

ARAB AFRICAN INTERNATIONAL BANK INTERIM REPORT 2015

INTRODUCTION

The journey for Arab African International Bank (AAIB) towards sustainability started in 2003 with a Corporate Social Responsibility Initiative, namely “AAIB International Bank Award”. The Award is a nationwide banking competition for university undergraduates to design innovative banking products or services or enhance existing ones for the Egyptian banking sector. The three winning projects receive financial prizes and all entries gain non-financial benefits through their participation.

The program included material awards and more importantly non-material benefits in the form of intensive training for students given by bank executives and external experts on retail, corporate and investment as well as marketing, financial analysis, presentation skills and report writing.

Following the success of the bank award, AAIB established the first operating foundation for Social development in 2007, with special focus on health & education, namely the “We Owe to Egypt’s Foundation”. It is the first foundation established by a financial institution for social development in Egypt and the Middle East.

In the year 2011, the United Nations Global Compact recognized AAIB as “Best Practice” institution in Sustainability; it was the first step in directing business along with sustainability excellence. AAIB has proven pioneering in Sustainability in Egypt commemorating its distinction in 2013 with a decade of sustainability.

In this, AAIB has submitted sixth “Communicating On Progress” between the years 2006 and 2014; since 2013 AAIB decided to take more professional and depth in the reporting process to codify its practices and conduct gap analysis for future. Currently, AAIB is working on launching its first and the first of its kind in the financial sector, GRI.4 based report. The report timeline is covering the AAIB - Sustainability Practices in the years 2013, 2014 & 2015.

DELAY EXPLANATION

As the year 2015 activities will be included in the sustainability report, the report data & input covers AAIB activities until October 2015; hereby the report will compile all required data until the end of this year. In addition, there are two more required for top management approval, design & layout and finally production. The report will be ready during the first quarter of the year 2016.

ESTIMATE TIME FOR AAIB COP SUBMISSION

TIME	PLATFORM
January / February 2016	AAIB Sustainability Report Hard Copy Official Publishing
March / April 2016	Electronic Publication
	Communication to UN GC

REITERATE COMMITMENT TO SUSTAINABILITY

Since 2003, Arab African International Bank realized an instinctive notion that bank's role goes beyond profit making to involve a moral mission towards its stakeholders, country and community. AAIB Sustainability 360° journey is the harvest of more than a decade, a long journey that witnessed giant strides in institutionalizing Environmental, Social and Governance within the bank's DNA in a manner that involves not only material contribution but also operational involvement to ensure concrete results.

We formulated a customized methodology; we created an experience based on practice, and brave trial error approach. It was the harvest of more than a decade of passionate efforts to create Shared-Value. While it kicked off as a social responsibility, nurtured into sustainability, and matured into sustainable finance.

AAIB's 360 Sustainability Roadmap has been designed and tailored in order to provide a comprehensive platform & commitment for sustainable banking strategy, while accelerating best practices and performance in the next coming years.

AAIB is institutionalizing Sustainability through adopting a belief system with a structural approach to the bank's spheres of influence and conceptual stakeholders' framework that together outline our serious commitment and virtual boundaries of our Sustainability policy.

Business growing in isolation of the environmental, social and governance issues is no more an option. Making profit in mere financial figures is no more an option. Measuring Return on Investment (ROI) by profitability is not sustainable

Emerging from its commitment to sustainability, AAIB's approach to effecting a 360° DNA is a holistic strategy to create value to our entire stakeholders through, both: internally changing within our day-to-day business operation, as well as externally within the banking sector. The advocacy is a continuing process from AAIB towards the banking sector in Egypt, aiming at system change towards sustainable banking.

AAIB's upcoming strategy is built on Humanity Value Based approach based on stakeholders' engagement in addressing environmental, social and governance issues of materiality and global drivers for change.

OFFER A SUMMARY OF THE TOPICS THAT WILL BE COVERED IN THE FINAL REPORT

AAIB's Sustainability is a 360° DNA. It is an instinctive self-driven and genuinely determined vision we aim at formulating, and strive at promoting in order to create root-based system change. It is about embracing best mechanisms to integrate ESG sustainability pillars into the DNA of our bank's business operations and management systems, while engaging all our bank stakeholders — starting from the Board of Directors (BOD), extending to reach out to bank support staff and external community at large.

The AAIB first sustainability KPIs based report will highlight the following:

ENVIRONMENTAL

1. Environmental & Social Risk Assessment in Project Lending Operations (AAIB's membership within the Equator Principles)
2. Environmental Awareness & Activities within AAIB's Internal Culture
3. Carbon Footprint Report and Emissions Reduction Plan

SOCIAL

1. Training & Education to stakeholders on Sustainability and its significance
2. AAIB's Social Development foundation, We Owe it to Egypt – Achievements
3. AAIB's Community Investments and the measurement tools used, such as the London Benchmarking Group (LBG)
4. Global Compact International Yearbook highlighting AAIB's practice for community knowledge and education on sustainability.
5. Case Studies on AAIB supporting education and academic knowledge about sustainability from real practice.

GOVERNANCE

1. Transparency practices through Reporting on Performance. AAIB Sustainability Reports annually to
 - a. UN Global Compact
 - b. The London Benchmarking Group
 - c. The Equator Principles
 - d. The UN Global Compact
 - e. Carbon Footprint Report
 - f. The GRI based report – AAIB's Sustainability Report
2. The Connection between : Risk, Compliance and Governance to ensure a holistic operations, risk and management control and monitoring system.

SYSTEM CHANGE

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 impact others industries thorough its business activities and project lending operations

A. MOSTADAM Platform

Mostadam is a platform, founded in 2012 by Arab African International Bank (AAIB), United Nations Development Programme (UNDP) and Egyptian Corporate Responsibility Center (ECRC). Mostadam is the first platform in Egypt and MENA Region to promote Sustainable Finance.

Sustainable Finance aims at instilling the connection between EESG (Economic, Environmental, and Social & Governance) aspects within the bank's core businesses, operations, policies and practices.

B. MOSTADAM GOALS

1. Contextualize and create a region specific concept for Sustainable Finance
2. Financial Inclusion
3. Renewable Energy
4. Social Entrepreneurship
5. Developing a national model for Sustainable Finance
6. Develop Sustainable Finance Blueprint
7. Develop National Model for Sustainable Finance
8. Practice Policy Advocacy

Developed By	Approved By
Perihan Abdel Ghaly	Maha Hasebou