Task Force on Climate-related Financial Disclosures (TCFD) Report 2021 / 2022
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<th>Full Form</th>
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<td>CBE</td>
<td>Central Bank of Egypt</td>
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<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<td>CIB</td>
<td>Commercial International Bank</td>
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<tr>
<td>CO₂</td>
<td>Carbon Dioxide</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EP</td>
<td>Equator Principles</td>
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<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<td>ESRM</td>
<td>Environmental and Social Risk Management</td>
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<td>FRA</td>
<td>Financial Regulatory Authority</td>
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<td>GHG</td>
<td>Greenhouse Gas Emissions</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<td>NGFS</td>
<td>Network for Greening the Financial System</td>
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<td>NZBA</td>
<td>Net Zero Banking Alliance</td>
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<td>PCAF</td>
<td>Partnership for Carbon Accounting Financials</td>
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<td>PRB</td>
<td>Principles for Responsible Banking</td>
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<td>SASB</td>
<td>Sustainability Accounting Standards Board</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SFSC</td>
<td>Sustainable Finance Steering Committee</td>
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<td>SMEs</td>
<td>Small and Medium-sized Enterprises</td>
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<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosures</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNEP FI</td>
<td>UN Environment Programme Finance Initiative</td>
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<td>UNFCCC</td>
<td>UN Framework Convention on Climate Change</td>
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<td>UNGC</td>
<td>UN Global Compact</td>
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This report represents an important milestone in the journey of the Commercial International Bank (CIB) of Egypt in addressing climate related financial risks and opportunities through adopting and implementing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. As the first bank in Egypt to support and join the TCFD in 2020, CIB has adopted the framework to ensure proper assessment, management, and disclosure of climate change impact on its portfolios and sustain value creation for its stakeholders.

Our first TCFD report seeks to provide a summary of the climate change potential impact on our business strategies including related risks and opportunities. It asserts the Bank’s commitment to mainstream climate-related issues into its governance structure, strategy, and disclosures. This report is an integral component of our corporate governance practices, whereby, the Board of Directors is keen to disclose climate-related risks and opportunities to our stakeholders.

This report includes four main pillars: Governance, Strategy, Risk Management and Metrics & Targets. The Bank has voluntarily committed to reduce its greenhouse gas (GHG) emissions associated with its internal operations and has started the process of setting targets for its portfolios.

The report frames CIB’s climate strategy that focuses on integrating climate risk assessment into the Bank’s strategies, while setting a roadmap for climate emissions targets. CIB has been keen to integrate climate risk into its risk framework to provide standard and transparent disclosures to our investors and other stakeholders. The Bank had the conviction that the TCFD journey entails new business models and knowledge transfer to internalize within our policies and strategy. During 2021, the Bank engaged its risk and sustainable finance teams into a lengthy comprehensive TCFD capacity building pilot program conducted by the UNEP-FI, in addition to other TCFD workshops and programs. During 2022, CIB fostered its climate risk infrastructure with proper governance structures, including the establishment of a new ESG Risk Management unit within the Risk Group.

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Message from the Non-Executive Chairman

At CIB, we recognize there is a strong business case for climate finance and robust risk management systems and believe that investing in environmentally-sound initiatives not only benefits the planet, but creates economic opportunities and fosters long-term growth for our clients, partners and investors.

Under the guidance and support of CIB’s Board of Directors, the Bank is proud to publish its first TCFD Report, highlighting our ongoing efforts and commitments to align with global climate risk management processes, creating value for all of our stakeholders. In alignment with Egypt’s national direction, as well as the Central Bank of Egypt (CBE) and the Financial Regulatory Authority (FRA), CIB is committed to de-risking its operations, recognizing that climate challenges pose a threat to the growth and resilience of Egypt’s banking sector at large. It is our firm belief that financial institutions must account for the global climate challenges, extending support to clients, shareholders and investors.

Our sustainability journey began in 2013, and we have taken proactive steps for reinforcing the Bank’s sustainability governance framework, which included the establishment of a dedicated Board Sustainability Committee for overseeing our sustainability strategy and ensuring its integration into our overall business operations. In addition, we have been working alongside regulatory bodies in Egypt to mainstream sustainability practices. The CBE has mandated all banks in Egypt to integrate sustainability across their operations and the Financial Regulatory Authority is requiring large listed companies to report on TCFD. We believe this will further support the development and growth of the industry as a whole, better equipping financial institutions to mitigate projected climate challenges and risks, while capturing new opportunities.

I am confident that our commitment and efforts will propel CIB’s sustainability journey and continue to benefit our clients and society at large.

Hisham Ezz Al-Arab

Message from the Chief Executive Officer and Managing Director

It is with great pleasure to share CIB’s first TCFD report, under the guidance and support of the Board of Directors. We remain committed to promoting transparency on our ongoing efforts and maintaining a communication channel with our stakeholders, partners and investors. Our commitment to the TCFD for disclosing the effect of climate-related risks and opportunities on a company’s prospects, which is useful for decision making and for the transition to a low-carbon economy, is part of our commitment to transparency towards our stakeholders, including regulators and investors. The report also highlights the ongoing collaboration taking place within the Bank, ensuring lines of business are aligned and equipped to mitigate climate challenges going forward.

CIB recognizes that the journey towards a low carbon economy is a complex one, thus we remain committed to leveraging the power of Sustainable Finance, to develop innovative solutions and work alongside our clients, to sustain our growth.

Hussein Abaza
Messages from Our Leadership

Message from the Chief Risk Officer

CIB believes that the climate risk impacts are cross cutting and transmit through the existing risks. It affects with different levels of relevance and intensity, the traditional risk categories already envisaged in the risk management framework of the Bank. Accordingly, the CIB’s enterprise risk management is broadened to include climate-related financial risks. We focus on identifying and mitigating climate risks inherent to our core banking operations through in depth analysis, along with the assessment and development of sustainable finance products. We continue to build on our climate risk management capabilities and strengthen our skills and expertise.

We have adopted several international frameworks and guidelines as a benchmark to assess CIB’s internal ESG risks and ensure compliance with national laws and regulations. Furthermore, our endeavors have seen the Bank introduce a number of green finance instruments.

The aim of this first comprehensive and consolidated TCFD report is to further advance our efforts and help identify areas and risks that require further attention. We believe that comprehensive and robust disclosure is essential for stakeholders to understand our activity and progress in managing our climate-related risks and opportunities.

Talha Karim

Message from the Chief Sustainability Officer

The well-rounded architecture of sustainability frameworks and standards that CIB has voluntarily embraced helped re-orient our strategy and systems to internalize climate-related risks and opportunities and capture the complex dynamics between risk management and capital allocation.

CIB has long been very cognizant of the risks associated with climate change and promoting related finance solutions as a means to achieving regional sustainable development on a broad scale. On the other hand, climate risk, especially transition risk, propelled us to reinterpret risk management from being a defensive tool limiting exposures, to becoming a proactive one, driving transition finance and capital allocation towards low-carbon transactions. The strategy pillar of the TCFD is quite indicative and symbolic of the relationship between mitigating climate risk and allocating finance.

CIB has been playing an active role in promoting decarbonisation efforts in Egypt, recognizing the risks climate change will bring forward to the banking sector. The highlight of our endeavors is the Bank’s Green Bond and the potential it has to reframe risks into profit generating opportunities within the realm of climate management, and accordingly, set the tone for this upcoming sprint of development across the nation. Such efforts help us align with the Paris Climate Agreement, Egypt Vision 2030, and the United Nations’ Sustainable Development Goals.

Dr. Dalia Abdel Kader
Introduction
Introduction

CIB at Glance

CIB is a leading private sector bank, serving clients and stakeholders through a well-established network of branches and banking units, providing tailored financial services and products to clients in the corporate, SMEs and consumer spheres in the Egyptian market. CIB also operates two representative offices, one in UAE and the other in Ethiopia, as channels driving business through these key markets while capitalizing on the synergies inherent in the Bank’s business model as a means of driving value for clients. The Bank has two strategic subsidiaries: Commercial International Bank of Kenya and Commercial International Finance Company (CIFC), in which, CIB’s shares are 100% and 99.83% respectively.

As of the end of December 2022

Since 2013, the Bank has been a regional leader and trendsetter in Sustainable Finance, aiming to drive the transition by introducing innovative sustainable finance services, products and programs to enable sustainable growth and stakeholders’ value creation, while meeting the needs of the environment and the society at large. By issuing the first corporate Green Bond in Egypt in 2021, CIB has been providing tailored tools for clients that inherently enable their low carbon transition. Moreover, the Bank is committed to continuously enhancing its risk management processes to address evolving global challenges, while simultaneously aligning with the needs of regulators, investors and stakeholders. CIB is aligned with Egypt’s Sustainable Development Strategy 2030 and Africa’s 2063 Vision, along with the UN SDGs and a comprehensive network of global sustainability frameworks. On a wider and more regional scale, CIB has been an advocate for the mainstreaming of sustainable finance in the region, recognizing the potential risks of climate change on Africa’s financial institutions.

CIB’s Enterprise Risk Management is supported by a rigorous Environmental and Social Risk Management System (ESRMS), which was introduced in 2016, and has been continuously updated in compliance with national rules and regulations as well as international performance standards of the European Bank for Reconstruction and Development (EBRD), International Financial Corporation (IFC), and the Equator Principles (EPs). We will continue working toward enhancing and strengthen our ESRMS framework by further incorporating the climate risks into the Environmental and Social risks (E&S) assessment processes of the clients.
Introduction

- Published the first GRI sustainability report. (2015)
- Published the First Consolidated Carbon Footprint Report in Egypt. (2016)
- Appointed Chief Sustainability Officer. (2018)
- Achieved the target of 10% reduction in Scope 1 & 2 GHG, that was set in 2018. (2019)
- Issued Egypt’s First Corporate Green Bond. (2020)
- Endorsed the Taskforce on Climate-Related Financial Disclosures (TCFD). (2020)
- Established Board Sustainability Committee (BSC). (2021)
- Published the first Principles for Responsible Banking (PRB) Impact Assessment Report. (2021)
- Became a Founding Signatory of the Net Zero Banking Alliance (NZBA), and represents Africa on its Steering Group. (2021)
- Became a Founding Signatory of the UNEP-FI Commitment to Financial Health & Inclusion. (2021)
- Became a Founding Signatory of UNEP-FI’s Principles for Responsible Banking (PRB). (2021)
- Became a Founding Signatory of the UNEP-FI Commitment to Financial Health & Inclusion. (2021)
- Adopted the Equator Principles. (2021)
- Became the first Commercial Bank in Africa to publish an Ecological Footprint Report. (2021)

Figure 2: CIB ESG Strides Over the Years
Introduction

2021
- Started reporting on SASB disclosures.
- Became the Co-Chair of the Closing the Gender Gap Accelerator supported by the World Economic Forum.

2021
- Established ESG Risk Management Function within the Risk Group.

2022
- Expanded the PRB Impact Assessment Report to cover all lines of business.
- Joined the Partnership for Carbon Accounting Financials (PCAF).

2022
- Integrated the Sustainable Finance into the Bank’s Corporate Strategy.
- Integrated ESG principles across all policies.
- Published the first NZBA Baseline Report and Equator Principles Impact Report.
- Published the second Ecological Footprint Report covering three scopes, evolving from the carbon footprint.

2022
- Launched the “Brain Trust” program, empowering regional financial institutions to revise their role and accelerate climate adaptation finance in the region.
- Published the second Ecological Footprint Report covering three scopes, evolving from the carbon footprint.

2022
- Launched the "Sustainable Finance Academy" an implementation program by the Bank to mainstream sustainable finance education.

Figure 2: CIB ESG Strides Over the Years
**Background**

**Alignment with National Strategies and Global Frameworks and Standards**

CIB’s Climate Strategy has risen from its responsibility as the leading private sector Bank in Egypt to be in line with the Paris Agreement and with Egypt’s National Climate Strategy. Egypt is committed to delivering its fair share of climate action as part of a global commitment to address climate change. However, given Egypt’s high vulnerability to climate change, adapting to its adverse impacts is imperative. According to the Intergovernmental Panel on Climate Change (IPCC) Climate Change 2022 report[^1]: “Africa is one of the lowest contributors to greenhouse gas emissions causing climate change, yet key development sectors have already experienced widespread losses and damages attributable to human-induced climate change, including biodiversity loss, water shortages, reduced food production, loss of lives and reduced economic growth”. Between 1.5 and 2 degrees Celsius global warming, assuming localized and incremental adaptation, negative impacts are projected to become widespread and severe with reduced food production, biodiversity loss, increased human morbidity and mortality. From this standpoint, Egypt prepared its first National Strategy for Adaptation to Climate Change and Disaster Risk Reduction in 2011, and a Low Emission Development Strategy (LEDS) was issued in 2018, which was prepared to be in line with the Sustainable Development Strategy SDS - Egypt Vision 2030. The main objective of Egypt’s National Strategy for Adaptation to Climate Change and Disaster Risk Reduction is to increase the resilience of the Egyptian community when dealing with the risks and disasters that might be caused by climate change and its impact on different sectors and activities. It also aims at strengthening the capacity to absorb and reduce the risks and disasters to be caused by such changes.

**Local Regulatory Framework on Climate Change**

The CBE issued its Sustainable Finance circular in July 2021, which provided banks with six guiding principles for sustainable finance. The circular was followed by binding regulations released in November 2022, mandating all banks in Egypt to apply the six guiding principles, including the assessment and measurement of climate-related financial risk and its integration into risk management, as well as integrating the sustainable finance policies into their credit and investment policies.

In addition to the CBE guidelines, the Financial Regulatory Authority (FRA) issued Decree No.108/2021 mandating all publicly traded companies with issued capital or net worth not less than EGP 500 million to report and include disclosures related to the financial impact of climate change, in line with the TCFD recommendations, within their annual reports starting December 2022. CIB has provided quarterly reporting to the FRA since Q1/2022 and received the best reporting Award in this respect.

CIB’s Climate Narrative

Climate is a core focus in CIB’s Sustainable Finance Strategy. To substantiate its implementation, we have established a comprehensive architecture of frameworks, standards and disclosure platforms to cover climate risks, impacts and opportunities including the PRB, GRI, SASB, TCFD, NZBA, PCAF, CDP, EP, IFC and EBRD performance standards, in addition to our Ecological Footprint Reporting.

In addition, CIB joined the Partnership for Carbon Accounting Financials (PCAF) in 2022, to adopt the international standard for measuring emissions of our loans and investments portfolios. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assessing and disclosing their financial emissions. PCAF enables transparency and accountability and has developed a voluntary global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standards for the Financial Industry.
Overview of CIB Progress

CIB has been focused on driving a systemic approach to integrate sustainability across the Bank through proprietary structured sustainable finance institutional pillars. This exercise enabled the Bank to lay a solid infrastructure that helped enact its Climate Strategy. Given its ambition and determination to raise the bar of its climate change management, CIB has been partnering with international bodies, industry experts and consultants towards developing and implementing a robust climate risk management framework to ensure the Bank’s stability, regulatory compliance and ultimately address the financing needs of its clients.

As of this date, this report expounds the progress along the TCFD four main pillars. The following table summarizes the key areas of the progress we have made in response to the TCFD recommendations:

<table>
<thead>
<tr>
<th>TCFD Recommendations</th>
<th>CIB Progress</th>
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<tbody>
<tr>
<td>Governance</td>
<td>a) The Board’s oversight of climate-related risks and opportunities.</td>
</tr>
<tr>
<td></td>
<td>b) Management’s role in assessing and managing climate-related risks and opportunities.</td>
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<td></td>
<td>• Established the structure and defined roles and responsibilities of the Board and the Board Committees’ oversight of climate-related risks and opportunities. The TCFD framework oversight is addressed by the Board Risk Committee, the Board Sustainability Committee and the Board Audit Committee.</td>
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<td>• Established the structure and defined roles and responsibilities of the Management in assessing and managing climate-related risks and opportunities. CIB’s structure includes ESG Risk Management, Sustainable Finance Team and Climate Change Task force.</td>
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<tr>
<td>Strategy</td>
<td>a) Climate-related risks and opportunities that the organization have identified over the short, medium and long terms.</td>
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<td>b) Impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</td>
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<td></td>
<td>c) Resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
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<td></td>
<td>• Integrated the Sustainable Finance Strategy with climate focused activities in the CIB 5-year Strategy and dedicated a cross cutting working stream for Risk to oversee implementation.</td>
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<td></td>
<td>• Published the first NZBA baseline report, which represents the Bank’s first attempt to assess its portfolio financed emissions.</td>
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<td>• Advanced infrastructure for Sustainable Finance products, including issuing a Green Bond for US$ 100 million.</td>
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<td>• Structured Programs for Corporate Clients Transition (Sustaining Sectors Program) to mitigate Transition Risk.</td>
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<td>• In the process of developing a framework for Sustainable Finance Instruments to further strengthen the issuance of green, social and sustainability bonds as well as other sustainable finance instruments.</td>
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<td>• In the process of developing the framework for climate risk scenario analysis.</td>
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<td>Risk Management</td>
<td>a) Organization’s processes for identifying and assessing climate-related risks.</td>
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<td></td>
<td>b) Organization’s processes for managing climate-related risks.</td>
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<td></td>
<td>c) The integration into the organization’s overall risk management.</td>
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<td></td>
<td>• In the process of establishing a Climate Risk Management framework and developing plans to integrate climate-related risks into the Bank-wide existing risk management framework.</td>
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<tr>
<td>Metrics and Targets</td>
<td>a) Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</td>
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<td>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</td>
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<td></td>
<td>c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets.</td>
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<td>• Disclosed financed baseline GHG emissions of 2 sectors: Power and Real Estate.</td>
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<td></td>
<td>• In the process of setting emissions reduction targets for the Power and Real Estate portfolios.</td>
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<td>• Disclosed our internal operations and supply chain Carbon and Ecological Footprints.</td>
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<td></td>
<td>• Disclosed the financial and environmental impact of the financed sustainable projects under the Green Bond program.</td>
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<td></td>
<td>• Planning to develop additional metrics based on the outputs from the scenario analysis, to assess and manage climate-related risks and opportunities.</td>
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Board of Directors (BoD) Oversight

The BoD oversees climate-related risks, as part of its responsibility of managing ESG risks and opportunities. It also provides oversight of our strategic approach to climate change and reviews the Bank's economic, social, and environmental sustainability issues and initiatives, including climate related risks.

CIB’s BoD is comprised of members from diverse nationalities and expertise, reflecting global best practices with high level of maturity and awareness of global trends and their impact on business. The BoD primarily focuses on setting the Bank’s strategic objectives, overseeing the implementation of the set sustainable finance policy and strategy, providing oversight of senior management, ensuring the effectiveness of the Bank’s internal control systems, risk management frameworks and practices and securing the Bank’s institutional reputation and long-term sustainability.

The main areas for the oversight include the following:

- **Policy**
  - Reviews and approves the Environmental, Social and Climate change policies and reporting

- **Risk Management**
  - Approves the approach to managing climate-related risks

- **Opportunities**
  - Evaluates and endorses climate-related opportunities presented by management

- **Impact**
  - Oversees the environmental and social impact of business activities and the portfolio

- **Disclosure**
  - Reviews and approves the environmental, social, and climate-related disclosures

• **Roles and Responsibilities**
  - The BoD is supported by a number of dedicated committees (Board Risk Committee, Board Sustainability Committee & Board Audit Committee). Each committee chairperson is responsible for briefing the BoD on the major issues raised by their respective committees. The following committees hold various responsibilities related to overseeing climate-related risks and opportunities:

  • **Board Risk Committee (BRC)**
    - Oversees risk management functions through periodic reports submitted by the Risk Group. It assesses and makes recommendations to the BoD regarding risk management strategies, risk appetite, and risk-related policies. The Committee ensures that the Bank’s exposure to ESG and climate-related risks are assessed, quantified and reported to the BoD alongside other material risks.
Governance

• Board Sustainability Committee (BSC)

Delegated by the BoD to oversee all ESG-related activities undertaken by the Bank. It ensures the integration of ESG principles and climate strategy across CIB’s operations and business lines, while ensuring alignment with global and regional frameworks and standard setters as well as with the Bank’s stakeholders’ values and interests. The committee is also responsible for reviewing and monitoring the Bank’s sustainable finance policy, frameworks’ architecture, and strategy, as well as overseeing their implementation in alignment with stakeholders’ interests. The BSC ensures that CIB employs a disclosure strategy demonstrating transparency and accountability to its stakeholders, in addition to ensuring that the BoD receives regular reporting from the executive management on the Bank’s ESG performance, including climate change, and the progress made with regard to the responsible banking practices and sustainability.

• Board Audit Committee (BAC)

Responsible for providing oversight over the integrity of the Bank’s financial reporting process, as well as the effectiveness of the CIB’s internal control system and its compliance with all statutory requirements. As the process of integrating and quantifying the climate-related risks is completed, the BAC will oversee and review the effectiveness of the climate-related risk framework and its financial impact assessment process.

Executive Management Oversight

Executive Management’s role has continuously grown since the implementation of the ESRMS. The BoD’s oversight of climate risks and opportunities increases management’s roles and responsibilities and promotes the integration of climate-related risks into the Bank’s management structures and decision-making processes.

The following are the key roles across CIB’s management that have responsibilities for measuring and managing climate-related risks and opportunities:

• Sustainable Finance Steering Committee (SFSC)

Chaired by the Chief Executive Officer and Managing Director, the SFSC is a cross-functional committee that includes executive management representations. Its mission is to guide, empower, and monitor the implementation of the Bank-wide sustainability agenda, in line with CIB’s business needs and international best practices.

• Chief Risk Officer (CRO)

The CRO is responsible for overseeing the financial and non-financial risks to which the Bank is exposed to, including the ESG & Climate Risk Management. The CRO has a reporting line directly to the BRC and serves as a member of the SFSC. The CRO has a dedicated ESG Risk Management team responsible for identifying and assessing ESG risks, including the quantification of the impact of climate-related risks on the Bank’s financial position.
Chief Sustainability Officer (CSO)

The CSO is responsible for the Sustainable Finance Department, serves as a member of the SFSC, and contributes to the Bank’s governance bodies, including Board Committees. The CSO provides sustainability stewardship to help the Bank leverage the ESG imperative to sustain the enterprise value. The CSO’s accountability includes conceiving and implementing the sustainable finance institutional pillars: including sustainability governance, policy and frameworks, sustainability systems, sustainable finance strategy, education and innovation. The CSO also ensures the issuance of sustainability disclosures, and reconfigures the bank strategy to address climate change, circular economy and biodiversity.

Sustainable Finance Department

Under the supervision of the Chief Sustainability Officer, the Environmental and Social (E&S) management team works toward leading the transition to low carbon economy and further integrating ESG efforts. Its role within the Bank is to serve all stakeholders without compromising the welfare of the environment and society. In addition, the department is responsible as well for overseeing the management and maintenance of the ESRMS and ensures that appropriate resources are available for the system’s management and operation.

ESG Risk Management Department

The department was established under the Risk Group in 2022 to identify, assess, and review the ESG risks in the Bank’s lending and investments portfolios and ensure that they are structured in alignment with the ESRMS. The team leads the integration of climate-related risks into the Bank’s existing risk management framework and is responsible for the quantitative and qualitative assessment, including the implementation of climate risk stress testing and scenario analysis framework and developing robust risk metrics and appetite indicators, in line with the local regulatory guidelines and the international frameworks and best practices.

Climate Change Task Force (CCTF)

The CCTF is composed of all lines of business that initiate transactions with our clients, which includes members from the key business segments across the Bank (e.g. Corporate Banking, Business Banking, Retail Banking, Direct Investments). The CCTF has the following mandates:

- Support the Bank’s resilience toward climate change risks.
- Implement commitments as set in the Bank’s climate strategy.
- Work with the clients on climate-related goals and transition plans.
Strategy
Identifying Climate-Related Risks and Opportunities

Aligning with the TCFD recommendations, climate related risks are classified into the following two major categories:

- **Transition Risk**: arise from transitioning to a low-carbon/green economy.
- **Physical Risk**: arise from the increased frequency and severity of weather events, which include acute and chronic hazards.

The key climate risk drivers and hazards that may have financial implications for CIB have been categorized and summarized in the table below. We view climate risk as a cross-cutting issue that intersects with other existing risk categories within the Bank’s holistic enterprise risk management framework. This integration is further described in the Risk Management pillar of the report.

Table 2: Climate Related Transition & Physical Risks

<table>
<thead>
<tr>
<th>Transition Risk Drivers</th>
<th>Physical Risk Drivers</th>
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<tbody>
<tr>
<td><strong>Policy and Legal Risks</strong></td>
<td><strong>Acute Physical Risk</strong></td>
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<tr>
<td>(Short, Medium and Long-Term Impacts)</td>
<td>(Short, Medium and Long-Term Impacts)</td>
</tr>
<tr>
<td>Risk of policy changes (such as mandates and regulations, carbon tax and permit restrictions), and legal risk (such as fines, penalties and lawsuits).</td>
<td>Extreme climate change related weather events (such as wildfires, droughts, floods, heatwaves and hurricanes).</td>
</tr>
<tr>
<td><strong>Technology Risk</strong></td>
<td><strong>Chronic Physical Risk</strong></td>
</tr>
<tr>
<td>(Short, Medium and Long-Term Impacts)</td>
<td>(Medium and Long-Term Impacts)</td>
</tr>
<tr>
<td>Replacement of current technology with cost effective lower emission technology.</td>
<td>Longer term gradual climate change (such as changes in temperature, precipitation patterns and sea level rise).</td>
</tr>
<tr>
<td><strong>Customer Sentiment and Market Disruption Risks</strong></td>
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</tr>
<tr>
<td>(Short, Medium and Long-Term Impacts)</td>
<td></td>
</tr>
<tr>
<td>Changes and shifts in consumer behavior for products, and market disruptions due to broader demand and supply effects.</td>
<td></td>
</tr>
<tr>
<td><strong>Reputational Risk</strong></td>
<td></td>
</tr>
<tr>
<td>(Short, Medium and Long-Term Impacts)</td>
<td></td>
</tr>
<tr>
<td>Changes in public perceptions about the company and products (such as involvement in certain industries associated with climate change).</td>
<td></td>
</tr>
</tbody>
</table>

Identifying climate related risks over the short, medium, and long term is a cornerstone of sound risk management. Determining the materiality of key drivers of climate risks is a dynamic and iterative process, and will help us to identify the risks that are most important to our business. CIB is in the process of mapping out risk drivers by identifying the transmission channels through which the Bank is exposed to transition and physical risks. Different qualitative and quantitative approaches can be used to assess the materiality of risks, depending on the type of exposure and risk driver in scope. We will leverage on the most widely used approaches developed and provided by the globally recognized bodies.
Climate-Related Opportunities

Following the identified process of climate risks, different opportunities per sector can be identified. Opportunities mainly center on emerging sustainability technologies and implementation of sustainable projects in each sector, such as energy efficiency, renewable energy, green technologies, pollution prevention, green buildings, and others. The following table illustrates some guiding examples of climate-related opportunities by sector:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Generation</td>
<td>Renewable energy, electricity storage, green hydrogen, smart grids</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Green buildings and buildings retrofit</td>
</tr>
<tr>
<td>Transportation</td>
<td>Low-emission and mobility vehicles such as electrical and hybrid</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Carbon capture and storage, wastewater treatment, waste recycling</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Efficient irrigation systems, use of waste as a source of biogas, water recycling and reuse</td>
</tr>
<tr>
<td></td>
<td>Development of new anti-drought products</td>
</tr>
<tr>
<td></td>
<td>Reduction of non-GHG emissions from agriculture technology</td>
</tr>
<tr>
<td>Mining &amp; metals</td>
<td>Mining and metal production for climate action such as the production of metals to manufacture electric vehicles (copper, lithium, cobalt, and nickel, among others)</td>
</tr>
<tr>
<td>Other sectors</td>
<td>Energy efficiency, circular economy, recycling, waste and water treatment, fuel replacement</td>
</tr>
</tbody>
</table>

Impact of Climate-Related Risks and Opportunities on CIB’s Strategy

Climate-related risks and opportunities are an integral component of CIB’s Sustainable Finance Strategy (SFS), which has been declared as a core constituent of the Corporate Strategy (2021-2025).

Climate Change Strategy Conceptual Approach

CIB’s Climate Strategy is a two-pronged hybrid model based on Risk Management and Transition Planning that capture climate risks and opportunities. The Bank’s Climate Strategy is establishing synergies between the risk function and the lines of business.
The strategy model includes two parallel tracks as follows:

- Transition Planning through Sustainable Finance.
- Conducting Risk Management scenario analysis and stress testing to be able to (i) assess the resilience of the portfolios to material climate-related risks and (ii) manage capital allocation and the balance sheet towards low carbon emissions.

**CIB Climate Change Strategy Pillars**

1. **Accelerating Transformation to Low Carbon Economy (Sustainable Finance)**
   - Sectorial transformation to sustainable economy by support clients towards the development of a low-carbon pathway toward low-carbon technology, products, and circular economy.

2. **Measuring and Managing Climate-Related Risks**
   - Integrating the climate risks into our existing risk management process and developing the Bank’s internal capabilities to measure and assess the climate-related risks.

3. **Measuring and Managing Operational and Financed Emissions**
   - Reducing the Bank’s operational and financed GHG emissions through investment in all possible mitigation measures in our operations.

**Table 4: CIB Climate Strategy Pillars and Implementation Tools**

<table>
<thead>
<tr>
<th>Climate Strategy Pillars</th>
<th>Tools and Implementation Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerate Transformation to Low Carbon Economy (Sustainable Finance)</strong></td>
<td>- Accelerate the transition to a low-carbon economy through Sectorial Decarbonisation Pathways:</td>
</tr>
<tr>
<td></td>
<td>- Developing Sustainable Finance instruments and products</td>
</tr>
<tr>
<td></td>
<td>- Client Capacity Building plan by enhancing the implementation of client engagement “Sustaining Sectors” program for awareness raising, client engagement, and support in the transitioning phase toward low carbon Economy</td>
</tr>
<tr>
<td></td>
<td>- Sectoral Guidelines</td>
</tr>
<tr>
<td></td>
<td>- Energy Walkthrough Audits</td>
</tr>
<tr>
<td><strong>Measuring and Managing Climate Related Risks</strong></td>
<td>- Enhance the implementation of ESRMS</td>
</tr>
<tr>
<td></td>
<td>- Enhance TCFD implementation and disclosure through policy development, portfolio analysis and stakeholder engagement</td>
</tr>
<tr>
<td></td>
<td>- Activate GHG emissions reduction targets implementation</td>
</tr>
<tr>
<td><strong>Leading by example in Management of Operational and Financed Emissions</strong></td>
<td>- Upgrading CIB’s reporting from Carbon to Ecological Footprint Reporting</td>
</tr>
<tr>
<td></td>
<td>- Reducing the Bank’s Operational and Financed Emissions Environmental Footprint</td>
</tr>
<tr>
<td></td>
<td>- Greening the Bank Supply Chain</td>
</tr>
</tbody>
</table>
Accelerate Transformation to Low Carbon Economy

CIB’s Climate Strategy is driven by its growth momentum and the desire to expand on revenues through soliciting funding opportunities for emerging sectors and segments that are availed by the Sustainable Development Goals (SDGs) mandate and funding needs. Sustainable Finance is the practical translation of the Bank’s growth strategy and GHG emissions targets, in addition to meet investors’ expectations. Sustainable Finance represents an opportunity to decarbonize the lending and investment portfolio and reduce exposure to Transition Risk. It serves the inclusivity and holistic approach of CIB’s Strategy and Sustainable Finance Policy and thus it goes beyond mitigating the impact of climate change and is expandable to include a wider set of sustainability considerations (such as climate adaptation, biodiversity, circular economy and social inclusivity). Accordingly, while it addresses TCFD’s recommendations, it is broad enough to cover unfolding concerns that could be material to the enterprise value.

Sustainable Finance in CIB’s Climate Strategy

a) Transition Planning (Decarbonisation Pathway)

As the Bank commits to align its portfolios with the goals of the Paris Agreement and to set portfolio GHG reduction targets, the effort to mitigate climate change is not only considered as a challenge but as an opportunity as well for CIB operations and businesses. The Bank is committed to mitigating direct and indirect CO₂ emissions, generating the necessary capacities for adaptation, and advancing the research and development of new sustainable finance products and services as a collaborative effort among our business lines towards Sustainable Finance. Achieving this goal will require strong climate policies across the most vulnerable geographical locations and carbon intensive sectors.
In its Decarbonisation journey, the Bank has demonstrated the following:

- Published its Financed emissions baseline report, utilizing PCAF methodology to overcome the challenge of emissions data availability.
- Committed to align our lending portfolios with Decarbonisation pathways plan.
- Committed to setting emissions reduction targets on selected high carbon intensive sectors.
- Committed to publish absolute emissions and emissions intensity annually, in line with best practices, to disclose our progress and climate strategy with proposed actions and climate-related sectoral approaches.

b) Sustainable Finance Offering

CIB Climate Strategic approach includes sustainable finance instruments to help corporate and SME clients secure capital expenditure medium-term loans for launching or expanding their environmentally-friendly operations.

The Bank understands the crucial role of the financial sector that plays in addressing climate change by providing the capital needed to expedite the transition to a low carbon and green economy. CIB is ready to support the radical changes required to the business practices with regard to the industrial processes, land-use, buildings, transport and other infrastructure to align with and achieve the goals of the Paris Agreement. To that end, the Bank developed its “Sustainable Finance Product Governance Framework” to provide the guidelines for integrating ESG criteria into its financing and lending activities. The framework sets out our methodology for:

- Developing a portfolio of innovative Sustainable Finance instruments & products in order to meet stakeholders’ requirements and align with CIB’s environmental and social system.
- Identifying eligibility criteria for Sustainable Finance Products.
- Tracking and disclosing our performance against the environmental, social and climate change targets.
CIB’s Sustainable Finance offering includes the following:

- Energy Efficiency
- Renewable Energy
- Sustainable Transportation
- Sustainable Agriculture
- Energy Management System
- Green Building and Green Cities
- Sustainable Water and Waste Use
- Pollution Prevention and Control
- Circular Economy
- Non-Energy GHG Reduction
- Green Retrofit
- Water Desalination
- Sustainable Tourism

CIB contribution to the Egyptian Government’s Climate Strategy

The Bank supports the Egyptian Government’s Nexus of Water, Food & Energy ‘NWFE’ that has been launched in 2022 with a total estimated investment cost of US$14.7bn, targeting the highest priority projects in the vital sectors of water, food and energy, to be implemented by 2030, in alignment with the National Climate Change Strategy for 2050. Projects include clean energy projects that have positive impacts on mitigation targets, food specific projects aiming to improve adaptation and resilience of agricultural lands and water specific projects aiming to modernize irrigation systems and increase efficiency of rainwater collection & storage, leading to a more resilient agricultural system. Since the launch of NWFE program, CIB has participated in financing 5 Gigawatt (GW) renewable energy projects.

Client Capacity Building Plan (Sustaining Sectors Program)

Supporting the transition of client business models, included in high-emitting and hard to-abate sectors, do not only advance CIB’s strategic objectives, but also drives the net zero transition in the real economy. Realizing the importance of assisting clients through the low-carbon transition pathway, the Bank designed and implemented its flagship program titled “Sustaining Sectors”. The program has been conceived to create business opportunities, de-risking our portfolio while helping our clients pursue their growth through adopting sectoral decarbonisation pathways.

Sustaining Sectors is a knowledge and action-oriented program introduced by the Bank, providing corporates with tailored tools to integrate sustainable practices across their business models. The program is designed to support corporates to realize their potential and advance their growth while driving system transformation towards a low carbon and a circular economy. The program includes multiple stakeholders, equipping businesses with the necessary tools, capacity-building training, and financial products to transition towards a low carbon economy. Best practices are introduced and new global and national trends by hosting renowned thinkers, subject matter experts, and national leaders to support business leaders’ transition toward a low carbon economy.

CIB is dedicated to contributing to Egypt’s low-carbon emissions journey and to making this transition a collaborative and impactful effort, not only in Egypt but also throughout Africa. To date, the Bank has conducted workshops to support the food and beverage, green built & textile sectors, and continues to work to accelerate the transition for its corporate clients across multiple sectors.
Measuring and Managing of Operational and Financed Emissions

CIB continues to advance its efforts towards GHG reduction through investment in all possible mitigation measures in our operations and our supply chain emissions. This is the third year that the Bank has widened the reporting scope to include its ecological footprint, complementing the first Ecological Footprint Report issued in 2019 and the first Carbon Footprint Report in 2018.

- Achieving Net Zero in Internal Operations

  As we work towards a net zero emissions, CIB is committed to reducing its own operational emissions, including those within Scopes 1, 2, and non-category 15 Scope 3 2. Since 2018, the Bank has been actively reporting on, managing, and exploring opportunities to reduce its operational emissions. The efforts have paid off, as the Bank has been successful in reducing its carbon emissions intensity per employee over the past four years.

- The Pathway to Net Zero in our Lending Portfolio (Measuring Financed Emission)

CIB is voluntarily dedicated to aligning its lending and investments with the goals and timelines of the Paris Agreement, by providing products and services that satisfy our clients’ needs and support their transition toward low-carbon economy.

The transition to net-zero emissions in our lending portfolio requires GHG emission reductions across a number of key carbon intensive sectors. CIB has undertaken a preliminary assessment of high carbon emitting sectors in its lending portfolio, which will help in developing short- and medium-term actions to manage the associated risks. Our initial efforts focused on measuring the financed emissions in two key sectors of our corporate loans portfolio: power generation and transmission and real estate. The measurement was done in accordance with the PCAF, including the consideration of sector level absolute, and intensity-based emissions. The assessment covered scopes 1 and 2 of the selected two sectors. This pilot assessment reflects our commitment toward achieving net zero for the lending portfolio and sets the foundation of understanding our clients’ plans to reduce GHG emissions, as well as our actions to help the clients in their progress.

The Bank’s medium-term plans are to expand the scope of reporting and coverage on its portfolio emissions assessment, and will include more asset classes and carbon-intensive sectors in 2024.

In setting targets, we will leverage on the initial assessment of the Bank’s financed emissions. We are working on improving and refining our analysis and coverage using the data sources and methodologies available for the analyzed sectors. In addition, we intend to set a solid baseline against which our targets will be developed and compared, aiming to annually report our progress in a transparent manner.

Resilience of CIB’s Strategy under Climate-Related Scenarios

Developing scenario analysis and stress testing capabilities is a critical pillar of the development of the Bank’s climate strategy and its resilience against different climate change narratives. Scenario analysis allows various climate pathways to be explored and transition and physical impacts to be quantified in a way that supports robust risk management and strategic decision making. Our objective from the climate scenario analysis is to understand and assess the impacts across a range of potential outcomes, rather than selecting a single path.

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2 Scope 1 includes emissions resulting directly from the Bank’s operations. Scope 2 includes indirect emissions from purchased electricity, heating and cooling. Scope 3 includes all other indirect emissions (not included in Scope 2) that occur in the value chain of the Bank’s operations, excluding category 15 which is associated with the Bank’s loans and investments (financed emissions).
CIB is currently in the process of developing the foundation of its climate scenario analysis and stress testing capabilities and knowledge to learn, understand and preliminarily identify the Bank’s potential exposure to the most material climate-related transition and physical risk drivers.

The framework will provide useful insights into various aspects of climate risk management, including the identification of the data gaps and the enhancement of the framework and strategies. We aim to expand our capabilities and coverage, and increasingly integrate climate change scenario analysis results into relevant business-as-usual activities and key processes to support the implementation of our climate strategy objectives.

In selecting the climate scenarios, the Bank will leverage and build upon the existing work conducted by the Network of Greening Financial System (NGFS), which is currently the most popular provider of scenarios for financial institutions. The NGFS is a network of 127 central banks and financial supervisors and 20 observers that aim to accelerate the scaling up of green finance and development recommendations for the role of central banks in addressing climate change. It should be noted that the CBE is a member of the NGFS.

While NGFS scenarios have been developed primarily for use by central banks and supervisors, private-sector financial institutions have made use of these scenarios, which provide a common reference framework for analyzing climate risks to the economic and financial system. We believe that the climate scenarios are not forecasts, but rather, pathways of plausible futures (neither the most probable nor desirable) based on a body of research and an agreed-upon, forward-looking narrative for financial risk assessment.

The NGFS framework consists of 3 scenarios, covering the following dimensions:

1. **Orderly Scenarios**: assumes that climate policies are introduced early and gradually tightened, paving the way for the transition towards a low carbon economy to occur in a predictable manner and allows for climate objectives to be reached. Both physical and transition risks are relatively subdued.

2. **Disorderly Scenarios**: assumes policies are delayed or divergent across countries and sectors, requiring sharper reductions in emissions, which will result in higher transition risk.

3. **Hot House World Scenarios**: assumes that current policies are preserved and Paris goals are not met as the global efforts are insufficient to halt significant global warming. Emissions continue to grow, leading to more than 3°C of warming and significant physical risks. This scenario results in severe physical risk including irreversible impacts.

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3 Updated as of June 2023.

Figure 5: NGFS Climate Scenarios Framework
NGFS has further developed two underlying scenarios under each of the aforementioned three categories, with a total of six underlying scenarios. We will explore the NGFS underlying scenarios to ensure using a variety of pathways to understand the full range of possible impacts.

We recognize that climate risk scenario analysis is an evolving area and we are developing and advancing our internal capabilities through continued engagement with industry participants and experts. The Bank will continue to browse other generally globally accepted climate reference scenarios developed by the international bodies to broaden the range of scenarios that will included in the climate risk assessment process and exert efforts for the necessary calibration and downscaling to Egypt’s socioeconomic and climate conditions. Furthermore, we will ensure alignment with the national priorities according to the National Climate Change Strategy 2050 and the updated Egypt’s National Determined Contribution (NDC).

**Climate-Related Risk Data Challenges**

While banking organizations are increasing their focus on addressing climate-related risks, data limitation (in terms of availability and quality) is one of the main challenges making it difficult to fully understand the potential implications of climate risk drivers on the Banks' financial position. The data challenges include issues associated with the granularity of data needed to assess the vulnerabilities of a specific sector, counterparty, geography, or asset class.

CIB will exert continuous efforts toward the refinement of climate data, including establishing plans for more engagement with our customers and exploring third-party data providers to improve our capacity to report more granular data. There is currently no single global data provider that can consistently cover all required data for emissions, physical, and transition risks assessments across all portfolios and operations.
We are currently in the process of establishing a Climate Risk Management and developing plans to incorporate this risk into the Bank's enterprise risk management framework. We are developing our climate-related scenario analysis and stress testing capabilities to assess the impact of the transition and physical risks stress factors on our key portfolios. In addition, in our journey of identifying and assessing climate risk, we will review our risk appetite, set out, and define the measures to support our ambition and our commitments to regulators, investors and other stakeholders. The Bank is in the process of reviewing best practices for climate risk modelling, as it is recognized that the measurement and management of climate-related financial risks and the methodologies and data used to analyze these risks, are currently evolving and are expected to mature over time.

### Identification and Assessment of Climate-Related Risks

To understand and manage climate risks, we will examine how the Transition Risk and Physical Risk affects the traditional risk categories, such as credit risk, market risk, liquidity risk, and operational risk, as climate change transmits through these risks. To date, banks have mostly focused on credit risk arising from the loan portfolio, while other risks are typically assessed using a qualitative approach. Climate change presents a range of potential risk considerations across our businesses and activities.

The table below indicates the potential impacts of the climate risk drivers on the traditional risk categories:

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Potential Impact of Climate Risk Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>The materialization of one or more of the transition or physical risk drivers poses potential impact on the Bank’s financial position, resulting from increasing counterparties’ costs and loss of revenues, reducing their ability to repay the debt and, accordingly, the Bank’s ability to fully recover the loan in the event of default.</td>
</tr>
<tr>
<td>Market</td>
<td>Transition and physical risk drivers could cause a reduction of the financial asset values due to abrupt shifts in asset prices, along with the increase in volatility and breakdown of correlation patterns, as climate risk is not yet incorporated into market prices.</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Transition and physical risk drivers may promote deposits run-off and cause bank borrowers to draw down credit lines, as well as potential impact on the Bank’s accessibility to stable sources of funding as market conditions change.</td>
</tr>
<tr>
<td>Operational</td>
<td>Physical risks can cause premises damage and disrupt transportation facilities and telecommunications infrastructure. Additionally, climate risk drivers could affect employee productivity as well as the operations of third-party providers, disrupting the Bank’s normal business operations. Furthermore, the operational risk could manifest if the Bank’s internal process and procedures do not sufficiently account for climate risk.</td>
</tr>
<tr>
<td>Reputational</td>
<td>Climate change is identified as a potential source of reputational risk tied to changing customer or community perceptions of a bank’s contribution or involvement in certain industries associated with climate change.</td>
</tr>
</tbody>
</table>
Risk Management

Climate Risk Management Approach

Integrating the climate risk management into the Bank’s existing risk management framework, including process, policies and controls, ensures aligning climate related risks with the Bank’s three lines of defense model for robust oversight.

The three lines of defense model adopted by the Bank provides clear ownership and accountability for managing risks. The business front lines constitute the first line of defense and are tasked with preliminary identifying and making initial judgment on the potential climate risks of the transactions they are considering. The ESG Risk Management department constitutes the second line of defense and is responsible of providing independent assessment and measuring of climate risks and working closely with the business front lines for effective challenge of risk, provide guidance and improve practices. Internal Audit, which constitutes the third line of defense, provides independent validation and assurance that our risk management approach, key processes and controls are designed and operating effectively.

- Risk Measurement

The assessment process includes identification of the Bank’s sectors’ potential exposure to plausible climate-related risks. As scenario analysis and stress testing are currently the preferred risk management tools to measure climate related risks, we will capitalize on the currently available global references scenarios to support the development of the foundation of the scenario analysis framework and provide us with a common starting point for analyzing the risks under different future pathways.

Based on the identification and assessment process, the Bank will prioritize the sectors we consider most vulnerable to climate risks. Within each of these sectors, individual clients may have different levels of risks, as the impact can be positive, negative, or neutral depending on the sectors, the geographies, and the scenarios.

a) Transition Risk

Globally, both banks and supervisors have mainly focused on credit risk and to some extent on market risk, with a much lesser focus on liquidity and operational risk, when assessing the climate related transition risk. There is no single comprehensive approach for assessing the climate related transition risk that describes the risk in terms of financial losses, due to the following challenges:

- Lack of historical data that could be used for assessing the potential impact of climate risk on our credit losses. Accordingly, approaches for quantifying transition risk need to heavily rely on expert judgments and assumptions, combined with insights from the climate scenarios.

- Long time horizons for transition impacts. Certain drivers of transition risks may not materialize over the 1 - 5 years' periods that banks typically use to conduct business planning and stress testing exercises.

We believe that climate related transition risk could have impact on the clients’ financial performance, mainly negatively impacting their revenues, expenditures and cash flows, which should provide a meaningful picture for assessing the impact on the probability of default for clients materially exposed to one of the transition risk drivers.
The Bank is currently reviewing the climate risk transmission channels, to link between the scenarios, risk drivers and creditworthiness of borrowers, as this framework will require new data sources and changing the risk management framework.

As an initial qualitative assessment, we have scanned our loans portfolio using a transition risk heatmap approach, which is meant to identify climate-related potential risks areas on a high level perspective. The insights from this preliminary analysis will provide us with a clearer understanding of the sectors that are more vulnerable to climate transition risks, as well as exploring opportunities for sustainable lending.

The risk identification using the heatmap approach is categorizing sectors, using scores, into “insignificant”, “low”, “medium low”, “medium high”, “high” and “extremely high”, according to the sector sensitivity to the transition risk drivers:

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insignificant</td>
<td>No Probability of Risk.</td>
</tr>
<tr>
<td>Low</td>
<td>No business disruption, very unlikely to impact loan repayment.</td>
</tr>
<tr>
<td>Medium Low</td>
<td>Minor disruption to business operations, limited impact on loan repayment.</td>
</tr>
<tr>
<td>Medium High</td>
<td>Business disruption likely, can lead to difficulty in loan repayment.</td>
</tr>
<tr>
<td>High</td>
<td>High probability of risk, industry sensitive to risk. Severe business disruption, considerable risk of loan default.</td>
</tr>
<tr>
<td>Extremely High</td>
<td>Very high probability of risk, industry very sensitive to risk. Shutdown of business operations. High likelihood of loan default.</td>
</tr>
</tbody>
</table>

Table 6: Classification of Risk Score Categories
The figure below shows the top three elevated climate risk sectors in our corporate loans portfolio (expressed as percentage contribution from the total corporate loan portfolio). The elevated sectors are those which scored as having “extremely high” or “high” vulnerability to at least one of the transition risk drivers (policy & legal risk, technology risk, customer sentiment/market disruption and reputational risk). These sectors are at a higher risk of experiencing negative consequences such as increase of costs, reduce in profitability or business disruption due to the transition risk events.

**Top Three Elevated Climate Risk Sectors**

*As of end of December 2022*

- Energy
- Manufacturing
- Real Estate*

*Includes construction activities

The sensitivities of the sector in the heatmap analysis was identified qualitatively, based on extensive research and expert judgement. We will continue to perform further granular analysis to understand the risks associated with sectors sensitive to the impacts from climate change, over the short, medium and long terms.

We are currently working on exploring the climate scenarios, which will provide us with pathways for climate variables and help to perform more granular assessment of the sensitivities of our portfolio sectors to transition risk drivers. We will continue to disclose the progress and the insights from our enhanced transition risk assessments in our future reports.
b) Physical Risk

Understanding the potential impact of physical risks on the Bank requires an assessment of the severity and pace of the physical hazards (such as floods, droughts, wildfire, sea-level rise). The increase in the frequency or severity of extreme weather events could contribute to borrowers’ financial stress (such as property damage and stranded assets) and reduce their ability to repay or service debt, subject to the exposure (such as facilities or projects in hazards zones) as well as the vulnerability (extent of availability of adaptive infrastructure). We believe that companies and assets have different levels of exposure and vulnerability.

As most of the physical risk analysis are typically performed using scoring tools, we will rely on using the physical risk score tool due to its ease of interpretation as an approach to physical risk assessment. We are in the process of enhancing the quality of data on our clients, which will be a crucial part of our planned preliminary physical risk heatmap exercise. This approach will be an initial assessment of the exposure of our loans portfolio’s sectors to the physical risk across eight different hazards.

Much of today's climate hazard modelling still relies on the assumption that certain land parameters and boundary conditions remain unchanged or stationary at the time of survey. The availability and reliability of data on hazards are challenges faced by financial institutions in their assessment process of the physical risk. Climate hazards will require an interaction between climate events and local conditions. In addition, data on vulnerability is another major challenge as it ultimately refers to facility-level preparedness.

By combining data on selected climate hazards, the geographical location of our clients’ factories, projects or properties and an estimate of vulnerability, the physical climate risk scores can provide us with information about the relative physical risk of our portfolios.

We will continue exploring the availability of data from open source dataset, academic and scientific institutions, international organizations, non-profit organizations as well as specialist consultancies to enhance our physical risk assessment across different time horizons, covering short, medium and long terms impacts.

- **Risk Control**

  Risk Appetite is an integral component of CIB’s Enterprise Risk Management (ERM) framework as a governance and monitoring tool in evaluating the Bank’s risks. It covers all material risks (financial and non-financial) including its policies, processes, controls, and systems through which Risk Appetite is established, communicated, and monitored.

  As we better understand climate risk drivers, improve our technical capabilities and the methodologies become more standardized, we will work on integrating climate risks into our risk appetite statements, to provide the Board and executive management a better view to oversee the potential risks as well as the proactive actions needed to prepare for and respond to these risks.
Metrics & Targets
Based on the TCFD recommendations, climate-related metrics and targets enable the BoD and management to more effectively direct and manage the business by measuring and describing the impacts of climate-related risks and opportunities on the organization’s businesses and financial planning, in addition to tracking the progress toward achieving the climate strategy.

In that context, we have initiated and continue to develop our approach and methodology to climate risk metrics and targets to track our progress and performance within our internal operations and financed emissions, as data availability is enhanced over time. The efforts exerted stem from our commitment to sustainable finance, improving our risk management practices, and meeting the expectations our stakeholders, including regulators and investors.

CIB has been reporting and disclosing its performance on key environmental metrics and targets for its internal operations. We are currently utilizing this data to inform our climate strategy and performance. These figures are regularly assessed by senior management and through the governance channels discussed earlier in this report.

The following sections cover the key metrics used to assess climate-related risks and opportunities, as well as the guide of our progress towards setting impact-reduction targets as part of our climate ambition.

Emissions Metrics

Standard-setters, including the TCFD, are continuing to provide more guidance on climate metrics. We aim to keep pace with the new developments and further evolve our climate-related metrics, which will enable us to disclose the metrics more robustly and transparently.

Internal Operations Emissions

Our commitment to sustainability started with the publication of our first Carbon Footprint report, which analyzed the impacts of our operations at some branches. Then, we have expanded our reporting to cover all of our branches and established a benchmark for future assessments. This allowed us to set ambitious targets and implement initiatives aimed at becoming a green bank.

Calculation of the Bank’s CO₂ emissions is broken down into the following categories:

- Scope 1: covers all direct emissions from sources that are owned or controlled by the Bank (such as any owned or controlled activities that release emissions straight into the atmosphere).
- Scope 2: covers indirect emissions related to the energy consumption (such as purchased electricity, heat, or steam) from a source that is not owned or controlled by the Bank.
- Scope 3: covers all other indirect emissions that are not covered by Scope 2 (such as business travel, vehicles not owned or controlled by the Bank).
The following table shows our Carbon Footprint results\(^4\) summary by year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1 direct emissions (mtCO(_2))</th>
<th>Scope 2 indirect emissions (mtCO(_2))</th>
<th>Scope 3 indirect emissions (mtCO(_2))</th>
<th>Total Emissions (scope 1,2, &amp; 3 emissions) (mtCO(_2))</th>
<th>Avoided emissions (mtCO(_2))</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>5,148</td>
<td>36,704</td>
<td>10,879</td>
<td>52,731</td>
<td>(-) 144</td>
</tr>
<tr>
<td>2020</td>
<td>5,551</td>
<td>34,105</td>
<td>8,916</td>
<td>48,572</td>
<td>(-) 144</td>
</tr>
<tr>
<td>2021</td>
<td>2,685</td>
<td>31,541</td>
<td>9,236</td>
<td>43,461</td>
<td>(-) 170</td>
</tr>
<tr>
<td>% Change (2021 relative to 2019)</td>
<td>(-) 48%</td>
<td>(-) 14%</td>
<td>(-) 15%</td>
<td>(-) 18%</td>
<td>(+) 18%</td>
</tr>
</tbody>
</table>

The results indicate the success of our policies, with a significant reduction of our carbon emissions across all scopes and an increase in the avoided emissions compared to 2019 figures.

Furthermore, our participation in the Carbon Disclosure Project (CDP), along with our ongoing efforts to promote a green environment, have driven continuous improvement of our environmental reporting and given us a more comprehensive understanding of our footprint. Accordingly, we have voluntarily expanded our reporting to include assessments of our land and water footprints, as we believe that our impact extends beyond carbon emissions, leading to the issuance of our first Ecological Footprint report in Egypt and the MENA region in 2019. Our goal is to be transparent and responsible in our reporting and to continue to set an example for corporate sustainability.

Due to our dedicated efforts, CDP rating\(^5\) has improved from level D “Disclosure” to level C “Awareness” for our 2021 Ecological report, and from C to B “Management” for the 2022 report, reflecting our commitment to improve our data management, accuracy, and reporting mechanism.

By benchmarking our environmental performance annually, we will be able to track our progress and ensure that we are efficiently moving toward meeting our goals and objectives. This transparent and responsible approach demonstrates our commitment to our stakeholders and positions us as a leader in the field of corporate sustainability.

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\(^4\) For more information, please refer to the “Carbon Footprint Report” available on CIB website.

\(^5\) According to CDP rating: Level “D” means that the organization discloses its environmental footprint, level “C” means that the organization has awareness of its Environmental footprint and Level “B” indicates evidence of managing the environmental impact and that the organization reached the maturity level of integrating ESG dimensions and aspects in its core business.
The following table shows our Ecological Footprint results summary by year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Carbon Footprint (Scope 1,2)</th>
<th>Land Footprint</th>
<th>Water Footprint</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute mtCO2e</td>
<td>Intensity mtCO2e/ employee</td>
<td>Absolute Gha</td>
</tr>
<tr>
<td>-------</td>
<td>------------------</td>
<td>------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>2019</td>
<td>41,852</td>
<td>5.96</td>
<td>14,821</td>
</tr>
<tr>
<td>2020</td>
<td>39,656</td>
<td>5.52</td>
<td>14,175</td>
</tr>
<tr>
<td>2021</td>
<td>34,225</td>
<td>4.11</td>
<td>12,441</td>
</tr>
</tbody>
</table>

% Change (2021 relative to 2019) (-) 18% (-) 31% (-) 16% (-) 29% (+) 16% (-) 2%

Our land footprint analysis evaluates our total land use, considering the carrying capacity of the planet and linking our operations to global sustainability targets. Our efforts showed a reduction of 16% and 29% in absolute and intensity terms in 2021 compared to 2019, through maximizing the use of our available land resources. Meanwhile, our water footprint assesses both direct and indirect water consumption, including the impact of water pollution. 2021 figures showed an increase in water consumption in absolute terms due to our network expansion (branches and offices), however, 2% reduction is noted in the intensity of water consumption per employee relative to 2019.

As the first bank in Egypt and Africa to address all the three impact categories, we believe that our ecological footprint indicators offer several benefits:

- The use of a single index simplifies communication and understanding.
- Enables easy comparisons of various activities and services.
- Provides a comprehensive assessment of sustainability.

### Financed Emissions

CIB’s first NZBA baseline report (published in 2022) represents the Bank’s first attempt to assess its portfolio financed emissions. It discloses the emissions from the CIB’s corporate loan financing activities, in line with PCAF standards. We intend to expand our financed emissions calculations to cover additional sectors and to implement the PCAF’s other asset classes standards in the future disclosures.
Approach

The assessment focused on the corporate loans segment, from the asset class “Business Loans and Unlisted Equity” as defined in the PCAF Standard “Global GHG Accounting and Reporting Standard for the Financial Industry”.

The process of selecting sectors included the application of a set of well-defined criteria, which was applied across all sectors defined under the Bank's corporate loans portfolio. The sectors were evaluated based on their fulfillment of the set criteria. The sectors were selected based on the data availability and the level of material exposure relative to CIB's total corporate lending portfolio. The top 10 clients by outstanding loans were selected for the assessment under each of the two defined sectors.

The absolute emissions from the two selected sectors were calculated using the economic activity emission factors prescribed by PCAF.

Sectors Coverage

- **The power generation sector** includes companies involved in producing and delivering electricity to consumers nationwide. The measured financed emissions covered 99.8% of the sector's total loans exposure.

- **The real estate sector** includes companies operating in several sub-sectors, which encompass constructing, owning, managing, and marketing hotels, residential units, and tourism villages, in addition to the construction and management of properties used exclusively for business purposes (i.e. retailers of all kinds, office space, hotels, malls, restaurants, and stores). The measured financed emissions covered 96% of the sector's total loans exposure.
Metrics & Targets

Table 9: Financed Emissions Results

<table>
<thead>
<tr>
<th>Sector</th>
<th>Absolute Financed Emission Scope 1&amp;2 (tCO₂e)</th>
<th>Economic Emissions Intensity Scope 1&amp;2 (tCO₂e/M$ loaned)</th>
<th>Weighted data quality sector⁸</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Loans and Unlisted equity</td>
<td>731,865</td>
<td>2,129</td>
<td>4</td>
</tr>
<tr>
<td>Power Generation</td>
<td>723,499</td>
<td>2,112</td>
<td>4</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6,366</td>
<td>17</td>
<td>4</td>
</tr>
</tbody>
</table>

Emissions Data Limitation

Due to the limited data availability with regards to sectoral and country-specific emission factors, we have used average economic emission factors for the Middle East, given its closest relevance to Egypt. In addition, when calculating clients’ financed emissions, we adopted the PCAF data quality hierarchy table to help provide transparency in our calculation methodologies.

We will continue to update our financed emissions disclosures, including our data scores, by improving our data collection and management systems, as well as supporting our clients in tracking the required data to enable further granularity when it comes to assessing the financed emissions across all applicable sectors and asset classes.

Climate Risk Metric

To align with the TCFD recommendations, we are disclosing the “Carbon-related assets” metric which is defined as the concentrations of credit exposure to assets tied to the four non-financial groups as defined by the TCFD⁹: (i) energy; (ii) transportation; (iii) materials and buildings; and (iv) agriculture, food and forest products.

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⁸ For more information, please refer to the “Advancing The Transition to Net-Zero” available on CIB website.

⁹ Given that the term “carbon-related assets” is not well defined and for the purposes of disclosing information on significant concentrations of credit exposure to carbon-related assets, the Task Force suggested in its 2017 Annex guidance that banks to define carbon-related assets as those assets tied to the energy and utilities sectors, excluding water utilities and independent power and renewable electricity producer industries. However, in its updated 2021 guidelines, the Task force suggested to expand the scope of the definition to those assets tied to the energy, transportation, materials & buildings and agriculture & food and forest products sectors. The Task Force stated that there may be “industries or sub-industries” that are appropriate to be excluded, encouraging banks to use a consistent definition to support comparability.
Defining the roadmap for setting targets

For our internal operations emissions, CIB is targeting to minimize our internal operations’ carbon footprint in line with our transition to low carbon emissions by 2050. We are aware that achieving this goal necessitates setting climate targets and constantly improving our climate change mitigation strategies to be in line with the best current climate science practices.

For our financed emissions, we will leverage the initial assessment of the Bank’s financed emissions as part of our Net Zero journey. Net Zero represents the Bank’s first attempt to assess its portfolio financed emission, to be able to move forward to set targets for its financed emissions. We are working on improving and refining our analysis and coverage using the data sources and methodologies available for the analyzed sectors. In addition, we aim to set a solid baseline against which our targets will be developed and compared against. We expect the data quality scores to improve over time as clients continue to expand their disclosures to meet growing regulatory and stakeholder expectations. The Bank will plan to set emission reduction targets in line with the latest climate science and define decarbonisation pathways using widely accepted science-based decarbonisation scenarios. We recognize that the quality of data and methodologies used in the analysis of financed emissions will improve over time, leading to changes in our baseline and targets.
In light of the rapidly evolving global development in terms of sustainability and climate related disclosures, CIB is diligently monitoring the updates of the International Sustainability Standards Board (ISSB) in developing the IFRS S1 “General Requirements for Disclosure of Sustainability-related Financial Information” and IFRS S2 “Climate-related Disclosures”, stemming from demand by the investors and the financial markets to provide high-quality globally comparable information on sustainability-related risks and opportunities. The integration of financial and non-financial disclosures is expected to be a paradigm shift in companies’ reporting activities and in investors’ decision making. CIB aims to be in the forefront of applying the latest disclosures standards, as deemed possible and relevant within the national context, rules and regulations.

In order to meet the investors and financial markets desire of addressing a fragmented landscape of voluntary, sustainability-related standards and requirements that add cost, complexity and risk, CIB has taken a pro-active approach to prepare an integrated sustainability report that consolidates its commitments to meet the standards of the GRI, SASB, PRB, NZBA, EP, UNGC and Ecological Footprint, which is expected to be published during Q4 2023. This integrated reporting concept will be pursued during the coming years, incorporating further enhancement and synergizing, as our experience mature.

We are currently establishing an ESG Data Digitization platform to support our environmental, social and risk management system and our climate risk management to facilitate our decarbonisation and just Sustainable finance journey and to enhance our reporting and disclosure activities to ensure efficiency, accuracy and consistency.

As a local bank with a global outlook, CIB recognizes the interconnectivity of the economy and society and is committed to promoting economic decarbonisation while balancing social, environmental justice, and biodiversity transition concerns. The Bank is transparent about its expectations and efforts and strives to earn and maintain the trust of the stakeholders by following high ethical standards and sharing information publicly to foster collaboration. Despite the significant progress we have made, CIB remains fully aware of the magnitude of the challenges ahead and is committed to leveraging our business to address and manage it. The Bank is taking an additional step in its commitment journey to climate action and transparency by publishing this first TCFD report and will continue to publish the CIB’s progress in sustainability over the coming years.

We will continue to advance and enhance our climate change strategy by identifying our key climate risks over the short, medium, and long terms, working on integrating the strategy pillars into our business, developing our decarbonisation pathways, and developing more green products to cater to the needs of expected new market demands.

In addition, we will continue our new climate ambition to become a net zero bank and will engage more with our clients to support their decarbonisation plans. Despite the significant progress CIB has made in the past years, we face several challenges in the development and implementation of our journey toward net zero, and expect further challenges in our transition to a low carbon economy. The Bank plans to move forward in that direction by including more sectors in the future and concentrating our current efforts on the decarbonisation of our internal operations.
Disclaimer & Important Notice

It should be noted that depending on sectoral maturity and given data challenges, our approach to materiality in our first TCFD report incorporates assumptions and estimates. In addition, our climate risk assessment, analysis and net zero roadmap are currently under development and the underlying data in our preliminary analysis and strategy remain subject to evolution over time, and this may directly or indirectly affect the metrics, data points, and estimates contained in this report. Accordingly, it is expected that some disclosures will be subject to revision, updates or restatement in the future as the methodologies, availability and quality of data used to analyze climate-related risks continue to evolve, mature, and improve over time.

This report and the information contained herein are provided solely for information purposes and should not be relied upon as advice to investors or potential investors. The report is not intended to constitute investment, financial, economic, accounting, legal or tax advice or recommendations. This report contains forward-looking statements that may include, without limitation, statements related to our plans, goals, and estimates. They consist of our current views, intent, and expectations along with underlying assumptions. Such statements are based on current CIB’s assumptions and plans, and they do subject to risks and uncertainties, which could lead to significant deviations from the actual results. These risks and uncertainties include a variety of factors including, among others, changes in economic trends and conditions in Egypt, Africa, regulatory changes, market volatility, countries strategies, policies implementation, our clients’ commitments as well as other unforeseen events or conditions.