Cairo on: June 30, 2026

Mr. Chairman

Bank

Greetings,

With reference to the periodicals issued in the field of promoting sustainable finance, including the circular dated November 3, 2022 on Instructions on sustainable finance, including banks' obligation to include sustainable finance policies in credit policies and investment.

Based on the role of the Central Bank in maintaining financial and banking stability and supporting the trend towards enhancing sustainable finance, In addition to enhancing banks' capacity and readiness to face risks, it has also been important to guide banks towards laying the foundations for managing Environmental and Social Risk through the implementation of an Environmental and Social Risk Management System Management System (ESRMS), as well as managing climate-related financial risks through Issuance of the attached guidebook, with the aim of clarifying the mechanisms for implementing this system and integrating it into credit and investment decisions and the Bank's governance and internal control frameworks have raised awareness of these risks and preparedness for detailed management.

In view of the above, the following shall be obliged:

1. Implement and integrate an Environmental and Social Risk Management System (ESRMS) no later than January 2028 of the Bank's sustainable finance policies and overall risk management framework, with the Director of the Sustainability and Finance Department The Bank's sustainable department is responsible for coordinating across the relevant Bank sectors, reviewing related reports, and providing management Sustainability at the Central Bank of Egypt in order to demonstrate the application of the aforementioned system, provided that the environmental risk management system Social and Social include, at a minimum:

   A. Implementation procedures including roles and responsibilities, and mechanisms for categorizing, evaluating and monitoring projects including screening Due diligence and related reporting.

   b. Determine the financing and investment operations that must be subject to this Law and periodically follow up on them.

2. Inform the application of climate change-related financial risk management procedures through the attached manual.

3. Building the technical capacity of Bank staff on climate-related financial risks and implementing a risk management system Environmental and Social.

Tarek El Khouli

I. Environmental and Social Risk Management System

Given the increasing frequency of environmental, social and climate change risks and their potential financial impacts, and in line with the trend

Towards achieving the Sustainable Development Goals (SDGs) and commitments

linked to the Paris Climate Agreement and the goals of Egypt Vision 2030, supervisory authorities, including central banks, guide institutions

Implementation of the Environmental and Social Risk Management System

System- ESRMS) is the institutional framework that encompasses the procedures and institutional capacities needed to identify, assess, and manage

Monitoring environmental and social risks associated with clients' activities and projects. Climate change risk is managed as part of the

It is integrated into the E&S risk management system by applying the same stages and procedures as risk management.

The scope of the assessment will be expanded to include risks from activities that contribute to exacerbating climate change, including high-intensity activities

emissions or that are not in line with national and international trends to reduce emissions.

Therefore, the section on the implementation of the ESRMS has been prepared in this guide to illustrate the mechanisms of

Implementation and activation of this system, where the manual includes the elements and basic components of the system, and clarifies the executive procedures for determining

Classifying, assessing, and monitoring environmental and social risks, including climate change risks, in a way that supports building the elements and capabilities

In addition to supporting the technical capabilities of the institution's employees in order to enhance the efficiency of managing these risks.

This part of the guide has been prepared based on the local and international frameworks and standards that banks rely on when

Develop and implement an Environmental and Social Risk Management System (ESRMS) such as:

- EIA Templates for the Egyptian Ministry of Environment
- World Bank Group Environmental and Social Framework
  (World Bank Group Environmental and Social Framework)
- IFC's Performance Standards
  (International Finance Corporation Performance Standards)
- EBRD Performance Requirements
  (European Bank for Reconstruction & Development Performance Requirements)
- Equator Principles

The scope of application of the Environmental and Social Risk Management System (ESRMS) includes the following elements:

1. Environmental and Social Risk Management Policy (ESRMS)

A policy defining the scope and objectives of application and the mechanisms for integrating the system into the credit and investment cycle shall be developed and adopted.

This policy is issued by the Bank's Board of Directors and incorporated into the Bank's overall risk management framework, ensuring consistency and complementarity with

Credit, investment and risk management policies, to be reviewed and updated every three years at the latest or

Whenever necessary.

2. Initial Screening

Conduct a preliminary examination of the activities and projects financed or invested to determine whether they are subject to the requirements of the Environmental and Social Risk (ESRMS) as per the Bank's approved scope of application, based on the Bank's assessment and vision.

3. Environmental and Social Risk Categorization

Financing or investment operations are categorized according to the level of environmental and social risks, including climate change risks may result from the risks of the economic sector in which the client operates, the size of the activity and the geographical location of the project, through Informed by domestic and international frameworks, the classification includes three main categories:

- High-risk projects: includes activities or sectors that may involve significant environmental or social risks Difficult to avoid or mitigate.
- Moderate Risk Projects: includes activities with potential or limited environmental or social impacts, which may Reduce them substantially through appropriate measures.
- Low-risk projects: These include activities with expected minimal or no environmental or social impacts. None.

This rating is the basic reference for all subsequent steps in the credit or investment decision-making system. and follow-up actions.

Environmental and Social Due Diligence

Diligence)

Detailed E&S risks are screened according to the degree of classification of the operations being financed or invested, including the Climate change, including analysis of the economic sector, financed activity, project characteristics, and client compliance with legislation and instructions and related standards, with the aim of determining the nature and severity of these risks and supporting credit or investment decision making on the basis of sound.

In cases of high risk, the Bank may require the client to submit an Environmental and Social Impact Assessment (ESIA) Social Impact Assessment (ESIA) accredited by the Egyptian Ministry of Environment or environmental experts appointed by Multilateral Development Banks (MDBs)

In cases where the results of the due diligence result in material risks, the Bank will require the customer to prepare and implement a plan Environmental & Social Action Plan (ESAP) with remedial actions and schedules Implementation timelines commensurate with the nature, magnitude, and level of risks associated with the financing or investment operation, with follow-up during the duration of the financing, and in case of non-compliance with the corrective actions, the Bank shall take the necessary action by taking Necessary actions by the Fund, including amending the terms and conditions of the Financing to ensure compliance.

5. Integrate ESRMS findings into credit or investment decision

The results of the environmental and social due diligence are documented in a report accompanying the credit or investment memorandum to Inform decision-making, including on the terms of the financing or investment.

6. Complaint handling mechanism and interaction with stakeholders

Ensure that appropriate mechanisms are in place for the client to handle complaints from interested parties affected by the adverse effects of the the client's business, managing and handling complaints appropriately, as well as providing appropriate means of communication with them.

7. Monitoring

Environmental and social performance of clients and financing or investment operations are monitored during the life of the financing or investment in accordance with the

Environmental & Social Action Plan (ESAP) where they result in

Environmental and social due diligence findings for material risks, as well as the terms and conditions of the financing or investment Agreed upon.

8. Dealing with high environmental and social risks for customers (Escalation & Control)

Corrective actions are taken in case a client is identified as having a high level of environmental or social risks, which may Includes reassessing risks, modifying financing or investment terms, or making decisions to terminate financing or investment when necessary.

9. Documentation and Reporting

The Bank documents the policy, procedures, and results of the implementation of the Environmental and Social Risk Management System (ESRMS), and the use of this information in the preparation of relevant reports to support risk management and decision-making.

10. Roles and Responsibilities

The Bank's executive management is responsible for implementing the policy adopted by the Board of Directors regarding environmental risk management The roles and responsibilities related to the implementation of the system will be defined, provided that the Director of the Sustainability and Finance Department The Bank's Sustainable Bank is responsible for the coordination between the relevant Bank sectors.

XI. Building institutional and technical capabilities of staff

Work to build and develop the institutional elements and capabilities and build the technical capabilities of the workers necessary to support the effective application of the Environmental and social risks, enhancing institutional awareness.

Managing Financial Risks Associated with Climate Change

Climate change issues have gained increasing international and domestic attention in recent years in light of increasing challenges related to climate events and their economic, social, and environmental impacts, and the subsequent growth of international efforts and commitments Towards climate issues, including the Paris Climate Agreement and Nationally Determined) Contributions- NDCs, which aim to support the transition towards a more sustainable and climate-resilient economy.

Central banks and international supervisors are increasingly interested in integrating climate-related risks into supervisory frameworks. as a factor affecting financial stability and the soundness of the banking sector, in light of the wide range of effects on economic activities, asset quality, business continuity, as well as the pass-through of climate change risks conventional financial risk, including credit, market, liquidity, and operational risk, as well as strategic and Reputation.

Climate change risks include physical risks caused by climate events and environmental changes (e.g., flooding). And drought. etc.), as well as transition risks resulting from the transition to a low-emission economy, as these risks on some sectors and economic activities and therefore customers' ability to pay.

With the aim of supporting banks in developing an effective framework for managing financial risks related to climate change, enhancing the capacity of the banking sector to manage these risks and support short, medium, and long-term financial stability. Climate Change-Related Financial Risks in this guide based on Basel Committee on Banking Supervision and Standards Principles and relevant international practices to clarify procedures for managing financial risks associated with climate change, including:

1. Governance and Internal Control

- The Bank's Board of Directors adopts a policy to manage the financial risks associated with climate change and reports to ensure Integrate those risks into the Bank's overall risk management framework, acceptable risk level, and business strategy.
- Consider that the Bank's executive management assumes responsibility for implementing the frameworks and policies approved by the Bank's Board of Directors regarding the management of Financial risks associated with climate change and may establish procedures to ensure effective implementation of those policies and frameworks; This is in accordance with the following:
  - Identify material financial risks associated with climate change and assess their potential impacts on the Bank's business strategy and resilience Its business models in the short, medium and long term, considering the impact of the transition towards a low-emission economy on the credit and investment portfolios in the capital planning process and their impact on the bank's ability to achieve its objectives.
  - Define the Bank's departments involved in managing these risks, and ensure their effective oversight by before the relevant committees.
- To manage climate-related financial risks, the Bank relies on an internal control framework, which is based on a lines model Defense, ensuring separation of implementation, independent oversight and audit duties in accordance with the CBE own instructions on the governance and internal control of banks.

2. Climate Change Risk Management

Risk management includes a mechanism for identifying, assessing, measuring, mitigating and monitoring climate-related financial risks and

In particular, material risks that directly affect credit, market, liquidity, and operational risks from

Affecting banks' financial positions, provided that this mechanism shall be updated periodically, in accordance with the following:

2.1 Identification of risks

- Potential climate change risks to the credit and investment portfolio are identified, including physical and transition risks

  Identify channels of transmission to traditional bank risks, including reduced customer ability to repay

  Lower value of collateral and assets, higher operating or production costs, and others.

- Develop appropriate automated systems to collect, manage, and analyze data related to climate change risks.

2.2 Material Risk Assessment

- Conduct a comprehensive and periodic assessment of financial risks associated with climate change, with clear criteria and thresholds for determining the level of

  Materiality of those risks.

- Continue analysis of material financial risks associated with climate change, by identifying sectoral and geographic concentrations

  and the structure and duration of the financing, assessing the extent to which these risks affect asset quality, liquidity, profitability and capital, and assessing the capacity of

  Different customers or sectors have to withstand shocks.

- Integrates material risks throughout the credit cycle, including due diligence and monitoring

  ongoing risks at the customer level.

- Assess the impact of material risks on the Bank's operations as a whole and its ability to continue delivering core activities and services;

  and analyze the impact of those risks on business continuity.

- Assess the impact of material risks on other risks, including strategic, reputational, and

  Commit with those risks in mind.

- Appropriate tools and methods are developed and applied to measure and evaluate current exposures at the credit portfolio level

  in light of the material financial risks associated with climate change that have been identified, using the

  quantitative or qualitative alternatives, or proxies. Where direct data are not available, methodologies will be documented

  The assumptions used are proportional to the size and complexity of the Bank's activities.

2.3 Risk Mitigation.

- Implementation procedures are developed to mitigate the significant financial risks associated with climate change, which may include the development and application of Sectoral and geographic exposure caps, and request transition plans or actions that would trigger client measures to adapt, and the terms of financing, guarantees, or monitoring mechanisms may need to be modified.

- According to the study of sectors most at risk of transition, the Bank identifies financing and investment opportunities to its clients and to reach out to them to understand how ready they are to shift toward more sustainable business models working toward the plans taking into account the principles of Just Transition, which aims to shift towards an economy Low emissions in a manner that considers economic and social dimensions, ensuring that negative impacts on employment are minimized and the most affected communities and groups.

III. Impact of climate change risks on internal capital adequacy assessment

- The material financial risks associated with climate change and the test results referred to in the following paragraph (No. 5) are integrated into Internal capital adequacy assessments, reflecting the potential impact of climate risks on capital adequacy.

IV. Monitoring and reporting

- Climate change-related financial risks, especially material ones, are monitored on an ongoing basis to ensure Monitoring the evolution of such risks and assessing their potential impact on the Bank, and periodic reports to senior management The Board of Directors includes material risk exposures, risk indicators, and key related developments financial and concentration risks associated with climate change, which contribute to monitoring and supporting decision-making.

- Develop qualitative and/or quantitative indicators to assess, monitor and report on financial risks associated with climate change, including Commensurate with the size of the bank and the nature and complexity of its activities.

V. Scenario Analysis and Stress Testing

- Scenarios are analyzed and stress tests conducted to assess the resilience of the business models and the Bank's strategy and determine their impact on overall financial risks for the Bank, including the impact of climate-related risks on the credit, market, operation, liquidity, and concentration risk, taking into account the timeframes of those risks to contribute to the assessment of Potential impact on asset quality, profitability, liquidity, capital, and business continuity.

- Providing the systems and expertise needed to ensure that the Bank conducts climate analysis commensurate with The size of the bank, its business models, and the complexity of its activities.

6. Disclosures of Climate Change-Related Financial Risks

- Financial risks related to climate change are disclosed in the Bank's financial statements on a gradual basis according to Bank readiness

  Takes into account relevant international standards and practices, and is guided by the International Sustainability Standards Board (ISSB) standards

  International Sustainability Standards Board (ISSB) and the Disclosures Working Group recommendations

  Taskforce for Climate-Related Financial Disclosures (TCFD), taking into account

  The nature, scale and complexity of the Bank's activities.

7. Technical Capacity Building

- Work to enhance awareness and build technical capacity of staff, senior management and board members regarding risks

  climate-related finances and their potential impacts on banking and financial risks, supporting effective implementation

  For this guide.