



AAIB's 6th COMMUNICATION ON PROGRESS REPORT 2014





LETTER TO STAKEHOLDERS

Dear Stakeholders

In 2012, the world economy has been affected by economic slowdown in both developing and established economies alike, which led to a continued rise in unemployment rates in most of these countries. Whilst the year 2013 marks a set of core events in Egypt's economic, political and financial future, the change in executive power has accompanied a change in the public will, governing ideology, international community and the desire of the foreign direct investment to penetrate the Egyptian market.

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.

This year marks AAIB commemorating 50 years of business excellence and financial brilliance that crosses with the coronation of a decade of Corporate Social Responsibility & Sustainability leadership and distinction.

Having a treasured substance in sustainability, national fingerprint and success stories, AAIB has taken great steps in presenting its journey towards sustainability and defining the areas of strength and weakness with a comprehensive gap analysis. The last quarter of the year 2014 will witness the publishing of first AAIB's Sustainability GRI based report in the banking sector in Egypt that identifies where AAIB's Sustainability position stands from the Egypt & the MENA Region.

Whilst this report presents a quick summary for AAIB's CSR and Sustainability activities and covers the period between August 2013 and July 2014, the GRI based report will present activities in a more comprehensive manner with Key Performance Indicators. The report is entitled to identify the gaps in the business practice about sustainability and efforts on building them.

The GRI Report will present the Banks' Carbon Footprint, AAIB Undergraduate Award, Social and Risk Assessment in Project Lending Operations, The We Owe It to Egypt's Foundation, and all sustainability projects that AAIB has been implementing for the past few years. The report illustrates the role of involvement of various departments through measuring their KPIs (Key Performance Indicators) into the business practices.

Regards,

AAIB's Sustainability Unit



OVERVIEW

In 2013, AAIB gave special focus and attention to Corporate Governance to emphasize AAIB's keenness on maintaining its credibility and transparency within the reporting process and presenting key facts to the community.

The year 2014 was never of less importance and significance, it witnesses publishing the bank's first Carbon Footprint Report, the first in the Banking sector in Egypt. Acknowledging that effecting any change requires the engagement of the organisation stakeholders, especially the internal ones; AAIB conducted a holistic five days campaign for educating its employees on the concept as well as emphasize the importance of the environment; including the promotion ion of the annual International Earth Day.

AAIB SHARING its "BEST PRACTICE" in UN GLOBACL COMPACT YEARBOOK 2014

For four consecutive years, since 2011, AAIB has been recognized as "**Best Practice**" Financial Institution in Sustainability, with the United Nations annual international publication, UN Global Compact Yearbook. The publication highlights every year an area of best practice that comes within the Bank's practices in sharing experience as means of promoting Sustainability and annual highlights. Each year AAIB is keen about highlighting one the Sustainability Pillars. In 2013, AAIB published its Corporate Governance model. In 2014, AAIB focused on an environmental mission by promoting its Carbon Footprint Report and internal campaign for the employees.



Global Compact
International Yearbook

HUMAN RIGHTS

AAIB's FOUNDATION: WE OWE IT TO EGYPT



We Owe It to Egypt's Foundation

Vision

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

Mission

1) Pool patriotic resources towards establishing focused Centres of Excellence in health and education. 2) Establish core processes and stakeholder involvement to achieve and sustain development.

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. The Foundation's contribution in the public hospital upgrading and renovation is in forms of infrastructure, medical facilities and human capital development.

EXPENDITURES

Over the past seven years, “WOITE” has spent an average of **Twenty Million Egypt Pounds** to achieve the main objective of the foundation in turning the public hospital into Centres of Excellence.

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 that started in 2012 as follows:

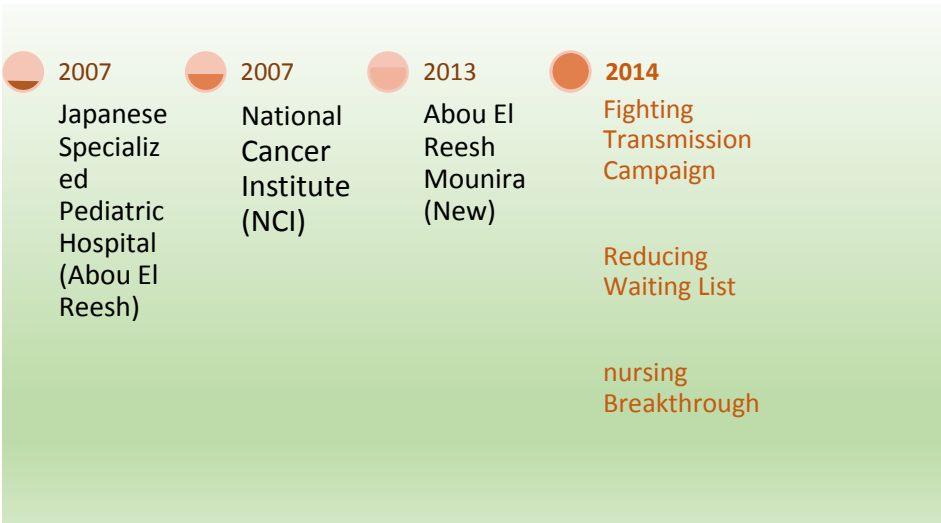
EXPANSION IN ACTIVITIES OF 2014

The year 2014 witnessed expansion on the Foundation’s scope of activities to include the following:

1) The “Fighting Transmission Campaign”

We Owe it to Egypt launched a campaign to fight disease transmission at Abou El Reesh Japanese Paediatric Hospital, and National Cancer Institute. The campaign aims at reducing the risk on the patients’ health; this is to avoid any contaminations that might negatively affect the patients ’and cause death, especially Cancer patients. The foundation hired a specialized cleaning

company and randomly visits and patients for blood test to ensure the successful execution of the campaign.



2) Reducing the Waiting List

In the frame of the Foundation's project of "Reducing Waiting List" which has successfully dipped the long patients list that extends until 2015 and proudly reduced the following patients lists:

- Breast Cancer Surgeries list at the NCI
- Brain and Nerves Surgery

- Establishing an additional surgery room to the public surgery department at Abou El Reesh Mounira, in addition to supply all medical facilities and staff required to reduce the waiting list and increased the number of surgeries by 300 %.

3) Nursing Breakthrough

WOITE's is adopting a global approach of following the global standards of excellence in providing medical services. In this, the Foundation has been keen to hire and sponsor a well-educated and professional medical team, as well as raised the numbers

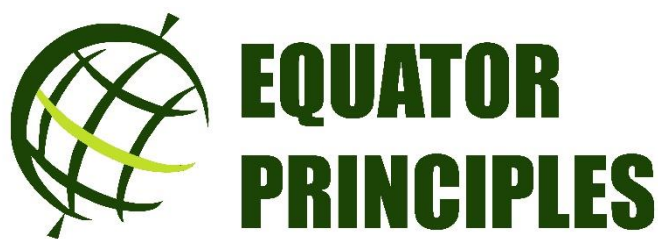
of nurses across all departments; the foundation as well is in charge of paying the medical teams' extra wages and providing them with necessary training and development.



ENVIRONMENT

AAIB & A NEW APPROACH TO RISK MANAGEMENT

On January 2009, AAIB became the first Equator Bank in Egypt, and the second in the MENA region, by adopting the Equator Principles. In this, AAIB introduced the social and environmental risk assessments into its project lending operations. Between 2009 and 2013, AAIB published on three EP reports.



The "Equator Principles" is a financial industry benchmark for determining, assessing and managing social & environmental risk in project financing. Currently there are 97 financial institutions from 30 countries have adopted the Equator Principles. These financial institutions operate in over 100 countries. As a result, the Equator Principles have become the project finance industry standard for addressing environmental and social issues in project financing globally.

EP Releasing Draft 3

The Equator Principles (EP) Association is committed to reviewing the EPs on regular basis; this is to reflect an ongoing learning curve and development aspirations.

Since the launch of the EP framework in June 2003, there has been significant growth in the number of EP adopters from the original 10 to 23 and reached up to 75 financial institutions from 32 countries across the globe operating in 100 country. During this period, there has been significant development in social and environmental risk management practices in financial institutions globally. The continuous upgrade and development came after the greater challenges of the financial crisis and the impact on communities and the environment where different industries operate.

In 2010, the EP Association commenced a [Strategic Review](#), which produced a series of recommendations on key thematic areas, namely: scope, climate change, human rights, reporting and transparency, stakeholder engagement and governance. Parallel to this, the IFC (International Finance Corporation) initiated an update on their Sustainability Framework, and their [Performance Standards](#), which underpin the EP, were updated and re-launched in January 2012.

In 2013, the EP association again conducted a review to incorporate a wider scope for the project lending operations' assessment, the scope extended to include Bridge Loans that worth Two Million U.S \$ (2 Million \$). The strategic review was raised by the EP association for voting to all members. The EP third draft was published on July 2013. Once published, EP association members are committed to comply with new policies and report accordingly.

Stakeholders' Engagement

In the year 2012, the AAIB joined the Equator Principles (EP) Association Working Groups. The groups are created by the EP Association Steering Committee in order to discuss and provide guidance to Equator Principles Financial Institutions, Associates and their stakeholders on issues associated with the management, administration or development of the EPs.

As AAIB's vision is to promote sustainability nationally, regionally and globally, the bank has become a member of the OUTREACH Working Group covering the Middle East and North Africa Region; the Standard Bank of South Africa leads the group.

These Outreach sub-Working Groups are in charge of 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).

AAIB'S CARBON FOOTPRINT REPORT & CAMPAIGN

In 2013, AAIB conducted its first measurement and assessment of its environmental performance, and published its first Carbon Footprint Report within the Egyptian Banking Sector.

The report covered the duration 2012 to 2013. As the carbon footprint serves to identify the environmental performance of a specific corporate as to greenhouse gases emissions; thus, the report assesses the corporate performance impact on climate change.

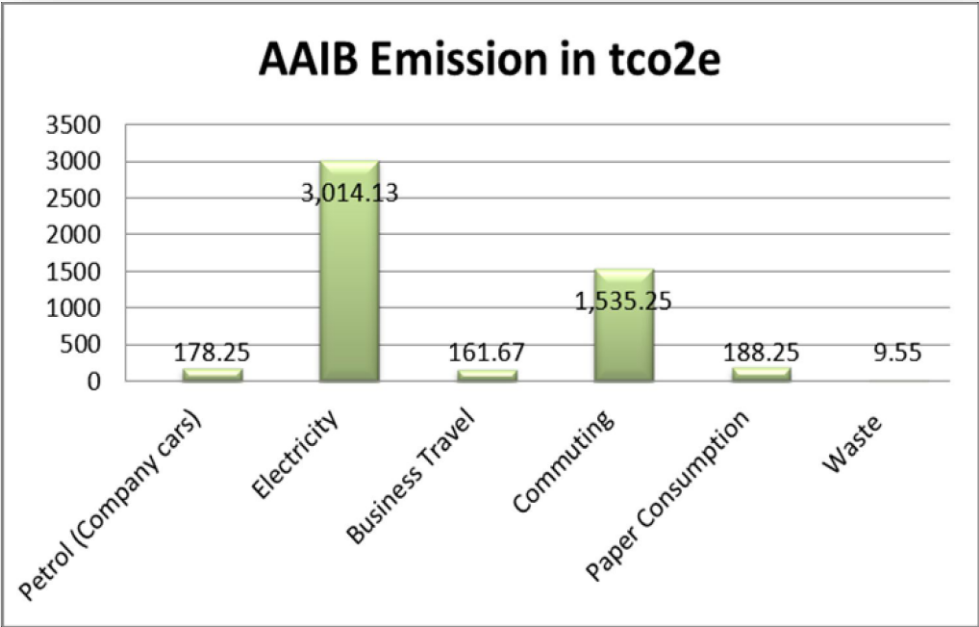
The report summarized the following:

- AAIB's current energy consumption areas;
- Identifying how and by whom is energy wasted.

The report paved the way for brainstorming internally some initiatives to reduce energy consumption and creating awareness to the employees to create engagement and hence contribution to reducing energy consumption.

The report is a tool to show employees what difference they are making to the organization's emissions and the progress they are making towards affecting the environment.

Moreover, managing to save energy is another way for reducing cost.



AAIB: AN ENVIRONMENTALLY-AWARE WORKFORCE

While reporting is a key step towards benchmarking and measuring the progress in reducing carbon footprint; communicating internally to the employees the report results is another step towards asking them to adopt new behaviour and take steps in saving energy, electricity consumption, and using more carpooling / commuting. Aligning the workforce with the initiatives that aim at reducing the Bank's carbon footprint is a central challenge since the actions taken should be fun and sustained over time, as well as tangible. Creativity is a key in getting everyone's attention and belief in affecting individual efforts to add up to make a bigger difference. The campaign has been designed by the Sustainability Unit as an integrated approach to bring about cultural change through creating awareness while adopting practices for energy management within the organization.

The campaign aims at the following:

- **Raising awareness** on Co2 emissions and causes;
- **Educating** the employees about methods to reduce carbon footprint;
- **Engaging** employees as main stakeholders to *walk the talk*.





Figure 1: AAIB's Carbon Campaign Objectives

Realizing that the concept is new and could be difficult to comprehend; a comic has been established to create awareness among the employees in a fun yet informative way. This is along symbolic giveaways with a bilingual message "Reduce your carbon footprint" (in Arabic قل بصمتك الكربونية). This is among other educational videos and links to articles to share common individual carbon practices to reduce energy waste and save natural resources. These efforts were created to develop the level of understanding for environmental sustainability and encourage them to play role in reducing the Bank's carbon footprint.

The Communication Campaign parallels the annual Earth Day, which the Sustainability Unit introduced last year in celebration with all Bank workforce to raise the awareness about the Planet and remind everyone of its significance to human living.

EARTH DAY

Every year on the 22nd April, the world celebrates the Earth Day, a Global reminder for people of Nature and Planet aiming at conserving the Global Environment. On April 2013, AAIB celebrated Earth Day for the first time with bank Employees by distributing three item as giveaways such as LED bulb, Recycled Bag & Plants.

On continuing to raise Employees' Environmental Awareness on the Earth Day this year, the awareness is planned by raising a competition between the bank employees through challenging them to make a difference by a simple act as, planting an area, cleaning streets or buying dustbins instead of throwing garbage in street.

The assessment will take place through a before and an after photo of the difference made by the participants to show the change undertaken. The winner will be defined against the maximum votes counted by the employees and will be awarded a prize with the amount of EGP 5,000 (Five Thousand Egyptian Pound).

"Yes YOU can make a difference"
EARTH DAY COMPETITION

Have you applied yet to the Earth Day competition?

Get creative, think green & help sustain the environment for a better Egypt! Form a team from work colleagues, family or friends and brainstorm on ways to protect mother nature

Send us your idea or the challenges you are facing to implement it and we will help you apply it ...

and
Win LE 5,000



Earth Day 2014

AAIB Sustainability

هل قمت بالمشاركة بعد في مسابقة يوم الأرض؟

كن مبدعا و ساعد على استدامة البيئة من أجل مستقبل أفضل لمصر! قم بتكوين فريق من زملاء العمل أو الأسرة أو الأصدقاء وتبادلوا الأفكار حول سبل حماية الطبيعة الأم

أرسل لنا فكرتك و التحديات التي تواجهك لتنفيذها، ونحن سوف نساعدك على تطبيقها ...

و فز ب 5,000 جنيه

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ANTI-CORRUPTION

OPERATIONAL RISK AWARENESS

Fraud

Due to the deliberate act of using or appropriating assets, resources, services or a benefit in a dishonest manner, known as "Fraud", the Arab African International Bank launched the Anti-Fraud Awareness Session. The initiative comes as part of the Bank's corruption fighting policies and procedures. The Operational Risk department aims that employees stay focused and escalate to Fraud Risk Management Unit when suspecting a fraud risk.

Identity Theft

Identity theft is taking one's information without client knowledge with intent to fraud both bank and customers. The Operational Risk department embraces the *Red Flag* concept to teach employees where concentration and authentication for documents are vital to proceed with client service.

Trust but always verify

All banking operations revolve around policies and procedures are adopted and published. While we would all like to be able to trust all colleagues, trust is not what we rely on to prevent losses. Banks apply the principle of segregation of duties, so prior to authorize transaction that was processed by bankers, a verification is required to sign off on the transaction.


ANTI FRAUD AWARENESS

RISK MANAGEMENT GROUP



The "Know Factor"

Important ways to help reducing fraud is to remember the "know factor"...

- ✓ Know your product.
- ✓ Know your customer.
- ✓ Know your procedures.
- ✓ Know your employees and co-workers.
- ✓ Know your supplier and third Party.



If you are in the "know" circle , you can protect AAIB's businesses, partners, and customers from fraud...



UPCOMING PROJECTS

MOSTADAM: FIRST INITIATIVE TO ENACT SUSTAINABLE FINANCE IN EGYPT



The onset of the 21st century presents us with a new set of givens and a dynamic landscape urging humanity to revisit economic and financial paradigms that were prevalent throughout the 20th century. This is when the UN mandated Brundtland Commission first conceived the concept of “Sustainable Development”, which was introduced in its 1987 report “Our Common Future”. The report was triggered by a growing awareness that growth is not the same as development. While the concept of sustainable development first appeared in 1987, the term “Sustainable Finance” was first coined in the late 1990s. With the 1997 UNEP FI policy document focusing on the environment and the economy, it was the first to shed light on the role of the financial sector in integrating environmental concerns in finance. This was when they discovered the weight and role of financial institutions in influencing other sectors of the economy to observe social, environmental and governance concerns.

Whereas the banking sector emerged as one of the strongest sectors in the Egyptian economy that successfully survived the 2008 financial crisis and withstood the instability induced by the 2011 Egyptian revolution; the private sector is urged adopt and embrace sustainability in its financial practice. The financial sector in Egypt is empowered to initiate systemic moves towards sustainability in a way that empowers the society and rejuvenates the industry. The banking industry's power is emerging from its ability to induce and affect others industries thorough its business activities and project lending operations.

PURPOSE OF THE INITIATIVE

In the year 2013, the Arab African International Bank joined efforts with the United Nations Development Programme represented by its focal point in Egypt, the Egyptian Corporate Responsibility Center to promote Sustainable Finance in Egypt. AAIB & ECRC are jointly embarking on this initiative to establish Sustainable Finance in Egypt, encouraging all financial institutions to embrace sustainable practices.

The broad objective is to promote Sustainable Finance within Egypt's Financial Sector; integrating the connection between EESG (Economic, Environmental, Social and Governance) aspects within the banks' core business operations & policies and practices. This initiative will eventually be a catalyst for developing a regulatory framework and Sustainable Finance Blueprint for the financial sector.

GOALS

A. Contextualize and create a region specific concept for Sustainable Finance

- Financial Inclusion
- Renewable Energy
- Social Entrepreneurship

B. Developing a national model for Sustainable Finance

- Develop Sustainable Finance Blueprint
- Develop National Model for Sustainable Finance

C. Practice Public Advocacy

NATIONAL GOAL

Financial inclusion promotes thrift and develops culture of saving, improves access to credit both entrepreneurial and emergency and enables efficient payment mechanism, thus strengthening the resource base of the financial institution, which benefits the economy as resources become available for efficient payment mechanism and allocation. Empirical evidence shows that countries with large proportion of population excluded from the formal financial system also show higher poverty ratios and higher inequality. Thus, financial inclusion is no longer a policy choice today but a policy compulsion. In addition, Banking is a key driver for financial inclusion/inclusive growth.

UNEPFI



As AAIB's commitment to sustainability grows, the challenges, risks and opportunities rise in the organization's role in contributing to the well-being society. Nevertheless, the dynamism within the Global Financial Sector has highlighted the necessity to mitigate risks and exploit the opportunities that contribute to the organization as well as to the society's well-being.

As AAIB will be the first Bank in Egypt and the Region to join the UNEP FI Framework, it is maximizing an opportunity to collaboratively work with the Global Financial Sector in a Global Dynamic framework through the UNEP FI.

UNEP FI is a unique global partnership between the United Nations Environment Programme and the Global Financial Sector launched in 1992, to develop and promote linkages between sustainability and financial performance.

The UNEP FI Initiative plans to integrate the following departments with the UNEP FI Implementation Strategy:

- Risk Department
- Business Units
- Human Resources
- General Services
- Public Relations

The Framework aims at:

- 1- Establishing a working group led by AAIB to focus on Sustainable Finance and demonstrate leadership on the global level by participating in UNEPFI conferences, seminars and workshops.
- 2- Taking part in shaping the Global Sustainable Finance agenda
- 3- Joining of the Global Finance Network
- 4- Gaining access to key stakeholders such as NGOs, academia and governments
- 5- Accessing the latest trends, tools and practices relating to sustainable finance.
- 6- Accessing the ground-breaking research, capacity-building offered by UNEP FI.