



6th AAIB Communication On Progress (COP) Report

July 2013

Created by AAIB's Sustainability Unit

CEO STATEMENT

Dear Stakeholders:

In 2012, the world economy was affected by the economic slowdown in both developing and established economies alike, which led to a continued rise in unemployment rates in most of these countries.

The aftershocks of the global financial crisis are still being felt across the world, especially within the Euro zone. Additionally, public debt continued to rise in most developed economies.

The extended transitional period the country is undergoing has taken a toll on the Egyptian economy as a whole. However, despite the turbulence in the Egyptian market, GDP growth in FY2012 reached 2.2% by year-end, as opposed to 1.8% during the previous year. The banking sector remains on solid financial ground, in terms of fulfilling its commitments to its customers and healthy financial indicators. Capital adequacy reached approximately 15.7% during the year, surpassing Basel II capital requirements.

AAIB's branding revolves around the concept of value creation, backed by its

ability to consistently achieve the highest growth and profitability possible for over a decade and its vision to become Egypt's leading Financial Group. The Bank takes pride in maintaining its distinguished brand persona over the years. In 2012, its efforts were recognized for the 5th consecutive year by 'Superbrands', which presented it with "The Best Brand 2012" Award.

The Bank holds the belief that its staff are its most valuable asset, which drives its continued successes. The Bank emphasizes on developing its staff's skill set, which is an integral part of The Bank's strategy. Hence, it focuses on investing in them, since they represent The Bank's future leaders. In 2012, The Bank hired 146 employees; it also places focus towards attracting, training motivating, and retaining its high caliber staff. Moreover, The Bank has only a 1% turnover rate which is the lowest turnover rate in the Egyptian finance sector.

CSR and Sustainability

The Bank continues to hold a deep commitment towards Social Responsibility. It believes that brands should go beyond seeking profit by instigating a positive impact on all stakeholders.

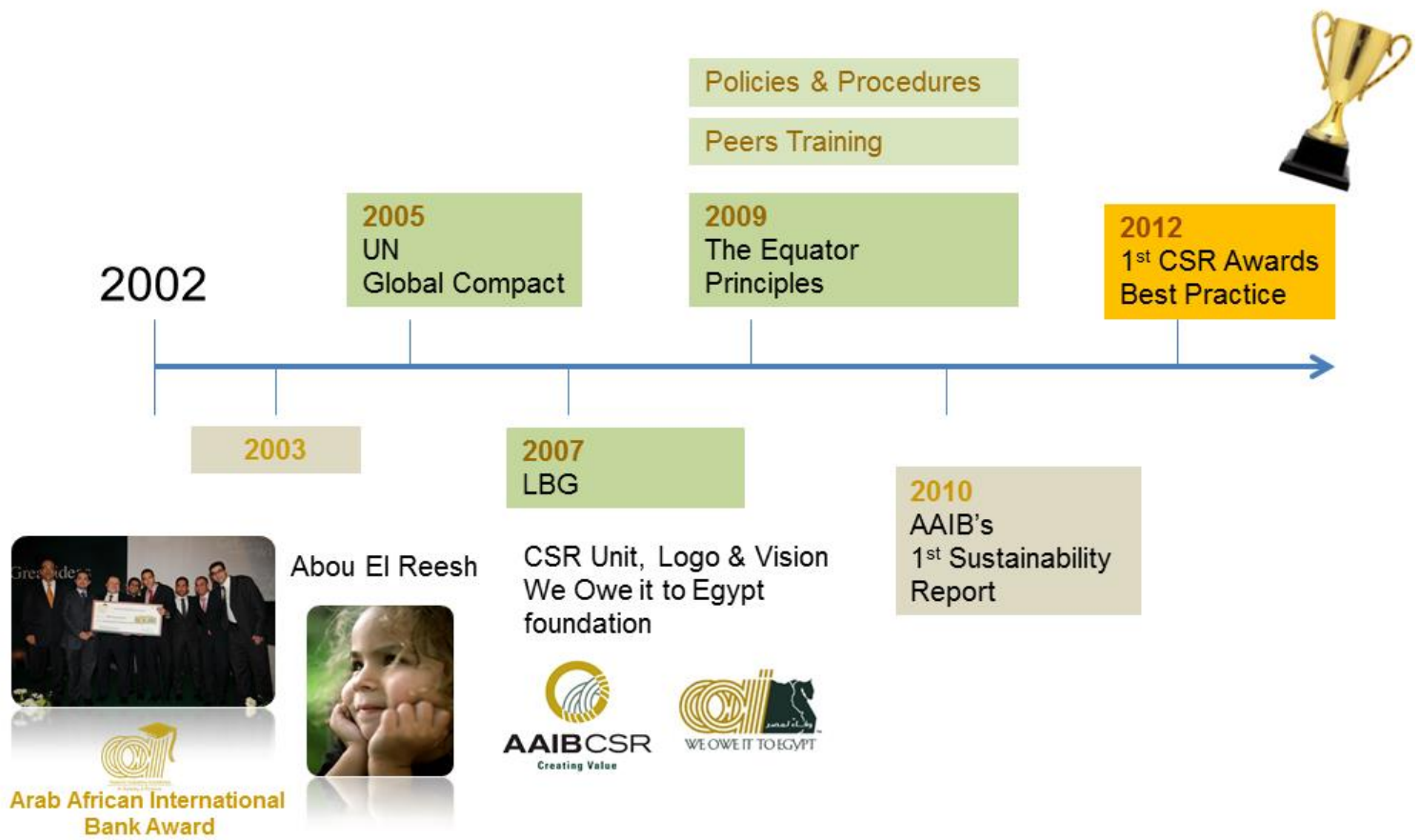
The Bank is proud to announce its 10 years of strategic Corporate Social Responsibility (CSR) that has positively impacted the society and community in Egypt. The Bank began adopting the concept of CSR in 2002 and launched several programs in two main areas: Health and Education. As of 2005, The Bank joined several worldwide organizations that aim towards spreading Human Rights awareness as well as allocating and organizing resources for environmental and community development. The Bank strategically integrated Sustainability across its daily operations, setting an example for peer institutions. It also plays an integral role in spreading awareness by regularly publishing its CSR and Sustainability activities, in order to encourage both local and global financial and educational institutions to participate and cooperate in making a difference in Egypt. The Bank became a pioneer in establishing concept of CSR and Sustainability in the financial sector under the title “Sustainable Finance”.

founded and launched in 2007, the We Owe it to Egypt foundation is considered the Bank’s flagship CSR project. In 2012, The Foundation dedicated its efforts towards public hospital development in Egypt. The Foundation’s vision is to raise the level of medical services in public hospitals to reach international levels of excellence in medical care; thus, it launched several initiatives and programs that were successfully implemented.

The year 2012 witnessed economic and political challenges on both the local and international fronts. However, despite the turbulence within the country, which had very limited ramifications on The Bank due to its conservative policies and ability to adapt to changing market conditions, we are confident in the positive growth potential present in the Egyptian economy and its banking sector. Whatever obstacles the future presents us with, our vision and forward-looking strategy will allow us to overcome them.

We have every confidence that the banking sector will maintain its standing as a pillar of the Egyptian economy, aiding in its swift recovery and placing Egypt in its worthy position as a regional financial hub.

The JOURNEY : 2002-2012



Since 2003, AAIB has shown keenness on playing an effective role in unique initiatives that aim at creating and developing sustainable impact for surrounding communities, locally, regionally as well as globally. In this, AAIB succeeded to position itself as the trendsetting Bank in Egypt among the financial sector in social responsibility and sustainability. Now, AAIB seeks to institutionalize its hand on experience in sustainability to advocate “Sustainable Finance” among banks in Egypt.

HIGHLIGHTS

Since 2004, AAIB's Sustainability Unit has opted to take several frameworks to assess practices and keep-the- track. These frameworks are the "Equator Principles" which act as the main guidelines for social and environmental risk assessment; UNGC

This year's report represents a clear structure for AAIB's strategic and organized Sustainable Corporate Responsibility

which acts as the guideline for four main principles, human rights, labor rights, anti-corruption and environment; and finally the "London Benchmarking Group" which measures the corporate community investment of the companies' spending.

practices for an entire duration of one full year, from July 2012 to June 2013. Emerging from AAIB's mandate it has been a year of collaboration and cooperation.

AAIB & ECRC/UNDP A STRATEGIC PARTNERSHIP Towards PUBLIC ADVOCACY

This year witnessed a strategic partnership with the UN Global Compact Focal Point in Egypt, namely the Egyptian Corporate Responsibility Center (ECRC) and the

United Nations Development Programme (UNDP) to promote Sustainable Finance among the Financial Sector in Egypt.

Mission:

Building a platform for the Egyptian Financial Sector to promote Sustainable Finance in Egypt.

The two-year duration partnership entails the following goals:

- 1. Promoting UN Global Compact & Sustainability standards** relevant to the Financial Sector that enhance responsible and inclusive finance; and to establish Egypt as a trendsetter in Sustainable Finance.
- 2. Supporting banks in Egypt to join frameworks** (Equator Principles, Global Compact, PRI, London Benchmarking Group....etc.).
- 3. Developing Blue print** (Guiding Materials) for Sustainable Finance
- 4. Developing a national model for inclusive banking**, an appropriate business and delivery model, that serves all excluded sections of the society, rural and urban.
- 5. Practicing Policy Advocacy.**

AAIB SHARING its
“BEST PRACTICE” in
GLOBALE COMPACT YEARBOOK



For three consecutive years, AAIB has been recognized in 2011, 2012 and 2013 as “Best Practice” Financial Institution in CSR, in the Global Compact Yearbook.

Highlighting every year an area of best practice comes within the Bank’s belief in sharing experience as means of promoting Sustainability and annual highlights.

In 2011 – AAIB addressed its focus on health and education through sharing its foundation for social development; We Owe it to Egypt, the first of its kind worldwide.

In 2012 – another highlight has been made on Education, promoting the bank’s academic competition for excellence in banking and finance, namely the Arab African International Bank Award. As well as the Bank embedding environmental and social risk assessment within its credit risk operations, since joining the Equator Principles in 2009.

2013 – was never less of importance and significance, whereby AAIB gave special focus and attention to Corporate Governance. This is to emphasize AAIB’s keenness on maintaining its credibility and transparency within the reporting process and presenting key facts to the public.

مبادرة الاتفاق العالمي "UN Global Compact"
" : "العربي الافريقي" أفضل مؤسسة مالية للمسئولية
الاجتماعية وتنمية الوعي بالاستدامة في مصر

AAIB was the only financial institution from Egypt to attend Triple Bottom Line Investment Conference in New York which takes place on the 17th -18th June, 2013. The conference is an opportunity that offers finance professionals a global perspective on a comprehensive range of ESG (Environment, Social and Governance) and Impact Investment topics, covering all asset classes. TBLI (Triple Bottom Line Investment) offers access to the largest network of thought leaders in the sustainable finance industry.

Rio+ 20: AAIB's Global Commitment to Sustainability

Believing in collective efforts to bring development and solicit initiatives for the global development and sustainability goals, AAIB has announced its commitment to the MGDs in the year 2012. The commitment is that **“Arab African International Bank” aims at embracing sustainability as part of its brand and business operations; and promoting the concept of “Sustainable Finance”, highlighting the benefits, impact and challenges of “Sustainable Finance” worldwide.** This target is supported by the entire AAIB offices located in the region; Egypt, UAE, Jordan and Lebanon.

Commitment Target(s) & Year 2022

Target: To promote the concept of “Sustainable Finance among Financial Institutions in MENA Region.

Details

- 1- Develop and comprehensive model for Sustainable finance practice.
- 2- Educate Financial Institutions about “Sustainable Finance” .
- 3- Create and Establish networks and partnerships to enhance the main goal.
- 4- Exchange best practices and successful role models.
- 5- Establish “Forum” for creating awareness and enhancement of Sustainable Finance.





HUMAN & LABOUR RIGHTS

I. We Owe it to Egypt Foundation

VISION

To be the national drive behind a significant impact and sustainable development in health and education in EGYPT.

MISSION

- Pool patriotic resources towards establishing focused centers of excellence in health and education.
- Establish core processes and stakeholder involvement to achieve and sustain development.

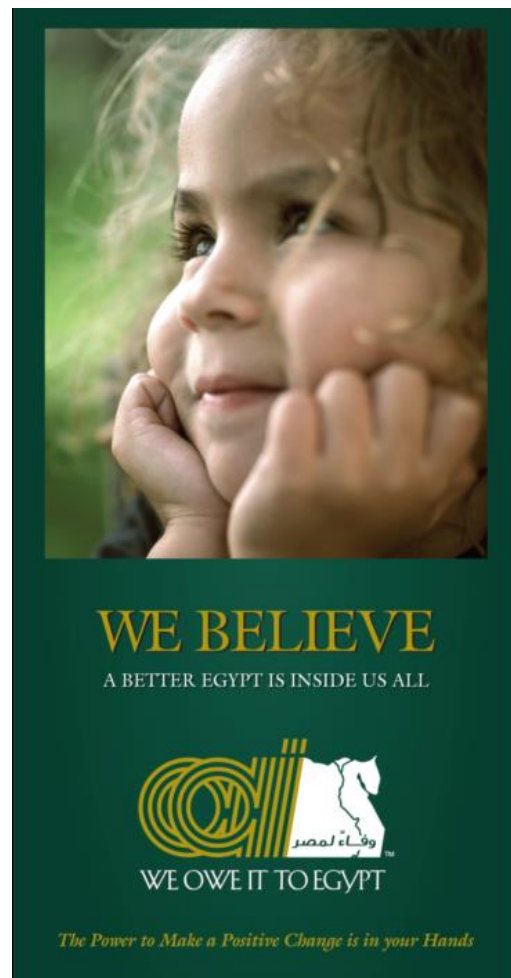


Scope

The We Owe it To Egypt's Foundation was established to contribute in advancing health and education in Egypt as the two major pillars for development in any country.

In this, the foundation adopts the public hospitals with deteriorated conditions and that requires the Corporate Social Responsibility role for improvement. The Foundations contribution in the public hospital upgrading and renovation is in forms of infrastructure, medical facilities and human capital development.

Over the past six year, the "WOITE" has spent an average of **Eighteen Million Egypt Pounds** to achieve the main objective of the foundation in turning the public hospital into centers of excellence.



2012



During the past year, the Foundation spent a total of Two Million and Nine Hundred Egyptian Pounds on continuing two projects which started in the year 2007 and one new project which started in 2012 as follows:

-
- Since 2007:

Japanese Specialized Pediatric Hospital (Abou El Reesh)

- 2007:

National Cancer Institute

- 2013:

Abou El Reesh Mounira (New

2013

This year the foundation has added on more project emerging from its keenness on being part of the national driven strategy.

This year the “WOITE” Foundation’s team in cooperation with the AAIB’s Marketing team launched a strong internal communication campaign to engage employees as major stakeholders in the Foundation’s mission. The campaign used some creative methods such as:

The “300” Campaign

This campaign illustrates the role of each “300” pounds donated to the Foundation and how it participates in making major change. The amount goes to surgeries and critical operations for kids on the waiting list.



300

انتظروا حملة الـ 300
Communication Day 2013

مؤسسة وفاء لمصر
WE OWE IT TO EGYPT
١٩٥٧٥



عملت لايك ولا لسه ؟

الهارده، ولمدة ساعتين من دافوتي، الفيسبوك جيكون مفتوح علي كل أجهزة الينك، تقدرنا ندخلوا ونعملوا لايك لصفحة وفاء لمصر علي الينك الموجود تحت. صفحة وفاء لمصر علي الفيسبوك هي المكان اللي هتلاقوا فيه كل المعلومات والأخبار اللي تخص المؤسسة، وما تنسوش إن وفاء لمصر هي أول مؤسسة ينشئها بنك نعلم بتوفير العلاج والتعليم للمصريين المحتاجين. نجحتا خلال الأسبوع اللي فات إننا نضاعف عدد المتابعين للصفحة ٣٠ أضعاف، ولسه محتاجين نزيد أكثر... طبعي كل موظف في الينك يعمل لايك لصفحتنا علي الفيسبوك، مين هيمد إيدو لإنقاذ حياة الأطفال اللي محتاجين المساعدة غيرنا؟ كل مرة نعمل فيها شير أو تعرف حد عن المؤسسة جتكون بتوسع من دائرة المهتمين بوفاء لمصر، ده واجب علينا ملنا عشان إحنا بنشغل في الينك، لكن لأننا عارفين قيمة إنقاذ حياة طفل أو مساعدة إنسان مريض نساهي أد به.

عملت لايك ولا لسه ؟!!

مؤسسة وفاء لمصر
WE OWE IT TO EGYPT
١٩٥٧٥

THE MACHINE PROJECT

It is a project that contributes in upgrading the database of patients. This project saves time, efforts, patient's history and track records that contribute in patients recovery and defining the proper treatment.

THE WAITING LIST

It is a list of duties that employees can contribute to the Foundation through.

DONATIONS COMMITTEE

A volunteering committee that consists of Bank employees and hospital doctors in order to collect direct donations from employees' payroll.



عن مشروع الميكنة لازم تعرف

لازم تعرف إن مشروع ميكنة المستشفيات العامة، والتي مؤسسة وفاء لمصر انتهت منه في مستشفى أبو الريش المتبررة نقل المستشفى إلى بعد تكنولوجيا جديد، انهارد كل طفل يحتاج في المستشفى تم استبدال ملفه الورقي بملف إلكتروني، وده معناه إن تاريخه المرضي كله، والأدوية التي بياخذها، والعمليات التي عملها، ونتائج الفحوصات والتحليل والأشعات كلها متاحة بضغطه زرار واحد.

لازم تعرف إن كل أقسام المستشفى انهارد بقت مبروطة ببعض... خلاص انتهت معاناة أهالي المرضى في الف على الأقسام عشان يعرفوا ولادهم عندهم إيه، وانتهى التشخيص الغلط الناتج عن عدم إتمام الدكتور بتاريخ المريض، وانتهت فكرة ضياع ملف أو إلغاء مواعيد أو عدم صرف دواء.

ناقص إنك تعرف إن وفاء لمصر هي المؤسسة الوحيدة في مصر التي بتقوم بالنوع ده من التطوير، وإننا بدأنا فعلاً نكرر التجربة في المعهد القومي للأورام ومستشفى أبو الريش الياباني.

لو مهتم تعرف أكثر وتعرف اللي حواليك، تابع حملة "التعريف بمشروع ميكنة البيانات" على صفحتنا على الفيسبوك، أو إسألنا على البريد الإلكتروني info@oweegypt.org وإحنا هنرد عليك فوراً.

مؤسسة وفاء لمصر
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فان جميع فروع
البنك العربي الأفريقي الدولي



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مؤسسة وفاء لمصر

WE OWE IT TO EGYPT

إنضم الآن إلى مؤسسة وفاء لمصر

وساهم معنا في مساعدة ملايين المصريين المحتاجين إلى صحة والتعليم بمستويات عالية لآلاف

رقم الحساب 0000007
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فان جميع فروع
البنك العربي الأفريقي الدولي

مؤسسة وفاء لمصر

WE OWE IT TO EGYPT

We Owe it to Egypt Foundation

8,781 likes · 13 talking about this

Community Organisation

مؤسسة "وفاء لمصر" - We Owe it to Egypt Foundation

About · Fix a Problem

Photos

Likes

8,781

Videos

Notes 1

We Owe it to Egypt foundation is The first Operations foundation versus

SOCIAL MEDIA

Facebook, Youtube and Twitter groups to communicate and update all stakeholders.

The Foundation

Facebook Group:

<https://www.facebook.com/#!/WOITEGYPT?ref=ts>

FIRST REGIONAL AWARD



Proudly, the Foundation's efforts were recognized during the 'Arabia CSR Network' Awards Ceremony in 2012, where it was presented with an award for 'Best Corporate-NGO Collaboration'. The Bank received the award in recognition of its pioneering efforts in establishing the first Social Development Foundation of its kind, 'We Owe It to Egypt'; a Foundation dedicated to raising the levels of education and healthcare in Egypt.



AAIB'S CONTRIBUTION to
THE BREAST CANCER FOUNDATION OF EGYPT (BCFE)
“ZUMBA PINK PARTY FOR THE CURE”



For the second time in Egypt, international Zumba instructors from the U.S., Portugal, Japan, and Costa Rica, partner up with the Breast Cancer Foundation of Egypt (BCFE) in organizing Zumba Pink Party for the Cure. The party aims at raising awareness of Breast Cancer, as well as promoting overall women's health.

This event entailed the **Zumba Event which is a one day Zumba dance Pink Party** event for Cure, attended by Women only. The performance for Zumba Party took place in a closed area for women only and the event ensured that women of all economic strata are targeted.

AAIB SUPPORTS HEALTHY LIFESTYLE BANK EMPLOYEES JOINING 1ST SPORTS FESTIVAL IN EGYPT, EL FIT

As each has the right to an adequate level of living for health and well being, the AAIB has sponsored a full day event to promote awareness on health. The day has given the chance to all employees to bring their families and spend a day in an open area and exercise with specialized teams. The venue has presented several booths to present different sports' tools and equipment that one can use at home or closed areas to help develop their wellbeing.

A fusion between fitness and entertainment introducing fitness as a sport and skill that anyone can acquire, ELFIT Fitness Festival is Egypt's FIRST



fitness festival gathering fitness communities and enthusiasts in one day in Egypt to create health and fitness awareness, and educate people on a more active and healthier lifestyle. A one day event on the 23rd of February AAIB partnered with top gyms promoting their services & quality in healthier lifestyle. The event took place at Smart Village 6th of October, the soccer field of Smart Club

AAIB'S SOCIAL AND SPORTS COMMITTEE (SSC)

The Social and Sports Committee (SSC) organizes, schedules and advertises social, cultural, recreational, and sports events throughout the year for the bank staff community. This year the committee has assumed broaden scope for the employees to follow during the political instability and violent events.

This committee was established in the year 2010 from AAIB's employees who volunteer their time and effort to manage the committee. The committee's members represents various managerial levels in the bank; the juniors and the middle management contribute to the committee which meet on regular basis to manage the committee, suggest new plans and employees-engagement events.

These events create a bonding culture among the employees. Moreover, they boost the motivation to come back to work with a positive attitude and productive spirit.

The committee is compromised of top managers, as well as junior and senior staff members from the bank. Some of the major events handled by the social and Sports Committee include the following:

- Annual Football Tournament
- Annual Ramadan Gathering
- Mid-year vacation trips
- Tickets to music concerts and football matches
- Staff offers for fitness centers
- Staff offers for Showtime and Orbit TV channels

The committee has been working hard to satisfy all staff needs and meet their expectations across the year. Moreover, the committee has shown cooperation and flexibility in responding to staff inquiries.

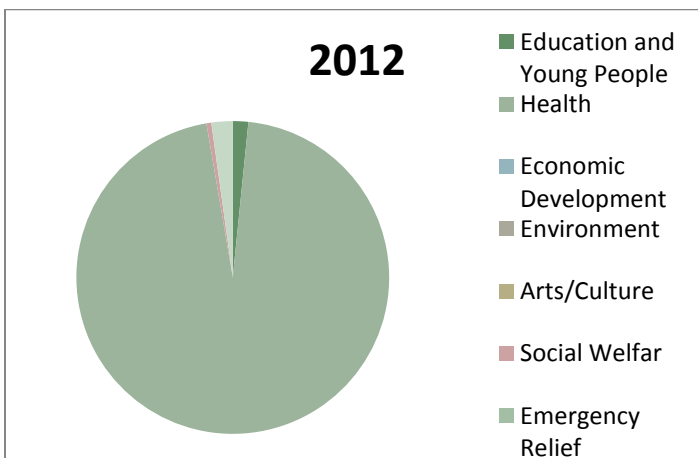
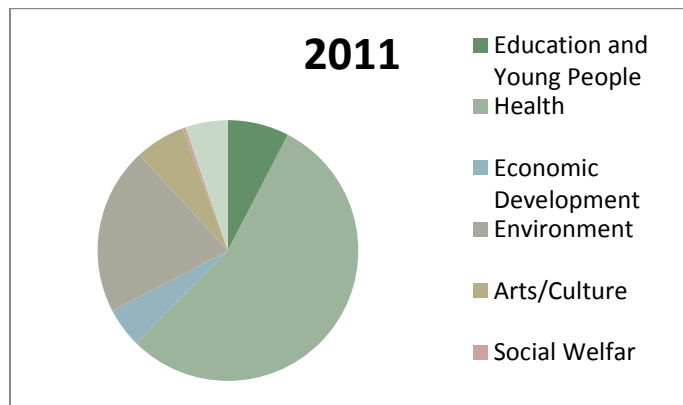
MEASURING CORPORATE COMMUNITY INVESTMENT (CCI)



With a relative stability in the Egyptian Economy since the new president's inauguration Arab African International Bank (AAIB) has managed to sustain its development activities. Consequently, AAIB has measured its Corporate Community Investment (CCI) for the year 2012 to show slight change in the

community spending compared to the year before. This is to record a total spending of Four Million and Three Hundred Thousand Egyptian pounds in 2012 reflected as shown below in the distribution of expenditure across various activities/sectors.

In the year 2011, AAIB has dispersed its CSR budget and efforts on Health and Environment, followed by Education, Arts and Culture. AAIB has managed to spend minimal management cost and logistics. The Pie Chart shows the total spending on different aspects.



In the year 2012, AAIB has spent mostly its CSR budget on Health and Social Welfare. This is a strategic Focus for AAIB to satisfy a national need after the revolution. The Pie Chart shows the CSR focus on Health that reaches around 80 % of the budget.

The year 2011 witnesses a major spending on the “Education” and “Health” sectors which reflects the significance of these sectors as main pillars for development in Egypt. The bank is contributing to reforming health and education through the “We Owe It to Egypt’s” foundation which will be discussed later in details. While the year 2012 witnesses a shift on AAIB-CSR strategy to align with the National strategy for Welfare after the Revolution.

For AAIB, the LBG Report is not a sole documentation that presents the annual spending and expenditure on different sector and activities; but rather a method for AAIB to define its CSR strategy and to measure the length and depth of its impact on the community and its core banking function.



ANTI-CORRUPTION

Stop – Comply – Apply Initiative

A main reason that revolutions have taken place in different countries on the globe, is the corruption involved in all aspects in life. After January's revolution, Egyptian people stood up to protest and demonstrate against corruption that permeated in all institutions and at all levels.

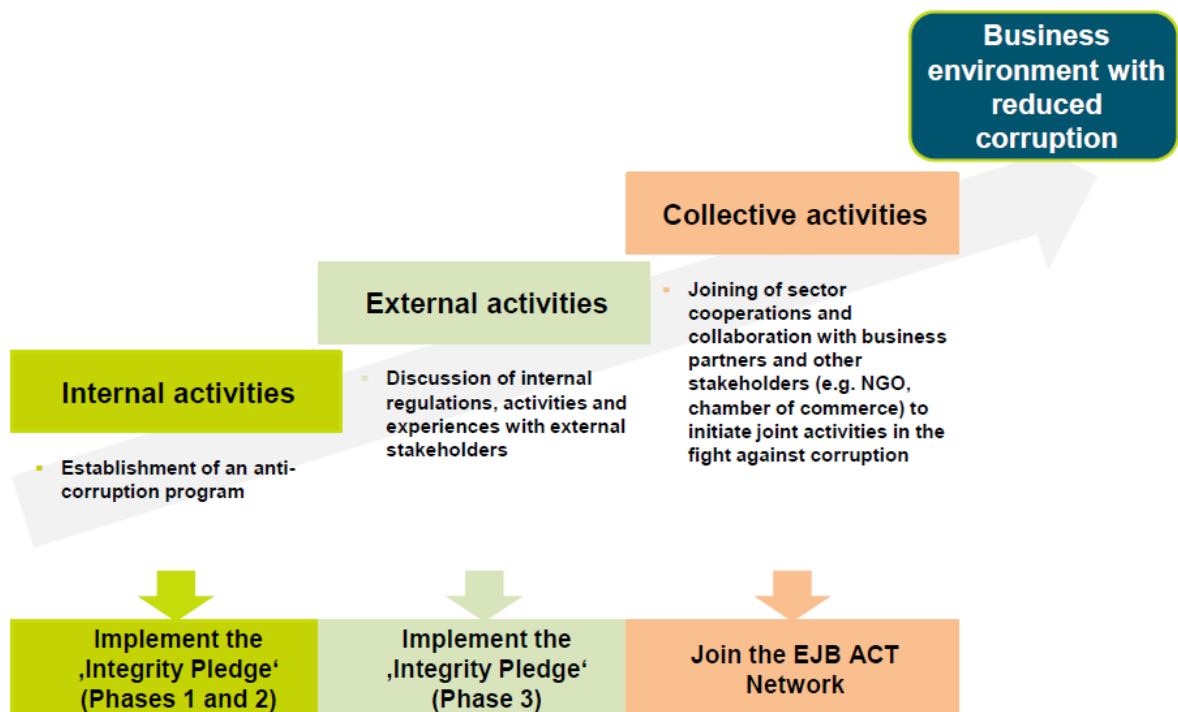
In 2011 the Sustainability Unit launched a successful initiative in cooperation with compliance department for Anti-Corruption internally and externally; the initiative addressed the following:

- Compliance policies & CBE regulations are located on the AAIB Blog.
- A Compliance Manual was posted on the banks' internal blog for employees' reference. It is relevant to all AAIB staff, and defines customer-employees relation.
- A simple desk kit to remind employees of simple Compliance steps.



AAIB's Engagement with EJB-HVS ACT: SME's Anti-Corruption

In the year 2012 the AAIB joined the Egyptian Junior Business ACT initiated by Siemens Egypt to fight corruption in the private sector. Among the private sector institutions, AAIB will be an incentive provider for Small and Medium Enterprises (SMEs) to fight corruption and maintain high transparent and credible. The initiative focuses on SMEs Small and Medium Enterprises (SMEs) in Egypt represent the greatest share of the productive units of the Egyptian economy, the current national policy directions address ways and means of developing the capacities of SMEs. The Small and medium sized enterprises (SMEs) have usually been perceived as a dynamic force for sustained economic growth and job creation in developing countries.





ENVIRONMENT

AAIB's Employees Campaign: Good Morning AAIbians

With the Sustainability Team growing in number and responsibilities, the Sustainability Unit started considering a deep integration for all stakeholders' in the daily Sustainable practices.

EMPLOYEES COMMUNICATION CAMPAIGN: Good Morning AAIbians

Since 2003, AAIB's CSR and Sustainability efforts were successfully sound in practices targeting the community. However, minimal attention on CSR awareness among AAIB employees has been attended equally. As such, one of the major goals of the Sustainability Unit in 2013, was to bridge the communication gap internally through creating initiatives to raise high

internal awareness of CSR and Sustainability among AAIB employees. In this, AAIB-Sustainability Team launched the "Good Morning AAIbians" Initiative creating awareness through daily messages about sustainable living tips, and life quotes to bring a more positive culture within the overall organization.

Goal and Objectives

- To start engaging AAIB employees with sustainability as a concept.
- To raise the awareness on how to live in a sustainable manner.
- Close the gap between AAIB positioning in Sustainability and the level of knowledge of AAIB staff, noting that branding should start from within.
- AAIB as a workforce to become impactful members in the society.



Imagine!
1 ton of non-recycled printing and office paper uses 24 trees

Try printing on both paper sides, just adjust your printing settings when printing
HOW?
(Office button (File) → Print → Properties → Printing shortcuts → Print on both sides → Yes, flip over)

Use paper efficiently & live Sustainably

1 Tone of non-recycled printing and office papers uses 24 trees. Try printing on both sides. Just adjust your printing settings when printing. Use paper efficiently and live sustainably.


AAIBSustainability
Creating Value

Special thanks to Yomna Said

It takes...


10 liters of water to make one sheet of paper

Use paper efficiently & live Sustainably



- Live small
- Buy less
- Waste less
- Tread Lightly
- Bike more
- Walk more
- Share more
- Be smart
- Think ahead
- Act normal
- Obey the law
- Walk on the pavement
- Reuse Reduce Recycle

Live Sustainably



AAIB Sustainability
Creating Value

AAIB's Employees Campaign: **EARTH DAY**

Earth Day is an annual event, celebrated on April 22, on which events are held worldwide to demonstrate support for environmental protection. It was first celebrated in 1970, and is now coordinated globally by the Earth Day Network, and celebrated in more than 192 countries each year. The first Earth Day, family had participants and celebrants in two thousand colleges and universities, roughly ten thousand primary and secondary schools, and hundreds of communities across the United States .

On this day, AAIB was in charge of creating awareness among employees. The awareness was executed in a creative way whereas the Sustainability Team distributed environment relevant items to engage employees on preserving the environment. Some of the distributed items are plants, environmental-friendly shopping bags, and low-electricity consumption lamps.



AAIB: The First Carbon Footprints Report in Egypt

The year 2013 witnesses the Arab African International Bank as the first bank to measure its carbon emission and consumptions. The reports measured the banks' consumption for water, fuel, electricity and paper consumption.

In achieving its end goal the project presents the Carbon off-setting which are a financial instrument used to measure carbon emissions produced by an organisation. The carbon emissions are "offset" by purchasing carbon credits. The money used to purchase carbon credits is used to fund projects like composting, which reduces CO₂ in the atmosphere (a major cause of green house gas). When the carbon "purchased" equals the carbon emitted, the organisation is carbon neutral.

The report is undertaken in cooperation with Soil & More as a carbon off-setting company that invests in sustainable agriculture and water management in developing countries. Soil & More has provided compost offsetting for companies like Mobinil and has been selected as one of three companies to provide carbon offsetting for the 2010 World Cup.



AAIB: Joining EP Outreach Working Group

Annually, AAIB submits a short and precise reporting that presents all projects lending operations' assessment under the equator principles. This year, AAIB decided to take a comprehensive approach in revolting its approach to the Equator Principles and not limiting to reporting but extends to integrate stakeholders in the principles acquaintance process.

In the year 2012 AAIB joined the Equator Principles task force through the Outreach group. The bank joined the group which is concerned for communicating and reaching banks in the Middle East and North African Region. The group constitutes other EP members such as Barclays, BMCE, Credit Agricole

CIB, First Rand, Societe Generale, Standard Bank; the group leader is **Standard Bank**. The group's major function is:

These sub-Working Groups develop and implement strategies to communicate, support and train, in cooperation with multilateral institutions and development agencies/banks, other financial institutions in all regions of the world which undertake project finance and could benefit from adopting the EPs (ongoing).

In this, the AAIB decided to reform on three different dimensions :

- **Comprehensive Reporting**

This year the report will present AAIB's successful path in adopting, executing and reporting on Equator Principles. The report will illustrate on:

1. The Equator Principles adopting process,
2. Efforts Joined with the International Finance Corporation to train Middle and Senior Management
3. Policies and Procedures formulated by an international consultancy for AAIB's for EP endorsement and reporting

- **Release of EP 3rd Draft**

Across the year 2012, the EP administration has been working on drafting and releasing the EP policies and principles third draft in accordance with the EP members inquiries and recommendations. In a previous stakeholders' dialogue between the Equator Principles members that concluded a set of requests and recommendation for the EP policies and procedures in order to suit different industries. Despite that EP was created for Financial Institutions, the policies should comply with other industries (Corporate Clients) who receive lending from banks.

- **EP Committee and Taskforce**

The EP task is an internal committee which consists of members from EP relevant and involved departments who are Corporate Marketing, Risk Department, Corporate Finance and Investment Departments, and Sustainability Unit. The value-add of the committee will be in the following:

- Being ahead of Regulatory Requirements. In the next coming years, the commitment of the Equator Principles will move from an being option to be an obligation.
- Advancing with the Global Movement: Over the past two years, the number of EP signatories has significantly increased from 56 to 78 members. The EP are now adopted by various financial institutions globally such as Barclays plc, Citigroup, HSBC Holdings plc, NSGB and Mizuho Corporate Bank.

- Positioning AAIB through Creating an Industry Move: Broadening traditional risk assessment process to embrace social and environmental risk measures within the banking operations, will emphasize further on AAIB's adoption of the EP since 2009 within the Egyptian financial sector.



STAKEHOLDERS' DIALOGUE

CSR initiatives have taken off in Egypt in the past decade, most notably in the years since the revolution. While intentions might be good, there is debate on whether such initiatives have delivered impact. It has been about ten years since practitioners began speaking about CSR but what has been achieved? What is the role of CSR in this critical time?

Did CSR fail to deliver an impact on Egypt?

AmCham's CSR Committee, in collaboration with Ekne3ney Shokran (Youth Initiative that aim at communicating with CSR stakeholders), held a special debate on that topic. The debate, which focused on the statement, "CSR Failed To Deliver Impact In Egypt," featured panelists Ayman Ismail partner, Chairman and CEO of DMG; Hala Youssef, Former Corporate and External Affairs Manager of CARE Egypt; Inji El Abd, Sustainable Development Consultant; and Khaled Hegazy, External Affairs Director of Vodafone Egypt.

in bringing the CSR in to an impact on Egypt. The debates started with the CSR's four pillars which are economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. It is also necessary to balance the interests of various stakeholders, from shareholders to the community.

The audience voted prior to the debate whether it agreed with the statement or not; 33 agreed that CSR failed to deliver impact in Egypt, while 30 disagreed. The panelists then delivered opening statements and answered questions from the audience, ranging from company-specific to countrywide. At the conclusion, the audience again voted on whether "CSR failed to deliver impact in Egypt" in order to measure whether the panelists swayed the audience. In the end, 33 agreed and 42 disagreed, the audience left more optimistic about the impact of CSR initiatives in Egypt than when they arrived.

In its continuous dialogue with its stakeholders', the AAIB has engaged in the debate as one of the CSR pioneers in Egypt and region, emphasizing the role of the Financial Sector as part of the private sector

Responsible & Inclusive Business

Aligning Profitability with Social Purpose

A small roundtable debate among businesses and Non-profit organizations on the major function of Corporate Social Responsibility in the past few years and the expected role in the coming years after the revolution. The argument was raised to highlight the CSR as a double sided-coin, it can be profitable and ethical for the organization at the same moment. However, the debate was to emphasize on the role of the corporate on practicing the CSR within the organization's core businesses in order to be ethical and profitable.

The Non-Governmental and Non-Profit actors had a different view to start and a need from the private sector they had to raise. They emphasized the necessity of private organizations playing a role in the community development besides their seeking profitability. The debate presented some successful role models in CSR in Egypt such as AAIB, Dar El Oyoum (Eyes) Hospital, FinBi Financial & Risk Management Services and Mobinil Tele-Communication.

Stakeholder's Update on GRI by ECRC

Annually, the Local Global Compact Network hold a meeting and bring together local Global Compact Members. This year the meeting raised the significance of KPIs (Key Performance Indicators) in the corporates' annual sustainability reporting.

The meeting gave an overview for the structure and the technique for the GRI (Global Reporting Initiative) reporting, with major focus on G4 Sustainability Reporting Guidelines. The meeting was followed by a short workshop for the GC Local members to learn and experience the GRI reporting, structure and indicators. The workshop distributed the GRI manual and illustrated the report template to facilitate for new reporting corporate the G4 format.

The aim of G4, the fourth such update, was simple: to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting standard practice. G4 was developed to increase emphasis on the need for organizations to focus the reporting process and final report on those topics that are material to their business and their key stakeholders. This 'materiality' focus will make reports more relevant, more credible and more user-friendly. This in turn, will enable organizations to better inform markets and society on sustainability issues and matters.

Renewable Energy Exhibition

In a national driven initiative from the private sector to solve a public challenge of short-running electricity, a renewable energy exhibition took place to present a solution for the national impasse. As market movers and shakers the exhibition is among the private sector tools to create an industrial move in the field of fuel and energy; the exhibition came in a critical time where the country started to suffer an infrastructure dispute due the growing population in number and consequently in needs. The exhibition presented solutions for coroprates as huge energy consumption organizations, and individual solutions for family houses and buildings.

GLOBAL RECOGNITION

Regional Arabia CSR Network Award



After pioneering Corporate Social Responsibility and Sustainability in Egypt for the past ten years, Arab African International Bank closed the year 2012 yielding its efforts towards with a regional award from Arabia CSR Network in Dubai, United Arab Emirates. The Award is a regional recognition for Arab African International Bank as “Best Corporate-NGO Collaboration” to embark on AAIB’s effort in Health and Education through the “We Owe It To Egypt’s” Foundation. AAIB is the first and only bank in Egypt and the Region to receive an Award from Arabia CSR Network.

Global: Best Practice

The **Global Compact Yearbook** (published since the 2000) has contributed much to spread the practices of the UN Global Compact Four principles (Labour rights, Human Rights, Environment and Anti-Corruption) worldwide. Since 2011, AAIB has been the first financial institution from Egypt to represent its case in the Global Compact Year Book. The year 2012 witnesses AAIB's case as "Best Practice" among Financial Markets for the second year successively. This year AAIB has presented its distinguished path in Corporate Governance as a way to Sustainable Finance. In this, an article has been drafted by the Sustainability Unit in cooperation with the Vice Chairman Technical Office; whereby AAIB is recognized by the Global Compact's advisory Board as "Best Practice" financial institution in CSR & Sustainability.

CORPORATE GOVERNANCE: THE WAY TO SUSTAINABLE FINANCE

by Portia Abdelghany and Maha Hachimi



Arab African International Bank (AAIB) firmly believes that the road to impactful corporate governance entails values that achieve sustainable businesses as an end goal – AAIB seeks to maintain the balance between economic growth, profitability, and environmental, social, and governance (ESG) concerns.

AAIB corporate governance goes beyond having effective controls in place. It is about the voluntary adoption of governance practices, individual behavior, and corporate culture.

- Corporate governance is a living and dynamic framework. At AAIB the role of internal control functions goes beyond monitoring and control to guidance and consulting on risk awareness.

- Linking risk-management practices to organizational performance: ensuring that consistent risk-management and compliance practices are in place without losing focus of long-term growth and profitability.

- Being an early adopter of what the Bank considers to be best practice internationally: where appropriate, by applying before a legislative or regulatory directive is published.

- Empowering staff members to come forward and report any serious issues: AAIB's whistle-blowing policy is managed by the Compliance "Department", whereby findings – if any – are reported to the Board's Audit committee.

AAIB has in place an effective control framework that properly monitors compliance and the transparent reporting of financial results, as well as assesses potential risks and proposes the appropriate management thereof. The applied control framework consists of the following:

Board of Directors and Board Committees

The Board is assisted by its Audit, Risk, Corporate Governance, and Remuneration committees in performing its oversight role on bank operations and management.

Senior Management

Within the powers delegated to them, senior management is responsible for ensuring the implementation of an effective control framework and for setting the tone for the AAIB's risk culture, which reflects the Bank's attitude toward risk-taking and risk management, as well as integrates risk awareness into the Bank's daily operations.

Internal Committees

In addition to the primary role assumed by the Bank's control functions, risk and control issues are also discussed by the Bank's internal committees, such as the ALCO & Market Risk Management, Operational Risk Management, Retail Credit Risk, Risk and Control, to name a few. Internal committees are responsible, among other things, for ensuring that AAIB has appropriate and current risk policies in place that address the major risks faced by the Bank. The committees' recommendations are presented to senior management and Board-level committees for review and appropriateness.

Consolidated Risk Management Function

AAIB has a consolidated independent risk-management function with access to the Board through its Risk Committee. The Consolidated Risk Management Group is mainly concerned with the identification, assessment, monitoring and control, and reporting of the

main risk categories to which AAIB is exposed. This is addressed mainly through the following functions under its supervision: Credit Risk, Market Risk, Operational Risk and Policies and Procedures Unit.

Internal Audit

AAIB has a centralized, independent Internal Audit function, which reports directly to the Board's Audit Committee.

The Division's primary focus is on the following activities:

- assessing the effectiveness and adequacy of internal policies and procedures;
- reviewing the Bank's financial reporting;
- conducting risk-based audits on the Bank's branches and functions (including other control functions) to evaluate/validate the effectiveness of internal control systems within the Bank, as well as to review the compliance of branches and functions with internal and regulatory policies and guidelines;
- following up on the implementation of corrective actions related to audit findings.

Internal Control

The Internal Control Division is responsible for ensuring that the established controls are complied with. In essence, the Division is responsible for reviewing the daily transactions on the Bank's ledgers to ensure their proper execution, documentation, and compliance with regulatory and internal regulations, policies, and guidelines. Its role expands to the regular review of various functions at the branch level.

Compliance Function

The main role of AAIB's Compliance Function is to safeguard the Bank against "compliance risk," which is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with compliance laws, rules, and standards

applicable to its banking activities. AAIB's Compliance Function has access to the Board Audit Committee, which ensures the department's neutrality and independence.

Furthermore, AAIB has created the position of Corporate Governance Advisor to provide support to management and the Board's Corporate Governance Committee on the implementation of best practices and the assessment of the overall governance framework.

Facing Changes and Challenges

Egypt's revolution created instability that threatened the security and flow of operations in the country's financial sector. As a corporation with effective management mechanisms, AAIB's Board of Directors claimed the expansion of Corporate Governance Committees in Egypt to include Risk and Information Technology Committees. All of AAIB's Corporate Governance Committees are working according to the terms of reference issued by the Board of Directors in 2011. The committees abide by the minimum requirements of the terms of reference and reassess the terms every year. The committees are not limited to senior officials and decision-makers but include all stakeholders. This has now been added into AAIB's corporate culture and encourages the independence of various functions such as Compliance, Audit, Control, and Risk.

Junior are observers: AAIB uses different approaches to surpass the traditional corporate governance goals, whereby the Corporate Governance Committees are not limited to standard scenarios. This means that the Corporate Governance Committees are not limited to senior management in the Bank but include juniors from all functions to integrate corporate governance from the whole bank.

Comply or justify: AAIB follows a strict policy to govern and control the institution. All processes comply with the fol-

SUSTAINABLE FINANCE IN EGYPT

For development to be sustainable, it must not only seek profitability but must address social justice; equality; reduce – and eventually eliminate – poverty; preserve natural resources; and remain within the limits imposed by the ecosystem. AAIB has partnered with the United Nations Development Programme to enhance the competitiveness of the financial sector in Egypt and to embrace the ESG agenda to establish sustainable growth. Sustainable finance must contribute to the economic growth of the countries.

The objectives of the partnership are:

- promoting awareness of sustainable finance in Egypt;
- developing a national model for inclusive banking, which in turn enables the financial sector a strategy for offering financial assistance to low-income families and individuals;
- reducing and mitigating the financial risks of big markets by distributing wealth and risks on different market segments;
- developing banking practices that aim to have a positive impact on people, profits, and the environment and encouraging ethical business practices.