

**AAIB Annual EP Report**  
*September 2013*

## AAIB is the first and only bank in Egypt (second in the MENA region) to adopt the EP in 2009

In 2009 Arab African International Bank (AAIB) subscribed to the Equator Principles (EP) to broaden its project lending assessment to incorporate social and environmental risks.

The Equator Principles are of voluntary standards designed to assist banks identify and manage social and environmental risks associated with direct financing of large infrastructure projects in excess of USD 10 Million.

These Principles serve as a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Signatories are required to evaluate the environmental and social impact of projects exceeding USD 10 (Ten) million based on the policies and guidelines of the World Bank and the International Finance Corporation (IFC).

Adherence to the Principles allows AAIB to work with customers on management of environmental and social policy issues relating to their investments.

Projects financed by AAIB under the EP Framework	Market Sector	EP/IFC Categorization (A,B,C)	Geographical domain
Orasqualia Wastewater Treatment Plant	Infrastructure-Wastewater Treatment	B	Egypt
Egyptian Sponge Iron & Steel Co. (Beshay Group)	Construction materials (Steel)	B	Sadat City, Egypt
Suez Steel Company (SSC)	Construction materials (Steel)	A	Suez, Egypt
Arab National Cement Company (ANCC)	Construction materials (Cement)	A	El Minya, Egypt
Arab Investment Company (AIC)	Tourism	B	Hurghada, Egypt

To comply with the EP, AAIB has established internal guidelines to evaluate the environmental and social risks associated with the projects financed by the bank.

**AAIB successfully trained 70% credit and risk staff members and managers to best apply these principles. In parallel, AAIB also developed our own policies and procedures for lending**

Taking leadership in public advocacy and supporting action on social and environmental challenges, AAIB partnered with the International Finance Corporation (IFC) and conducted workshops for peer risk departments about the EP.

**Implementing the Equator Principles on projects to be financed by the bank is carried out through AAIB-specific environmental and social risk policies and procedures in respect of the Principles.**

The policies and procedures outlined the detailed manner in which AAIB corporate finance projects will abide by the Equator Principles. The procedures also identified how the responsibilities, in the implementation of these principles, were apportioned between the various departments concerned and committees, where applicable.

**Today, the Principles are contained as a separate section within its Credit Manual. The Manual sets out AAIB's policies for credit risk, including Environmental and social risk.**

Because AAIB understands the seriousness of the environmental crisis and the detrimental consequences of Climate Change; the bank is committed to promoting Green Finance and achieving industry impact by supporting environmentally/socially-sound projects and investing in Green economy developments. During October and November 2009, AAIB took leap steps in working internally through educating and training our corporate and risk staff, whilst also creating awareness externally to other financial intuitions to start taking the initiative of financing projects while taking in consideration environmental and social risk assessment.



**70% of credit and risk managers, and officers attended the EP Training**

The two day training of the Credit Department and Risk Management Department staff in the new Equator Principles Policy and Procedures took place off site twice, engaging 70% of credit and risk management staff. This covered the newly adopted Equator Principles as well as the amended policies, procedures and processes.

### **AAIB has joined the Equator Principles Outreach Working Group for Africa and Middle East in 2012.**

These Sub-working Groups develop and implement strategies to communicate,

support and train, in cooperation with multilateral institutions and development agencies/banks, other financial institutions in all regions of the world which undertake project finance and could benefit from adopting the EPs (ongoing). These Sub-working Groups develop and implement strategies to communicate, support and train, in cooperation with multilateral institutions and development agencies/banks, other financial institutions in all regions of the world which undertake project finance and could benefit from adopting the EPs (ongoing).

Members: AAIB, ABSA, Barclays, BMCE, Credit Agricole CIB, First Rand, Societe Generale, Standard Bank