

COMMUNICATION ON PROGRESS REPORT

2020



البنك العربي الافريقي الدولي

arab african international bank

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SYNOPSIS

For more than a decade, Arab African International Bank (AAIB) has been strongly committed to the principles of sustainability and has set new benchmarks in responsible banking by partaking in several breakthrough initiatives.

As early as 2003, AAIB has been integrating the concepts of social responsibility and sustainability in its business activities and operations. Having been one of the first banks to develop a Corporate Social Responsibility (CSR) platform, AAIB's sustainability agenda has not only grown in scope, it has also transformed AAIB from a philanthropic trendsetter to a Bank committed to advancing sustainable finance in the region.

To further integrate the concepts of sustainability into business activities and operations based on a structured recognized foundation, AAIB committed to several international frameworks to use their Principles as benchmarks to guide our activities. These include joining the United Nations Global Compact in 2005, the London Benchmarking Group in 2007 the Equator Principles in 2009 and the United Nations Environmental Programme Finance Initiative in 2018.

This is AAIB's 10th Communication on Progress (COP) report since it joined the UNGC in 2005. All data contained in this document relates to the calendar year January – December 2019.

MANAGING DIRECTOR & VICE CHAIRMAN'S STATEMENT



Egypt is without doubt experiencing a phase of exponential economic development that is drastically changing the banking sector that we know. Since banks play a pivotal role in the Egyptian economic scene, sustainability has become a strategic priority in order to constantly promote responsible banking that will serve as a boost for socio-economic development and sustainable growth.

For more than 55 years, our work as one of Egypt's largest banks has given us an enlightened view of markets, people and society. In light of this view, we have been focusing on the main challenges facing the Egyptian society to direct our efforts to. Now, after 15 years of commitment to the 10 Principles of the UN Global Compact, our vision that started in 2003 has materializes into actions. Throughout the years, we have been supporting health care, education, entrepreneurship and the environment. We have also been committed to robust policies to protect labor rights and ensure an anti-corruption framework.

Believing in the importance of SDG 17 "Partnership for the Goals" we have been joining forces with civil society, public sector and peer banks worldwide to pave a way for responsible banking.

With the hit of the COVID-19 pandemic, 2020 will be a pivotal year. We are committed to supporting the healthcare sector and to mitigate the social and economic impacts of the crisis, especially on vulnerable groups.

HUMAN RIGHTS

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.

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

OVERVIEW

Arab African International Bank (AAIB) strongly believes that education and empowering entrepreneurship through young generations are among the most important pillars to achieve the 2030 agenda. This section outlines AAIB's approach to implementing human rights in its activities and operations. It discusses several initiatives including Teacher Development Program (TDP) and the AUC Venture Lab (V-LAB). It also discusses the Bank's approach in selecting one of its sponsorships –Maison Pyramide- that was primarily selected for the causes it served. In addition, it addresses financial inclusion and financial literacy programs that seek to ensure that all members of the society have access to financial services, which will contribute to their quality of life and the general well-being of the economy.



AUC Venture Lab
12th cycle

THE TEACHER DEVELOPMENT PROGRAM

As part of AAIB's commitment to the Sustainable Development Goals and having education recognized as a standalone goal, AAIB collaborated with the American University in Cairo (AUC) School of Continuing Education (SCE) to train 150 public school teachers through "Teacher Development Program". During the program, the teacher is introduced to pedagogies and learning theories that promote the students' cognitive, social, and emotional development.

The main aim of this program is to foster the teachers' skills and competencies in a variety of areas, namely teaching methodology, lesson planning and assessment, classroom management, as well as, educational technology and gamification. It also aims to enable primary and preparatory school teachers to enrich their students' learning experience and promote their wellbeing as well.

Given that the teacher is the main channel through which students receive information and since teachers constitute one of the main assets of the educational system, this program marks a step towards helping the public educational system to evolve and reach new potentials. We strongly believe that education is one of the most important aspects of culture and with well-trained teachers; Egypt will be on track to become a world leader in all aspects.

The program aligns with several SDGs. In Addition to SDG 4: Quality Education and SDGs 17: Partnership for the Goals, it also aligns with SDG9: Industry Innovation & Infrastructure since it empowers our education workforce to enhance their knowledge and skills to achieve a substantial wide impact on our young generations.



AUC VENTURE LAB



With the high youth population in Egypt, we had to think ahead of the curve to connect with them to achieve economic and social development. Accordingly, in 2013, AAIB partnered with the AUC School of Business to establish the AUC Venture Lab (V-Lab), the leading university-based incubator in the MENA region.

The AUC V-Lab supports early-stage startups chosen through a selection process that judges aspects of the project such as its novelty, scalability, and commercialization potential. It also considers the dedication of the team and focuses on empowering and facilitating inventors and committed entrepreneurs to help them reach their goals.

This partnership that started years ago, marks a unique alignment between a financial and academic institution to address two main challenges facing entrepreneurs, that are lack of financial resources and lack of business knowledge and skills. Even though it contradicts the popular belief, our role as a financial institution is not limited to providing a financial contribution. We believe that for startups to grow they need mentorship and guidance as this will deliver a sustainable tool for their dazzling projects to see a prosperous growth.

Accordingly, our team has been providing sessions on several topics including e-commerce and marketing. Not only that, we also assisted several startups in the development of successful and innovative online payment gateways. This collaboration was very successful, resulting in the creation of more than 170 startups, generating more than 8000 jobs, and 450 million EGP in revenues.

MAISON PYRAMIDE

SPONSORSHIPS WITH A CAUSE

Attempting to partner with responsible entities that values responsible business practices and seek to maximize their environmental and social impacts, AAIB collaborated with Maison Pyramide (MP) to sponsor their booth in Harvey Nichols (HN) in London. The primary objective of this partnership was to support entrepreneurs and young talents of designers to display their products in one of the iconic stores, allowing them to expand their business, reach a wider customer audience and increase their brand awareness.

Supporting Maison Pyramide's popup allows AAIB to contribute to several SDGs including SDG 5: Gender Equality, SDG 8: Decent Work & Economic Growth, SDG 9: Industry Innovation & Infrastructure, and SDG 17: Partnership for the Goals. This partnership also allows AAIB to target one of the SDGs related to the environment, which is SDG 15: Life on Land since Maison Pyramide prohibits using fur in their designs. Moreover, a share of the total proceeds of The Shop will be invested into the youth educational programs implemented by the Elisa Sednaoui Foundation in Egypt, which contributes to SDG 4: Quality Education.



FINANCIAL DONATIONS

The Bank has been providing financial donations throughout the year to address major development areas including health and social welfare.



LABOR RIGHTS

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 staff is our most valuable and unique asset”

OVERVIEW

AAIB's Code of Conduct clearly acknowledges the importance of each individual in the organization. It recognizes that our current and future success relies on the collective outcome of each employee's individual contributions and effort. In addition, maintaining a certain quality of work is essential to our Bank's daily operation. Thus, keeping our employees satisfied is indispensable and prioritized in our Code of Conduct. The Code of Conduct is available in the employee blog which appears as a homepage for the employees; the purpose of that is to make the Code of Conduct as accessible as possible for the AAIB staff to always have access to their duties as part of the organization and their rights within the entity.

This section discusses into more details:

- The Equality of Opportunities
- Discrimination and harassment
- Health and safety of employees
- The constant motivation and development of employees



Human Resources Director visiting each department
Nagaah Hankamelo

EQUALITY

OF OPPORTUNITIES

In AAIB, we do our best to obtain the highest calibers in the market, help them develop their skills and talents, and retain them while contributing to their individual growth and the bank's benefit simultaneously. Being the backbone of the bank, employees are treated equally, and are allocated according to their competencies in the position that will best suit them, while at the same time making sure their mental wellbeing is preserved.

Employees Selection/ Retention

In AAIB, discrimination of any sort is frowned upon and is not tolerated, be it racial, religious, based on gender, age, nationality, pigmentation, or disabilities. Any employee holding a managerial position is obliged to eliminate favoritism within their departments, as it is encrusted in AAIB's values. Implementation of such criteria is conducted with transparency and are encouraged to propose any improvements they see fit in order to maintain a healthy environment for all employees. In addition, AAIB is always keen on retaining his support staff which constitutes a considerable number spread around the head office and the branches.

Gender Equality

AAIB makes sure that women are treated as equally as men in the work place and is keen on giving them the same chances of opportunity within the organization as the total number of personnel in AAIB amounts to 2,236 employees from which 633 are women, which constitutes 28% of the Bank's population. Also 226 of these women are holding influencing managerial positions, which ensure that here at AAIB we are acute on representing women for their talents.

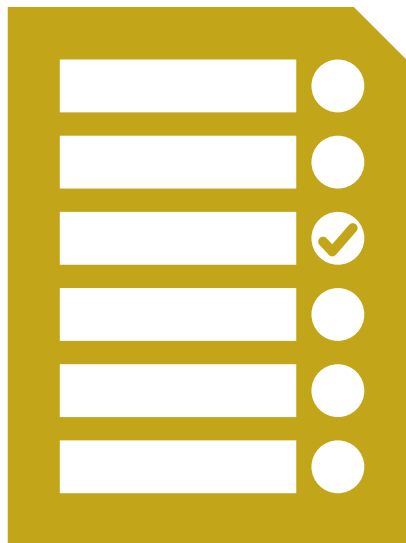
Supporting our Employees: Empowering the Handicapped

AAIB remains focused on creating a working place that ensures equality and fairness among employees regardless of their abilities.

DISCRIMINATION & HARASSMENT

Harassment of any sort is strictly prohibited in AAIB and may lead to severe consequences. Here in AAIB we have a 0% tolerance for such behavior whether being verbal, physical, racial, ethnic, religious, or gender based.

This is clearly stated in the Code of Conduct and is made accessible to all employees at any time to be able to blow the whistle in case they are subject to such behavior or if they notice such behavior happen to/by a colleague. Several reporting channels are made available in order to allow the employees to be comfortable tackling the issue, and to protect the person who blows the whistle. We aim at praising the whistle blower and not the other way around.



EMPLOYEES' HEALTH

& SAFETY

In AAIB, we believe that a healthy environment is necessary in order to increase the productivity of our employees. Several initiatives are taken from the bank in order to ensure employees comfort and to ensure their safety and reassurance during and off working hours:

- Cleaning services around the office during working hours (available on call)
- Training employees on safety instructions in different situations (for example fire drills)
- Providing sanitizers on each floor in order to prevent the spreading of germs
- Providing a personal certified doctor located in the premises in order to tackle emergencies and to inquire on any medical advice
- Providing a health insurance package that ensures the employee gets any external medical help needed (provided it is covered in the insurance plan).



EMPLOYEES'

DEVELOPMENT

In AAIB, Employees' Development is defined as any activity that will enhance an employee's ability to contribute to the Bank's strategic aims and objectives and enable the employee to fulfil a new, expanding, or potential role, such as taking more and diverse tasks on the next level, or to achieve a higher standard of performance in his current tasks.

In order to ensure employees are constantly growing and learning, AAIB provides a performance management process that encourages employees to reach their full potential.

In addition, the Bank provides several training platforms for employees to develop their personal skills and to help them grow in their field of work. Some examples of training courses provided by the Bank are:

- interpersonal skills;
- technical skills in a specific position;
- managerial and supervisory skills;
- computer courses;
- english courses;
- on the job training;
- access to conferences, forums and summits related to the job description.

EMPLOYEES'

MOTIVATION

Employee Recognition Program

In order to reward our top performer employees for their dedication, AAIB have established an employee recognition program, which aims at rewarding valuable employees to the bank. This initiative started in 2019, and will continue to make employees comfortable and feeling appreciated in the work place.

Nagaah Hankamelo: HR Recognition Program

In light of the Bank's focus on human resources as a crucial component of development, and in light of the Human Resources department's resilience to achieve cooperation and harmony between employees, the Nagaah Hankamelo campaign was created.

The Director of Human Resources met every employee in the Head Office and branches inside and outside of Egypt in person, in order to get to know them and get acquainted. While conducting the visit, a small-customized giveaway was given to the employee in order to make him feel recognized and as a symbol of appreciation to his efforts towards the bank. The goal of this program is the continuance of success previously accomplished by the bank by unifying goals and objectives.

ENVIRONMENT

The background of the slide features a silhouette of a wind farm against a sunset sky. The sun is low on the horizon, creating a warm, orange glow that fades into a dark sky. The wind turbines are scattered across the landscape, their blades and towers silhouetted against the light.

PRINCIPLE 7
BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

PRINCIPLE 4
UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

PRINCIPLE 5
ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

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

OVERVIEW

Banks play critical roles in sustainable development due to their role in the allocation of resources for industrial expansion, and developmental projects through acting as an intermediary. In AAIB, we acknowledge that banks should be held responsible for environmental and health degradation caused indirectly by the operations of the client. Therefore, we tackled the risks and opportunities that are associated with the creation of a more sustainable future by participating in developing the Principles for Responsible Banking (PRB), and are committed to environmental and social risk management through the help of several tools such as the Equator Principles (EP).



Launch of the Principles for Responsible Banking in 2019

ENVIRONMENTAL & SOCIAL RISK MANAGEMENT

Since banks are the backbone of the economy, they have a substantial impact on the environment and the society. This impact results mainly from its financing and lending activities, which entails broadening risk management interpretation beyond the traditional risk management definition including credit risk, market risk, operational risk and liquidity risk to include Environmental & Social (E&S) risks such as climate change, income inequality and more constituting sources of major financial tremors and instability.

To this end, AAIB joined the Equator Principles (EP) in 2009, which has been the main guideline for determining, assessing and managing social and environmental risks in project-related transactions. AAIB applies the third version of the EP (EP III) which involves an array of financing activities from project finance to project-related corporate loans or bridge loans, in addition to disclosure of information and reporting.

AAIB's commitment to the EP is supported by robust internal policies, procedures, and staff engagement. To this end, the bank has introduced an E&S Risk Policy that is updated regularly to ensure coping with emerging E&S challenges and best practices. The Policy is guided by the EP and other internationally recognized E&S standards.

THE PRINCIPLES





FOR RESPONSIBLE BANKING

Banks play a key role in society. As financial intermediaries, it is our purpose to help develop sustainable economies and to empower people to build better futures. Believing in this role and with given our experience that exceeded 55 years in the banking industry, AAIB committed itself to share its experience and resources to contribute to a sustainable banking future. In support of our national agenda: Egypt Vision 2030, the Sustainable Development Goals (SDGs) and the Paris Climate Agreement and in an attempt to promote good E&S practices, AAIB collaborated with the United Nations Environmental Program Finance Initiative (UNEP FI) and 29 other banks worldwide to draft and introduce the Principles for Responsible Banking (PRB).

Founding Signatory of:



PRINCIPLES FOR RESPONSIBLE BANKING

 <p>PRINCIPLE 1: ALIGNMENT</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p>PRINCIPLE 2: IMPACT & TARGET SETTING</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p>PRINCIPLE 3: CLIENTS & CUSTOMERS</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
 <p>PRINCIPLE 4: STAKEHOLDERS</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>PRINCIPLE 5: GOVERNANCE & CULTURE</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>

The final version of the six Principles was introduced to banks to commit later in 2019, and as a founding member, AAIB became one of the first signatories of the Principles. The objective of the PRB is to align the banking activities with the global Goals implicated in the Paris Climate Agreement and the Sustainable Development Goals (SDGs). They provide the framework for a future of sustainable banks and help the industry to demonstrate how it makes a positive contribution to society and environment.

The PRB provides the framework for a sustainable banking future and help the industry to demonstrate how it makes a positive contribution to society and environment. It focuses on positive impact measurement and growth, delivering resilient infrastructure with insurers and investors, climate-related disclosures, natural capital stress-testing as well as social impact and inclusion. All of which are highly important community, economy, and environment. The final version of the six Principles was introduced to banks to commit to in 2019 where AAIB has become a Founding Signatory of the Principles.

ANTI-CORRUPTION

PRINCIPLE 10

**BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS,
INCLUDING EXTORTION AND BRIBERY.**

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

OVERVIEW

As banks, we face a constant fight to prevent corruption since banks are faced with an elevated risk due to their nature of work, which involves monetary transactions on a daily basis.

In AAIB, we believe that corruption is fought with both preventive and reactive methods. We believe that it does not only suffice to take regulative measures in order to track where corruption occurs and prevent it, but also, employees of all levels must be educated on the negative impacts of corruption on their daily tasks, future, and the well-being of the organization.



**Corporate Governance is key to
AAIB's success story**

CORPORATE GOVERNANCE

STRUCTURE

AAIB has a very capable Board of Directors and a skillful management that works in full transparency and are audited via internal and external auditors in order to ensure a certain standard of work. This structure enables the bank to ensure stability, implement its values, align its goals with the shareholder's targets, and align all stakeholders with the bank's activities.

A team is dedicated to detect and reduce risks and any form of fraud or corruption. In order to learn more about our organizational structure please visit our website (www.aaib.com).



RULES & REGULATIONS

IMPLEMENTATION

In AAIB, our policies ensure the abolishment of corruption through monitoring business activities. A task-force is responsible to ensure that all risks are addressed and mitigated. In addition, every employee has to take a full week of vacation each year to be able to monitor any cases of fraud and mitigate risks.

Conflict of Interest

Our definition of Conflict of Interest is any activity where personal interests interferes with an individual's obligation towards the Bank. We have a set of questions that helps us identify if a conflict of interest is occurring or not such as:

- Could the action be perceived as a conflict of interest by other stakeholders?
- Is the action being offered to influence a decision?
- Will the Bank be disadvantaged if I perform this action?
- Will this action compromise my objectivity regarding the related subject?

By answering those questions, we are able to identify forms of Conflict of Interest even if it is not visible at the surface. In addition, the Bank always strives when employing any new member that he has no relations inside of the Bank that could impair his subjectivity in daily operations.

Acceptance of Gifts, Entertainment, Loans, or Favors

We have a clear policy that under no circumstances a member of the Bank should receive any gift or service from a client or any related parties that may make him subject to corruption, or impair his decision in a matter. Such rules are:

- Any monetary gift (even if the amount is immaterial) is prohibited and subject to persecution from the Bank.
- The Bank encourages strong relations and courtesies but AAIB employees are prohibited from accepting any gift that exceeds a token or nominal value from the Bank's suppliers or customers.



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