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الهيئة العامة للرقابة المالية
FINANCIAL REGULATORY AUTHORITY



FRA sustainability | 2019
annual report



Building Bridges not Walls
نبني الجسور لا الحواجز



FRA sustainability | **2019**
annual report

About the Report



Editorial Policy

As a regulatory body, the Financial Regulatory Authority (FRA) is responsible for supporting the development and growth of markets operating under its jurisdiction. Against this backdrop, FRA acknowledges the significance of sustainability in general and sustainable finance in particular as key instruments for economic growth in the near future. It also acknowledges that leadership is gained by on-the-ground, actionable practices that other market participants could learn from and soon follow suit.

Disclosure is the core of sustainable finance, thereby, and in alignment with global standards and practices, FRA is keen on transparency and accountability of its sustainability practices as an institution and as a regulator of the non-banking financial market to lead by example. This report is a significant annual cornerstone of FRA's effort to report on its sustainability practices, regulations, and whole endeavors, with both an internal institutional perspective and an outward regulatory and policy perspective addressing market stakeholders.

The report is divided into main sections that include the profiling of our institution, our governance approach, strategy, performance, and our sustainability framework, and activity highlights that took place in 2019. It might comprise some restated information from FRA's 2018 Sustainability Report that is necessary and relevant to the context of the 2019 report.

Referenced Reporting Standards

This is the second sustainability report issued by FRA and we have upgraded our efforts by complying with the Global Reporting Initiative (GRI) Standards: Core Option. GRI set standards to educate, promote, and push ahead with such standards for market players in the non-banking financial sector. Moreover, we have also undertaken a major endeavor to create a unique sustainability framework that complies with the United Nations Sustainable Development Goals (UN SDGs) framework and aligns with GRI requirements.

Reporting Period & Cycle

This annual report covers the year 2019 (from 1st of January till 31st of December).

Date of the Most Recent Sustainability Report

July 2019

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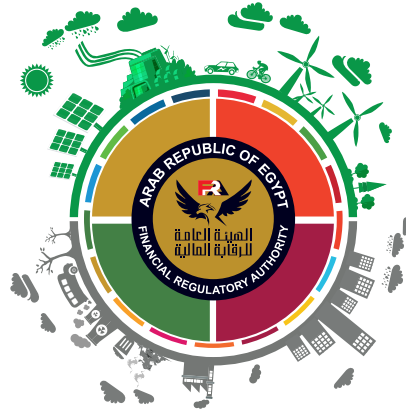
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LIST OF ACRONYMS

FRA	Financial Regulatory Authority
GRI	Global Reporting Initiative
EISA	Egyptian Insurance Supervisory Authority
CMA	Capital Market Authority
MFA	Mortgage Finance Authority
EIOD	Egyptian Institute of Directors
FSI	Financial Services Institute
SDD	Sustainable Development Department at the Egyptian Financial Regulatory Authority
SDGs	Sustainable Development Goals
UNGC	United Nations Global Compact
WB	World Bank
IOSCO	International Organization of Securities Commissions
UNEP-FI	United Nations Environment Programme – Finance Initiative
PSI	Principles for sustainable Insurance
FC4S	Financial Centers for Sustainability
OECD	Organization for Economic Cooperation and Development
AUC	American University in Cairo
SIF	Sustainable Insurance Forum
KPIs	Key Performance Indicators



Chairman's Message



It is our role and responsibility at Egyptian Financial Regulatory Authority (FRA) to regulate the market and drum up its exponential growth, while working on bridging existing gaps that affect the performance of our constituents. With a staunch belief in the importance of sustainability as a path to reach a new global economic, social, and environmental reality, it is our duty to launch a progressive agenda promoting policies, regulations, and practices pertaining to sustainability. This is highly essential to safely navigate the future of the non-banking financial market.

Given international sustainability trends and developments, it is evident that a strong stewardship to orchestrate a gradual transition towards a sustainable finance system and market is required now more than ever before. This can be achieved by creating value and success stories and raising awareness and mentorship for companies that FRA supervises to help them acknowledge and integrate sustainability not only as a shared value, but as the core of their business operating models. We seek to strike partnerships and conduct constructive engagements with the private sector, as it is the surest way to accomplish the SDGs and actualize a circular and green economy.

Partnerships and active collaboration are the key driving forces for achieving the SDGs and supporting a market transition towards sustainable finance

I boast that since 2018, FRA has taken the helm of proactively promoting sustainability and championing the importance of integrating sustainability into the non-banking financial sector. We have set in motion the first regulatory framework for corporate green bond issuance, along with consolidating our global positioning by joining a range of networks and platforms striving for knowledge sharing and experience gaining. We have embraced four priority SDGs to be the guiding benchmarks to our approach to sustainability. Meanwhile, we have launched awareness campaign in an effort to promote sustainable insurance, in addition to working on the first sustainable insurance strategy in the region. We have issued a pioneering executive decree to empower female leadership and women representation in the boards of companies operating in the non-banking financial sector.

I have to assure you that this is just the beginning of a fruitful journey that aims to upgrade and replicate sustainability practices within the market. However, we can't do it alone, we are extending call to action for companies operating under FRA's supervision to voluntarily endorse sustainability through responsible investments, ESG disclosure, and mainstreaming climate change as a market systemic risk, and complying with upcoming related regulations. FRA is willing to extend its full support through knowledge sharing and capacity building.

Our focus is on the future by addressing present-day challenges that might hinder a transition towards sustainability. Our responsibility is to prepare the market for a new reality and make FRA a sustainable institution. It is also our choice to perceive sustainability as a leading factor to the creation of new sustainable business models and the opening of business opportunities for wider financial inclusion, gender empowerment, innovation, digital disruption, and entrepreneurship and creative technology.



Dr. Mohammed Omran
 Chairman
 Egyptian Financial Regulatory Authority





1. PROFILING FRA

- 1.1. About FRA & its Role
- 1.2. Scope of Work & Objectives
- 1.3. Non-Banking Financial Market Indicators



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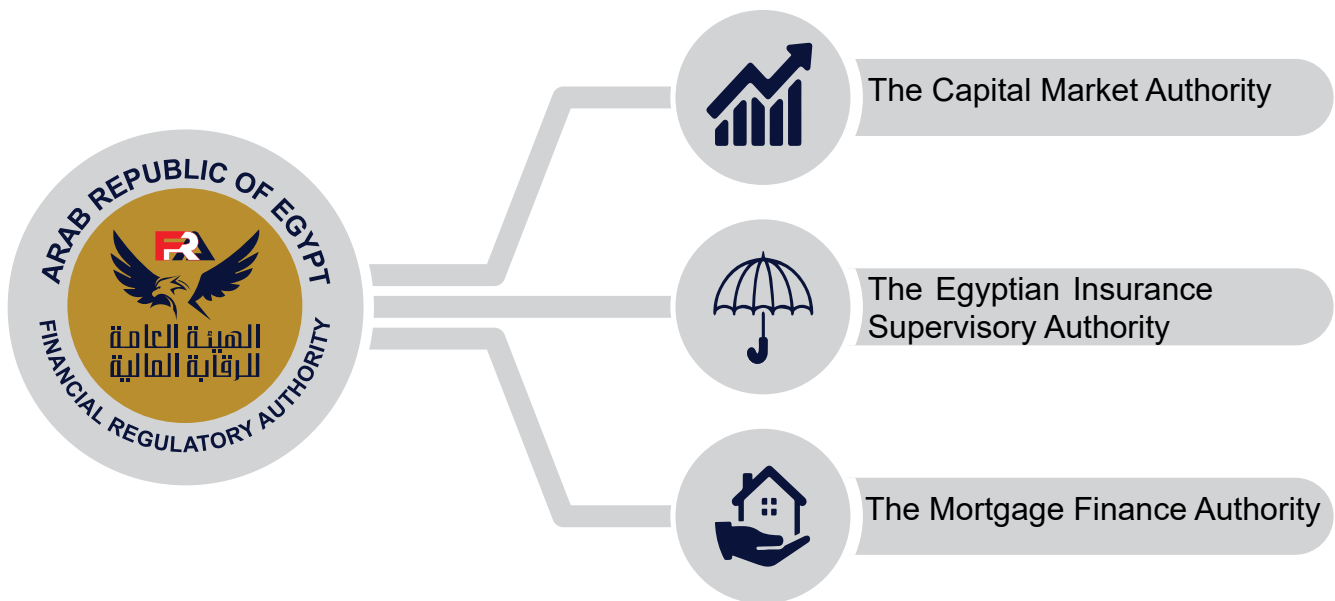
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1. Profiling FRA

1.1. About FRA & its Role

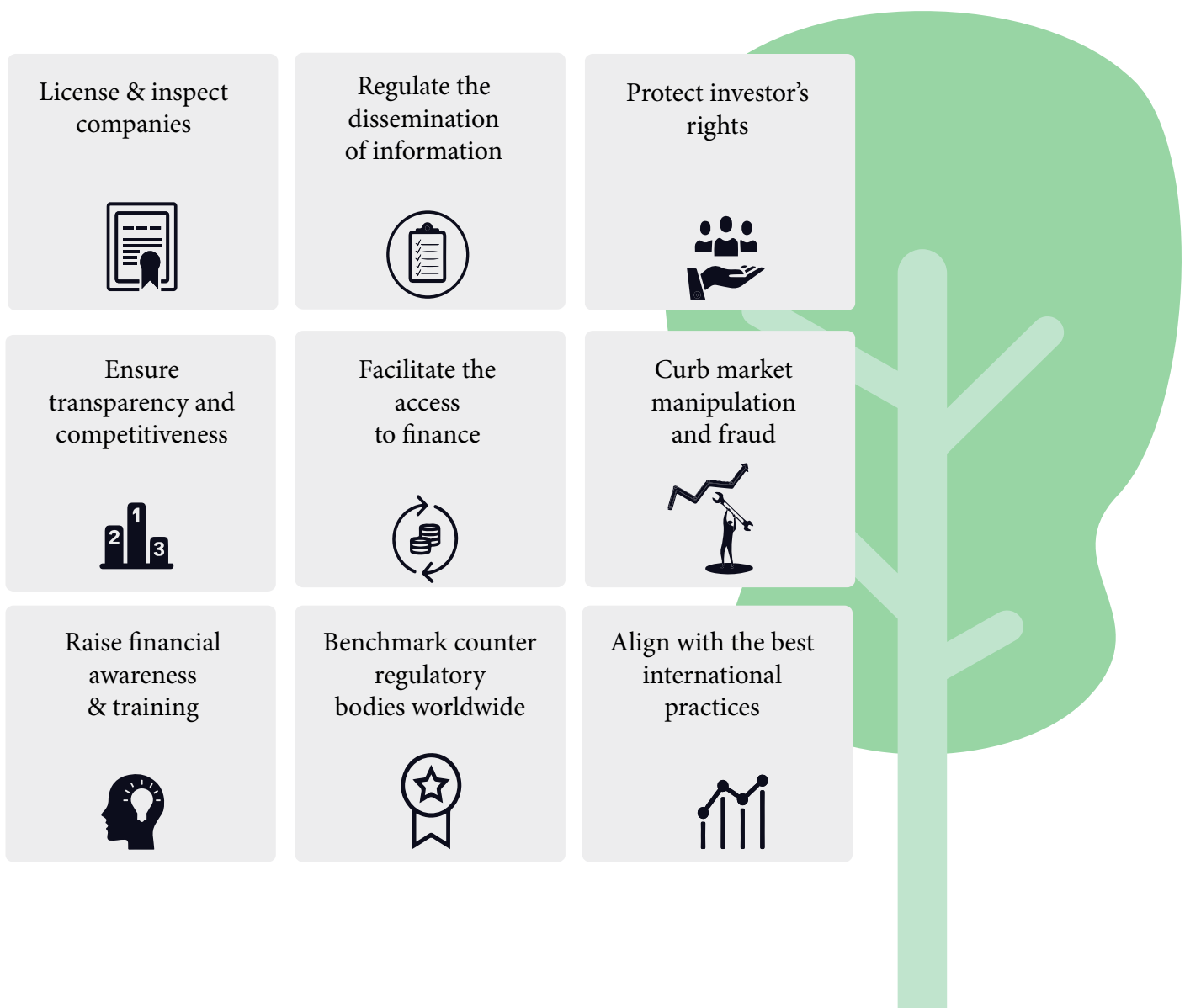
Under the slogan of Building Bridges not Walls, the Financial Regulatory Authority (FRA) was established in 2009 to consolidate the Egyptian Insurance Supervisory Authority (EISA), the Capital Market Authority (CMA), and the Mortgage Finance Authority (MFA) in one organization. FRA operates under Law no. 10 of 2009, which determines the responsibilities of the governmental authority to include Capital Market, Insurance Market, Mortgage Finance, Financial Leasing, Factoring, Microfinance, and the Egyptian Collateral Registry (ECR). This merger was an excellent strategic decision because it consolidated the regulation of the non-banking financial market into one centralized body. This in turn has eliminated the overlapping of jurisdictions that can be found in a decentralized regulatory structure, ensured clear lines of responsibilities between the investor and the regulator, and created an opportunity to take advantage of economies of scale. This clear-cut institutional structure of the non-banking financial market is crucial to attract foreign and local investments to the Egyptian market, which is one of Egypt's macroeconomic goals.

At the beginning, the amalgamation of the three predecessor authorities in one body influenced the adoption of the regulatory compliance approach. However, the changes in the structure of the financial market along with growing risks of climate change necessitate a more proactive market surveillance approach. This propelled the regulatory bodies around the world to start embracing a risk-based system that mitigates and takes into account the unanticipated losses. Consequently, FRA is currently working towards transforming its regulatory approach from compliance-based to a risk-based one on the back of its crucial role in safeguarding the stability of the non-banking financial market.



1.2. Scope of FRA & Objectives

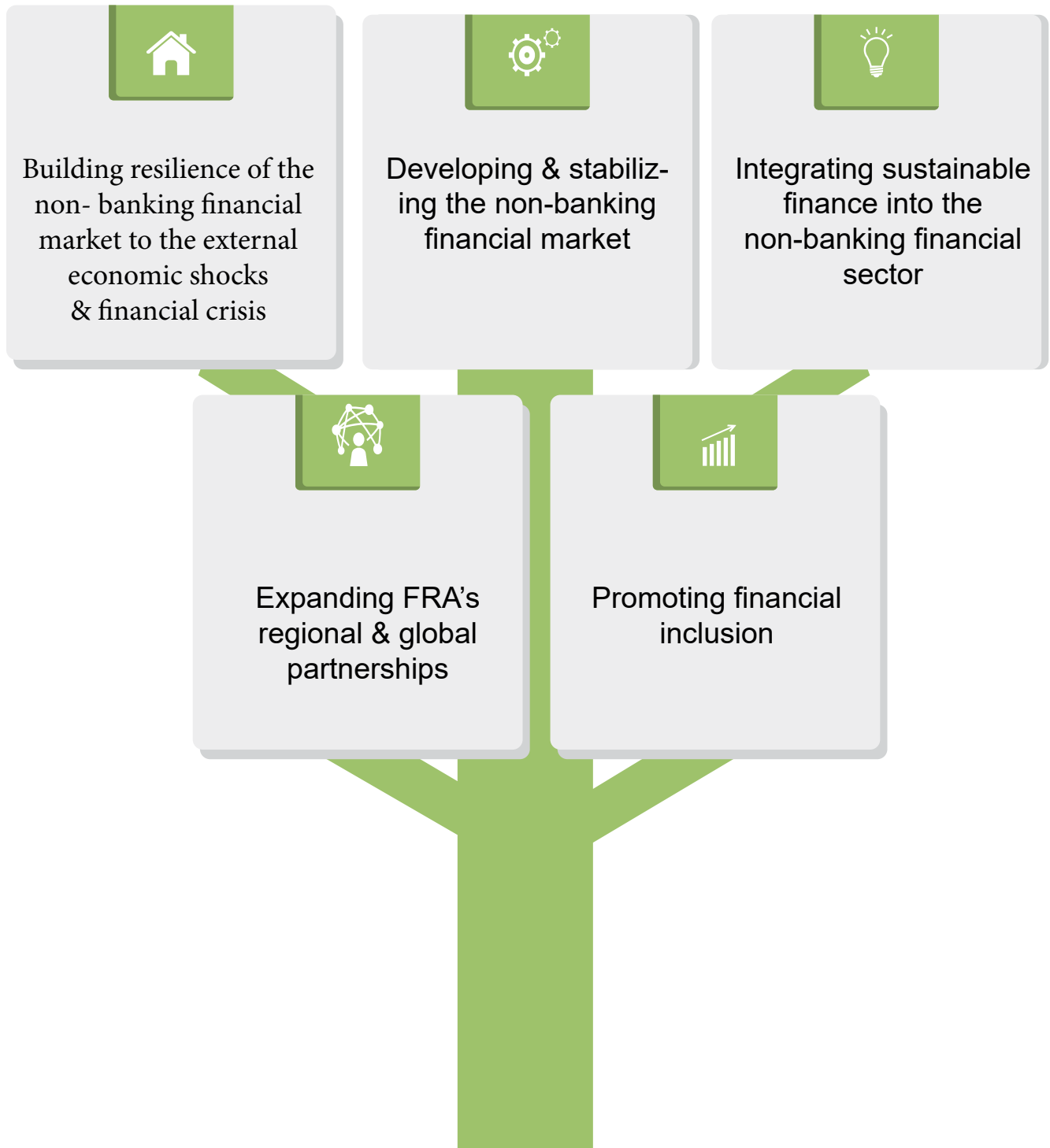
Beyond supervision, FRA's role further extends to establishing a sound non-banking financial market that stimulates the inflow of foreign investments. As a regulatory body, FRA's contribution to the market is not limited to ensuring the compliance of the companies that fall under its umbrella. It further extends to creating a sustainable, stable and resilient non-banking financial market. To achieve this stability, the market requires a set of operations that reconcile its vulnerabilities. Thus, FRA provides a wide variety of services which can be summarized in the following:





FRA Objectives:

FRA's services to the non-banking financial market are the means through which the Authority aims to achieve its strategic objectives of:



1.3. Non-Banking Financial Market Indicators

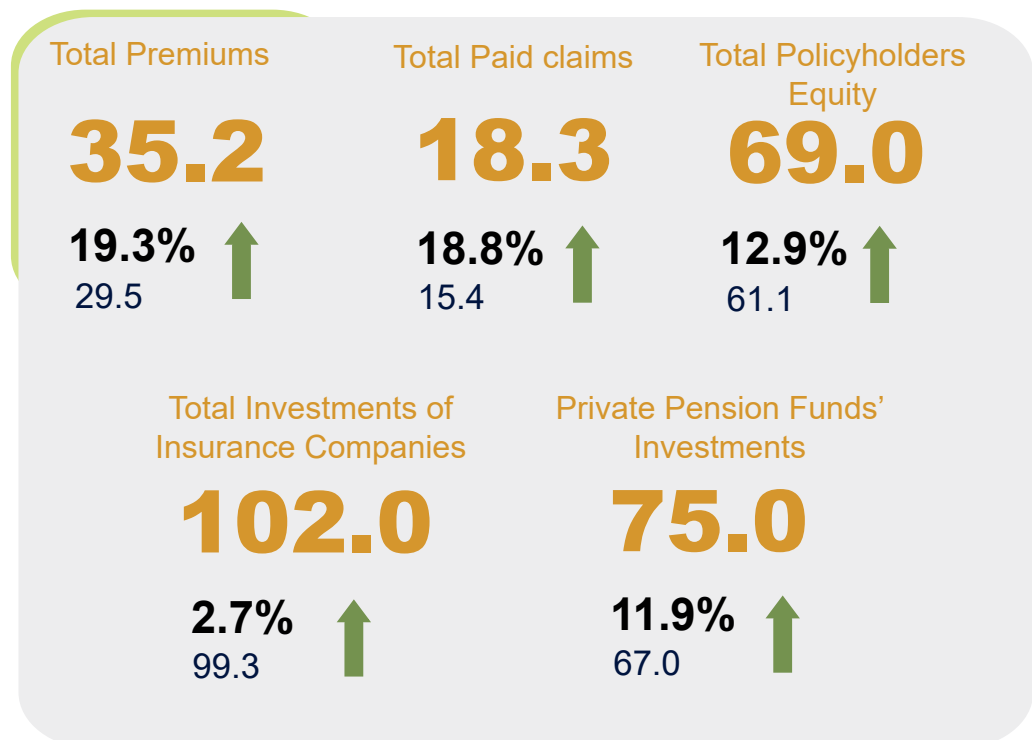
As the development and stabilization of the non-banking financial market are among FRA's main strategic objectives, it is important for FRA to support efforts to develop the non-banking financial market, promote economic growth through capital accumulation by increasing the savings rate and the inflow of foreign investments. The financial development further extends beyond that to entail strong regulatory framework and policies. Therefore, it is crucial that FRA identifies and addresses main impediments facing the development of Egypt's non-banking financial sector through robust sets of regulations that deliver our message. The progress achieved by FRA in 2019 in each sub-market is illustrated quantitatively through the following indicators:



■ 2019

■ 2018

Value is in billion EGP



■ 2018/2019

■ 2017/2018

Value is in billion EGP



Mortgage, Leasing and Factoring

Total Annual
Mortgage Loans
Granted

2.6

18.2% ↑
2.2

Total Growth of Leasing
Contracts Value

55.9

34.0% ↑
41.7

Total Factoring
Turnover

10.6

0%
10.6

■ 2019

■ 2018

Value is in billion EGP



Microfinance

Total Beneficiaries

3.1

10.7% ↑
2.8

Financing Balances
Volume

16.5

43.5% ↑
11.5

■ 2019

■ 2018

value is in million inhabitant Value is in billion EGP



Movable Collaterals

From 11 Mar. till
31 Dec. 2019

Publicized Value of the Institutions Registered
in Movable Collaterals Registry

635.4

36.6% ↑
465.3

■ 2019

■ 2018

Value is in billion EGP



2. GOVERNANCE

- 2.1. Board of Directors
- 2.2. FRA Organizational Structure
- 2.3. Code of Ethics
- 2.4. Consultative Committees
- 2.5. Affiliates & Subsidiaries
- 2.6. Compliance & Reporting



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2. Governance

Good governance is one of the main elements of achieving sustainable development. It is also one of the key pillars of FRA's comprehensive strategy to ensure the efficiency and transparency of the decision-making process. From FRA's perspective, good governance is applied externally on companies operating under its monitoring and supervision, and internally on an institutional level.

Externally

On the external level, the Egyptian Institute of Directors (EIOD) developed the Egyptian Corporate Governance Code that aims to support and assist all companies willing to understand and apply good governance as an integrated approach towards growth and sustainability. The code is legally binding to the Egyptian Exchange- (EGX) listed companies that are obliged to annually report on it. However, it is non-binding to the rest of unlisted companies in the non-banking financial sector. The code identifies the following as the pillars of corporate governance that EGX-listed companies must abide by:

- First Pillar: General Assembly of Shareholders.
- Second Pillar: Board of Directors.
- Third Pillar: Board Committees.
- Fourth Pillar: The Control Environment.

As a regulatory authority, FRA trains the companies that fall under its supervision on abiding by these main pillars through the Egyptian Institute of Directors (EIOD). Additionally, FRA's Governance Department further follows up on companies that are required by regulation to comply with this annual governance reports.

Internally

FRA abides by the aforementioned code of good governance internally in the governance structure of the organization to set an example for the companies it regulates and for the whole financial market. FRA is keen on disclosing the information about its governance structure to ensure transparency of the decision-making process.

The internal governance system consists of: Board of Directors, New Organizational Structure, Code of Ethics, Board Committees, Affiliates & Subsidiaries, and Compliance of the highest governance body.

2.1. Board of Directors



Dr. Mohammed Omran

Chairman



Consultant Reda Abdel Moaty

Deputy Chairman



Judge Khalid El Nashar

Deputy Chairman



Mr. Abdelhamid Ibrahim

Board Member



Dr. Mohamed Maeet

Board Member



Mr. Gamal Negm

Board Member



Prof. Dr. Mohamed Sakr

Board Member



Mr. Alaaeldin Amer

Board Member



Dr. Ayman Ragab

Board Member



FRA's Board of Directors is the highest governance body of the organization, which is responsible for governing and managing all authority's affairs, establishing and executing policies requisite for accomplishing the authority's objectives. The board shall have the authority to take final decisions it deems necessary to accomplish the authority's functions, such as:

01

Setting the general strategy and executive policies of FRA, and monitoring their implementation.

02

Setting executive regulations to regulate and license the practices of the companies that FRA supervises.

03

Setting inspection and oversight rules for the bodies subject to the authority's supervision.

04

Determining the cost of services provided by the authority.

05

Ratifying the organizational structure, the administrative and financial regulations and personnel without being bound by the regulations in force in the other public and governmental bodies in this regard.

06

Setting the rules of using local and foreign expertise.

07

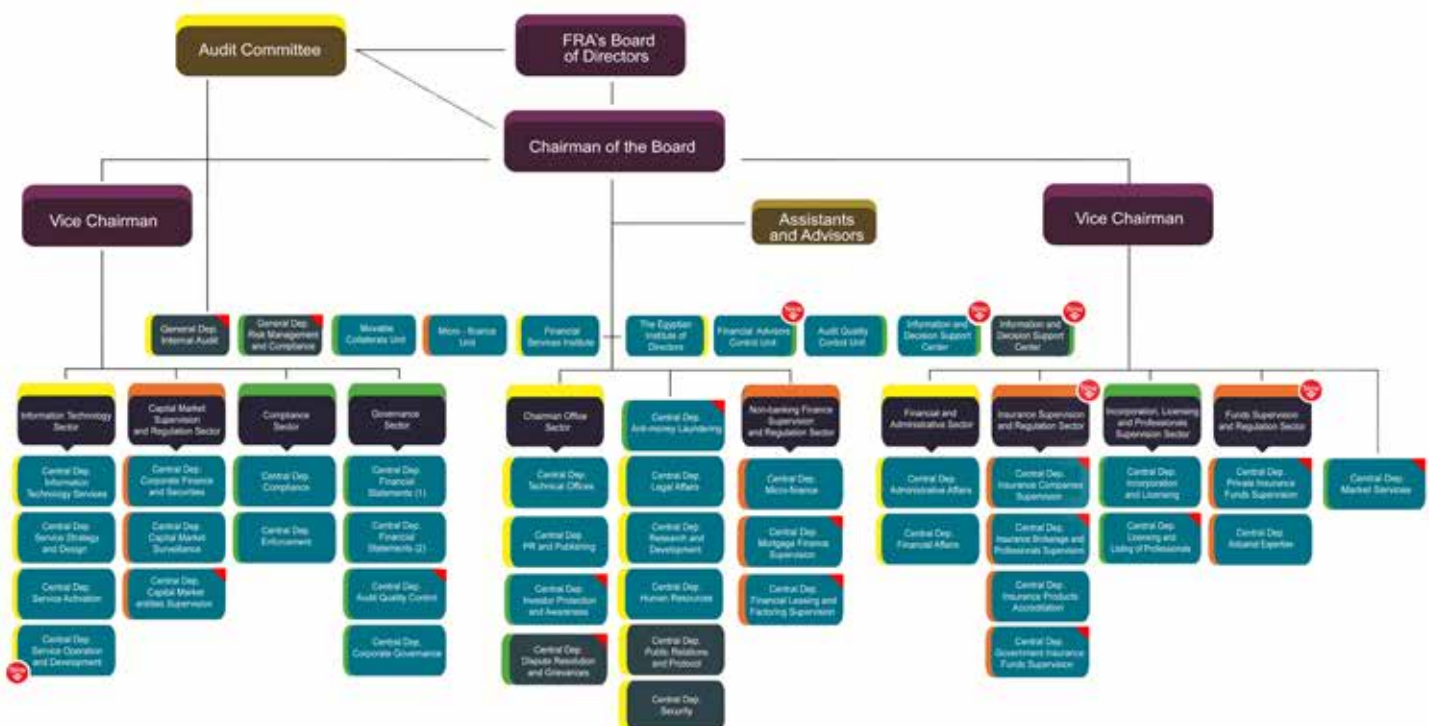
Approving the authority's estimated budget and its ending balance.

08

Providing opinion on all draft laws and decrees related to the sectors regulated by FRA.

2.2. FRA Organizational Structure

About a year and half ago and out of a firm believe in practicing good governance, FRA has updated the organizational chart after extensive examination of similar international experience. The new structure introduced new departments for the first time in FRA such as Sustainable Development, Risk Management, and the Auditors Supervisory Departments. The new organizational chart represents a turning point for FRA in view of leading to the integration of sustainability concept internally and externally in the non-banking financial market.





2.3. Code of Ethics

Entrusted with supervising and monitoring the non-banking financial sector, FRA has found it important to promote standardization and guidelines that promotes credibility and accountability. In 2010, FRA has prepared a code of conduct policy with the aim of raising FRA's performance level and maintaining its reputation as a distinguished entity providing high-quality services to both investors and staff. This code identifies the main values and principles in FRA's work environment in a bid to guarantee the commitment of the staff to the highest standards of objectivity and avoidance of conflict of interests. The code of conduct is expected to be periodically revised to ensure its efficiency and alignment to recent international standards.

Main Values and Principles

FRA staff shall act on a teamwork basis and shall exert the maximum efforts to raise their efficiency as an integrated teamwork.



Integrity and Uprightness

FRA staff shall abide by integrity principles and ethical standards qualifying them to gain confidence of FRA dealers with respect to the duly rendered services.



Fairness

FRA staff shall perform their job duties and deal with market stakeholders in accordance with the principals of fairness and equality. They shall further deal with FRA dealers with all respect, seriousness, and neutrality.



Transparency

Without prejudice to the data circulation provisions stated herein, FRA staff shall transparently deal with the market stakeholders in all matters permitted to be disclosed by the law and not all information considered as confidential or regulatory.



Efficiency

FRA dealers shall perform their duties with efficiency, accuracy, and due care, and shall properly set and apply the mechanisms required for achieving FRA targets and responsibilities, stipulated in the "Non-Banking Financial Markets and Instruments Law no. 10 of 2009, in an efficient manner that gives FRA credibility and respect.



Respect

FRA staff shall respectfully deal with all FRA dealers and officials, regardless to their position, gender, age, religion or political affiliation. FRA staff, of both genders, shall maintain their duly mutual respect and shall not commit any action entailing a complaint by any person.



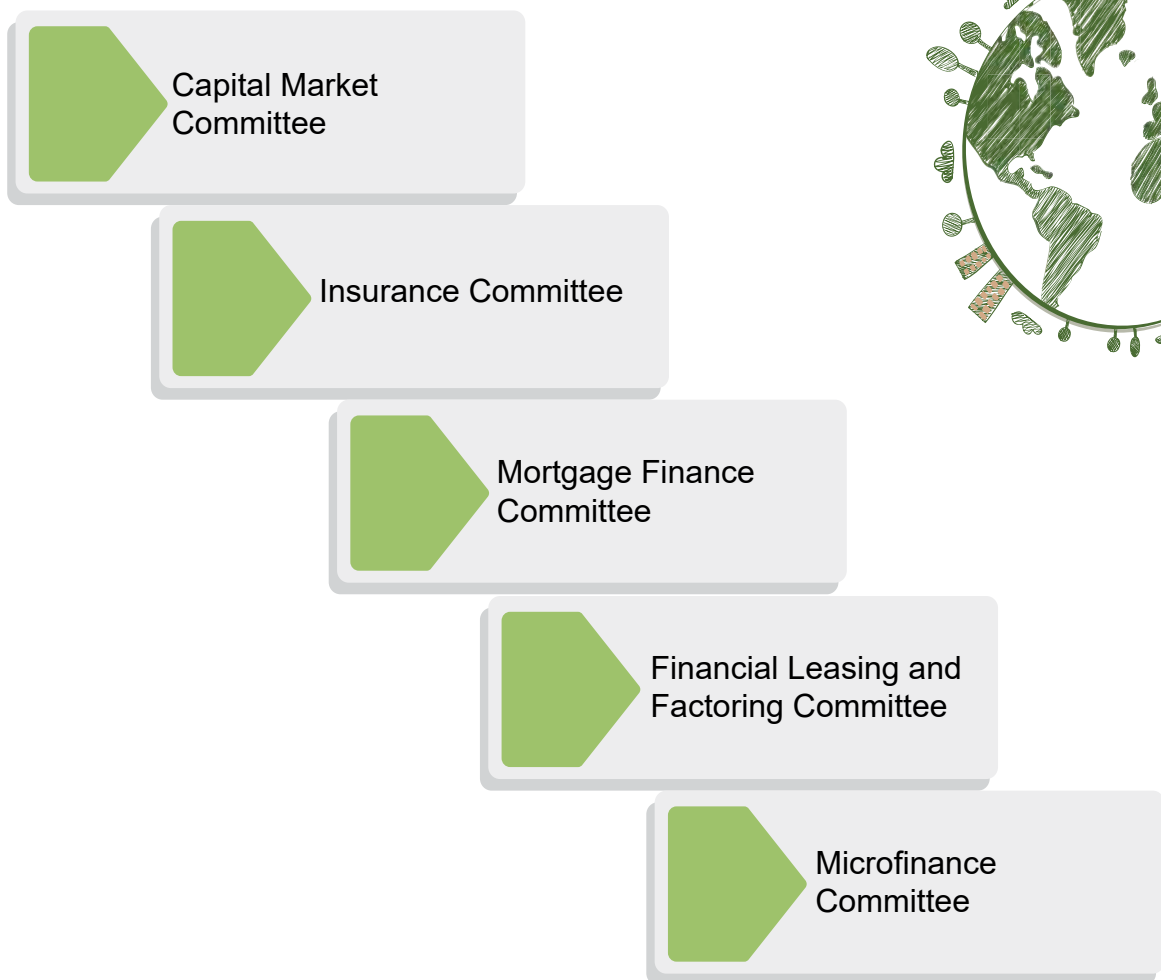
Teamwork

FRA staff shall act on a teamwork basis and shall exert the maximum efforts to raise their efficiency as an integrated teamwork.

The authority reviews and updates the code of ethics to keep pace with local and international developments, and to ensure the stability of markets and support their transparency.

2.4. Consultative Committees

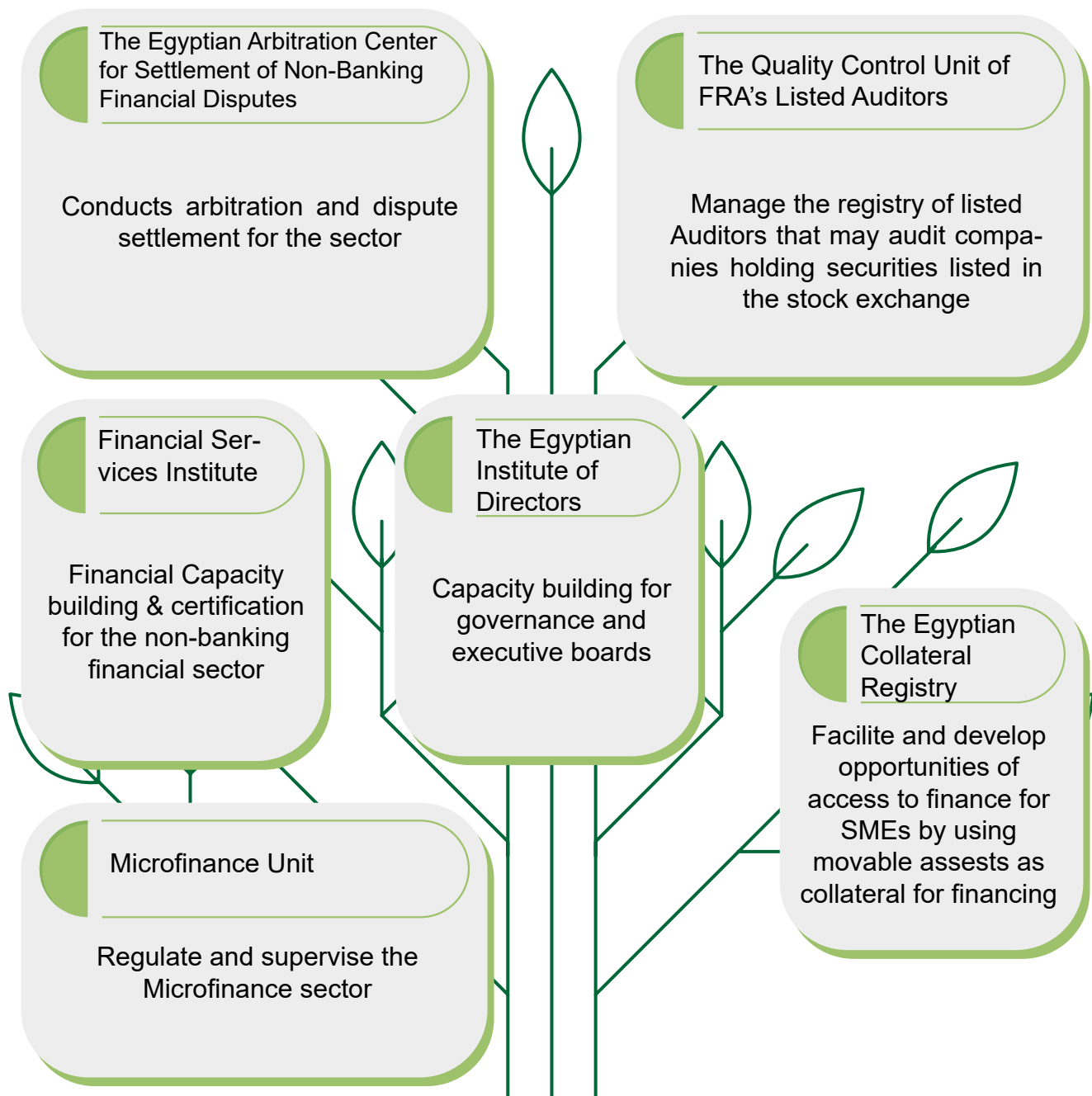
To further deepen FRA's commitment to apply good governance through delegation of authority, a number of Advisory Board Committees were established to increase the accountability of the board through specialization and task division. Each committee is composed of specialists and experts in its specialized sector of the non-banking financial market to advise the authority on the development of the non-banking financial instruments, upgrade its operation systems, and improve its competitiveness in the regional and international markets. The Committees are mandated to invite technical, legal experts, or representatives from the ministries and state-backed entities to participate in part of their meetings. The head of each committee is responsible for briefing FRA Chairman on the Committee's recommendations and proposals. The Chairman is mandated to discuss the recommendations and proposals or ask for further studies and data pertaining to them.





2.5. Affiliates & Subsidiaries

FRA has six subsidiaries that fall under its governance structure to complement its regulatory role. Since FRA is a service-oriented organization with a manifold supervisory role over seven sectors, it was essential to have specialized affiliates to implement FRA's strategic objectives. These subsidiaries work on building the capacity and enhancing the capabilities of the non-banking financial market to conform to the laws and regulations that the authority imposes on them, which are:



2.6. Compliance and Reporting

By virtue of the Egyptian constitution of 2014, and its provision number 217, Authorities similar to FRA are obligated to submit annual reports to the President, Speaker of the house of representatives, and the prime minister.

While Article 17 of Presidential Decree no. 192 of 2009 states that the Accountability State Authority (ASA) is responsible for the financial auditing on FRA.







3. FRA'S STRATEGY



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3. FRA's Strategy

Since balancing the interests of our stakeholders is one of the main principles of good governance, FRA introduced a full-fledged strategy that reconciles the interests of stakeholders with a sustainability framework. The four-year strategy (2018–2022) incorporates the United Nations' Sustainable Development Goals in its main pillars, and further contributes to achieving Egypt's 2030 vision. The strategy consists of ten main pillars that seek to provide a methodology of achieving FRA's aforementioned macro objectives. To maintain a strict monitoring of the strategy, there is a list of KPIs under each pillar to keep track of the overall enforcement of the strategy by the set deadline. FRA is relentlessly working on meeting the following KPIs that many of which have been already implemented:



Table 3-1: FRA 2018–2022 Comprehensive strategy

Strategy Pillars	KPIs
 <p>1st Pillar: Enhance inclusive growth rates</p>	<ol style="list-style-type: none"> 1. Increase the rates of capital increase and issuance. 2. Introduce tools to finance national and infrastructure projects. 3. Support entrepreneurship & MSMEs for marginalized groups.
 <p>2nd Pillar: Embed sustainability in the non-banking financial sector</p>	<ol style="list-style-type: none"> 1. Incentivize the companies to integrate sustainability and participate in international sustainability initiatives. 2. Financial instruments for green projects. 3. Gender equality and empowering women. 4. Employ the differently abled in the non-banking sector. 5. Lead volunteering campaigns to encourage social work. 6. Financial inclusion initiative.
 <p>3rd Pillar: Contribute to improving the investment climate</p>	<ol style="list-style-type: none"> 1. Improve Egypt's ranking in the Doing Business and International Competitiveness Reports. 2. Prepare guidelines for companies and investors about investment procedures. 3. Digitalize FRA's services. 4. Adopt a service-oriented organizational structure.
 <p>4th Pillar: Develop the legislative infrastructure</p>	<ol style="list-style-type: none"> 1. Amend and enact laws for the non banking sector. 2. Establish an electronic platform for the non-banking financial legislation. 3. Prepare a legal framework for the digitalization of the non-banking financial services.
 <p>5th Pillar: Strengthen the institutional framework</p>	<ol style="list-style-type: none"> 1. FRA's autonomy. 2. Establish sectoral advisory committees. 3. New organizational structure in FRA. 4. Update the financial and administrative regulations for the authority's employees.
 <p>6th Pillar: Promote good governance, protect investors' rights, and enhance FRA's regulatory role</p>	<ol style="list-style-type: none"> 1. Issue corporate governance guidelines for companies in the non-banking sector. 2. Arbitration Center for the Settlement of Non-Banking Financial Disputes. 3. Establish investor protection funds.

Strategy Pillars	KPIs
 <p>7th Pillar: Develop the non banking market and services</p>	<ol style="list-style-type: none"> 1. Introduce short-term debt instruments to the market. 2. Create a futures exchange market. 3. Introduce new innovative financial tools. 4. Regulate the issuance of sukuk and determine its types. 5. Increase the compulsory insurance coverage.
 <p>8th Pillar: Openness to the international practices</p>	<ol style="list-style-type: none"> 1. Cooperate with international and regional federations in the non-banking financial market. 2. Conform with the international and regional legislation.
 <p>9th Pillar: Improve risk management and early warning system against crises</p>	<ol style="list-style-type: none"> 1. Transform to risk-based regulatory approach. 2. Establish an early warning system against financial crises.
 <p>10th Pillar: Financial literacy and awareness</p>	<ol style="list-style-type: none"> 1. Activate the role of FSI. 2. Establish a knowledge cluster











4. PERFORMANCE OVERVIEW

- 4.1. Capacity Building
- 4.2. Innovation
- 4.3. Private Sector Enablement
- 4.4. Financial Inclusion
- 4.5. Digitalization
- 4.6. Anti-Money Laundering



4. Performance Overview

Within the context of FRA's strategy, and its pillars stated in this report, it is important to highlight FRA's overall performance of and its main achievements. As a regulator, FRA always aspires to lead and incentivize the non-banking financial market through the integration of new non-banking financial tools, regulations and services that would enhance its competitiveness and its stability. Accordingly, FRA has been determined to promote a set of accelerating factors that aim to develop the market.

Accelerating Factors	Strategy Alignment & Benchmarking
Capacity Building	10th Pillar 
Financial Inclusion	2nd Pillar 
Innovation	1st and 7th Pillars 
Private Sector Enablement	7th Pillar 
Digitalization	3rd and 4th Pillars 
Anti-Money Laundering	6th Pillar 



4.1. Capacity Building

FRA believes that capacity building and drafting laws should come hand in hand to achieve the desired impact of the new regulations. Capacity building is one of the main KPIs of the sixth and tenth pillars of the 2018–2022 sustainable strategy. The sixth pillar is concerned with promoting good governance, which the Egyptian Institute of Directors EIOD implements through offering trainings in corporate governance. The tenth pillar concentrates on disseminating financial literacy and awareness, which the Financial Services Institute FSI achieves through offering technical trainings in various financial instruments. All these trainings are tailor made for the companies operating under FRA's supervision to enable them to comply with the rules and regulations imposed on them. This is a summary of the trainings delivered by FSI and EIOD:

- **EIOD Trainings**

Table 4-1: Growth of EIOD Trainings in 2019 compared to 2018

	2019	2018	Growth rate
Number of Training Courses	75	45	67%
Number of Training Days	213	101	111%
Number of all Trainees	965	694	39%
Number of Trainees from outside FRA	880	513	72%
Number of Trainees from FRA	85	181	-53%

- **FSI Trainings**

Table 4-2: Total Trainings of FSI per Sector in 2019

Insurance	5794	4
Financial Leasing	168	2
Mortgage Finance	171	6
Capital Market	25	1
Factoring	34	1
Microfinance	65	1
Other	67	1



4.2. Innovation

The seventh pillar of the 2018–2022 strategy aims to develop innovative financial tools and services that would facilitate investor and SME access to finance. As a regulator, FRA issues the necessary laws and regulations that would encourage the market to embrace new innovative financial tools that would attract foreign investments and boost the economic growth. This comes in accordance with Egypt's Vision 2030 to enhance innovation as one of the key mainstays of transitioning towards a knowledge-based economy. In 2019, FRA managed to contribute to this pillar through the following financial tools:



Approve the introduction of a new finance product in the microfinance sector named "Nanofinance". It entails providing finance by using mobile phones and fintech apps with a cap of EGP 3k per transaction and a maximum repayment period of 90 days.



The launch of FRA-prepared guidelines on sukuk, the new instrument in the capital market in accordance with the recent legislation.



4.3. Private Sector Enablement

FRA exerts a lot of effort to enable the private sector and support its expansion. On this front, FRA has taken a number of actions that serve the KPIs of the sixth and seventh pillars with a focus on developing the financial market and protecting investors. These actions can be categorized based on the market they serve, including the following markets:



Capital Market

- Egypt advanced 15 ranks on the “Protecting Minority Investors Indicator”, acquiring the 57th rank of the 190 economies covered by the World Bank’s Doing Business 2019 Report. This is ascribed to FRA’s Board Decrees to sustain the protection of small shareholders.
- FRA’s Chairman Decree no. 268 of 2019 on the rules regulating short selling of securities to operationalize this mechanism. FRA granted the first short-selling approval in June.
- FRA’s Board Decree no. 33 of 2019 allows the Authority to license joint stock companies to practice futures exchanges to trade in derivatives listed on securities exchanges.
- Allow security brokerage firms to offer brokerage services in derivatives contracts of securities listed on the stock exchange pursuant to FRA’s Board Decree no. 49 of 2019.
- Issue the first in-depth guide for protecting investors in the non-banking financial market pursuant to FRA’s Board Decree no. 446 of 2019.
- FRA’s Chairman Decree no.74 of 2019 on excepting holding companies from listing stated in the shareholding structure for companies that are under FRA’s supervision and facilitating the procedures of establishing holding companies aims at boosting their contribution to the national economy.
- Set regulations and procedures of public and private placement pursuant to FRA’s Board Decree no.48 of 2019, which aims to increase the number of companies that will list securities on the stock exchange.
- FRA’s BoDs approved the amendment of the Egyptian Exchange (EGX) Securities Listing and Delisting Rules pursuant to the Decree no. 43 of 2019 to protect minority shareholders and small investors.
- Issue Decree no. 20 of 2019 on the statute of the Egyptian Federation for Securities.
- Organize two workshops to raise awareness of regulations of listing at FRA’s register to conduct financial evaluation and fair-value study, along with operationalizing FRA’s Board Decree no. 83 of 2019. The decree allows extending the period FRA granted to licensed entities to conduct financial evaluation and fair-value study to fulfil the conditions of listing at FRA’s register and conciliating the status in view of the regulator’s keenness to realize transparency and integrity to develop investment climate.

In addition, FSI held the first training course on financial derivatives and witnessed the graduation of the first batch of competent people who are capable of working in futures exchanges as part of implementing FRA’s plan to operationalize futures exchanges. And FRA has approved in 2019 the first issuance of short-term corporate bonds since 2015 for issuing short-term bonds at EGP 2 billion in value.



Factoring & Financial Leasing Markets:

- Issue the statute of the federations of companies operating in Financial Leasing and Factoring pursuant to FRA's Board Decrees no. 149 and 150 of 2019.



Microfinance Market

- Exempt micro-insurance contracts covering microfinance clients from fees of revision and certifying forms of new insurance policies stated in FRA's Board Decree no. 17 of 2019 in an effort to stimulate the growth of this activity.
- Set rules and regulations for companies and non-governmental organizations (NGOs) to offer microfinance pursuant to FRA's Board Decree no. 14 of 2019 on extending financial leasing services to include microfinance.
- Issue Decree no. 133 of 2019, stipulating the formation of the Board of Trustees of the Arbitration Center for the Settlement of Non-Banking Financial Disputes.



Insurance Market

- FRA allowed more than 30 travel agencies to distribute travel insurance policies to ease procedures for Egyptians travelling abroad.
- Establish a mandatory auto insurance pool pursuant to FRA's Chairman Decree no. 252 of 2019



4.4. Financial Inclusion

The Egyptian government stressed the importance of expediting financial inclusion and classified this topic as high priority. In accordance with the government's vision and the international progress, FRA added financial inclusion as one of the main KPIs in the first and second pillar of the 2018–2022 strategy. FRA contributes to financial inclusion through supporting MSMEs in the microfinance sector, which further serves the first pillar that aims to enhance inclusive growth rates. FRA started issuing regulations requisite for boosting financial inclusion culture in the Egyptian society that includes but not limited to the following:

- Law number 18 for 2019 was passed on April 2019, Requires government and private sector entities to pay subsidiaries, suppliers and contractors electronically; requires electronic payment for taxes and customs payments, as well as subscriptions to IPOs, investment funds and share purchases; imposes financial penalties for violations.
- Issue Decree no. 15 of 2019 on imposing mandatory insurance coverage for microfinance clients (micro-insurance).
- Issue Decree no. 15 of 2019 on amending rules and regulations for companies and non-governmental organizations (NGOs) to offer microfinance that necessitates the provision of insurance coverage for microfinance clients against death and total permanent disability (TPD) risks.
- Discuss means of cooperation in offering technological solutions to implement microfinance transactions by meeting a delegation from Accion International, and the MasterCard Center for Inclusive Growth.
- The Board of Directors approved licensing credit rating companies to offer services for MSMEs to provide them with finance through issuing different types of bonds, including short- and medium-term bonds.
- The Board of Directors approved a draft proposal to amend Law no.141 of 2014 on regulating Microfinance to widen its scope to include regulations related to “micro, small, and medium-sized enterprises (MSMEs)”.



4.5. Digitalization

FRA chose digital transformation and service orientation to be its main approaches to achieve the ten strategic goals of its strategy. Fintech has been one of the main areas of interest of the government in the recent years and has integrated it into its strategy to stimulate the growth of the economy in a sustainable manner. Accordingly, FRA is working on accelerating the use of technology in the



financial services and making it the heart of its comprehensive strategy to promote efficiency, fight corruption, and keep up with international efforts exerted in this topic. The main highlights achieved this year are:

- To support digital transformation efforts, FRA issued Decree no. 27 of 2019 amended by Decree no. 46 of 2019 on regulations of listing electronic collection companies for premiums of mandatory insurance on high-speed vehicles.
- In a step towards operationalizing financial inclusion mechanisms, FRA issued Decree no. 8 of 2019 on the technical standards regulating the financial transactions in microfinance through e-payment companies.
- In a bid to streamline procedures, expedite transactions, and save time and effort, FRA decided to receive periodic and annual financial statements via email.

4.6. Anti-Money Laundering

As a governmental regulatory authority, FRA takes responsibility to commit to the sixth pillar of its strategy, which is greatly concerned with curbing corruption in the non-banking financial sector and increasing transparency and disclosure levels. FRA establishes and provides the necessary means for ensuring that the financial institutions abide by its rules and systems prescribed by the law to combat money laundering. FRA's obligations include setting regulations for the financial institutions subject to its supervision, outlining policies and plans for combating money laundering, and defining the identity and appointing a contact person to represent FRA at the Anti-Money Laundering Unit.

- FRA signed a cooperation protocol with the Central Bank of Egypt (CBE) to boost cooperation in Anti-money Laundering and Combating Terrorism Financing. The move came in line with preparations for assessing the State in accordance with the system of assessing the technical commitment to Egyptian standards by the Financial Action Task Force (FATF). Commenced in the first quarter of 2020, the process concentrated on the conformity of legislation and regulations with international standards.
- FRA's Board Decrees no. 120 and 121 of 2019 on supervisory regulations and the rules of listing officials of Anti-money Laundering and Combating Terrorism Financing of the entities operating in the non-banking financial markets at FRA.



5. SUSTAINABILITY FRAMEWORK

5.1. Sustainable Development
Department

5.2. Guiding Initiatives & Principles



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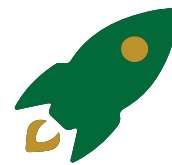
5. Sustainability Framework

5.1. Sustainable Development Department (SDD)

As sustainable development occupies a prominent position in FRA's strategy presented in Pillar Two and in order to implement the Authority's strategy, SDD was established in early 2019 as an integral part of the new organizational structure adopted by FRA. The department took the responsibility to introduce sustainable development to the non-banking financial market and to embed its practices in the market's financial policies starting with raising the staff's awareness of the concept of sustainability and its goals. On the external level, raising the non-banking financial sector's awareness of sustainability throughout working on building capacities to spread the knowledge of sustainable finance concept and shed the light on its principles, goals, and plans for its applications. In addition, SDD is working on developing regulations to embed climate change, risk assessment, and ESG reporting into the non-banking financial sector.

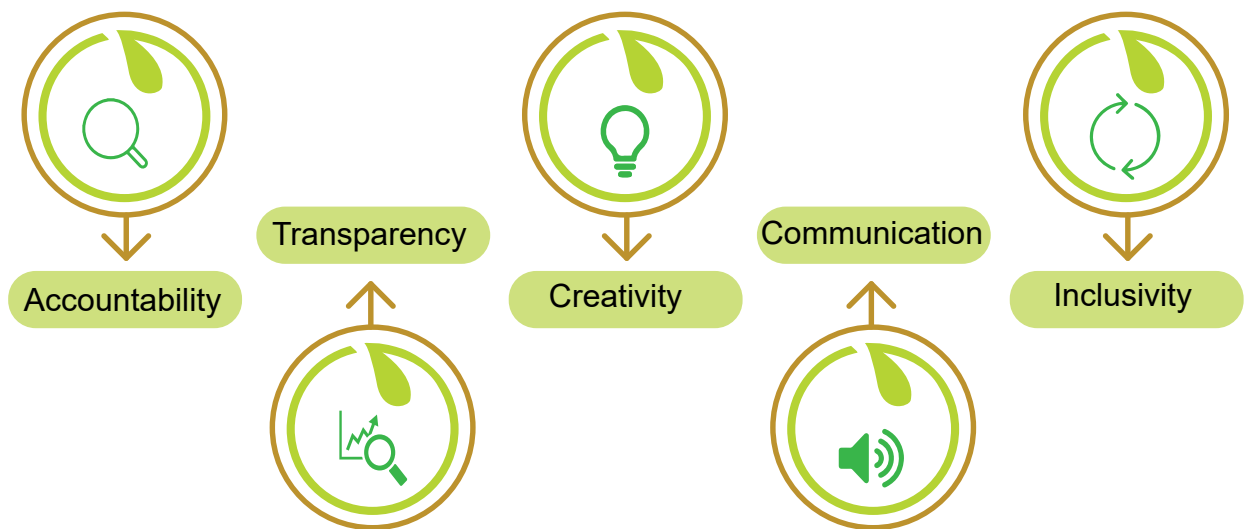
Mission & Vision

- Aligning Egypt's non banking financial market with the path of sustainable development
- Directing FRA as an institution towards sustainability



- Build the capacities of non banking financial market stakeholders to promote sustainable governance, investments and green products & services
- Introduce measures to promote sustainability on the institutional level of FRA

Values

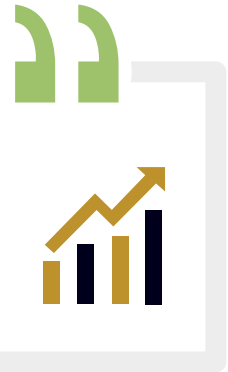


Strategic Goals



SDD Action Plan

SDD developed an action plan that expands on the second pillar of FRA's comprehensive strategy, and sets the KPIs that can assess the progress in implementing this pillar. This plan will be reviewed on an annual basis and will focus on areas of materiality that can be subject to change annually.



It provides an agreed framework to drive performance as well as engage internal and external stakeholders. A vision, mission, and values provide the building blocks to revisit and reflect on undertaken practices and sustainability related regulations. A major component of the strategy includes a rigorous process of materiality, which is essential to identify the issues that matter most to our institution as well as its stakeholders. The components of the strategy are interconnected through clear programs, targets, and KPIs for each aspect. The strategy directly builds on the overall performance and operational strategy of FRA and aims to:



Table 5-1: SDD Action Plan

Pillars	Components	Outputs
Pillar One: Internal Institutionalization	Sustainability awareness and staff engagement	<ol style="list-style-type: none"> 1. Broad internal engagement. 2. Define SDD's role in relevance to each sector/department in a manual. 3. Introduce social responsibility program. 4. Promote partnerships with relevant stakeholders to implement FRA's Social Responsibility program. 5. Organize engagement activities to educate employees and their families on ecofriendly alternatives.
	Topic prioritization and Materiality	<ol style="list-style-type: none"> 1. Work on implementing the 10 UNGC principles and obligations on FRA and its internal practices. 2. Align sector strategies with Egypt's Vision 2030. 3. Prioritize SDGs relevant with the Authority's.
	Identify sustainability framework	<ol style="list-style-type: none"> 1. Conduct needs assessment and assign division/ sectorial focal points per division/ sector. 2. Design SDD strategy to be implemented on the internal level.
	Gender Equality	<ol style="list-style-type: none"> 1. Balance employee gender by raising female numbers in newly hired employees.
	Sustainable consumption and Production	<ol style="list-style-type: none"> 1. Conduct sustainable consumption and production awareness campaigns for staff. 2. Produce information manuals/ publications for SDD on sustainable consumption and production. 3. Introduce internal policy incentives to promote the staff's sustainable practices. 4. Conduct measures to reduce water, electricity, and paper consumption. 5. Supply chain mapping to start dealing with environment - friendly suppliers. 6. Strike partnerships with NGOs to promote reducing FRA waste and adopt recycling.



Pillars	Components	Outputs
Pillar Two: Market Development	Sustainability awareness and market engagement	<ol style="list-style-type: none"> 1. Position FRA as the Champion of Egypt Vision 2030 in the non-banking financial sector. 2. Assessment of knowledge and awareness of sustainability among the non-banking financial sector. 3. Broad engagement of FRA's stakeholders to introduce SDD and its mandate. 4. Launch an external communication plan. 5. Introduce responsible ecofriendly non-banking financial sector. 6. launch a call to action initiative among the sector.
	Align the non-banking financial sector with the 5 priority SDG's	<ol style="list-style-type: none"> 1. Introduce sustainable insurance and climate risk assessment to the insurance sector. 2. Introduce green microfinance tools. 3. Suggest policies to ease access to financial services especially for the differently abled individuals to enhance the financial inclusion. 4. Introduce sustainability measures to the non-banking financial sector to start implementing it on their institutional level. 5. Provide capacity building on sustainability reporting and disclosure.
	Introduce policies and regulations that promote sustainable finance	<ol style="list-style-type: none"> 1. Suggest policy recommendations to promote green finance. 2. Provide capacity building to companies supervised by FRA in sustainability and green finance. 3. Introduce risks and costs of not embedding social and environmental dimensions along with the economic dimension.
Pillar Three: Partnerships and Engagement	Regional	<ol style="list-style-type: none"> 1. Map and prioritize possible regional partners. 2. Lobby for events/conferences on sustainable finance. 3. Explore the possibilities of mutual work exchange/ internships and study tours.
	International	<ol style="list-style-type: none"> 1. Pursue continuous active engagement with UNGC, SSE, IOSCO, and UNEP-FI. 2. Explore the possibility of new international partnerships. 3. Utilize communication to promote and showcase FRA's sustainability efforts on an international level.

5.2. Guiding Initiatives & Principles

1. Sustainable Development Goals (SDGs)

The 2030 Sustainable Development Goals (SDGs) Agenda is one of FRA's main adopted principals and it is used as a benchmark to all of FRA's sustainability activities. The United Nations' 17 Sustainable Development Goals were released in 2015 to call for a global action to end poverty, reduce inequalities, and address climate change challenges. Even though the 2030 agenda is not binding, the governments of all member states of the UN are required to report on the progress achieved with respect to these 17 goals. Accordingly, as a governmental authority, FRA takes responsibility to contribute to Egypt's progress towards implementing the 2030 Sustainable Development Agenda.



2. United Nations Global Compact (UNGC) 10 Principles

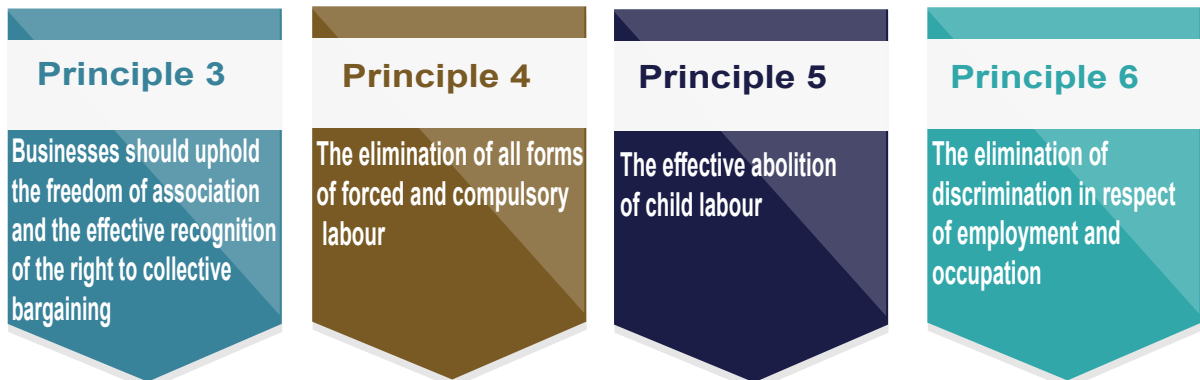
To fulfill its membership in the UNGC, FRA aligned its business operations with the 10 principles of the UN Global Compact along with the 17 SDGs to maintain corporate sustainability in the areas of human rights, labor, environment, and anti-corruption. With this commitment, FRA is responsible for supporting the Global Compact advancing these principles to its stakeholders.

■ Human Rights





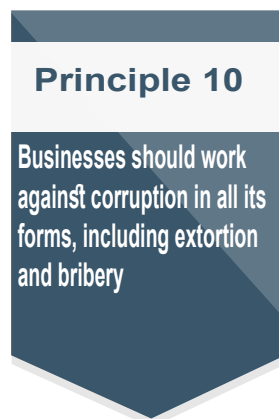
■ Labour



■ Environment



■ Anti-Corruption



3. Egypt Vision 2030

In addition to the international principles that FRA takes as a benchmark, the non-banking financial sector regulator further benchmarks the Ministry of Planning's Sustainable Development Strategy: Egypt Vision 2030 as a local reference for development. Egypt's Vision 2030 aims to achieve inclusive sustainable development and balanced regional development through three main dimensions: social, environmental, and economic dimensions.





6. EMBEDDING SUSTAINABILITY

- 6.1. Stakeholder Mapping
- 6.2. Stakeholder Engagement
- 6.3. SDGs Prioritization
- 6.4. Selecting & Reporting on Material Topics



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6. Embedding Sustainability

Drafting and endorsing a sustainability action plan is a primary and initial step in the gradual process of embedding sustainability at FRA and among market players. It is the vehicle through which FRA can implement the global principles it endorses and supports others to follow suit. Gradually, FRA aims to fully integrate sustainability in respective departmental strategies and align it even with overall risk management.

In the strategy cycle of 2019, SDD developed an action plan that identifies pillars and KPIs that best implement FRA's vision for embedding sustainability in alignment with the 2nd pillar of the comprehensive 2018–2022 strategy. We aim to review these pillars in lieu of our conducted materiality exercise to make sure that the pillars of our action plan are relevant to the focus areas that are indicated by our partners, stakeholders, and beneficiaries.

Materiality Assessment

FRA will revisit the materiality assessment on an annual basis to identify relevant priority areas within the context of its sustainability agenda and in harmony with FRA's core services. Materiality assessment is a tool to prioritize topics within the sustainability landscape that is relevant to the expertise and stakeholders of our institution. This is a common international practice and standard in sustainability strategizing, and reporting.

The materiality exercise starts by identifying the main stakeholders of FRA through a clearly stated process mentioned below. After the identification of the stakeholders, a method of communication and frequency of communication was determined by SDD based on the importance of the stakeholders and their availability.

The feedback given by the stakeholders was considered beside FRA's main priority areas pre-identified in its strategy, which resulted in pinpointing the main priority topics ranked according to their relevance to FRA and the stakeholders. The boundaries of each topic were also identified to assess the scale of the impact of the material topics (internal or external). In addition, SDD uniquely linked all the shortlisted material topics with the priority SDGs target identified (table 6-2) to finalize the prioritization of the material topics. The final outcome of the materiality exercise is illustrated graphically in a materiality matrix (figure 6-1).



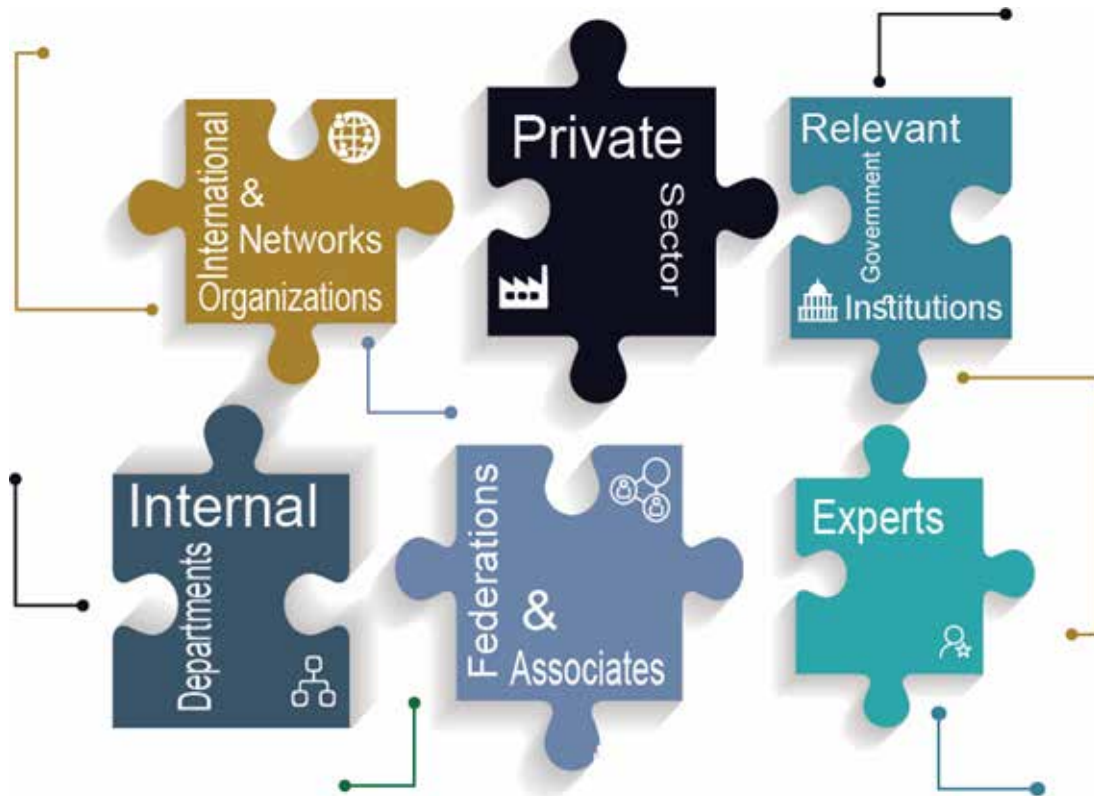
Materiality Step One: Stakeholder Mapping

In order to ensure the appropriate selection of priority topics for FRA's sustainability strategy pillar, a rigorous process had been conducted to identify relevant stakeholders. Consideration in stakeholder selection were given to constructive feedback, knowledge, and experience. The process of the stakeholder mapping included:

- 1) Identifying: listing relevant groups, organizations, and people.
- 2) Analyzing: understanding stakeholder perspectives and interests.
- 3) Mapping: visualizing relationships to objectives and other stakeholders.
- 4) Prioritizing: ranking stakeholder relevance and identifying issues.

5) Diversity: bringing different experiences and representing various types of institutions to build a full-fledged 360-degree vision of what topics are relevant and more important in ranking.

Based on the feedback of the senior management of the different departments and sectors inside FRA, the main stakeholders can be identified in the following list:



Materiality Step Two: Stakeholder Engagement

After identifying the stakeholders, continuous communication is periodically maintained. This is important in order to consistently validate the sustainability pillar of the strategy and match stakeholders' topics of interest with FRA chosen material topics. This dialogue takes place through various communication channels depending on stakeholder availability (table 7-1).

Consequently, FRA actively participates in and organizes events, conferences, roundtables, and expert meetings, which provide chance for FRA to receive continuously the feedback of its stakeholders required to proceed with prioritizing the material topics. The table below shows our priority stakeholders and the topics raised by each stakeholder, which is later prioritized according to their relevance to FRA's strategy and adopted international principles.



Table 6-1: Method of Engaging Stakeholders and Topics Raised

Stakeholders	Channel of Communication / Frequency	Raised Issues
Private Sector	One to one interviews Conferences Annual Reports	<ul style="list-style-type: none"> - Empower women. - Introduce green finance instruments. - Sustainable consumption and production. - Promote ESG disclosure.
Federations & Associates	Semi-annual focus groups	<ul style="list-style-type: none"> - Integrate climate change as financial market risk. - Financial market stability. - Progress towards Egyptian circular economy.
International Organizations & Networks	Quarterly meetings	<ul style="list-style-type: none"> - Promote institutional governance, reporting, and accounting. - Educate institutions on climate change.
Relevant Government Institutions	One to one interviews	<ul style="list-style-type: none"> - Financial inclusion. - Transition to sustainable finance system. - National policies for social protection. - Creation of green jobs.
Internal Departments	Monthly staff meetings Quarterly & annual reports	<ul style="list-style-type: none"> - Increase women representation in the financial sector. - Capacity building to integrate sustainability.
Experts	Quarterly expert meetings	<ul style="list-style-type: none"> - Raise awareness of climate change. - Reduce GHG emissions. - Partnerships.

Materiality Step Three: SDGs Prioritization



FRA has selected four priority goals to pursue when implementing its sustainability strategy pillar. The goals are: Climate Action (Goal #13), Gender Equality (Goal #5), and Responsible Consumption and Production (Goal #12), and Decent Work and Economic Growth (Goal #8).

The selection of these goals was the result of conducting a prioritization exercise and benchmarking international regulators around the world.



After selecting priority SDGs, further disaggregation to select priority targets under each of these goals was also imperative to help achieve and further understand the selected SDGs.

Table 6-2: Priority Sustainable Development Goals and Targets



Goal	Priority Targets
 <p>Goal 13: Climate Action</p>	<p>Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> <p>Target 13.2. Integrate climate change measures into national policies, strategies, and planning.</p> <p>Target 13.3. Improve education, awareness-raising, human, and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.</p>
 <p>Goal 8: Decent Work and Economic Growth</p>	<p>Target 8.10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p> <p>Target 8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>Target 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labor-intensive sectors.</p> <p>Target 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, through providing access to financial service.</p>





Goal	Priority Targets
 Goal 5: Gender Equality	Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic, and public life.
 Goal 12: Responsible Consumption & Production	Target 12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle. Target 12.8. By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.









Materiality Step Four: Selecting and Reporting on Material Topics

The identification of the key and material topics is achieved through prioritizing the topics raised from the stakeholder's feedback and engagement based on its relevance to FRA's strategy and its pre-identified priority SDGs (table 6-2). Thus, this process guarantees that the identified material topics for the year 2019 reconcile the strategic objectives of FRA as a regulator with the interests of its stakeholders.

This can be illustrated through the following table that inter-links the shortlisted materiality topics selected by stakeholders to FRA's priority SDGs and their subsequent targets.

Table 6-3: Linking the Shortlisted Topics to FRA's Priority Targets

Shortlisted Material Topics	Priority	Topic Boundaries	SDG	Targets
 Introduce Green Finance Instruments	High/ High	Outside	8, 13	13.1, 13.2, 13.3 8.10
 Women's leadership in the financial sector	High/ High	Inside/ Outside	5, 8	5.5 8.5

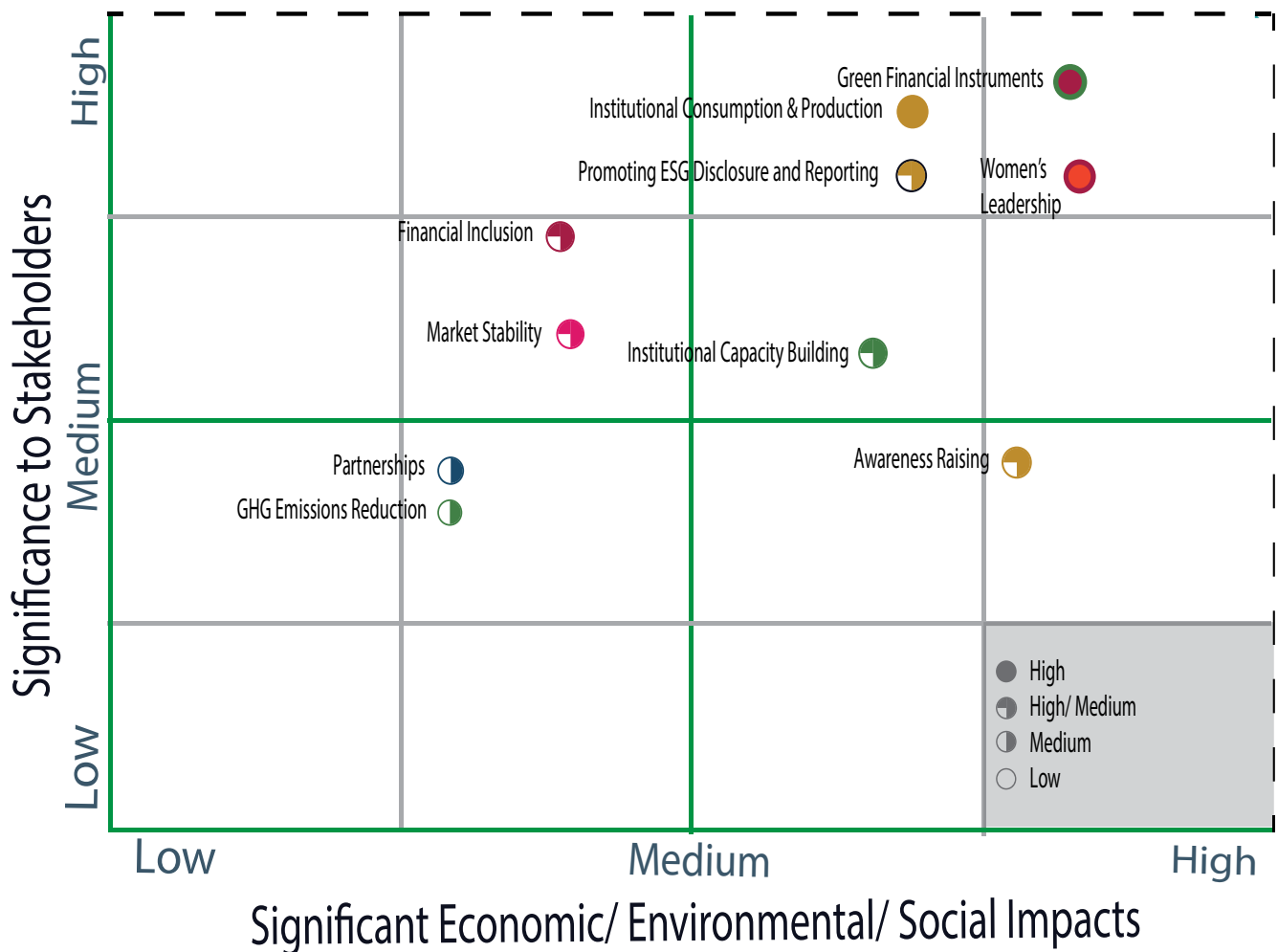
Shortlisted Material Topics	Priority	Topic Boundaries	SDG	Targets
 Promote institutional consumption and production	High/ High	Inside	12	12.1, 12.7, 12.6
 Promote institutional governance, ESG disclosure, reporting and accounting for climate-change risk management	High / Medium	Outside	12, 13	12.6, 12.8 13.3
 Financial inclusion and social protection	High/ Medium	Outside	8	8.3, 8.10
 Financial market stability, transparency, and accountability	High/ Medium	Outside	10	10.5
 Institutional capacity building to integrate sustainability	Medium/ High	Inside/ Outside	13	13.3
 Awareness raising in sustainable development	Medium/ High	Inside/ Outside	12	12.8
 Forge Partnerships to accelerate implementation	Medium/ Medium	Inside/ Outside	17	17.16, 17.17
 GHG emissions reduction	Medium/ Medium	Inside/ Outside	13	13.1



And utilizing the below materiality matrix ((figure 7-1) to reflect the ranking of materiality topics, as chosen by stakeholders. The materiality matrix showcases these sustainability issues by contrasting two dimensions. One is the importance of the issue to FRA and the second is the significance of the issue to stakeholders related to their understanding of FRA's strategy and scope of work.

As shown in the materiality matrix, the three main materiality topics are:

1. Green Finance Instruments.
2. Women's leadership in the financial sector.
3. Promote institutional consumption and production.





7. SUSTAINABILITY PERFORMANCE HIGH- LIGHTS

- 7.1. Introduce Green Finance Instruments
- 7.2. Empower Women's Leadership in the Financial Sector
- 7.3. Promote Institutional Consumption & Production
- 7.4. Other Institutional Practices



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7. Sustainability Performance Highlights

The results of the conducted materiality exercise directed us to focus on three main material topics, which are:



Thus, SDD started with these priority areas and managed to achieve impressive results in the chosen material topics. This section is dedicated to highlight the progress in achieving these selected topics. In addition to other sustainability practices that FRA has adopted in preparation for adding new priority material topics that appeared on the materiality matrix as being medium priority to high priority as displayed in table 7-3.

7.1 Introduce Green Financial Instruments

1. Green Bonds

FRA has taken steps to pave the way for the financial market in Egypt to adopt and promote sustainable and green financial instruments. One of the most common instruments for promoting sustainable finance in the MENA region is green bonds. The issuance of green bonds is crucial to finance the transition towards a green economy and mitigate the climate change risks because it aims at raising money for green projects that in turn benefits the environment and sustains the threatened natural resources. Green bonds would make a paradigm shift in the capital market because it would divert the traditional orientation of investors towards solely focusing on monetary and financial returns to further consider the elimination of environmental degradation as a part of the returns.



Regulations:

Thus, FRA is taking the lead to introduce this tool to the Egyptian market through issuing laws that facilitate and incentivize the capital market to invest in green bonds. Accordingly, FRA issued three board decrees to create and regulate the long-awaited first issuance of green bonds in the Egyptian capital market, which are:

Board Decree no. 113 of 2019

which states the preliminary list of third-party international verifiers for green projects. This decree serves as a preliminary reference for the companies interested in issuing green financial tools. The list endorses the top 11 third party verifiers with the highest international market shares with the possibility to add further verifiers on demand.

Board Decree no. 127 of 2019

on creating a registry for third party local green projects verifiers who fulfil the criteria of FRA. This decree is designed to support the green bond issuance in Egypt and to create a solid local market of external verifiers to facilitate the green bond issuance in the Egyptian market and not to be limited only to large companies. This decree helps in identifying clear attainable requirements to stimulate local experts to be a third-party verifiers that enrich the local market.

Board Decree no.141 of 2019

on green bonds incentives: 50% exemption for green bond issuers from the total cost of FRA inspection services (Public subscription 0.5/1000 of the value of the issuance - Private placement: 0.25/1000 of the value of the issuance). Throughout this decree, FRA provides the market with a financial intensive to enhance and promote for the green bonds issuance as FRA is keen on supporting all green market tools to play a vital role among other financial tools.

Stakeholder Participatory Dialogue and Awareness

FRA periodically conducts seminars, workshops, and roundtables to create a dialogue between the regulator and its stakeholders to ensure that the Authority's efforts regarding sustainable finance best serve the interests of the market and its stakeholders such as:

- In the preparation of the first Egyptian green bonds manual, which provides local and overseas investors with all details related to the issuance of green bonds and their related tariffs, FRA held a consultative meeting with a group of experts in the sustainability field and officials from the Ministry of Environment, and representatives of international and regional organizations concerned with environmental affairs on the 26th of December 2019.

The expert meeting marks the first of a series of meetings to discuss the Authority's vision in developing the classification of green projects taxonomy, that proposes a classification of green projects in three categories: low carbon emissions projects, climate change adaptation and mitigation projects, and projects specifically targeting the conservation and protection of terrestrial biological diversity.

The experts presented their views regarding the classification of green projects, heightening the need for a guide that helps many companies that believe in their social responsibility towards the environment and society to invest their financial allocations in financing green projects. More than 20 experts from different governmental bodies such as the Ministry of Environment, the New and Renewable Energy Authority, climate change experts and private-sector green and sustainable consulting firms were in attendance.





- In fulfillment of FRA's strategy to introduce sustainable finance tools and practices to the Egyptian market, FRA held an expert meeting named "Thinking outside the Box: Ways to promote access to sustainable finance and corresponding private sector engagement". The meeting was held on the 2nd of July 2019 in partnership and co-organization of the German Association for International Cooperation (GIZ)

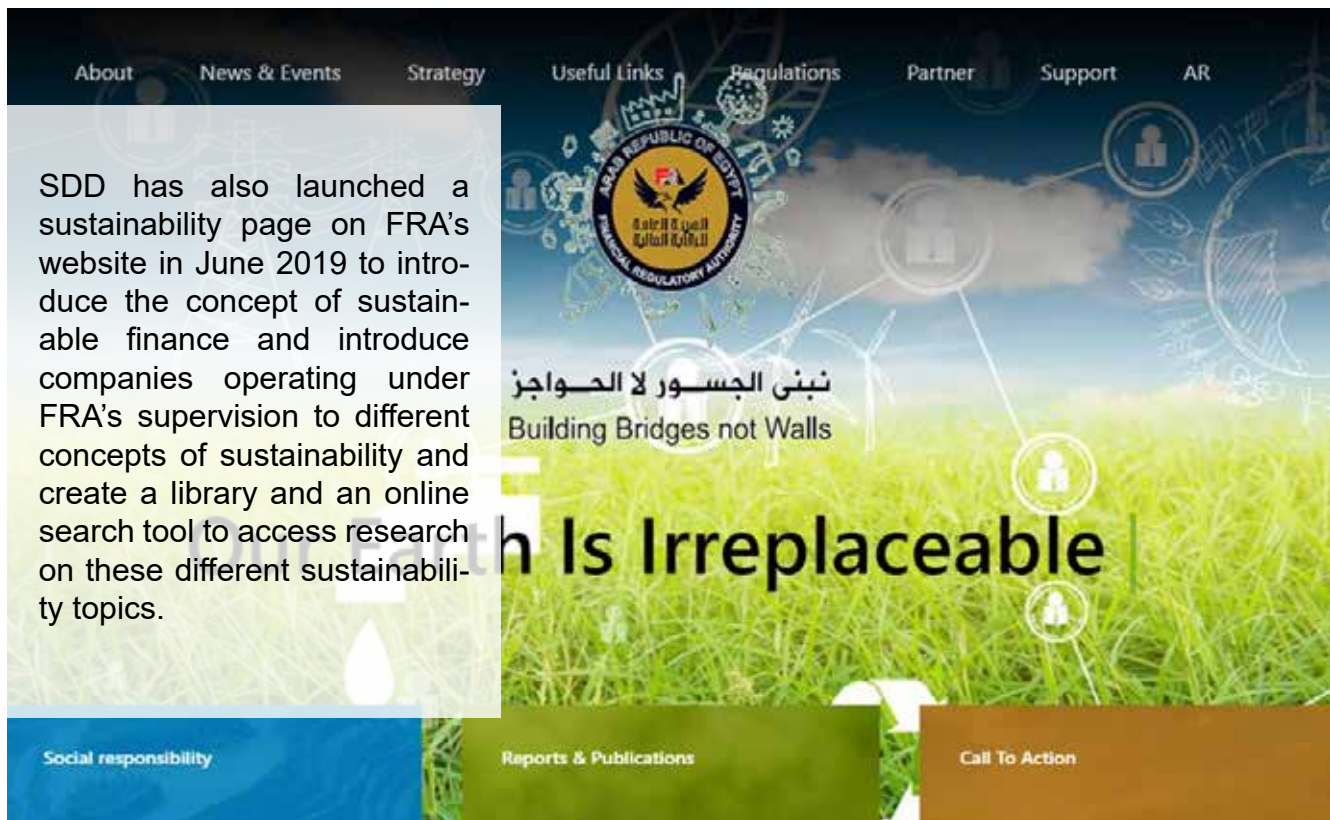
and under the patronage of Dr. Mohammed Omran, FRA's Chairman. The meeting is the first of its kind to be hosted by a public authority and was attended by around 16 participants.

It targeted young experts and leaders in the sustainability domain to start a dialogue on private sector engagement in sustainable finance and disruptive methods that can be utilized. The main outcome of the meeting was a recommendation for the drafting and launching of a sustainable finance roadmap for the non-banking financial sector in Egypt.

- In an attempt to launch a series of seminars on the sustainability principles and their application in Egypt, on the 28th of February 2019, FRA held a workshop with Mr. Mark Halle, senior adviser to the International Organization of Financial Centers for Sustainability and the former executive director of the International Institute for Sustainable Development, to conduct a symposium on sustainable green financing as a guest speaker. The workshop was attended by more than 45 representatives of companies operating in the non-banking financial sector. Mr. Mark gave an introductory presentation on the International Organization of Financial Centers for Sustainability and discussed global updates on green and sustainable financial instruments.



- As part of its outreach efforts, FRA has participated in several conferences on sustainable finance and its importance to raise awareness and showcase current regulatory development undertaken by the Authority. These conferences include the 3rd edition of Arab Sustainable Development Week held from 3-6th of November 2019 and the "Transformation toward Green Economy" Conference held on the 29th of September 2019 and organized by CSR Arabia.



2. Sustainable Insurance

Globally and due to the adverse impact of climate change, insurance is no longer limited to its traditional coverage to lives and properties. It has become one of the main financial tools that stimulates financial inclusion and contributes to sustainable development. Insurance companies started paying more attention to climate change risks, micro-insurance, and protecting the marginalized groups from natural hazards and entailed economic outcomes.

On the back of its endeavours to be a pioneer in integrating new practices to promote sustainable finance, FRA started directing its sustainability efforts to the insurance sector. FRA started with raising awareness on sustainable insurance and encouraging its voluntary adoption in preparation for issuing regulations for the insurance market.

FRA worked on raising awareness of sustainable insurance through taking the following initiatives:



FRA invited Dr. Hussein Abaza, the renowned sustainable development expert, to hold a seminar on the possibility of integrating sustainability to the Insurance sector. The seminar was held at FRA's lecture hall, on the 24th of March 2019 and it was attended by around 35 insurance companies. The seminar also has introduced a possible new insurance instrument to counteract climate change risks that can be adopted by companies. Additionally, the head of SDD announced the Sustainability Help Desk Initiative that aims to provide technical assistance for companies that are interested to voluntarily adopt sustainability practices.



In partnership with the Insurance Federation of Egypt (IFE) and UN Environment's Principles for Sustainable Insurance Initiative PSI-the largest collaborative initiative between the UN and the global insurance industry, FRA organized the first PSI Market Event in the region on the 7th of May 2019. The event was attended by the CEOs of major stakeholders in the insurance industry and around 30 CEOs of insurance companies in Egypt.

The event resulted in the announcement of drafting a sustainable insurance strategy and the roadmap of the sector, marking the first of its kind in the region and Africa. This strategy aims to create an action plan based on the market status to embed the sustainable insurance principles in the insurance industry.

Consequently, FRA has formed a Sustainable Insurance Committee to support the drafting of the strategy. The committee is focusing on many topics such as awareness-raising, identifying the needs of the private sector and the obstacles facing it to embrace sustainable insurance principles, highlighting the best sustainability practices, and creating industry champion to lead the market by example. The committee was comprised of FRA, IFE, GIZ, AXA, and Allianz.

The committee has held two meetings in the second half of 2019. As per its recommendation, an online needs assessment was prepared by FRA and IFE. The online assessment was sent to all insurance companies operating in the Egyptian market as a first step in the preparation for the strategy.

The survey aims to stand on the market status and how familiar is it with the sustainable insurance principles.

Meanwhile, and with the support of FRA, the Insurance Federation of Egypt established a Committee for Sustainable Development to start planning and taking steps towards integrating sustainability in the insurance sector.



- Conduct a training seminar on sustainable development for the Insurance Federation of Egypt (IFE) Staff to introduce the insurance sector's role in supporting global efforts to reduce the risks of natural disasters and promote green investments. The seminar was held on the 19th of May 2019 and attended by 15 IFE staff.

- FRA has also participated in promoting sustainable insurance and encouraging insurance companies to adopt voluntary sustainable practices and recognize the importance of mitigating climate change risks for the industry. These interventions took place during the annual Rendezvous Sharm Conference organized by IFE for the insurance industry from the 11-13th of November 2019 under the auspices of FRA.





- FRA celebrated its 10th anniversary as a unified regulatory body for the non-banking financial sector that also marked eighty years in serving the Egyptian economy.

the event marked the attendance of prominent figures well-known in the capital market and the field of sustainable development who spoke at several panel discussions related to the performance and developments in the non-banking financial sector. During the 2nd Panel: Dr. Mahmoud Mohieldin, Senior Vice President of the World Bank Group, moderated the 2nd panel titled “Mobilizing Finance to Accelerate Sustainable Development and Inclusive Growth” with the participation of Dr. Hala Al Saed- Minister of Planning, Monitoring and Administrative Reform; Alaa Alzouhairi, Chairman of Insurance Federation of Egypt; Mark Halle, Senior Advisor, Financial Centers for Sustainability Network; and Nicolas Firzi- Director General & Head of Research, World Pension Council. The discussion shed light on global and local challenges to improve sustainable financing and inclusive growth. It also presented prevailing models and trends in the governance of sustainable finance, the expected role of financial regulators and international organizations in re-directing capital towards sustainable finance. Besides, the discussion showcased the Egyptian insurance sector’s vision and integration of sustainability principles into its performance plan, especially in its investments.

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7.2 Empower women's leadership in the financial sector

The second material topic is concerned with gender equality in view of FRA's belief that there can be no sustainable development with half of the population marginalized. Since goal #5 is one of FRA's main priority SDGs, many efforts have been undertaken to improve the stance of women in the financial sector. The momentum towards encouraging more female board members in corporations is a global movement, on the back of recognizing that gender diversity on corporate boards leads to more profit, creativity, and growth.





External Endeavors:

In September 2019, FRA announced that amendments to the listing rules in the Egyptian Exchange had been proposed to ensure women's representation on the governing board of companies. Dr. Omran issued decrees no. 123 and 124 of 2019 that require both listed companies and non-bank financial institutions to have at least one female board member by the end of 2020. The decision reflects FRA's proactive approach to boost gender equality and empower women's leadership in the none-banking financial sector.

The women representation decree, which gained collective endorsement from both governmental and civil society institutions, is the first of its kind in Egypt and it is expected to help in accomplishing the National Strategy for the Empowerment of Egyptian Women 2030. This strategy requires 30% of total senior management positions to be occupied by women by 2030.

According to the annual Egyptian Women on Boards Monitoring Report issued by the American University in Cairo (AUC), only 256 women are currently on executive boards which represent only 9% of total board members in Egypt. It is also important to recognize the proactive partnership with the Women on Boards Observatory at the AUC to work on ways and practices to provide capacity building to potential and prospective female financial senior level managers in the sector. In its annual contribution to the Egyptian Women on Boards Monitoring Report issued by the observatory, FRA's data for the non-banking financial sector shows that:

FRA's WOB Statistics 2019	
Percentage of Women on Boards	11%
30% or More Women on Board	13%
Zero% Women on Board	57%
3% or More Women on Board	4%

Accordingly, FRA's decree was issued to enhance this percentage and to participate in fulfilling 2030 agenda in this vital element, as FRA supervises a vital sector represented by nearly 900 companies.

Internal Endeavors:

FRA does not only focus on the external market; it promotes women empowerment internally as well.

- FRA hosted Dr. Ghada Howaidy, Associate Dean – AUC, to conduct a workshop on the topic “Women on Board” to discuss the economic gains of empowering women and to encourage women working in FRA to increase their participation in leading roles. This seminar fructified a collaboration between AUC and FRA where the Authority provides AUC observatory in regard of the total women on the boards of the non-banking financial sector. This collaboration came as a first step to provide the women assuming leadership positions with necessary trainings to help and support the ascendancy of successful women on corporate boards throughout a partnership between EIOD and AUC. The seminar, which was held at FRA’s headquarters on the 11th of September 2019, targeted women working in senior positions as well as women aspiring to be in a leading position among FRA staff. The seminar was attended by almost 200 participants and discussed how women can be a board member and hold senior leadership positions.



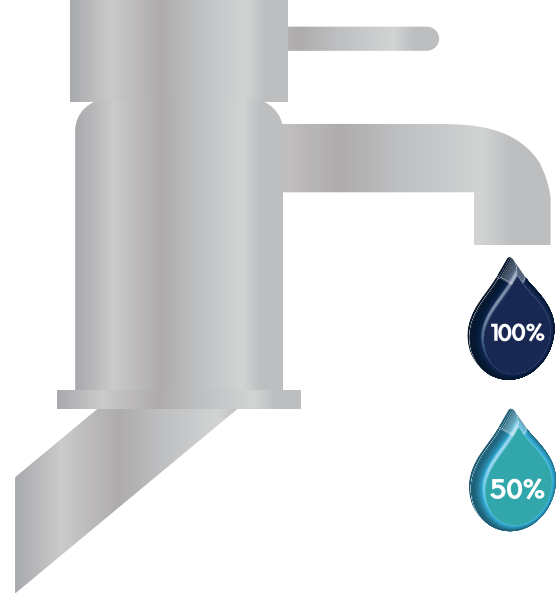
- FRA is also working on improving the current female to male ratio among its employees through hiring more females. This can be noticed in the newly recruited interns, with 65% of them are women. It is worthy to mention that similar to other institutions in Egypt, there is no salary gap between female and male FRA staff.

7.3 Promote Institutional Consumption and Production

1. Installation of the water saving system

FRA has installed the Tap Water Saving System in its building in the Smart Village. This system has saved almost 50% of the total water consumption.

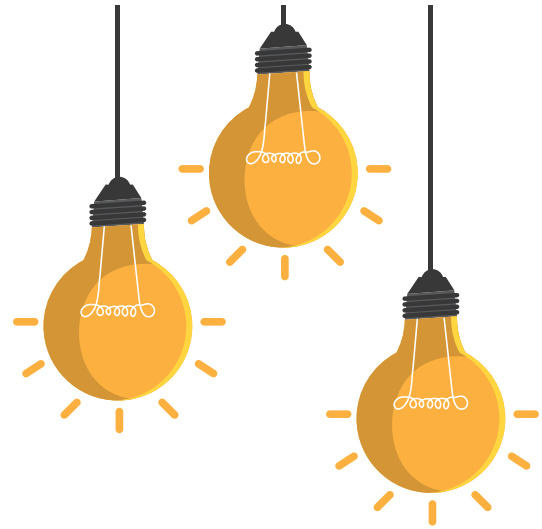
This comes in line with FRA's commitment to implement sustainability standards and principles, rationalize resource consumption, and transform the Authority's building into a sustainable one as part of its strategy towards sustainability.



2. FRA's energy auditing project in partner with GEF UNDP

SDD hosted representatives from the project of improvement and efficiency of energy for lighting and appliances (GEF), the Ministry of Electricity and Energy, and UNDP to evaluate and improve the efficiency of energy and lighting systems in FRA's building located in the Smart Village.

Project engineers examined the lighting systems in the building as an initial step to improve the efficiency of the energy system. Such step is a clear implementation of the sustainability strategy to transform the building into a sustainable one.



3. Raising Awareness:

SDD conducted a chain of awareness seminars for all FRA staff to introduce sustainability, its principles, and objectives. The workshops tackled sustainable development issues, impacts of climate change, green financing tools, and sustainable insurance. This comes along with SDD's plan to transform FRA's building into a sustainable one.

- A series of sustainable development seminars for FRA staff: SDD, headed by Ms. Sina Hbous, Advisor to the Chairman for Sustainable Development and Head of Sustainable Development Department, has conducted a chain of awareness seminars for all FRA staff to introduce sustainability, its principles, and objectives which were attended by almost 700 of FRA staff. The seminars also presented the strategy of the department for the upcoming period and the steps taken in the process of implementing this strategy.

- 2 Workshops for FRA "Assisting Services Staff" on Sustainable consumption. In this regard, SDD team intended to educate the services staff about the importance and the effects of consumption patterns especially regarding energy and water consumption. The aim was to entrench new behavioral patterns and heighten the importance of individual antics to make difference both in workspace and in personal life. The workshop was attended by 100 of supporting services staff.

- SDD has conducted a training session on the 3rd and 4th of September 2019 in collaboration with Patriot for Sustainability Consultancy named "The Road to Sustainability" for 30 selected candidates representing all departments of FRA. During the training sessions, many topics were covered including sustainable development scope and background, SDGs, the localization process of SDGs and Egypt Vision 2030, international business best practices, GRI reporting, and many other related topics.





SDD has also conducted an awareness session on sustainability targeting economic journalists covering the non-banking financial sector. With about 30 participating journalists, a presentation about sustainable finance, SDGs, and the environmental and economic impact of climate change has been given in Arabic on the 15th of September 2019.

Conducted Sustainability 101” workshop for 30 new trainees. In this seminar, Ms. Sina, the head of SDD, demonstrated the significance of the sustainable development and how it's principles reshape the international economy into a greener one. She also touched on FRA's endeavors to embed sustainability in all the non-banking financial sector and how FRA shows leadership as a governmental body in the field of sustainability.



SDD started the “Tip of the Week” internal communication campaign in March 2019. The department sends weekly information and tips about sustainable consumption and production habits, new methods and present global trends and statistics about sustainability. The campaign aims to keep FRA staff continuously engaged in addition to providing them with relevant information that they can utilize in the workplace and at home to better manage water and energy consumption and educate others to do the same.

7.4 Other Institutional Practices



1. Social Responsibility Program

Came as a precedent, FRA has formed a Social Responsibility Committee. The Committee is a combination of the Sustainable Development Department team and 20 volunteers from FRA staff.

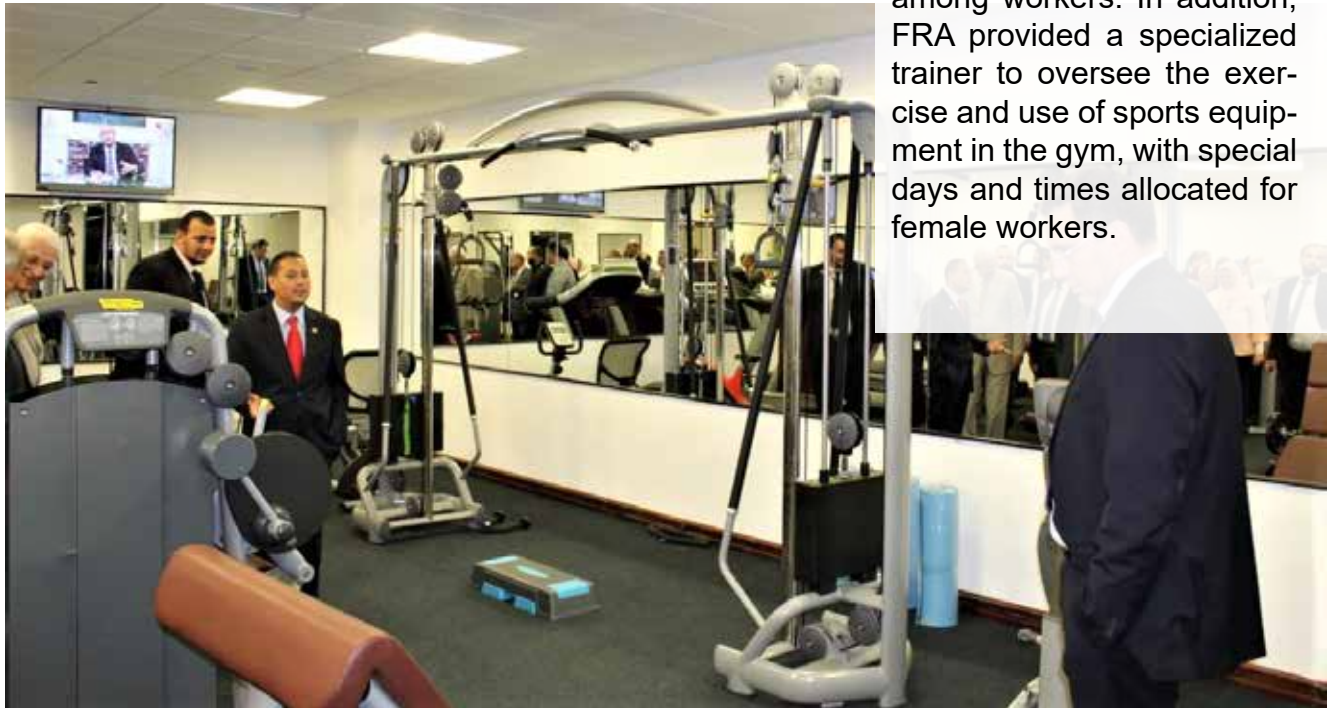
In this regard, the Committee delivered an ambitious strategy for FRA's first Social Responsibility program. The strategy aims at raising awareness concerning sustainability implementations as well as disseminating the idea of the importance of individual actions among internal and external audience and among young generations. Accordingly, the staff volunteers were divided into four main groups that include (School student awareness project, University student awareness project, gardening project, and FRA internal awareness campaign project). The strategy provided a detailed program for each group to be implemented in 2020.





2. Motivating Work Environment

- Complying with the UNGC principles, FRA has inaugurated in early September 2019 a sports training hall at the Authority's headquarters, in an attempt to improve the work environment and to allow the creation of a positive and decent work environment for its staff that supports the spirit of loyalty among workers. In addition, FRA provided a specialized trainer to oversee the exercise and use of sports equipment in the gym, with special days and times allocated for female workers.





- As a new tradition, FRA organized a celebration to honor the academically outstanding among the children of its employees at all their educational levels, starting from the elementary stage until the university stage, as well as those with higher degrees from master's and doctoral degrees or equivalent. During the celebration, an introductory presentation to sustainable development was presented as a concept, highlighting its principles and goals and what measures are applicable to enhance sustainability at FRA's institutional level and converting its headquarters to a more sustainable one. The children of the workers were invited to be part of the authority's social responsibility program to be our ambassadors in their schools and universities.



- In a step toward returning the sports activity of employees, FRA's five-a-side soccer wins the cup of the 8th Ramadan Midnight Football League, which included a number of insurance companies operating in Egypt's market after beating Misr Insurance's team in the final.

3. Civil Society & CSR

Believing in the responsibility and social role of Takaful companies to serve the society, FRA decided to allocate EGP 190 million from the surplus of the takaful insurance activity to be spent on charitable causes in September 2019. In this regard, FRA held a meeting with the members of the Sharia Committees of the Takaful Insurance Companies to consider mechanisms for donating the three-year undistributed balances of insurance activity surplus. Those committees, formed within each Takaful insurance company, monitor and supervise transactions and express an opinion on the extent of its compatibility with the provisions of Islamic Sharia and its principles.



4. Departmental Integration

The high priority material topics for this year fulfilled most of the KPIs of the second pillar in FRA's 2018–2022 comprehensive strategy. However, SDD's role is not limited to working on the top high priority topics; it further extends to provide consultation to the other departments in FRA on other sustainability issues included in the Authority's strategy such financial inclusion and utilizing digitalization for sustainability.

Since SDD is a crosscutting department, it is responsible for assisting the Capital Market, Insurance, Microfinance, Financial Leasing, Factoring, and Human Resources Departments to take sustainability initiatives that conform to FRA's strategy such as financial inclusion initiative, inclusive insurance initiative, and assisting the HR Department in hiring differently abled people.







8. STRATEGIC ENGAGEMENTS



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8. Strategic Engagements

On another side, FRA pays a considerable attention to foster its national and international presence. It has joined a number of initiatives, platforms, and networks with the mindset of knowledge sharing, information exchange and build global awareness of sustainability practices and open up new opportunities for partnerships.

IOSCO:

Egypt, represented by FRA, won the membership of the International Organisation of Securities Commissions (IOSCO) Board, retaining its seat for the third consecutive period (2018–2020).

- FRA participated in the meeting and annual conference of the Africa/Middle-East Regional Committee (AMERC) of IOSCO. The conference showcased challenges and opportunities emanating from embracing and applying sustainable policies in the Capital Market through overviewing the experiences of the countries enforcing these policies, capped by Morocco.

- FRA's Chairman participated in the board meetings of IOSCO and its annual conference. The conference discussed the current state of international capital markets, expected relevant risks, how to navigate them, and some of IOSCO's organizational affairs.

- Participate in the meeting and annual conference of IOSCO's Growth and Emerging Market Committee (GEMC). The meeting discussed the best methods to mobilize sustainable finance to implement sustainable development goals (SDGs) in African countries.

- FRA joined the Sustainable Finance Network (SFN), which was established in 2018 and has become active in 2019. Ms. Sina Hbous, head of SDD and Senior Advisor to the Chairman representing FRA, had attended the first meeting of the network on the 19th of June in Stockholm, Sweden. The meeting discussed the activities of the network as an interchange between securities regulators, standard-setting bodies and the market on sustainable finance. The main topics included the impact on corporate business models and risk management of developing sustainable businesses, the impact of sustainability factors in the investment decision process, corporate reporting for sustainability, and the role of security regulators in each of these topics.



MPSR:

FRA also joined the Mediterranean Partnership of Securities Regulators (MPSR) in 2009 and was elected as a president for the 2018–2020 period. MPSR aims to develop cooperation efforts to enhance the strength of national regulatory frameworks and to promote products safety, investors protection, and sustainable finance.



WORLD BANK GROUP

World Bank:

FRA's Chairman participated in a roundtable entitled "Access of Capital Market to Long-term Investment" held on the sidelines of the IMF and World Bank's 2019 Annual Spring Meetings. During this event, he proposed an initiative to establish high-level Center of Excellency for Sustainable Finance in the Middle East and North Africa (MENA).

OECD:

Out of firm belief and urgency that climate change is going to change the face of global financial systems, FRA participated in the OECD Forum on Green Finance and Investment to forge partnerships and exchange knowledge with global experts on methods to support climate change mitigation and adaptation through sustainable finance. The Conference took place at the OECD conference center, Paris on the 29th and 30th of October 2019.



Financial Centres for Sustainability (FC4S Network)

In June 2019, FRA joined the International Network of Financial Centres for Sustainability (FC4S Network) and became its 26th member. The objective of this network is to take common action on shared priorities to accelerate the expansion of green and sustainable finance. The long-term vision of the FC4S Network is rapid global growth of green and sustainable finance across the world's financial centers, supported by strengthened international connectivity, and a framework for common approaches. In the same year, FRA has also become a pivotal player in supporting the African program initiated by the network and is continuously discussing future steps to promote sustainable finance in Africa and build on the knowledge attained by other European and Asian members of the network.



United Nations Global Compact (UNGC)



United Nations
Global Compact

FRA became a participant of the UNGC in 2018 and its status is still active. The Egyptian regulator of the non-banking financial sector has been working on supporting and utilizing the UNGC principles in its sustainability agenda since 2019. FRA has also initiated a call to action for companies under its supervision to join the initiative.

FRA pledges to participate in and engage with the Global Compact in the following ways:

- Encourage the non-banking financial markets operating under its supervision to participate in the UN Global Compact.
- Engage with global Compact local network in Egypt.
- Host UN Global compact events.

Sustainable Insurance Forum



FRA became a member of the Sustainable Insurance Forum (SIF) in March 2019, which is a high-level forum that includes several regulatory bodies in the world. The Egyptian regulator is the second Arab and the third African body to participate in SIF. SIF's goal is to enhance the understanding of insurance supervisors and regulatory bodies and to respond to the challenges and opportunities of sustainability in insurance business, with a focus on environmental dimensions - including climate change.

United Nations Environment Program – Finance Initiative (UNEP-FI) & Promoting Sustainable Insurance (PSI)



FINANCE
UNEP INITIATIVE

In January 2019, FRA joined UNIP FI and its flagship initiatives such as the Principle of sustainable insurance. Dr. Mohamed Omran, Chairman of FRA, further participated in UNEP- FI Regional Roundtable on Africa and the Middle East titled "Restructuring Markets through Financing Sustainable Development Goals" that took place on the 10th and 11th of April 2019 in Cairo.

In his speech, Dr. Omran showcased FRA's efforts to implement the principles of sustainability in all non-banking financial activities. He had also attended the Financial Inclusion Initiative for the Arab Region. The initiative discussed the developments of international fintech, up-to-date knowledge on boosting environmental systems for fintech engagement through regulatory innovations.



9. THE ROAD TO FURTHER SUSTAINABILITY COMMITMENTS



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9. The Road to Further Sustainability Commitments

The Authority has been diligently working on introducing a strong agenda on sustainability practices and policies. Amid international flourishing of the sustainability agenda and international calls to adopt a progressive transition towards a sustainable finance system, there is more to achieve and actualize.

FRA still has a long list of prospective steps and regulations to further promote sustainable finance and integrate sustainability in the non-banking financial sector.

FRA is currently working on preparing green bonds guidelines and taxonomy to facilitate the first issuance of green bonds in Egypt. However, this does not mean that FRA is solely focusing on the capital market. Other steps have been taken to start introducing sustainable financial instruments in other sectors like insurance and microfinance, which can be summarized in the following:





10. GRI INDEX



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10. GRI Index

GRI 102: General Disclosures (Core Options) 2016

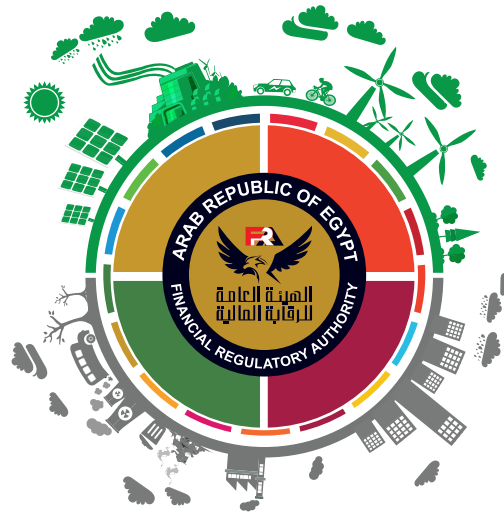
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G102-11	Precautionary principle or approach	14
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