

## **CBE Guiding Principles on Sustainable Finance**

The CBE Guiding Principles on Sustainable Finance are intended to begin planning and developing the general framework for the application of Sustainable Finance, building capabilities and providing the necessary resources to implement such principles.

### **The First Principle: "BUILDING THE NECESSARY CAPABILITIES AND KNOWLEDGE"**

**Building and developing the capabilities of all the bank employees and setting training plans that will contribute in building and enhancing their knowledge on the concepts and methods of applying Sustainable Finance.**

1. Building capabilities in order to develop the necessary policies in accordance with the best international policies.
2. Cooperation with the Central Bank of Egypt, the Egyptian Banking Institute and other training bodies whether internal or external in order to prepare and implement necessary programs to train all bank employees in the field of Sustainable Finance.
3. Training employees on data collection and analysis methods and use of information systems as a prelude to preparing necessary reports.
4. Encouraging the bank's employees to gradually apply the principles and focus on the recommended practices and directives.

### **The Second Principle: "ENHANCING SUSTAINABLE FINANCE"**

**Applying the concept of Sustainable Finance and working to integrate environmental and social elements and governance rules in the bank's financing activities, as well as developing a conception of how to manage environmental and social risks considering the same when measuring the bank's risks.**

1. Proceeding to develop a conception to modify the current policies and procedures of banks to include elements of Sustainable Finance, taking into consideration setting clear goals for the bank under the umbrella of Sustainable Finance.
2. Working on increasing and encouraging finance or investment in projects that take into consideration the elements of Sustainable Finance and that achieve sustainable development such as financing the establishment of new and renewable energy generating stations, and financing waste recycling projects.
3. Supporting financial inclusion in general and facilitating access to financial services, and working to innovate products and services for low- and middle-income people and people with special needs.
4. Integrating environmental and social risks and seeking the help of technological solutions to measure them when preparing a credit study for clients in order to take a decision to give and renew credit facilities.
5. Enhancing the innovation and issuance of green banking products such as green loans, green investments and green bonds.
6. Reduce paper use and reduce unnecessary visits of customers to branches by stimulating the use of digital financial services in order to reduce carbon footprint.
7. Assign tasks related to Sustainable Finance to an officer of the bank's sectors, provided that such tasks shall not fall under the umbrella of the corporate social responsibility (CSR).

### **The Third Principle: "INVOLVEMENT OF THE STAKEHOLDERS"**

**Enhancing cooperation with the ministries, government bodies and all stakeholders on the national and international level**

1. Cooperation with government bodies, ministries, non-governmental organizations and international financial organizations.
2. Cooperation with environmental experts and scientists and academic milieus in determining the environmental impact of the projects to be financed, as well as keeping up with the state of art technologies and practices in this field.
3. Activating the role of the Egyptian Banking Federation in involving all stakeholders.

### **The Fourth Principle: "MANAGING CLIMATE CHANGE RISKS"**

**Laying the foundation for identifying and managing climate change risks, in addition to encouraging financing projects that contribute to addressing the issue of climate change .**

1. Working on identifying and classify the various risks related to climate change and work on mitigating them.
2. Encouraging financing projects aimed at reducing climate change and global warming.
3. Assessing risks of climate change in projects to be financed and work on managing those risks.
4. Increase awareness and develop the capabilities of the Bank's staff in the field of managing those risks resulting from climate change.

## **The Fifth Principle: "APPLYING THE PRINCIPLES OF SUSTAINABILITY TO THE BANK'S INTERNAL ACTIVITIES AND OPERATIONS"**

**Working on avoiding the negative environmental and social impacts resulting from the Bank's activities, and enhance the positive environmental and social impact along with applying best corporate governance practices.**

1. Proceeding to develop systems and procedures to ensure the application of the principles of sustainability and taking into consideration the environmental and social elements within all the bank's internal activities.
2. Work on identifying and reducing negative environmental impacts through the following:
  - A. Measuring the carbon impact resulting from bank's buildings, branches and equipment
  - B. Improving waste management (reducing waste, applying the principle of reuse, and recycling).
  - C. Adopting water and energy efficiency standards.
  - D. Adopting environmentally friendly building standards (which reduce energy consumption) through increasing natural light, or one of the energy efficient solutions, or others.
  - E. Stimulating electronic communication between the internal departments of the bank and as an alternative to the use of papers.
3. Proceed in developing an annual report indicating the Bank's efforts in applying the principles of sustainability in the Bank's internal activities.

## **The Sixth Principle: "REPORTING"**

**Proceed in preparing periodic reports on the bank's activities in the field Sustainable Finance.**

1. Creating and developing integrated information systems about Sustainable Finance as a prelude to preparing necessary reports.
2. Proceed in preparing gap analysis to determine those future steps for implementing Sustainable Finance.
3. Starting to measure the impact of applying the principles on the current portfolio and its reflection on the bank's stability and performance.
4. Proceed in preparing periodic reports on the efforts made in Sustainable Finance, in addition to the challenges that the Bank faces in its application and the proposed solutions.

Cairo, 18 July 2021

**Dear Chairman of the Board of Directors**  
\_\_\_\_\_ **Bank**

Dear Sir,

In line with the Central Bank of Egypt's direction to introduce and support the **concept of sustainable finance**, which contributes to reinforcing financial and banking stability and achieving the sustainable development goals, and thereby attaining long-term stability for the economy, the environment, and the society at large, the CBE has already introduced several initiatives intended to achieve the sustainable development goals, and boosting sustainable finance, such as the SMEs initiative, the initiatives of the industrial, agricultural, tourism, and construction sectors, the real estate finance initiative, the initiative of substituting vehicles to work with dual fuel, and the gas stations initiative.

The Banking Sector is one of the key sectors that support the development efforts, consequently, the sustainable development goals, including the environmental and social challenges, cannot be achieved without banks that play an effective role in these efforts, by channeling the finance to more sustainable economic activities. Further, incorporating the environmental and social elements and the governance rules has a positive impact on the companies' performance and reducing the risks, in addition to serving as a significant factor in attracting the foreign investments.

Since sustainable finance has become one of the key issues addressed in the international forums, and an issue of interest for many central banks, a general framework has been created to **introduce the sustainable finance and the CBE's directives concerning the requirements of adopting the sustainable finance in Egypt's banking sector**, and accordingly, I have the honor to enclose the following herewith:

1. A discussion paper concerning the sustainable finance (attachment 1); and
2. Guidelines of sustainable finance (attachment 2).

Kindly issue your instructions to take the necessary actions towards considering and securing all the means required to adopt the attached guidelines at your esteemed bank in the future.

Please accept our utmost respect,

**Jamal Negm**

## **Press Release**

Pursuant to the directives of His Excellency the President of the Republic and in furtherance of the State's efforts towards the sustainable development.

### **The CBE issues Sustainable Finance Guidelines**

In view of the Central Bank of Egypt's commitment to support sustainable development, and to keep up with the best international practices in laying the foundations of "sustainable finance" in Egypt's banking sector, the Central Bank of Egypt issued the "*Sustainable Finance Guidelines*" today, which are intended to start planning and setting the general framework for the adoption of sustainable finance in the banks of Egypt, building capacities and providing the necessary resources to implement these guidelines.

Sustainable finance means that banks provide finance to the projects which take into account the environmental elements in the society, such as clean and renewable energy projects, as well as projects that take into account the social element represented in the small, medium, and micro projects, labor-intensive projects that create more employment opportunities, reduce the poverty rates, and improve the living standard in the neediest areas, in addition to adherence to the general framework of governance, instilling of transparency, and reinforcing of the monitoring, follow-up, and evaluation systems to achieve a sustainable benefit for all the project owners, and the society at large.

Adoption of "sustainable finance" will help enhancing the investment opportunities, and injecting more hard currencies by attracting a new group of investors who have an eye on sustainable finance, in addition to attracting direct foreign investments to the banking sector and the national economy.

Issuance of the "*Sustainable Finance Guidelines*" was an essential step towards reinforcing the development efforts and the national plans to achieve a sustainable growth in all areas, and to secure the finance required for projects that contribute to achieving the sustainable development goals.