

Overview

For more than a decade, Arab African International Bank (AAIB) has been proactively committed to advancing CSR & Sustainable Finance in Egypt and the region. This has resulted in a series of strategic initiatives that positioned AAIB in the international arena and earned it global recognition from renowned entities regarding its sustainability practices. This report is our ninth Communication on Progress (COP). All data contained in this document relates to the calendar year January – December 2017. In addition, some initiatives mentioned refer to the last quarter of 2016.

Our Sustainability Journey

Our sustainability journey started as early as 2003 through enacting strategic philanthropy as a first phase, the second phase witnessed further maturity of our sustainability practices, and the third phase witnessed an industry movement triggered by MOSTADAM. Reporting has been a key element in shaping our progress towards sustainable finance. AAIB has been committed to the UN Global Compact (2005), Equator Principles (2009), and London Benchmark Group (2007). Each Report is submitted annually for each of the frameworks. These international guidelines - which we've been committed provide information on our social, environmental and governance achievements as well as commitments on an annual basis.

In 2017, AAIB has become a founding member in the UN Global Compact-Egypt Network to become a more active contributor in the establishment of a secure future through sustainable development and responsible practices.

Participation in the International Arena

On the global level, AAIB represented Egypt in the G20 Green Finance Study Group and was the only bank from the MENA region to partake in the sessions that successfully released the Green Finance Synthesis Report under the auspices of the G20 and the UNEP FI. In tandem, the G20 official publication released in 2016 Guangzhou Summit emphasized Additionally, AAIB participated in the COP 22 “The conference of the Parties” in Marrakesh – Morocco to show case its practices in advancing sustainability and its efforts in curbing emissions. During its session, AAIB presented its commitment to social and environmental risk management in its project finance transactions and its efforts presented to entice financial institutions to contain global warming and mitigate this process.

Initiating an Industry Movement

Moving forward as a sustainable finance pioneer, AAIB successfully launched MOSTADAM in 2014 as a joint endeavour between AAIB, the United Nations Development Program (UNDP) and the Egyptian Corporate Responsibility Center (ECRC). MOSTADAM is the first platform for sustainable finance in Egypt and the MENA region. It has been progressing impressively, as 70% of Egyptian banks participated in the training modules and got certified trainings in different disciplines including clean energy funding and SMEs funding from a joint program between MOSTADAM and Frankfurt School of Finance & Management.

AAIB has set the trends for the industry across several breakthrough initiatives even ahead of the SDGs. It gives us the pleasure to share with you the highlights of our achievements noting that AAIB's initiatives fits in 14 out of the 17 SDGs.

CEO Statement

Dear Stakeholders,

“We have been paving a new road towards a better future for our bank, the community, and the environment to contribute to a brighter sustainable future”



Sustainable Finance is an integral part of Arab African International Bank's (AAIB) ambitious growth strategy that started in 2003. Ever since we managed to be one of Egypt's fastest growing banks and at the same time, we succeeded in championing and pioneering social and environmental relations. The bank has lead the way across three distinct but impactful tracks: from strategic philanthropy, to instilling sustainability practices within its activities and operations, to a third level which is advocating an industry movement in the MENA region. Across these tracks, AAIB has progressed in a very distinguished manner that resonated internationally.

Sustainability is a rising megatrend that brings with it threats and opportunities. Ignoring it creates weaknesses and failures within the financial system. The economic, environmental, and social landscapes suggest the need for new business models to address financial inclusion, SMEs and entrepreneurs funding as well clean energy and energy efficiency. However, there is a misconception in interpreting sustainability as a liability and hence an expense rather than a way to grow. In this, AAIB decided to take a pioneering role in the revolution that is indispensable in the finance sector through establishing MOSTADAM. MOSTADAM aspires to create an enabling environment for our peers to enact sustainable finance. It aims to overcome the top barriers of implementing sustainable finance, which are lack of capacity building, lack of regulations and best practices, and the misconception that sustainability and profits are mutually exclusive. This goal is implicated in its objectives that are pinned around capacity building, advocacy and advancing sustainable products and services that create new revenue streams.

The year 2017 witnessed ambitious efforts in the areas of clean energy and financial inclusion. In addition, we celebrated issuing our second sustainability report based on the GRI Guidelines. In this context, AAIB has received recognition from leading national and international parties for its sustainability program. In 2017, AAIB received the Euromoney “Best Bank in Sustainable Finance” Regional Award and “Best Sustainable Bank Award: from World Finance.

We believe that financial institutions play an integral role in achieving the national and global goals implicated in Egypt Vision 2030 and the UN Sustainable Development Goals (SDGs). To advance our role, AAIB became a founding member in the UNGC Egypt Network to collaborate furtherly with businesses, government institutions, and civil society organizations. This collaboration is a continuation to our early commitment to the UNGC that started over 10 years ago.

AAIB is determined to proceed towards becoming a significant player in bringing about “A New Era of Finance”. We aim to continually advance our practices as a regional leader in sustainable finance to contribute to a better future while contributing to Egypt Vision 2030 and the SDGs.

Human Rights

“We are focused on building a culture that puts our clients and employees at the heart of our operations, considers environmental and social risks, and demonstrates our values in the way we do business”.

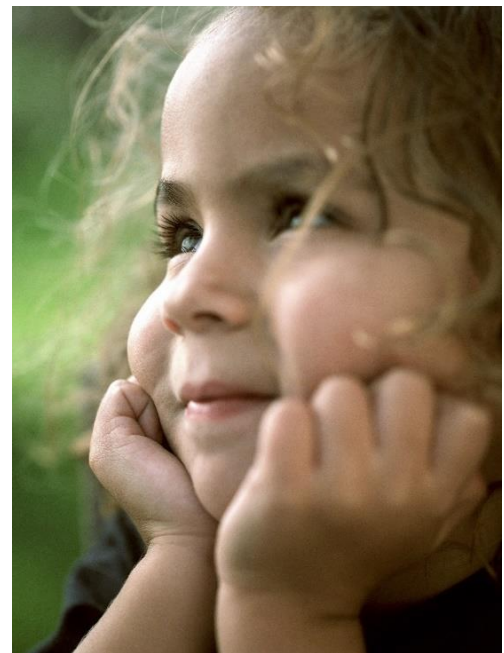
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

Moving beyond Charity: We Owe it to Egypt Foundation

In 2004, AAIB started an initiative to support the renovation activities of public hospitals through establishing ‘We Owe it to Egypt’ (WOTE) Foundation to build necessary health systems and improve the operational performances of some of the key public sector hospitals. WOTE was institutionalized in 2007 and Since then, it has achieved several successes in the field of health and education development.

The WOTE foundation has enacted its vision to become a developmental organization rather than one solely concerned with charity. It is More than just providing donations, it thrives to improve the public health care system, by enhancing the infrastructure and improving operational performance.



The foundation works on four main pillars:

1. Reducing Waiting Lists in Hospitals
2. Establishing Centers of Excellence in Hospitals
3. Automating of Public Sectors Hospitals
4. Sending medical caravans for remote areas

WOTE 2017 Achievements

1. Number of Operations: 4735
2. Number of babies’ incubators: 3
3. Number of free medicines distributed: 293
4. Number of eyeglasses provided: 1717
5. Number of dialysis machines: 5

Pillar One: Reducing the Waiting Lists in Hospitals

Supporting Staff

- Supporting Abu El Reesh El Mounira Hospital staff in the surgery unit to perform 5,421 operations.
- Contributing a financial amount to cover the overtime fees for the staff of Abou El Reesh Specialized Hospital to motivate them to work for extra hours and thus reduce waiting lists.

Providing Tools & Equipment

- Supporting the Neurosurgery and the Catheterization units with medical resources and the costs of operations. This resulted in performing around 178 operations.
- Minimizing the waiting time for open-heart and Catheterization surgeries in Zaytoon Hospital resulting in the number of operations in the first two quarters in 2017 to reach 925 operations. The hospital was also provided with five dialysis machines.
- Providing Zagazig University Hospitals with three babies' incubators and the National Cancer Institute with needed medical tools and equipment including drug distribution trolleys, ventilator infusion pumps, and monitors.

Pillar Two: Establishing Centers of Excellence in Hospitals

The Establishment and Innovation in Medical Units

- Establishing operating units to deliver the best proper medical care and services.
- Hiring professional cleaning services to keep the facilities clean, ensuring the required standard of cleanliness and the repression of contagion.
- Adding surveillance cameras, cartoon drawings for the kids, and the marble walls of the unit and paid for the furniture costs of the general surgery unit's second phase in Abou Al-Rish's Japanese hospital.

Fighting Contagion

- Financing the cleaning companies in Abou Al-Rish Al-Monira hospital and in the general institute for tumors to guarantee the cleanliness of the institution.

Pillar Three: Automating of Public Sectors Hospitals

- Automating patients' files archiving in Al-Manial's Academic Hospital in cooperation with Cairo University Hospitals.
- Financing and promoting a new database systems in the X-ray unit to facilitate the process for the staff and patients.
- Inaugurating an automation project in Asyut University and connected it with the national network for tumors.

Pillar Four: Sending Medical Caravans to Remote Areas

Collaborating with Maghraby institution for the fourth time to provide the following:

- Five caravans specialized in ophthalmology. These caravans succeeded in serving more than 1717 resident including 764 medical glasses, 293 free medicine, and 236 crucial surgeries.
- Distributing presents and toys in the orphan day celebrations that included more than 300 children, including differently abled.

Financial Inclusion

Financial inclusion is positioned prominently as an enabler of other developmental goals in the SDGs; building inclusive economies reduces poverty and inequality which makes it a priority. It is featured as a target in eight of the seventeen goals (SDG 1: No Poverty, SDG 2: Zero Hunger, SDG 3: Good Health & Well-being, SDG 5: Gender Equality, SDG 8: Decent Work & Economic Growth, SDG 9: Industry Innovation & Infrastructure, SDG 10: Reduced Inequalities, and SDG 17: Partnership for the Goals).

In AAIB, we acknowledge that there is a lack of spreading regarding financial culture and awareness, especially among the younger generation. Therefore, we expanded our financial inclusion definition to include financial education.

Microfinance and SMEs

Small and medium enterprises are at the heart of driving economic growth so we are delighted to be able to continue to expand our lending to these businesses. The year 2017 witnessed the launch of Sandah. Sandah is a microfinance company backed by AAIB and the SANAD Fund for MSME (initiated by KfW Development Bank, Germany). It marks the 1st microfinance company formed by a bank in the region. It allows financing the micro enterprises, SMEs and entrepreneurs as well as the general lower income clientele in Egypt. This will in turn contribute to financial inclusion, reducing poverty and unemployment and enhancing economic well-being.



Empowering Entrepreneurs

In 2013, AAIB had the leadership and pioneered in the area of entrepreneurship by co-founding the AUC V-Lab. AUC V-Lab is the first academic-based incubator in Egypt. Financing the Lab emanates from AAIB's belief that subscribes to patriotism and empowerment as core values. The lab connects start-ups with AUC's network to commercialize their innovative technologies and business models into viable ventures that contribute to economic growth, competitiveness, and job creation.

AUC V-Lab in numbers (as of December 2017):

- 102 startup accelerated & 534 jobs created
- 1,389 mentoring and training hours by 118 mentors
- EGP 49MM generated in revenues by startups
- EGP 48MM generated in funding for startups



Developing branches for the differently-abled

AAIB has made a commitment to provide access and support to customers with different abilities. AAIB started upgrading some of its branches to serve the differently abled with the following features:

- Specially constructed ramps for wheel-chaired clients;
- Customized teller counters; lower in height to adapt wheel-chaired clients.



Hosting school students at our branches

Believing that financial inclusion is a foundation to achieve economic development and moving forward in our financial literacy program, AAIB has collaborated with schools to educate students about the banking system and its functioning.

AAIB hosted students from different educational level to spend a day at our branches to introduce them to banking terminologies and functions along with a simulation of these functions. They were also provided simple booklets to facilitate their understanding of the system.



Money Quotient Program

The Money Quotient Program (MQ) is a social media campaign (educational videos) produced in English and Arabic to fully educate the viewers. It explains to our current and potential customers the meaning of a bank, the different types of loans, credit cards, mutual funds, and the type of bank accounts.

It also provides a weekly financial tip every Thursday to measure customers' money intelligence. It shows how much they know about money, the amount of information they process while dealing with money, different ways to manage their investments, as well as the explanation of retirement accounts and savings plans.

Furthermore, AAIB participated in the Financial Inclusion Week promoted by the CBE.

Labour Rights

“Our staff is our most valuable and unique asset and therefore we aspire to uphold AAIB’S reputation as an Employer of Choice”

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory.

Principle 5: The effective abolition of child labor.

Principle 6: The elimination of discrimination in respect of employment and occupation.

Our Code of Conduct

Our code of conduct clearly states the importance of each individual in the organization. It recognizes that our current and future success relies on the collective outcome of our employees and prioritizes their satisfaction. The code of conduct is available in the “AAIB Employee Blog” to make it as accessible as possible for our staff.

Retaining our Employees is a Priority

In AAIB, we strive to find, attract, develop, and retain individuals with high-caliber, and manage employees’ career development to support their growth objectives. All our employees are treated equally and are allocated according to their skills and talents in to ensure their efficiency without disregarding their mental well-being during the tasks assigned to them.

Equality of Opportunities

Our policy and procedures aim to provide equal and fair opportunities to both internal and external job applicants alike. Our code of conduct prohibits discrimination on any basis or any scale such as race, religion, gender, age, national origin, skin color, or physical disabilities. For an example, 96 of the 555 female employees in AAIB are holding influencing managerial positions, which illustrates that AAIB is acute on representing women for their talents.

Discrimination and Harassment

AAIB guarantees a harassment free environment -whether verbal, physical, racial, ethnic, religious, or gender-related- for its employees. The bank frowns upon harassment and discrimination by setting policies that severely punishes any act from the sort towards any employee. The policy is applicable towards any act that occurs within the bank or within any event associated with the bank.. Any employee who reports such case should be protected from any retaliation and any employee guilty of harassment or discrimination can either be subject to severe disciplinary actions and in some cases a termination of employment.

Employees Health and Safety

AAIB exerts tremendous efforts to provide a healthy and safe environment to its employees among which is providing constant security and cleaning services in all its branches. In this, the bank has a personal certified doctor located in its premises to address any health issues that our employees might face. The doctor has a list of external professionals in different medicinal field recommend from based on each case. These external professionals are covered by the employee’s insurance provided to him upon employment.

Furthermore, employees are always encouraged and pushed to learn the safety instruction for their well-being and know the instructions that need to be followed in different situation that might occur.

Employees Motivation and Development

In AAIB, enhancing our employees' motivation and development is a top priority. We aspire to enable each employee to fulfil a new, expanding, or potential role, or to achieve a higher standard of performance in his current tasks. The bank provides several training platforms for employees to develop their personal skills and to contribute to their career objectives.

In addition, AAIB relies on a performance management process to endorse high levels of performance and keep the employees encouraged to reach their maximum potential. Moving forward, the bank has established comprehensive compensations and rewards programs in coordination with the employee's performance report received from the management.

Environment

“We believe in the symbiotic relationship between the environment and the economy”

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Clean Energy Funding

“Historic Feet in Clean Energy Funding: AAIB is the first Egyptian bank to grant credit facilities for renewable energy projects.”

Infinity 50 project: World Largest Solar Photovoltaic Generation Park

AAIB led the Egyptian market in granting credit facilities to participants in the Feed-in Tariff (FiT) program for renewable energy companies with 300 million pounds. The Benban project was approved by the Egyptian Electricity Transmission Company under the first round of the FiT program. Benban is the world’s largest solar photovoltaic generation park that is set to generate the equivalent of 90 percent of the energy produced by Aswan’s High Dam. It will help Egypt achieve its goal to generate 20 percent of its power from renewable sources by 2022. As part of one of the largest utility-scale grid-connected solar power complexes in the world, the project represents a landmark in the development of renewable energy infrastructure in the MENA Region.

The Infinity 50 Solar Park will comprise a 64.1 MWp solar array over an area of 98.6 ha with almost 200,000 solar panels mounted on a state-of-the-art horizontal tracking system. Once operational, the plant is expected to produce over 110,000 MWh per year, equivalent to the electricity required to power almost 69,000 homes, while preventing over 1,293,000 t of CO₂ emissions in the course of its 25-year lifetime.

The Benban plant has managed to jump-start economic growth, employ around 4,000 people, lead to cheaper electricity, scale back the use of fossil fuels and help Egypt on its path to becoming the regional energy hub.



Benban’s solar program won the Global Award for Multilateral Project Finance Deal of Year

Reducing our Carbon Footprint

AAIB issued its first carbon footprint report in 2013 with a commitment to minimize its environmental impact and shift towards a carbon neutral bank. Moving forward, we developed a five-year emissions reduction plan, focusing to reduce our consumption in paper, electricity, petrol in addition to developing a waste management system.

For this purpose, a carbon footprint taskforce “CFT” was launched to reduce our carbon emissions and endorse initiatives to our core banking operations. Now, all branches are with Led lights and more buses are added to minimize petrol consumption.

Keep the Coast Clean

In AAIB we realize that not only land is essential for our economic prosperity, social well-being and quality of life. However, the marine environment is deteriorating at a fast pace. Accordingly, the summer 2015 witnessed the launch of “Keep the Coast Clean” (KCC) environmental initiative to restore Egyptian beaches to their former glory with a vision to educate the public about the most common types of marine debris and the damage caused to the environment due to persistent littering habits.

Initiating Grass Root Communication

In 2017, KCC commenced with an eye on having a progressive behavioral influence on saving Egypt’s magnificent shores. In order to increase KCC campaign’s reach to wider demographic and socioeconomic classes, it was recommended to run social media competition with prize money of USD 10K for the first three winners.

The competition objectives were not limited to **spreading the awareness but also included enacting the cultural change** needed to restore Egyptian beaches.

KCC is expanding to different Governorates

The competition succeeded in witnessing the participations of 13 teams with a total number of 81 contestants from five Governorates; South Saini, Red Sea, Suez, Alexandria and Marsa Matrouh. In addition, the competition announcement posts witnessed intensive engagement on Facebook with 47.1K Likes, 698 Shares and 392 Comments.

It is worth mentioning that the first winner team was a group of students aging between 14-16 years old who despite their young age, were able to coordinate and reach and engage impactful stakeholders, manage their time, and introduce needed mechanics for sustaining beach cleanliness and beauty.

Stakeholders Engagement

We believe that cross-section partnership is vital to achieve the desired sustained impact we are willing to achieve. In this, AAIB partnered with Ministry of Environment, National Research Center (NRC) & NGOs to achieve a breakthrough progress. Engaging stakeholders from different sectors enabled us to share knowledge and expertise and to gain government support to empower the public; the real change agents.

This inclusive partnership allowed for developing scientific material and a full day training, divided into 5 lectures by specialized professors from environmental research division at NRC. The training curriculum was customized to relate to the different types of sea debris found by participating teams and how to dispose it correctly.

Towards System Transformation

For AAIB, KCC isn’t only about triggering change, but aspires a system transformation. This urges us to continue full stakeholders’ engagement to ensure a sustained impact. AAIB is following up with the competition participants to maintain what has been achieved. They are now referred to as KCC Ambassadors. Their role is to proceed their efforts in developing an annual plan for 2018 to achieve a system transformation.



Anti-corruption

“We believe that good governance is a dynamic process which is continuously adjusted according to global and local developments”

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our Corporate Governance Structure

Corporate governance has always been present throughout our business practices through an effective framework that is mainly composed of a capable board of directors and a highly skilled management that works in full transparency and use reporting conducted by internal and external auditors to ensure the quality of their work.

Our structure is composed of a set of different levels working in correlation to promote transparency and to mitigate the risk of any fraud or corruption to erupt in the organization.

Implementation of Rules and Regulations:

In AAIB, we have strong and effective policies that aim at fighting corruption through monitoring business activities, in order to maintain a sustainable business. We have into place a taskforce composed of the sustainability unit, compliance department, and the top management of the technical office, in order to fight any form of alarming corruption that might appear.

Changing the Internal System

In correlation with its efforts to instill a change in the financial industry, AAIB has been adamant on implementing sustainability policies and practices in its banking operations across its Lines of Business and departments.

Environmental and Social Management System

AAIB committed itself to the Environmental and Social Management System as part of its agreement with the IFC. Ever since, the bank has been taking leaping steps towards the implementation of the system through revising its E&S policy, introducing a carbon task force committee, and introducing E&S capacity building programs. All these are to contribute to building a strong coherent culture to be a building block for the bank's sustainable growth strategy.

Policies:

AAIB has been seriously committed to its E&S policy that integrates sustainability principles within the bank's operations.

Structure:

AAIB continued to establish a strong structure with systematic roles and responsibilities to integrate sustainability in the bank's functions. The Sustainability Unit has been recognized as an active department in the bank that facilitates cross-functional coordination among all departments. The unit ensures the seamless integration of ESG across all functions as well as diligent reporting.

The bank is establishing a social and environmental risk unit within the Risk department to broaden risk practices beyond the traditional credit, market, foreign exchange and operational risk to include the social and environmental parameters. Along with the Sustainability Unit, Corporate Credit and Risk Management Departments, the Audit Department is in the process of integrating EP in their audit reports to act as a second eye in monitoring any violation of principles within the operations.

Culture:

AAIB recognizes that the aspired change that would affect people, systems, and structures won't come to reality without changing organization's culture. In this context, AAIB's focus across 2016 and 2017 was enhancing its communication with internal stakeholders to facilitate and harmonize sustainability-related programs.

The years 2016 and 2017 witnessed a series of Sustainability Meetings hosting Heads of Departments. The main outcomes were establishing lines of authority, creating a Carbon Curtailment Committee, and gaining more ideas for coordination among departments.

Reporting & Disclosure

Furthermore, AAIB has laid the foundation for the GRI Sustainability Reporting and celebrated its second sustainability report based on the latest GRI guidelines in 2017.