

SUSTAINABILITY BOND FRAMEWORK

JUNE 2024



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Preamble:

This framework sets forth the governing guidelines and principles under which Arab African International Bank and its subsidiaries¹ (collectively referred to as “AAIB”, “the Bank”, or “We”) intend to issue thematic debt instruments, such as Green, Social and/or Sustainability Bonds. It cements the Bank’s strong commitment to advance sustainable finance agenda and reposition itself as the market leader in sustainability and sustainable finance in the Egyptian banking sector.

The Framework is developed based on international standards and best practices, such as:

- The Sustainability Bond Guidelines (SBG), 2021 issued by the International Capital Market Association (ICMA).²
- The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) issued by the International Capital Market Association (ICMA).³
- The Social Bond Principles (SBP) 2023 issued by the International Capital Market Association (ICMA).⁴
- The Egyptian Financial Regulation Authority’s policy guidelines issued in July 2019.
- International Finance Corporation (IFC) Climate Eligibility for Intermediary Financing updated in January 2024.
- MDB Common Principles for Climate Mitigation Finance Tracking, last updated in December 2023.
- Executive regulations of Egyptian Capital Markets Law, September 2022 governing the issuance of sustainable development bonds.

Where conflicts may arise in the definitions of eligibility, ICMA Green & Social Bonds Principles alongside the MDB Common Principles will supersede.

AAIB will use this framework as a reference for the issuance of thematic debt instruments or securities, such as green, social and/or sustainability bonds or loans, in line with its strategic priorities, future funding requirements and the Bank’s Environmental and Social Management System (ESMS) framework. An external third party will be appointed to provide a Second Party Opinion (SPO) on this framework in alignment with the ICMA Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines. The Framework may be subject to reviews and/or updates as deemed necessary by AAIB. In the event that the framework is updated, AAIB shall obtain a revised SPO to ensure its alignment with the relevant guiding principles. The Framework will be published on AAIB’s website www.aaib.com on the day of the first sustainability bond issuance.

As part of our strategy, we may from time to time issue “Sustainability Bonds.” Sustainability Bonds include green, social or sustainability bonds, which are issuances of debt securities of AAIB for which we undertake to allocate an amount equal to the net proceeds of the issuance to “Eligible Green Assets,” “Eligible Social Assets” or both, as described below.

As provided in the Principles, we have adopted internal procedures for: (i) providing our undertaking that an amount equal to the net proceeds from each Sustainability Bond issuance by us completed from and after the date of this framework will be allocated to fund Assets that meet our Eligibility Criteria — i.e., the net proceeds of any green bond issuance will be allocated to fund Eligible Green Assets, the net proceeds of any social bond issuance will be allocated to fund Eligible Social Assets and the net proceeds of any sustainability bond issuance will be allocated to fund a combination of Eligible Green Assets and Eligible Social Assets (collectively, “Eligible Assets”), as described below; (ii) evaluating and selecting Eligible Assets; (iii) ensuring that an amount equal to the net proceeds from each Sustainability Bond issuance is allocated to fund Eligible Assets, as described below; and (iv) on an annual basis, providing a publicly available report concerning the allocation of an amount equal to the net proceeds of all outstanding issuances completed from and after the date of this Framework to fund Eligible Assets and (v) an annual impact report outlining the impact of assets financed through the proceeds of the bond issuance.

¹ List of AAIB Group Subsidiaries: <https://www.aaib.com/about/subsidiaries-regional-branches>

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

³ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

AAIB as a Sustainability Bond Issuer

Established in 1964, AAIB has since been a pioneer in the Egyptian financial sector, offering benchmark services to its corporate and retail clients. AAIB consistently aligns its goals and aspirations with the best practices set out in the global financial sector. In that respect, AAIB has taken pioneering steps to align its policies and procedures with Paris Agreement and UN Sustainable Development Goals (SDGs). We are gearing our business strategy towards achieving the Egyptian Nationally Determined Contributions (NDCs). Capitalizing on the momentum of COP27 in Sharm El-Sheikh - Egypt, AAIB has laid the foundation for integrating sustainability in its DNA and internal policies and procedures.

AAIB is one of the world's first signatories of the Principles of Responsible Banking (PRB) and has taken the initiative to issue its – and Egypt's - first Sustainability Bond. This bond issuance highlights our unwavering commitment to the goals set out in the Paris Agreement, the Principles of Responsible Banking and relevant national and international standards. AAIB's business model is geared capitalizing on the synergistic capabilities of its stakeholders through providing an extensive range of financial products and services. The Bank is committed to adapting to the rapidly changing global financial environment. AAIB has been at the forefront of sustainable and green finance initiatives in the banking industry. AAIB has set precedence in commitment to achieving Sustainable Development Goals (SDGs), particularly the goals in line with improving the overall quality of life, while maintaining an effort to decrease the economic footprint on the environment.

Principles of Responsible Banking

AAIB collaborated with the United Nations Environmental Program Finance Initiative (UNEP FI) and 29 other leaders of the global banking industry to establish the Principles for Responsible Banking (PRB). AAIB is a Founding Signatory of the Principles. AAIB published its first and second report in 2021 and 2022, consecutively.

Equator Principles

AAIB EP report published in 2022 AAIB broadened the risk management scope to include environmental and social (E&S) risks such as climate change, income inequality, and more constituting sources of major financial tremors and instability. To this end, AAIB was one of the first banks to recognize that banking could be a force for good in shaping an equitable and resilient society and the importance of embedding sustainable criteria into banking decisions. More than twelve years ago, AAIB became the first bank in Egypt to subscribe to the Equator Principles (EP). AAIB has been taking active steps towards further consolidating a solid infrastructure built around the E&S Policy, Organizational Structure, and Capacity Building. The EP is recognized as the main guideline for determining, assessing, and managing E&S risks in project-related transactions.

Corporate Giving

SDG 8: Decent Work & Economic Growth AUC Venture Lab

Egypt's young people—its most sizable demographic cohort—have the potential to be a compelling force for development, so equipping them with knowledge, resources, and opportunities to help grow a modern economy and inclusive society is a wise investment. In 2013, AAIB partnered with the American University in Cairo (AUC) School of Business to form the AUC Venture Lab (AUC V-Lab), cultivating young entrepreneurs and their promising business ideas. The Venture Lab has grown into the leading university-based startup incubator in the MENA region and has launched more than 271 startups with more than 10,000 jobs.

SDG 4: Quality Education Financial Illiteracy Elimination

AAIB believes in empowerment through knowledge, and one of the aspects is making the masses more aware of the importance of keeping their banking information secured and avoiding any financial risks. AAIB contributed to this objective by supporting the launch of the Federation of Egyptian Banks – Customer awareness - Anti fraud campaign to increase its reach and create an impact in achieving its awareness goal.

Embedding Sustainable Finance in AAIB's DNA:

Capitalizing on its proactive approach towards embedding the principles of sustainable finance in its DNA, AAIB has created the Sustainable Finance Department, whose value proposition is to act as a catalyst towards transformation into a

sustainable business model via fostering sustainable product offerings. The launch of our new sustainable finance department underscores AAIB's position as a sustainability leader. This dedicated department strengthens our commitment to the SDGs and NDCs, ensuring sustainable finance is ingrained throughout our operations.

AAIB is shaping its dynamic approach towards a positive green transition that is more aligned with the UN's Sustainable Development Goals (SDGs). In that regard, AAIB has been identifying avenues to maintain its adherence to global standards of sustainable finance and how to best improve the bank's footprint through different initiatives, including:

1. Keep the coast clean: is an environmental initiative aiming at preserving Egyptian coastline and raising environmental conscience.
2. AAIB Planting Initiative: to help reduce carbon emissions and protect the environment from pollution.
3. Mostadam: AAIB was the first bank to launch a sustainable finance platform in collaboration with UNDP and the Egyptian Center for Social Responsibility of companies.

Furthermore, AAIB pioneered public advocacy for sustainable finance within the Egyptian financial sector, both in its capacity as a leading Egyptian bank and as one of the first to adopt its internal policies and procedures in compliance with SDGs. AAIB conducted a workshop in partnership with IFC to educate peers on environmental and social risk assessment and the best practices being adopted globally. Also, it partnered with national and global academic institutions who showed interest in portraying AAIB experience into case studies.

4. Ahl Masr Foundation: donating medical gear and equipment to combat COVID-19 through Ahl Masr Foundation.

Moreover, AAIB is transforming its business model through applying sustainable strategies that integrate the ESG pillars into business activities. AAIB is committed to embedding the UNGC principles into its DNA and reflecting SDGs and NDCs in its strategy. AAIB's alignment with the NDCs is reflected in the targeted assets, which mirrors key pillars outlined in Egypt's latest NDCs such as, but not limited to; Renewable Energy, Energy Efficiency, Green Buildings, Bio and Green Fuels, Sustainable Transport, Waste Management and Climate Adaptation. Furthermore, AAIB's strategy is aligned with the

- 1- [UN Global Compact \(UNGC\)](#).
- 2- [London Benchmarking Group \(LBG\)](#).
- 3- [UN SDGs](#).
- 4- [Paris Climate Agreement](#).
- 5- [Egypt Vision 2030](#).
- 6- [Egypt NDCs](#).
- 7- [Equator Principles](#).
- 8- [CBE's Financial Inclusion Strategy 2022–2025](#).

In recognition of its present and historical efforts to incorporate global sustainability goals and reduce its carbon footprint and improve its social impact, AAIB was chosen to partake in international conferences as a representative of the Republic of Egypt to discuss its progress and share experiences with fellow attendees. Conferences for which AAIB was the Egyptian delegate included the G20 in China, Green Finance Group as well COP 22 in Morocco.

In further recognition of AAIB's efforts to align with SDGs, the below accolades were awarded to AAIB:

2015	Best Green Bank in Egypt Capital Finance International (CFI)
2016	Best Bank for Corporate Social Responsibility in the Middle East from Euromoney Best CSR Bank in Egypt - Global Business Outlook
2017	Best Sustainable Bank from World Finance
2018	Best Sustainable Bank from Euromoney Most Sustainable Bank – Egypt from World Finance Best Sustainable Finance Bank- Mena- From CFLCO Best Renewable Energy Deal in Africa- EMEA project Finance Award
2020	Best Sustainable Finance Bank - Egypt
2021	Best Digital Bank – Egypt from Global Business Review
2022	Best Employer Bank in Egypt from World Economic Magazine

AAIB Key Sustainability Milestones:



1964

AAIB was established. The shareholders are Kuwait Investment Authority (KIA) and Central Bank of Egypt (CBE) each owning 49.37%.



2003

AAIB began its journey with sustainability. AAIB was the first bank in Egypt to introduce the chip technology as both issuer and acquirer.



2005

AAIB became the first Bank in Egypt to be a member of UN Global Compact initiatives. AAIB formed Sustainability Unit to manage sustainability activities.



2006

AAIB established Arab African Investment Management (AAIM)



2007

AAIB became a member of London Benchmarking Group.



AAIB established "We Owe it to Egypt", the first charitable organization in Egypt & region geared towards social impact through health and education services.



AAIB established Arab African Securities (AAIS)



2008

AAIB established Arab African International Mortgage Finance (AAIMF).



2009

AAIB signed the Equator Principles (EP)



2010

AAIB was the first financial institution to publish the sustainability report in Egypt



2011

AAIB established Arab African International Leasing (AAIL), to transform into a fully-fledged financial group.



2012

AAIB publishes its first carbon footprint report



2014

AAIB started an industry movement by launching Mostadam, the first platform to promote sustainable finance in Egypt and MENA region



2018

AAIB joined the UNEP-FI to develop and introduce the PRBs.



AAIB established 'Sandah' for Microfinance.



2019

AAIB was one of the first banks around the globe to sign the Principle for Responsible Banking (PRB)



2021

AAIB launched its 2021-2025 strategy, which aims to create value for its stakeholders
AAIB established a Digital Factory which serves as its digital transformation hub fostering going paperless.



2022

AAIB made significant visible advances in its transformation agenda, strengthened its market position, and delivered solid financial results



2023

Sustainable Finance Department was formed within the Bank to catalyze adoption of sustainable finance activities.



2024

AAIB issues its first Sustainability Bond.



2025

AAIB relocates its headquarters to a LEED gold certified green building in New Cairo.

The Scope and Finance Procedures of AAIB's Sustainability Bond Framework




1. Use of Proceeds

We will allocate an amount equal to the net proceeds of any green bond issuance to Eligible Green Assets, any social bond issuance to Eligible Social Assets and any sustainability bond issuance to a combination of Eligible Green Assets and Eligible Social Assets. In case certain project(s) may be eligible under both green and social assets criteria, the classification of such project(s) shall be made at the discretion of AAIB based on the primary objectives of the assets financed. The net proceeds of the bond may be allocated to either financing or refinancing- in part or in full- of assets that meet the eligibility criteria or lending to clients that require financing for assets if the activity meets the Eligibility Criteria⁵. The eligible assets may be funded directly by AAIB or through one or more of its subsidiaries, where financing has taken place within a look back period of 2 years⁶ period preceding the year of the issuance. Target Ramp-up period is 24 months from issuance date. To ensure alignment with relevant guidelines and principles, AAIB will follow the eligibility criteria and process set forth in this Framework along with its professional judgement, discretion and sustainability expertise when identifying the eligible assets.

Eligibility Criteria:

Below is an overview of Eligible Categories and Eligibility Criteria in line with ICMA Green and Social Bond Principles.

Eligible Green Assets

ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
<p>Renewable Energy</p> <p>SDG alignment:</p>   	<ul style="list-style-type: none"> Development, transmission, construction, installation, operation, acquisition, maintenance, upgrades and associated costs for renewable energy generation and efficiency projects: E.g. <ul style="list-style-type: none"> Wind (onshore and offshore), Hydropower, Solar energy Green hydrogen Blue Hydrogen Biofuel Geothermal 	<p>Solar energy:</p> <ul style="list-style-type: none"> Concentrated Solar Heat Plants, eligible projects shall be generating at least 85% from solar energy sources. <p>Transmission projects:</p> <ul style="list-style-type: none"> Projects that support or integrate at least 90% renewable electricity; otherwise, financing is prorated to cover the percentage of renewable energy supported by the project. Where the energy is from RE, it shall meet the MDB Common Principles Energy sector criteria. The transmission of very low carbon is fully eligible, except for new nuclear energy. If the activity involves interconnection between electricity systems, AAIB will demonstrate that the project will not significantly increase GHG emissions over the short or medium term. Brownfield efficiency improvement in transmission will demonstrate substantial improvement in energy efficiency or substantial reduction in net GHG emissions. In all other transmission or distribution projects, the entity will demonstrate that the electricity system is increasing the share of non-nuclear very-low-carbon electricity use, or if the system is already dominated by very-low-carbon electricity

⁵ Provided that Eligible Loans/Assets are not refinanced by a third party and are not related to a provisioned amount of non-performing loans and not be an uncommitted sanction.



⁶ In the case of Project Finance, if the first disbursement precedes the lookback period, refinancing will be considered if further disbursements have been during the availability period that coincides with the lookback period.


ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<p>and there is little scope for expanding the share of non-nuclear very-low-carbon electricity, the activity shall not decrease the current share.</p> <p>Green hydrogen:</p> <ul style="list-style-type: none"> • Production facilities will be powered exclusively by renewable energy or • Will be produced using 100% sustainably sourced biomass such as biogas or renewable natural gas (or landfill gas). • Hydrogen manufactured by electrolysis of water using very-low-carbon electricity or by steam reforming of natural gas with carbon capture and storage or utilisation of captured CO₂ shall be eligible. • For hydrogen manufactured by electrolysis of water using grid electricity or by any technology with material GHG emissions to be eligible, AAIB will demonstrate a substantial reduction in net GHG emissions relative to efficient steam reforming of natural gas, taking scope 3 emissions into account where they are expected to be material. • Storage of low-carbon hydrogen shall be eligible, provided financing is apportioned according to the share of stored low-carbon hydrogen. <p>Blue Hydrogen:</p> <ul style="list-style-type: none"> • Hydrogen produced by steam reforming of natural gas where the CO₂ emissions are captured and stored or utilized (CCUS) technologies with lifecycle GHG emissions of no more than 4.37 tCO₂e/tH₂, where financing will be limited to facilities that follow a credible decarbonization trajectory, if available. Otherwise, the facilities align with SBTi's Absolute Contraction Approach. Or; The borrower shall have a credible decarbonization strategy or is developing a transition strategy. <p>Hydropower financing⁷:</p> <ul style="list-style-type: none"> • For projects that became operational after 2019 and half lifecycle emissions intensity at or below 50 gCO₂e/kWh and power density greater than 10 W/m² • For projects that became operational before the end of 2019 and have lifecycle emissions intensity at or below 100 gCO₂e/kWh and power density greater than 5 W/m² • Hydropower projects will need to conduct an environmental and social risk assessment. <p>Biofuel financing:</p> <ul style="list-style-type: none"> • Projects must demonstrate that GHG emissions are at least 65% lower than corresponding GHG emissions from fossil fuel generation, taking into account lifecycle emissions where relevant (e.g. transportation of biomass fuels). • Biofuel will be limited to production from advanced feedstock including: non-food crops, animal and crop residues (such as oilseed crops e.g. soy and palm, sugar or starch crops), food waste, algae sludge, wastepaper,

⁷ Requirements for hydropower facilities take into consideration the two-year lookback period stipulated by AAIB





ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<p>bagasse, wastes, residues and their by-products. This includes wastewater⁸ and sewage sludge.</p> <ul style="list-style-type: none"> • Feedstock sourced from animal fats, oils and other animal processing by-products and manure from industrial-scale livestock operations will be excluded. Production of biofuel feedstock will not take place on land with high biodiversity (within the last 10-15 years). • Non-waste feedstock such as wood products, micro- and macroalgae and other microbial biomass will need to meet the sustainability criteria of the Roundtable on Sustainable Biomaterials and the International Sustainability and Carbon Certification Plus Programme, as well as having a carbon intensity lower than 100 gCO₂/kWh (average over 5 years) • For Biogas: feedstock must be separated before use into recyclable and non-recyclable. <p>Geothermal: Geothermal energy facilities with direct emissions capped at/below 100 gCO₂/kWh</p> <p>Financing or refinancing of manufacturing and supply chain/distribution solely dedicated to renewable energy equipment and/or components. Brownfield efficiency improvement in transmission will support and/or integrate at least 90% renewable electricity. Otherwise, financing will be prorated to cover the percentage of renewable energy supported by the project under study.</p> <p>Financing or refinancing of the manufacture or import of components of renewable energy technology, including but not limited to wind turbines, solar panels, inverters and storage batteries.</p>
<p>Energy Efficiency (in equipment (industrial or commercial)/machinery, building)</p> <p>SDG alignment:</p>  	<ul style="list-style-type: none"> • Clean and efficient manufacturing and other industrial processes. • Acquire, replace, redesign or refurbish equipment, systems and/or contracting services/products in order to decrease energy consumption for every unit of service output of the corporate entity. • Utilizing waste energy and any other measure to improve the efficiency of energy use (or reduce specific energy consumption) of the system directly affected by the sub-project • Energy Management Systems (EnMS) 	<p>Sub-projects must demonstrate a substantially lower carbon intensity or energy intensity of the production lines at an existing manufacturing facility against baseline/benchmark or achieve any of the following minimum thresholds within the project boundary:</p> <ul style="list-style-type: none"> • Reduce absolute energy consumption by at least 20%, OR • Reduce GHG emissions by at least 25,000 tCO₂e/year, OR • Reduce electricity consumption by at least 50 GWh/year <p>Process efficiency projects that lead to a 20% reduction in energy consumption per unit of production will also be considered eligible.</p> <p>Products preapproved for financing are those included under EPREL list. Preapproved 'Best Available Technologies' for financing include:</p> <ul style="list-style-type: none"> • LED lighting • Energy storage systems • Insulation material • Solar water heating • Heat pumps

⁸ Excluding wastewater from fossil fuel operations.


ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
 	<ul style="list-style-type: none"> The financing and refinancing of manufacturing/installation and suppliers of equipment or products intended for EE and RE projects that enable energy efficiency including insulation materials, heat pumps, PV panels, solar thermal collectors, energy storage and smart grid technologies (that are not coal-, oil-, or gas- related). 	<ul style="list-style-type: none"> Cogeneration practices <p>Equipment, appliances and lighting that show an energy efficiency assurance label, assuring at least 20% energy savings compared to the baseline, are automatically accepted. To date equipment, appliances or lighting with the following domestic EE labels can be accounted as climate finance:</p> <ul style="list-style-type: none"> Energy Star (IT equipment) European Union Energy Label (with a minimum of B under the new system and A++ under the old system) White appliances listed in the annual list Most Efficient Energy Star <p>Energy Management Systems:</p> <ul style="list-style-type: none"> Shall meet the requirements of ISO 50001, provided that financing will be directed exclusively towards the geographical location of the client premises which was awarded the certification. <p>Energy storage systems: Shall be:</p> <ol style="list-style-type: none"> directly connected to renewables; Or connected to a grid that meets one of the following criteria: <ol style="list-style-type: none"> More than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO₂e/kWh, measured on a life-cycle basis in accordance with electricity generation criteria, over a rolling five-year period; The average system grid emissions factor (calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system) is below the threshold value of 100 gCO₂e/kWh, over a rolling five-year period. <p>Manufacturing of Energy Efficient equipment or products:</p> <ul style="list-style-type: none"> The eligible sub-project should be directly manufacturing or supplying the energy-efficient technology equipment or appliance. Refrigerants used for heat pumps will have a Global Warming Potential (GWP) below 675. Such projects will measure refrigerant leakage and include measures to monitor leaks, such as leak detection alarm systems, regular leak detection inspections and equipment maintenance and cleaning. <p>The EE equipment or products should either be verified as energy-efficient based on a reasonable benchmark in the market of the technology or product being sold OR be directly supplied to EE projects (per definition of eligible EE sub-project above).</p> <p>2) Cogeneration practices: Cogeneration plants are eligible as green assets if they are:</p> <ol style="list-style-type: none"> Powered by CSP, solar thermal or biomass waste; or powered by geothermal or bioenergy (non-waste) with a threshold for power and heat combined < 100 gCO₂/kWh(e) <p>Criteria for feedstock:</p> <ol style="list-style-type: none"> Production of feedstock is sustainability certified (RSB or ISCC); or

ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
<p>Environmentally sustainable management of living natural resources and land use – Climate Smart Agriculture</p> <p>SDG alignment:</p>   	<ul style="list-style-type: none"> • Environmentally sustainable agriculture production units. • Environmentally sustainable animal husbandry. • Climate-smart farm inputs such as biological crop protection or drip irrigation. • Projects that contribute to the reduction of GHG emissions through the production of biomaterials/bioenergy/biofuels from biomass. 	<ul style="list-style-type: none"> ii. Production of biofuel feedstock does not take place on land with high biodiversity (at least within last 10-15 years); and iii. Land with a high amount of carbon has not been converted for biofuel feedstock production <p>All projects will receive independent assessments to ensure compliance with internationally accepted schemes.</p> <p>Eligible projects may include:</p> <ul style="list-style-type: none"> • Climate-smart crops, including affordable seed access, improved water use and management, • Polytunnels, • Shade netting • Sustainable mechanization • Regenerative agricultural practices and • Integrated Pest Management. <p>Sub-projects must document that they meet at least one of the following conditions:</p> <ul style="list-style-type: none"> • At least 20% productivity increase without increasing GHG emissions per unit of product; • At least 20% reduction in GHG emissions per unit of product (emission intensity) for brownfield operations; • At least 20% reduction in GHG emissions per unit of product (emission intensity) for greenfield operations • At least 20% post-harvest losses reduction; or • Reduction of the vulnerability to climate change impacts <p>Sub-projects that are certified under the following Agri-certification schemes are automatically eligible:</p> <ul style="list-style-type: none"> • Aquaculture Stewardship Council Standards for Farmed Seafood. • Roundtable on Sustainable Biomaterials Standard. • Bonsucro Production Standard. <p>Sub-projects under other Agri-certification schemes may be eligible, but additional information on the certification will need to be provided to assess eligibility and determine what percentage of the sub-project will be considered eligible.</p> <p>Biomass projects:</p> <ul style="list-style-type: none"> • Projects must demonstrate that GHG emissions are substantially lower than corresponding GHG emissions from fossil fuel generation without carbon capture and storage or utilisation, taking into account lifecycle emissions where relevant (e.g. transportation of biomass fuels). • Biofuel will be limited to production from advanced feedstock, including non-food crops, wastes, residues and their by-products. This includes wastewater⁹ and sewage sludge. • AAIB shall demonstrate a substantial reduction in net GHG emissions or carbon intensity (tCO₂e/unit of outcome).

⁹ Excluding wastewater from fossil fuel operations



ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<ul style="list-style-type: none"> Biofuels shall be supplied from sustainable and socially acceptable sources, as demonstrated through compliance with internationally accepted certification schemes, and the activity shall not compete with food crop production or supply and will not consist of bio-based plastics. <p>Unless inclusive of animal husbandry activities, AAIB excludes Integrated cropland-livestock forestry systems (ICLFSs) as well as the manufacture, purchase and distribution of inorganic or synthetic fertilizers, pesticides and herbicides as well as financing of industrial-scale livestock farming and techniques and/or technologies dedicated to industrial-scale livestock production units.</p>
<p>Environmentally sustainable management of living natural resources and land use – Aquaculture</p> <p>SDG alignment:</p>  	<ul style="list-style-type: none"> Sustainable fisheries, aquaculture, and seafood value chain. Projects that reduce CO₂e intensity in fisheries or aquaculture. 	<p>Sustainable production and waste management and reduction measures that meet, keep, or exceed the Marine Stewardship Council certification standards¹⁰.</p> <p>Introduced species or technologies shall not contribute to degeneration or destruction of native ecosystem or native fisheries.</p>
<p>Clean Transportation</p> <p>SDG alignment:</p>  	<ul style="list-style-type: none"> Financing of electric, hydrogen, hybrid or plug-in hybrid vehicles. Financing of projects or vehicles switching from gasoline or diesel to sustainable biofuels. Low-carbon vehicles and associated infrastructure. 	<p>Passenger transport:</p> <ul style="list-style-type: none"> Passenger vehicles: emissions at or below 75 gCO₂/Km Buses: emissions at or below 50 gCO₂/pkm Passenger rail: <50 gCO₂e/pkm or 80.47 gCO₂/pmi. If and where applicable, AAIB will implement the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) or equivalent test procedures that may apply. <p>Biofuels:</p> <ul style="list-style-type: none"> The project must demonstrate that the biofuel is sustainably sourced. Lifecycle GHG emissions shall not exceed the level of GHG emissions from the current fuel mix. GHG emissions shall be substantially lower than corresponding GHG emissions of transport relying on fossil fuels. For eligibility of biofuels, see MDB Common Principles Renewable Energy sector criteria (outlined in the relevant section): Generation of renewable energy with low lifecycle GHG emissions to supply electricity, heating, mechanical energy or cooling.

¹⁰ Treated water shall not be used for the supply of fossil fuel operations, fracking, nuclear or mining operations

ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<ul style="list-style-type: none"> Projects involving biofuel vehicles shall target fuel blends with significant shares of biofuels. When blended, only the portion of non-first-generation biofuel shall be eligible as climate finance. Both fleets and infrastructure that are fundamental to the transport operation are eligible. First-generation liquid biofuels will not be eligible.
<p>Green buildings¹¹</p> <p>SDG alignment:</p>  	<ul style="list-style-type: none"> The development, construction, installation, operation, acquisition, mortgage, maintenance, upgrades and associated costs relating to new or existing commercial and residential buildings. Finance of refinance of certified greenfield projects or the construction, reconstruction, retrofitting, renovation and/or operation of buildings to make them sustainable, improve resource efficiency and adopt environmentally sound technologies. 	<p>Buildings must achieve equal to or more than 20% emissions/energy performance improvements (or primary energy demand) over baseline and will meet one of the following internationally recognised standards or certifications:</p> <ul style="list-style-type: none"> Excellence in Design for Greater Efficiencies (EDGE) certificate, “Certified” or greater. Environmental Assessment Method (BREEAM) certificate corresponding to the status of the project considered for finance and provided the energy performance improvement benchmark is satisfied. Leadership in Energy and Environmental Design (LEED) certificate, “Silver” or greater. Or an equivalent nationally or internationally MDB-recognized green building certification system with a minimum performance of one EPC class above national requirements. Green Star 4 category or above Energy Water Performance (EWP) Level 6 or above <p>Where existing buildings are retrofitted with upgrades that satisfy the criteria, financing will be directed towards the retrofitting added to the building only and not the entire value of the building.</p> <p>In the case where existing buildings are retrofitted in such a way that deems the building eligible for a hitherto unattained certification, the entire asset value may be considered for financing.</p>
<p>Sustainable water and wastewater management</p> <p>SDG alignment:</p> 	<ul style="list-style-type: none"> Retrofit of an existing facility, Water recycle/reuse project, Water supply and wastewater treatment, Sustainable use and protection of water and marine resources, Desalinated water Advanced tertiary treated sewage measures. Water Sanitation¹² (Blue Economy) 	<p>Sub-projects will materially reduce the use of water by at least 20%.</p> <p>Projects will decrease water consumption, provided that the decrease in water utilization from baseline meets the minimum requirements. Pre-approved, eligible water efficiency measures include drip-irrigation systems and rainwater harvesting tanks.</p> <p>For sustainable use and protection of water and marine resources: Development of marine spatial planning for the protection of coastal and marine ecosystems and restoration of natural resources, such as coral reefs, mangroves, coastal wetlands, salt marshes, river embankments and seagrasses, whereby plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions.</p>

¹¹ Part of the Use of Proceeds of the prospective issuance shall be allocated to partially refinance the investment cost of AAIB’s new green Head Offices, which shall meet the eligibility criteria of green buildings set forth in this framework.




¹² Excluding hard-to-abate industries.

ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<p>For desalination plants:</p> <ul style="list-style-type: none"> the plant is powered by low-carbon sources <100g CO₂e/kWh or renewable energy; and has appropriate waste management and brine disposal plans in place. Powered by low-carbon or renewable energy Has appropriate waste management and brine disposal plans in place Is making a sufficiently significant contribution towards alleviating local water stress Will not fuel additional and nonessential water demand <p>AAIB will exclude water treatment facilities from fossil fuel operations and treatment facilities dedicated to controversial activities.</p>
<p>Pollution Prevention and Control</p> <p>SDG alignment</p> 	<ul style="list-style-type: none"> Pollution prevention and control Eco-efficient and/or circular economy adapted products, production technologies and processes 	<ul style="list-style-type: none"> Financing or refinancing of greenfield or reconstruction projects that convert waste to energy (waste will be converted into feedstock which must be separated into recyclable and non-combustible and non-hazardous materials before incineration), capture methane gas, support recycling, and/or reduce the amount of waste produced or sent to landfill. Methane capture will only be facilitated on non-operational/decommissioned landfill. Gas capture efficiency of >75% will need to be achieved. Financing of nature-based carbon capture and storage technologies and projects with carbon capture and storage benefits such as afforestation¹³, marine, wetland and peatland conservation. <p>Circular Design and Production Projects: Design, development, sustainable production and/or use of materials (including bio-based materials), components and products that are upcycled, reusable, recyclable, or certified compostable.</p> <ul style="list-style-type: none"> R&D (including pilot project) of products, processes and technologies using bio-based materials (such as biopolymers/bioplastics) Procurement of recycled/waste/ resource-efficient materials as an input Production of new resource-efficient/low-carbon products that are RSB-certified (in case of bio-based materials) Procurement of bio-based raw materials (excluding bio-based plastics) as an input, where sustainable sourcing is ensured Production of aluminium-based consumer products (such as beverage cans) when: <ul style="list-style-type: none"> 90% or more of input is recycled aluminium.



¹³ Afforestation projects will use tree species that are well adapted to site conditions. A sustainable management plan certified under FSC or PEFC will be in place.

ICMA Green Bond Category and SDG alignment	Type of Projects	Eligibility Criteria
		<p>or 75-90% of input is recycled aluminium and the remaining (primary) aluminium has a carbon intensity lower than 2.5 tCO₂e/t</p> <p>Circular Use Projects: Production of new products or assets from redundant products and assets that have been repurposed, refurbished or remanufactured.</p>

Eligible Blue Assets

ICMA Blue Economy (ICMA green category equivalent) and SDG alignment	Type of Projects
<p>Marine Pollution (Pollution Prevention and Control/ Sustainable Water and Wastewater Management/ Circular Economy Adapted Products, Production Technologies and Processes)</p> <p>SDG alignment:</p> 	<p>Ocean-friendly chemicals and plastics-related sectors: investments in the research, design, development, and implementation of measures to manage, reduce, recycle, and treat plastic, pollution, or chemical wastes in coastal and river basin areas.</p> <p>Projects include:</p> <ul style="list-style-type: none"> ○ Wastewater management¹⁴ ○ Solid waste management that supports source segregation, where applicable. ○ Resource efficiency and circular economy (Waste prevention and reduction) ○ Non-point source pollution management
<p>Sustainable Ports (Clean Transportation)</p> <p>SDG alignment:</p> 	<p>Sustainable shipping and port logistics sectors: investments in the research, design, development, and implementation of water and waste management and reduction measures in shipping yards and ports and their infrastructure. In the case where Alternative Management Plan (AMP) infrastructure is to be financed, financing to bunkering facilities will only be for biofuels, hydrogen, ammonia and ethanol.</p>
<p>Sustainable Marine Transport (Clean Transportation)</p> <p>SDG alignment:</p> 	<p>Sustainable shipping: investments in the research, design, development, and implementation of water and waste management and reduction measures in shipping vessels. Financing will not be directed towards ships or infrastructure for or related to ships that: i) run on conventional heavy fuel oil or bunker fuel; ii) run on low-sulphur heavy fuel oil; iii) run on marine diesel oil; iv) are cargo ships, oil tankers or vessels transporting solely or mostly (in mass) coal and oil; v) are tank containers which transport fossil fuels or fossil fuels blended with alternative fuels; vi) are vessels for construction of marine renewables that may be used for other purposes, such as offshore oil and gas activities</p>

¹⁴ Excluding treatment of wastewater from fossil fuels operations.

<p>Marine Ecosystem Management, Conservation and Restoration (Terrestrial and aquatic biodiversity)</p> <p>SDG alignment:</p> 	<p>Marine ecosystem conservation and restoration - Projects that reduce GHG emissions from the degradation of marine ecosystems or other water-based ecosystems.</p>
<p>Sustainable Coastal and Marine Tourism</p> <p>SDG alignment:</p> 	<p>Sustainable tourism services - Terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments as well as sustainable coastal and marine tourism). Projects target protection, conservation, recovery, restoration, and sustainable management of biodiversity and natural landscapes as well as promoting sustainable tourism in marine management areas such as Sinai peninsula, Red Sea Coast and Mediterranean Sea, through: i) programmes for energy and water efficiency at coastal tourism facilities; ii) initiatives to enhance marine ecosystem and biodiversity and afforestation, rehabilitation and restoration of forests and conservation areas; iii) procurement of recycled and resource-efficient building materials, and other structural components for the development of touristic premises; and iv) use of marine spatial planning for sustainable tourism development.</p>

Eligible Social Assets

Eligible Social Assets will primarily be directed towards benefiting the social fabric of the community, aiming to address social issues, such as poverty, inequality, health, education, or community development. In the case where proceeds of a project are directed to both social and green assets, the classification of the project will comply with the primary goal of the project.

Eligible social assets proceeds will, to the highest extent possible, be directed towards a target population which stands to benefit the most from these Assets. The definition of the target population may change subject to the discretion of AAIB and according to the nature of the project which will naturally target a specific stratum of society. Different potential definitions of target population may include the following, noting that the below list may be subject to changes at AAIB's discretion:





- Living below the poverty line (as defined by the World Bank's International Poverty Line)
- Excluded and/or marginalized¹⁵ populations and/or communities.
- Vulnerable groups, including following a natural disaster.
- People with disabilities
- Immigrants and/or displaced persons
- Undereducated and/or without access to basic education
- Undeserved, owing to a lack of quality access to essential goods and services
- Unemployed populations

¹⁵ The definition of marginalized communities loosely follows the definition set forth by ICMA and are defined broadly as the communities who have been historically excluded from national involvement as well as those continuing to face barriers to civic participation. This includes those marginalized by factors including race, wealth and immigration status. The definition of marginalized communities for the purposes of project allocation remains within the discretion of AAIB.

- Women and/or women in areas with female underrepresentation
- Aging populations and vulnerable youth
- Vulnerable groups, including as a result of natural disasters, climate change or following climate transition projects that cause and/or exacerbate socioeconomic disparity. This also includes individuals living in rural areas and/or undeserved regions and/or low- and moderate-income areas.

There may exist situations where the activity/project for which a target population as defined above may not be suitable and/or required. In such cases, AAIB reserves the right to identify the suitable target population as seen fit to the primary role of the project.

Eligible Social Assets categories include:

ICMA Social Bond Category and SDG alignment	Type of Projects
<p>Access to essential services</p> <p>SDG alignment:</p>  	<p>For Low and Moderate Income ('LMI'¹⁶) geographies, including financing extended to non-profit and public sector organizations that provide services regardless of the ability to pay:</p> <ul style="list-style-type: none"> • Financing or refinancing of the construction, maintenance, or renovation of new or existing healthcare and education facilities that would enable efficiency, quality, access and capacity of the facility. • Financing or refinancing of any project that aims to improve the standards of technology, via the procurement of equipment or development of new facilities within the healthcare sector, which enables efficiency, quality, access and capacity. • Financing or refinancing of any project that aims to provide access to tertiary education or vocational and technical skills training which would improve individuals' access to employment/self-employment. • Financing or refinancing of any greenfield facilities or renovation of existing childcare facilities that would improve the efficiency, quality and capacity of the facility. • Financing or refinancing or any project that aims to achieve universal health coverage, including financial risk protection and effective access to safe, effective, quality and affordable essential medicines and vaccines. • Financing or refinancing of any project that aims to support the research and development of vaccines and medicines for communicable and non-communicable diseases that will be provided to the user at no cost. Research and Development in vaccines will be designed to address needs that include, but are not limited to, addressing undertreated diseases, gaps in availability for essential medicines or treatment of major diseases.
<p>Affordable housing</p> <p>SDG alignment:</p>  	<ul style="list-style-type: none"> • Projects where the project's units are made affordable to, reserved for or restricted to youth or individuals whose income falls under the category of limited income category as defined by the Public Social Housing Program and or New Urban Communities Authority (NUCA). • Financing or refinancing of any project that involves the construction of or investment in registered/recognised affordable or social housing. • Financing or refinancing of financial services offerings and solutions to facilitate home ownership for targeted population <p>Home Ownership:</p> <ul style="list-style-type: none"> • home purchase and refinance loans to LMI individuals and/or marginalized borrowers or co-borrowers.

¹⁶ Complying with the National Definition:

https://www.capmas.gov.eg/Pages/Publications.aspx?page_id=5104&Year=23599

<p>Employment generation</p> <p>SDG alignment:</p> 	<p>Employment Generation,</p> <ul style="list-style-type: none"> • Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition” (such provision and/or promotion could include SME financing and microfinancing, vocational and skills training.) <p>Micro and Small businesses (MSMEs), including:</p> <ul style="list-style-type: none"> • Micro or small businesses in underserved or LMI regions. • MSMEs owned and/or led by women or marginalized niches of community. • Youth-led MSMEs. <p>Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts.</p> <ul style="list-style-type: none"> • Financing or refinancing of any project that promotes the formalization and growth of MSMEs, as defined below, via activities and/or technical support (definitions have been aligned to the International Finance Corporation’s Definitions of Targeted Sectors, and local currency equivalents will be applied to the thresholds below): <ul style="list-style-type: none"> – Enterprises that have fewer than ten employees, and assets and annual sales of less than \$100,000 each, will be considered micro enterprises. – Enterprises that have fewer than 50 employees, and assets and annual sales of less than \$3 million each, will be considered small enterprises. – Enterprises that have fewer than 300 employees, and assets and annual sales of less than \$15 million, each will be considered medium-sized enterprises.
<p>Food Security and Sustainable Food Systems</p> <p>SDG alignment:</p> 	<p>Examples may include physical, social and economic access to safe, nutritious and sufficient food that meets dietary needs and requirements.</p> <p>Further examples include resilient agricultural practices (not to be conflated with CSA financing eligible under the Green Assets criteria), reduction of food loss and waste and improved productivity of smaller-scale producers¹⁷, farmers, pastoralists and fishers.</p> <p>Projects may include: advanced harvesting techniques, storage, transportation, processing, cooling facilities, infrastructure, packaging and marketing systems.</p>
<p>Socioeconomic advancement and empowerment</p> <p>SDG alignment:</p>	<p>Affordable basic infrastructure:</p> <p>Examples may include clean drinking water, sewers, sanitation, transport, energy, including: Financing or refinancing of:</p>

¹⁷ According to FAO definition



- Construction and maintenance of, and equipment for water supply infrastructure, e.g. pipework.
- Installation or upgrade of water treatment infrastructure (excluding infrastructure associated with fossil fuel operations).
- Expansion of public access to safe and affordable drinking water, including construction of bulk infrastructure facilitated by private institutions, utility companies and municipalities.
- Providing access to adequate sanitation facilities including but not limited to building toilets and bulk sewerage infrastructure, among others.
- Transport:
 1. Public Transportation infrastructure, roads, bridges to increase connectivity of remote or socioeconomically disadvantaged areas.
 2. Pedestrian infrastructure such as development and upgrade of sidewalks for public use including accessibility improvements for people with disabilities and bridges/tunnels to increase access for the pedestrians to community facilities such as metros or parks.
- Energy: Transmission and Distribution infrastructure to provide access to areas where there is limited access or no access.

Microfinance:

- Microloans extended to low- and moderate-income (“LMI”) individuals and/or women or marginalized niches of community or underserved regions, with lenient terms and conditions.

Women in the Economy



Socio-economic advancement and empowerment of disadvantaged groups:

- Financing or refinancing of any projects that aim to provide women and woman-owned MSMEs (within developing economies) with access to financial services, including affordable credit, payment and saving accounts, and non-financial services, including financial literacy and business skill training.
- Financing or refinancing of any MSME which qualifies as a woman-owned enterprise if it meets the following criteria:
 - ≥51% owned by a woman or women; or
 - ≥20% owned by a woman or women, and (i) (i) has at least one woman in a senior executive role (e.g. Chief Executive Officer, Chief Operating Officer, President, Vice-President or other senior executive management role) and (ii) if it has a board of directors or other managing board or committee, at least [30%] of the members of such board or committee are women; and where such ownership by women is real, substantial, in proportion to the interest owned, and continuing, going beyond the pro-forma ownership of the business as reflected in its ownership documents

Exclusion Criteria

Exclusion of activities in support of upstream, midstream and downstream activities in the Fossil Fuel¹⁸ industry, activities in support of generation, storage and transmission of power or heat using fossil fuels, and activities that lead to deforestation. Upstream activities involve exploration, mining or production of fossil fuels, midstream activities include natural gas processing, storage, transportation, liquefaction and regasification, and crude oil refining, and downstream activities include storing, transporting, distributing or trading in fossil fuels, or developing, acquiring, constructing, operating or maintaining any infrastructure for the storage, transport, distribution of, or trade in fossil fuels. Activities that are otherwise eligible but support these activities, such as carbon capture and utilization for enhanced oil recovery, are not eligible. Companies or projects that exclusively provide goods and services to the mentioned fossil fuel activities are also not eligible.

In general, Assets can be considered eligible as climate finance regardless of the financial instrument used (e.g. long- or short-term debt, leases, guarantees), if they meet the Eligibility Criteria. For working capital or other types of financing that are not funding a specific activity or physical asset, additional information may be provided to establish eligibility.

In addition to the eligibility criteria set forth under the Use of Proceeds section, AAIB's E&S policies apply including the below Exclusion List¹⁹ for the Assets to be financed. The Exclusion List includes Assets such as:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife, or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- When investing in microfinance activities, AAIB will apply the following items in addition to the IFC Exclusion List:
 - Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
 - Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
 - Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
 - Production, maintenance, or trade of any nuclear, biological, or chemical weapons.
 - The use of explosives or toxins related to the catching of marine and freshwater species.
 - Activities posing serious threat and irreparable damage to UNESCO World Heritage sites.
 - Activities posing serious threat and irreparable damage critical natural habitats registered by the International Union for the Conservation of Nature (IUCN) Category I and II.

¹⁸ Fossil Fuel includes all forms of coal, oil or gas.

¹⁹ The Exclusion List is based on AAIB's internal Credit Policy, internal E&S Policy, IFC and EBRD Exclusion Lists

2. Project Evaluation and Selection Process

The selection process of eligible Assets in AAIB is the product of aligned goals between several internal stakeholders that coordinate their efforts to properly identify eligible Assets for which the net proceeds of Green, Social or Sustainability Bonds are routed. The Eligibility Criteria are screened by the Sustainable Finance Department (SFD), whose head reports directly to Chief Business Officer, to ensure compliance with international standards and best practices. SFD will include trained individuals specializing in climate finance and will onboard certified environmental consultants on an ad hoc basis to ensure strict adherence to the governing principles of this framework. Evaluation of the criteria is aligned with internal procedures and systems that allows AAIB to ensure the positive impact of the chosen Assets. Eligible assets shall be aligned with one or more SDGs and shall not, in so doing, be misaligned with other SDGs taking into consideration the interlinkages of SDGs. SFD assesses potentially eligible Assets from AAIB's pool of assets, which is obtained from different lines of business (LOBs). This ensures that AAIB's portfolio is regularly monitored for compliance with national, international and internal policies and procedures.

Individual Assets identified as eligible, according to AAIB's eligibility and exclusion criteria, are obtained from their respective Lines of Business, whereby each LOB is tasked with performing the necessary due diligence on their individual financial viability. Different LOBs incorporate sustainability considerations on a case-by-case basis while accounting for the nature of the Assets under study and the different impact avenues for each project.

AAIB is committed to work with our clients to identify, assess and manage environmental and social risks. AAIB assesses Assets financed with the proceeds of green, social and sustainability bonds against sustainability criteria that are part of the AAIB's Credit Policy and Environmental and Social Risk Management (ESRM) Policy Framework. AAIB also applies risk management measures in its capital allocation decisions, supported by a company-wide planning, reporting and controlling system.

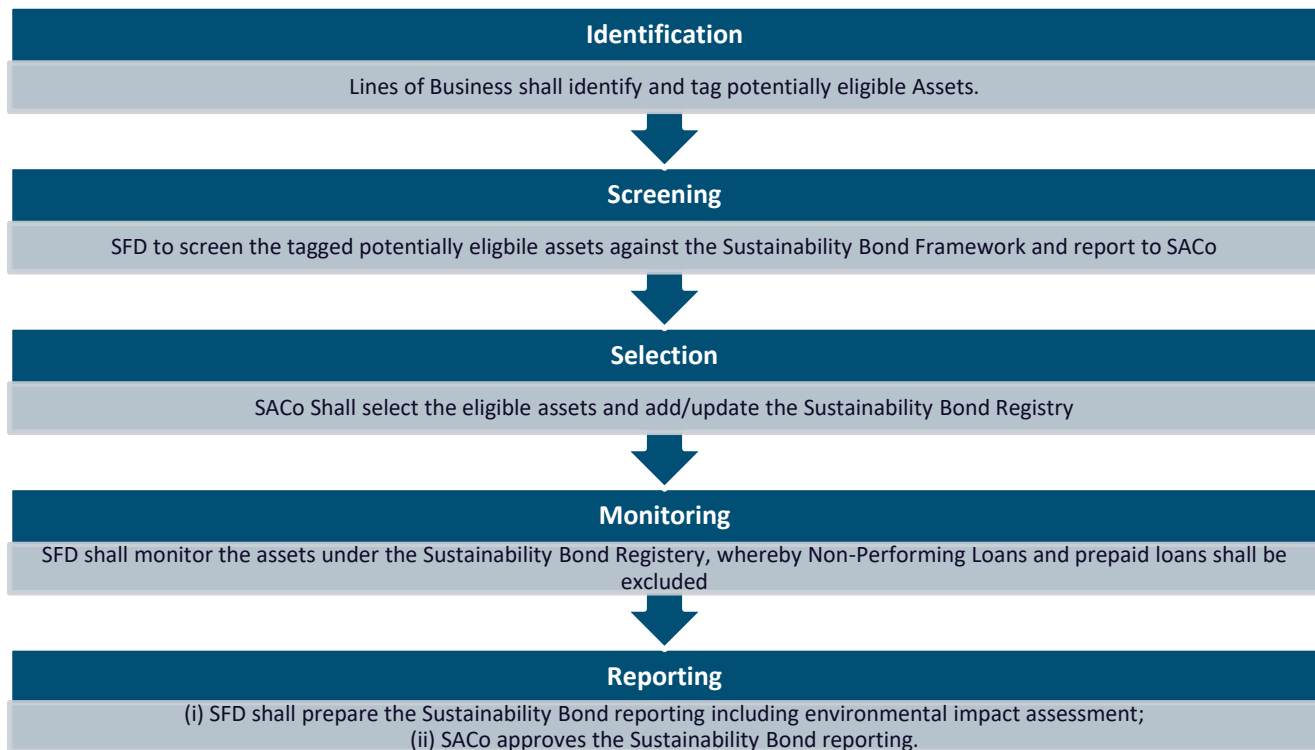
For the prospective and upcoming issuances, AAIB maintains a 24-month lookback period from the date of disbursement for Assets and facilities considered for refinancing. Once this dual stage process is finalized and a project is identified as Eligible, it remains within the pool of Eligible Assets, subject to the periodic reporting requirements to guarantee compliance with AAIB's Environmental and Social Risk Management policy. For the purposes of screening, management, monitoring and reporting activities in relation to the Sustainability Bond issuance(s), Sustainable Assets Committee (SACo) and Sustainability Bond Registry (SBR) are formed. SBR is the bookkeeping tool of the Assets under the bond issuance.

SACo is responsible for ensuring that allocations are made to Eligible Assets as per the use of proceeds section. SACo shall comprise of members of AAIB's management representing key departments including but not limited to: Treasury and Capital Markets, Sustainable Finance, E&S Risk Department, designated LOBs (Corporate and Institutional Banking, Investment Banking and Structured Finance, SMEs, Retail Banking) in addition to certified subject matter expert(s).

SACo shall be responsible for the following:

- Selection of the eligible assets meeting the criteria of Use of Proceeds and Exclusion List set forth in the Sustainability Bond Framework.
- Approval of any proposed changes to the Sustainability Bond Registry in the event that assets no longer meet the eligibility criteria
- Approval on the relevant reporting.

Selection Process Matrix



3. Management of Proceeds

An amount equal to the net proceeds from each Sustainability Bond issuance by AAIB completed from and after the date of this Framework will be allocated to fund the Eligible Assets included in the Sustainable Asset Portfolio (i.e., on a portfolio basis), or — pending allocation — invested temporarily in cash, cash equivalents and/or other high-quality liquid assets. The Sustainable Finance Department is responsible for reviewing the Sustainable Asset Portfolio at least annually with the aim of ensuring that:

- the Assets included in the Sustainable Asset Portfolio remain eligible for inclusion as described above; and
- the aggregate nominal amount of all Eligible Assets included in the Sustainable Asset Portfolio meets or exceeds the aggregate principal amount of all outstanding Sustainability Bonds issued by AAIB from and after the date of this Framework, or in the event of any shortfall, an amount equal to the shortfall is temporarily invested in cash, cash equivalents and/or other high quality liquid assets pending allocation of such amount.

In addition, SFD is responsible for documenting its selection of Eligible Assets for inclusion in the Sustainable Asset Portfolio and the monitoring of the Sustainable Asset Portfolio as described above in accordance with an internal framework for attestation, controls and governance.

4. Reporting and Verification

Allocation reporting

On an annual basis, we intend to comply with international best practices by committing to prepare and make publicly available a report that will describe our allocation of the net proceeds to Eligible Assets within the Sustainable Asset Portfolio, at such level of detail as we deem practicable based on commercial, confidentiality and other relevant considerations. We will publish such a report annually until the aggregate net proceeds of the relevant Sustainability Bond issuance(s) have been fully allocated to fund Eligible Assets, and thereafter, we may publish an update of any such report at our sole discretion.

We expect that each report or update that we publish concerning the allocation of the proceeds of any issuance of Sustainability Bonds will:

- Contain an assertion by our management that the aggregate nominal amount of all Eligible Assets included in the Sustainable Asset Portfolio meets or exceeds the aggregate principal amount of all outstanding Sustainability Bonds issued by AAIB from and after the date of this Framework, or in the event of any shortfall, an amount equal to the shortfall is temporarily invested in cash, cash equivalents and/or other high quality liquid assets pending allocation of such amount; and
- Be accompanied by a related report from an independent accountant or an independent third-party consultant with experience in ESG research and analysis from the list of environmental consultants approved by FRA.

This report will contain, at minimum, the following information per instrument issued:

- The total amount of proceeds allocated to eligible loans/assets.
- The number of eligible loans/assets to which proceeds have been allocated
- The balance of unallocated proceeds.
- The total amount of allocated proceeds per Eligible Category
- The share or the amount of new financing vs. refinancing
- The geographical distribution of the assets at a country/ region level

In case of temporary non-allocation of the funds to Eligible Assets, AAIB will also inform investors of the utilization of the unallocated proceeds.

Impact reporting

Impact components of the Eligible Assets: In addition to its allocation reporting, AAIB undertakes to publish on its website an annual impact report providing for an update on the environmental impacts of the Assets funded with sustainability bond proceeds. The report will include both allocation and environmental impact reporting obtained through the use of IFC's CAFI® tool, where available.

We intend to publish information, where feasible, concerning measures of the expected environmental or social impact of the Eligible Assets. For certain Eligible Assets, this may include measures such as greenhouse gas emissions avoided, number of affordable housing units or number of eligible assets. This may also periodically include the output, outcome and/or impact of the assets being financed by the net proceeds of the issuance either on a project or portfolio level.

Where feasible, the impact reporting will disclose the following:

- A qualitative description of the portfolio of the selected Eligible Assets or case studies
- Information on the underlying methodologies and assumptions used to assess the impact of Eligible Assets
- Details on the internal governance process that dictates the allocation of net proceeds to Eligible Assets

The impact pursued with the financed Assets as per the indicative list of Key impact indicators, broken down by gender on a best effort basis to enhance collection and reporting of sex-disaggregated data.,

Verification: External Review

An independent consultant with recognized expertise in ESG research and analysis - from the list of environmental consultants approved by FRA – will be engaged to provide a Second Party Opinion concerning the alignment of this Framework with the governing principles. Any such opinion may be made available on the consultant’s webpage. Furthermore, this Framework shall apply to any Green, Social or Sustainability Bonds issued by AAIB after the date of this Framework.

Second Party Opinion Provider for the compliance of the Sustainability Bond Framework with ICMA’s GBPs, SBPs and SBGs:

A Second Party Opinion (“SPO”) will be obtained prior to the issuance of the sustainability bond from an SPO provider already included in the list of eligible SPO provider issued by the FRA. The SPO provider will issue, prior to the first issuance, an assessment of the compliance of AAIB’s Sustainability Bond Framework with both FRA guidelines for sustainability bond issuance and ICMA’s GBPs, SBPs and SBGs.;

This assessment will also include the eligibility as per Use of Proceeds in the AAIB portfolio (refinanced assets) as well as any assets in the pipeline for which such information is already available. The SPO will be made public on AAIB’s official website. For the annual verification (impact report) during the issuance tenor and at each anniversary of the issuance, an external reviewer will be appointed, this reviewer who must also be accepted approved by the FRA.

Indicative Impact indicators:

As a reporting indicator, AAIB will track the GHG emission reduction per year using IFC’s CAFI® tool. For some assets, it might not be feasible to measure GHG emission reduction due to the complexity of methodologies. For example, assets in RE or EE supply chains, or mass transit assets. In this case, the impact reporting will include qualitative information and other proxy quantitative data on a case- by- case basis. Impact reporting criteria will be governed by ICMA’s (i) Harmonized Framework for Impact Reporting for Green Bonds and (ii) Harmonized Framework for Impact Reporting for Social Bonds. The below tables are an example of impact reporting for a sample of eligible assets. It is worth highlighting that impact reporting will take place as part of AAIB’s periodic reporting on both the prospective and upcoming issuances.

Potential key impact indicators for Eligible Green Assets is outlined below:

Item	Potential Impact Indicator
Renewable Energy	<ul style="list-style-type: none">• Total installed capacity in MW• Annual generated renewable power in MW/Year• Estimated annual CO₂ equivalent emission reduction (tCO₂eq/Year)
Green Buildings	<ul style="list-style-type: none">• Number of green buildings funded with eligible certification• Total m2 of green buildings funded• Total m2 of energy-efficient property funded• Estimated annual CO₂ equivalent emissions reduction/avoidance (tCO₂eq/year)
Improved access to municipal waste collection	<ul style="list-style-type: none">• % of population with access to waste collection (broken down by gender)• Area with improved regular waste collection service• Fraction of separated waste before and after• % of residual non-separated waste before and after the project
Manufacturing for the circular economy	<ul style="list-style-type: none">• Tons of waste reduced• Products changed to increase waste reduction• Tons of secondary raw materials or compost produced
Clean transportation Assets ²⁰	<ul style="list-style-type: none">• Annual GHG emissions reduced/avoided in tCO₂-e p.a.

²⁰ Recognized benchmarks for impact reporting, inter alia: EURO VI Standard, IMO, MARPOL, WHO Guidelines, GFEI in the IEA 2DS, IEC/IEEE 80006 -2:2016

	<ul style="list-style-type: none"> • Reduction of air pollutants: particulate matter (PM), sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) • Number of electric vehicles financed
Construction or improvement to auxiliary infrastructure	<ul style="list-style-type: none"> • Annual absolute GHG emissions in tCO₂-e • Improved luminance or road surface reflection coefficient (cd/m²) • Number of LED or SSL lighting fixtures with lumen/watt (Lm/W) • Ambient noise reduction in decibels
Energy Performance (Efficiency)	<ul style="list-style-type: none"> • Estimated annual CO₂ equivalent emissions reduction/avoidance (tCO₂eq/Year) • Annual energy savings (MWh/year)
Light quality and energy efficiency – for both new and retrofitted buildings	<ul style="list-style-type: none"> • # of LED or SSL lighting fixtures • Energy efficiency from installation of motion detectors • Energy efficiency from installation of low-E window glass panels
Climate Smart Agriculture	<ul style="list-style-type: none"> • Annual energy savings (MWh/year) • Annual volume of water saved /recycled (m³/year) • Estimated annual CO₂ equivalent emission reduction (tCO₂eq/year) • Productivity gains due to climate smart agriculture (tons of product type/unit area in a year)

Potential key impact indicators for Eligible Social Assets is outlined below:

Item	Potential Impact Indicator
Access to essential services	<ul style="list-style-type: none"> • Number of healthcare facilities financed • Number of healthcare facilities, new or existing, that experienced an increase in capacity as a result of financing. • Projected number of people with access to safe, effective and affordable essential medicines and vaccines. • Number of educational facilities financed • Number of textbooks and teaching material supplied • New teachers employed • Number of loans to SMEs in LMI areas • Number of people provided with access to essential financial services
Affordable Housing	<ul style="list-style-type: none"> • Number of people benefitting from subsidized housing • Number of houses/dwellings financed • Number of houses/dwelling units built/refurbished/improved • Number of mortgages provided for affordable housing
Employment Generation	<ul style="list-style-type: none"> • Number of loans to SMEs and/or microenterprises (broken down by gender, age and location) • Number of training / vocational skills courses supported • Number of people trained in new vocational skills (broken down by gender, age and location) • Jobs created, supported and/or retained (broken down by gender, age and location) • Number of disabled people employed
Food Security and Sustainable Food Systems	<ul style="list-style-type: none"> • Number of people provided with access to affordable and sufficient food • Farmers provided with access to agricultural inputs (through financing inputs, equipment, etc.) • Area of land cultivated • Number of people benefitting from agricultural projects.
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Beneficiaries of minimum benefits • Number and/or value of products and services serving LMI groups • Number of beneficiaries
Women in the economy	<ul style="list-style-type: none"> • Number of rural or minority women provided with access to micro-loan products • Number of LMI women provided with affordable credit • Number of women with improved work conditions • Number of women provided with employment opportunity.

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