally, we are planning the development of the right governance, instruments and tools gradually to integrate Climate related considerations as we continue to build our capacity.

## Reporting & disclosures

BdC has not always only been a strong proponent for change, but also for the need for transparency to display the positive impact sustainability has on everyone. To achieve this, since 2015 we have developed the following reports:

1. GRI
2. PRB
3. Carbon Footprint
4. UNGC CoP

To match with the changes the reporting scene has witnessed, the IFRS S1 & S2 are our upcoming-targeted standard.

## Stakeholders Engagement

At Banque du Caire, the synergetic approach to stakeholder engagement goes beyond simply seeking input; it aims to create a harmonious relationship where stakeholders and the Sustainability & Sustainable Finance Department work together towards a common goal and vision. This methodology recognizes the various stakeholders' valuable knowledge, expertise and resources to further boost our bank's push for sustainable transformation.

To this extent, our stakeholders can be classified as follows:

Internal	Employees, board of directors, shareholders
External	Customers, Central Bank of Egypt, lenders, community, peers

### Employees

BdC is committed to create the perfect environment for sustainable growth, encouraging them to engage in the right activities that motivate them to continuously develop and find their place at the bank. Maintaining high level of employee engagement to ensure BdC remains to be a place for innovation in the Egyptian financial sector.

### Board of directors

BdC's dedication to sustainability is exemplified through its proactive engagement with the board of directors to align strategies with our overarching goals. By fostering dialogue, the bank ensures that its sustainability approach resonates with the board's vision, creating a harmonious synergy between financial objectives and environmental & social responsibilities.

### Shareholders

BdC is steadfast in its commitment to our shareholders, ensuring their interests are prioritized and aligned with the bank's strategic directives. Striving to deliver sustainable growth, maximize value, and provide transparent and accountable financial services, fostering trust and long-term partnerships.

### Customers

With a long legacy of dedication towards our clients, BdC is committed to providing our customers with the sustainability-linked products and services they need to achieve their goals. Balancing their financial success with the much needed efforts to reduce their impact on the communities they serve.

### Central Bank of Egypt

The Central Bank of Egypt has taken tremendous milestones in promoting sustainable finance. Moreover, since 2021, the CBE has promoted how they envision a greener financial ecosystem moving forward, creating circulars and guide-lines for the banks to follow and mandates to implement.

On July 18 2021, the Central Bank released their guiding principles for the banks, setting a total six (6) principles that all banks must abide by:

1. Building capacity and upskilling through capacity building initiatives
2. Enhancing sustainable finance through integrating **ESG** into lending practices
3. Engaging concerned partners through stakeholder engagement
4. Climate Risk Management
5. Implementing Sustainability principles internally throughout bank's operations
6. Reporting & disclosures through the GRI reports and the CBE's qualitative and quantitative reports

The CBE's guiding principles were followed by the following regulatory mandates on November 2022:

1. The establishment of an independent Sustainability and Sustainable Finance Department (**S&SF**)
2. Integrating sustainable finance policies into the bank's credit and investment policies, in addition to the necessary frameworks to ensure implementation throughout all concerned departments
3. The Board of Directors must monitor the implementation of the regulatory mandates
4. Oversight of the implementation of the CBE's guiding principles, falling under the responsibility of the Sustainability & Sustainable Finance department
5. The development and publishing of the GRI, quantitative and qualitative reports, followed by board approval for each report
6. The utilization of Ministry of Environment certified Environmental consultants for impact assessments for all projects above 200 million EGP

## **Lenders**

Banque du Caire's partnerships with Development Financial Institutions have always been of a strategic importance to the bank's overall strategy, especially with the rapidly increasing efforts to incorporate Sustainability into the bank's operational and lending practices.

To further boost our efforts, BdC has put in place a dynamic E&S framework that covers Large Corporate and MSMEs to help raise awareness to our clients.

The diversity of our portfolio has provided DFI's with the trust needed to bolster our partnerships, especially with **BdC's** leadership position in the microfinance segment with over 44.5% increase in 2023, providing our partners with a wide pool of prospective beneficiaries with E&S potential.

Additionally, we utilize our strategic partnerships with the various DFIs to further develop our sustainability framework, such as our Climate Finance Strategy, Climate Corporate Governance and ESMS development.

## **Community**

BdC is committed to help the communities we serve. Through our initiatives, we strive to make a positive impact on society. Actively supporting education, healthcare and the environment, in addition to empowering women and youth due to the tremendous impact they have on the country's sustainable development. By fostering sustainable economic growth, we play a role in building a stronger, more resilient and prosperous society for the future.

## **Peers**

As per our commitment towards the Egyptian banking sector, BdC is an active member of the Federation of Egyptian Banks' Sustainable Finance Committee. Through the committee, continuous collaboration with our peers take place to ensure our alignment on transforming the Egyptian banking sector.

## Classification

In general, Sustainable Finance is an overarching term that covers various sub-components that categorizes projects, Environmental, Climate and Social. As part of this framework, any financing can be classified as sustainable finance if certain bounds are met:

1. Use of Proceeds
2. Company profile
3. Financial product

### Environmental

Any economic activity that has direct or indirect impact on the environment, such as protection of natural resources and biodiversity.

### Social

Any economic activity that contributes to the social development of affected communities, such as improving quality of life, access to essential services and create an accessible ecosystem for all.

### Climate

Any economic activity that contributes to Climate mitigation<sup>1</sup> and/or Climate adaptation<sup>2</sup>, such as energy efficiency, sustainable agriculture, clean technology and carbon markets.

## Classification rationale

### ▪ Use of proceeds

If the key aspects of the use of proceeds are clearly defined and aligned with recognized sustainable finance frameworks, where the transaction will have a positive environmental or social impact, then the transaction can be deemed sustainable.

### ▪ Company profile

If the company's main activity is considered sustainable by nature, such as a renewable energy or recycling or sustainable agriculture, then the transaction is deemed sustainable.

### ▪ Financial product

If the client chose to utilize a green or social financial product rather than a conventional one, then the transaction is deemed sustainable.

<sup>1</sup> Climate Change Mitigation: measures that substantially reduce GHG emissions

<sup>2</sup> Climate Change Adaptation: measures to adapt to acute and chronic physical risks confirmed through scientific research and analysis

# FRAMEWORK GOVERNANCE

This framework was developed by the Sustainability and Sustainable Finance Department, reviewed and approved by Risk Management, Corporate and SMEs.