

Central Bank of Egypt's Sustainable Finance Binding Regulations (NOVEMBER 2022)

Central Bank of Egypt's Board of Directors decided in its meeting held on October 26, 2022 that it will issue binding regulations on sustainable finance in light of the Central Bank of Egypt's direction towards achieving the sustainable development goals and Egypt's Vision 2030 and to build upon the Guiding Principles for Sustainable Finance issued on July 2021. This step is based on the belief of the banking sector's vital role in facing environmental and social challenges by financing projects that contribute to the transition to a more sustainable economy. The regulation is based on a gap analysis conducted by the Central Bank of Egypt on sustainable finance practices in the Egyptian Banking Sector, which highlighted the importance of developing a binding framework to enhance sustainable finance in the sector. Thus, the Central Bank of Egypt is committing the banking sector to the following:

1. Incorporating sustainable finance policies within the bank's credit and investment policies, through the relevant departments. In addition, banks to set procedures that are consistent with the Guiding Principles for Sustainable Finance issued in the circular letter dated July 18, 2021. Noting, that these policies and procedures are to be submitted to the Central Bank of Egypt by October 1, 2023.

2. Banks' Board of Directors are to ensure the implementation of the policies and procedures that are put in place regarding sustainable financing and are expected to validate the required reports prepared in this regard.

3. Establishing an independent department for Sustainability and Sustainable Finance that reports directly to the Chief Executive Officer (Managing Director) or their deputy by April 1st 2023. This department should include individuals that have expertise in the areas of credit and risk and have the ability to coordinate internally between the various departments within the bank.

4. The roles and responsibilities of the Department of Sustainability and Sustainable Finance includes the implementation of the guiding principles referred to in Clause (1).

5. Banks are committed to prepare the following periodic reports and provide them to the Central Bank of Egypt's Sustainability Department:

5.1) Status report on the implementation of the Sustainable Finance Guiding Principles: This report is to be prepared on a semi-annual basis, with the goal of presenting the steps that have been taken towards achieving the guiding principles mentioned above. It is to be submitted to the Central Bank of Egypt on July 31 and January 31 of each year, starting from July 2023.

5.2) A quantitative report on banks' sustainable financing activities within their credit portfolios: This report is to be prepared and submitted on a quarterly basis, starting July 1st 2023.

5.3) Sustainability Report: This report is to be prepared on an annual basis, and should be approved by banks' Board of Directors or its counterpart for branches of foreign banks. It should also be prepared in accordance to the Global Reporting Initiative (GRI) and in cooperation with one of the offices approved by the aforementioned initiative. In addition, it must include banks' activities related to sustainability and demonstrate their efforts in achieving it. The report should be submitted to the Central Bank of Egypt on March 31 of each year, starting 2024.

6. Banks to consult an environmental expert accredited by the Ministry of Environment to assess the environmental risks of large corporate projects that are to be financed. Banks are expected to do apply this measure starting July 2023.