Principles of Responsible Banking (PRB) Report

From July 2022 to January 2024

An environmentally-friendly irrigation system financed by QNB-Egypt

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I. About This Report

This report highlights the initial report for QNB in Egypt on its implementation of the Principles of Responsible Banking (PRB). This report spotlights the initiatives and measures taken by QNB to progress towards implementing the principles and create value for all its stakeholders. The report covers progress achieved during the period from July 2022 to January 2024. QNB conducted a comprehensive portfolio impact assessment, using UNEP-FI Portfolio Impact Analysis Tool (Version 3). In this report, “QNB”, “the Bank”, “our,” or “we” refer to QNB, which is a full-service bank based in Cairo, Egypt.

Disclaimer

Editorial Policy

Driven by our leading position in the nation, as one of the first signatories in Egypt of the Principles for Responsible Banking, this report reflects the steps we have taken towards the implementation of the Principles of Responsible Banking, highlighting our efforts taken to enhance all aspects of our sustainability performance and governance, while considering both national and regional challenges and needs.

Forward-Looking Statements

This report contains forward-looking statements on various future estimations. While the management of QNB believes that the forward-looking statements included in this report are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, since actual results and future events could differ materially from those anticipated in such statements.

Mistakes and Typographical Errors

Any errors discovered following the publication of the report will be corrected and displayed on our website. In consideration of the environment, our reports are published as downloadable PDF file on our website.

II. Message from Chief Executive Officer

Mr. Mohamed Bedeir
Chief Executive Officer of QNB in Egypt

It gives me great pleasure to present QNB in Egypt first Principles for Responsible Banking (PRB) Report to our stakeholders. The report highlights the Bank's dedication and proactive measures in implementing the Principles for Responsible Banking.

In alignment with QNB Group, QNB in Egypt proudly embraces a responsible banking approach by integrating our sustainability framework, which centers on three pivotal pillars: Sustainable Finance, Operations, and Beyond-Banking Initiatives. These pillars adhere to both national and international standards and guidelines, with a primary emphasis on advancing the Sustainable Development Goals (SDGs). Our overarching objective is to foster a culture of sustainability throughout our organization, implementing strategies that incorporate Environmental, Social, and Governance (ESG) factors into our business practices. Furthermore, as a testament to our unwavering commitment, the Bank signed the Principles for Responsible Banking in July 2022, marking a significant milestone in our journey toward Responsible Banking Excellence.

On the following pages, we report our holistic portfolio impact assessment covering Retail, SMEs and Corporate Banking Portfolios. Circularity, Climate Stability and Financial Inclusion have been identified as our significant areas. In the upcoming year, the Bank will prioritize two of these areas for setting targets on.

With the implementation of our Environmental and Social Risk Policy framework cascaded from QNB Group, we are poised to proactively mitigate potential negative impact areas within our banking portfolios. Recognizing the interconnectedness between sustainability and responsible banking practices, our (ESRP) framework enables us to identify, assess, and address potential environmental and social risks associated with our operations.

Over the past 12 months, we have worked diligently with all bank departments and board of directors and externally with our clients and stakeholders to advance towards responsible banking and enhance our business model where sustainability practices are improved and adopted. As actions speak louder than words, I invite all our stakeholders to read our first PRB progress report.

1. Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

1. Alignment

1.1 Our Business Model

Describe (at a level) your Bank's business model, including the main customer segments served, types of products and services provided, and the main sectors and types of activities across the main geographies in which your Bank operates or provides products and services. Please also quantify the information by disclosing e.g., the distribution of your Bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or balance sheet), or by disclosing the number of customers and clients served.

Established in April 1978, QNB stands as one of the premier financial institutions in Egypt, epitomizing excellence in banking services. Since its inception, the Bank has continually evolved, becoming one of the largest private banks in Egypt.

As of the end of 2023, QNB serves a broad client base of over 1,752,585 clients, supported by 7,173 banking professionals spread across 234 branches. In addition to this extensive branch network, there are 931 ATMs and 45,042 Point of Sale locations, ensuring nationwide accessibility for customers.

As part of the esteemed QNB Group, QNB leverages a unique blend of local expertise and international excellence. With QNB Group holding a 94.967% stake in QNB, the Bank benefits from a wealth of experience and resources, ensuring it remains at the forefront of Egypt's banking sector.

At QNB, our business model is rooted in the commitment to positively impacting the community while fostering financial inclusion. We recognize the importance of providing a diverse range of banking and financial services that cater to the needs of individuals and businesses alike, thereby empowering them to achieve their financial goals. Embracing digital innovation, we invest in technology to deliver convenient and accessible banking solutions to our customers. Through our comprehensive suite of digital solutions, we aim to enhance financial literacy and promote economic prosperity and sustainable growth across Egypt.

With an emphasis on diversification and innovation, QNB has established subsidiaries in various fields, boosting its footprint in the Egyptian banking landscape. These subsidiaries include QNB Leasing, a pioneer in the Egyptian leasing market since 1997, QNB Life Insurance Company, offering a comprehensive range of life insurance and saving products, and QNB Factoring, providing comprehensive factoring services since 2012.

The Bank has achieved remarkable milestones, demonstrating growth in loans and deposit portfolios, market share, and returns. This success is underpinned by the Bank's commitment to customer-centricity. Embracing its role as a catalyst for economic development, QNB plays a pivotal role in supporting various sectors, including corporate banking, financial advisory, project financing, and trade financing. The Bank's tailored solutions cater to diverse client segments, ranging from large domestic corporations to SMEs, empowering entrepreneurship and fostering economic growth.

Furthermore, QNB is committed to corporate social responsibility, collaborating with community organizations on initiatives to support the most vulnerable sectors of society. Through these efforts, the Bank highlights its commitment to sustainable development and social welfare.

Driven by a vision to build long-term relationships with clients and cater to their evolving needs, QNB continues to expand its financial services coverage, foster financial inclusion, and contribute to the development of the Egyptian economy.

1. Alignment (Continued)

We offer a diversified business model to cater to the financial needs of all our clients, as follows:

Corporate Banking

QNB provides a comprehensive range of financial services to Mid Cap and Large Corporate clients. These services include project financing, structured financing, and financial advisory. In addition, we provide global transactions banking services such as trade financing, cash management, and foreign exchange. Through these offerings, the Bank has established robust relationships and earned the trust of its corporate clients. QNB's strategy is to offer diversified financing alternatives and services that support the growth of Mid Cap and Large Corporate clients. This strategy focuses on attracting new customers and expanding the business of existing clients. Two pillars complement our strategy. First, our value proposition is supported by leveraging technology and innovation as a strategic enabler. Second, we believe that embedding sustainability into our business and operating model contributes positively to our societies.

QNB Point of Strength includes:

1. Establishing and maintaining strong customer relationship management with main market players in various economies, industries, and sectors.
2. Relatively low percentage for the non-performing loans.
3. Relatively high profitability from Midcap & Large Corporate clients.

SME Banking

Aligned with our efforts to foster economic growth and sustainable development, we offer a range of tailored financial services to Small and Medium-Sized Enterprises (SMEs). Our comprehensive suite of financial solutions includes short-term credit facilities, business credit cards, trade financing. Additionally, we provide support for various aspects of SME operations from offering business loans, lines of credit, and financing solutions to help SMEs grow and expand their operations. The Bank also provides merchant acquiring services, enabling SMEs to accept card payments from customers, thus enhancing their ability to conduct business efficiently.

QNB also emphasizes the importance of non-financial support, offering guidance and resources to help SMEs navigate challenges and seize growth opportunities.

Through direct channels, including online banking and mobile apps, the Bank ensures convenient access to its services. QNB is committed to being a trusted partner for SMEs, empowering them to succeed and contribute to overall economic development.

Retail Banking

QNB is at the forefront of retail banking innovation, providing tailored solutions for each customer segment. We provide different banking products such as current and savings accounts, personal loans, credit cards, digital banking, and wealth management services. Our commitment to sustainability extends to our retail banking operations, where we offer eco-friendly financial products, including solar and electric car loans. Through initiatives like “Go Green - Substitute Cars to Work with Dual Fuel,” we encourage environmentally conscious commuting habits among our customers alongside initiatives with social benefits, including mortgage finance loans, youth offer, support for SMEs, and women empowerment.

Treasury Division

The Treasury Division plays a crucial role in managing the bank’s liquidity, funding, hedging , and investments.

One of the main key roles is to ensure availability of liquid funds for the bank’s operations and funding needs and mitigate any risk exposure.

QNB operates actively in the local and international global markets with wide range of offerings and activities.

QNB offers an expert treasury services and innovative solutions aiming to maximize returns to our clients.

In addition, our treasury services include tailored solutions for corporate and individual clients to match their needs. The Treasury Sales play a pivotal role in offering a wide array of diversified products including foreign exchange, fixed-income instruments, hedging and a range of money market instruments such as time deposits and short-term interest investments.

QNB’s Treasury Sales ensures that clients have access to comprehensive market information and facilitates direct access to local and global financial markets, providing a variety of financial instruments.

1. Alignment (Continued)

QNB in Figures (as of December 2023)

1,752,585
Clients

234
Branches

7,173
Banking Professionals

931
ATMs

45,042
Point of Sale locations

1.2 Sustainability Framework

Does your corporate strategy identify and reflect sustainability as a strategic priority for your Bank?

Please describe how your Bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- ☐ UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization fundamental conventions
- ☒ UN Global Compact
- ☐ UN Declaration on the Rights of Indigenous Peoples
- ☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: --------------------
- ☒ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ------------------------
- ☐ None of the above

QNB is committed to building a more sustainable future for its employees, customers, and the communities it serves. Aligned with QNB Group's sustainability framework and as a signatory to the UNGC, we prioritize integrating UNGC principles into our operational framework. Our goal is to foster a culture of sustainability throughout our organization, implementing strategies that incorporate Environmental, Social, and Governance (ESG) factors into our business practices.

Our sustainability framework revolves around three key pillars: sustainable finance, sustainable operations, and beyond-banking initiatives. These pillars adhere to both national and international standards and guidelines, with a primary focus on achieving the SDG goals. For each pillar, we have identified the most relevant sustainability topics and developed action plans to enhance our performance in those areas. This comprehensive approach not only mitigates risks but also creates new business opportunities, enhances brand reputation, fosters innovation, and strengthens relationships with stakeholders.

1. Alignment (Continued)

The Sustainability Framework consists of three pillars:

1. Sustainable Finance **SDGs 1, 3,4,8, 9, 11, 12, 13, 17**

Embedding sustainability practices and sustainable finance principles within our lending and investments products and services is QNB's means to supporting national and global sustainable development goals. incorporating ESG criteria into our business and investment decisions is a core for value creation to our clients and the society. Moreover, it enables us to identify, assess and manage all types of risks, and explore business opportunities emerging from the transition to a greener, more inclusive economy.

QNB implements a robust Environmental and Social Risk Policy (ESRP) framework to proactively identifying and mitigating risks within banking portfolios. The ESRP aligns with the group's sustainability strategy and minimum standards, emphasizing risk management in lending activities and utilizing an Environmental Social Risk Assessment (ESRA) Model for select transactions or sectors.

QNB is the first bank to participate in the GCF GEFF Regional Egypt Framework, the second Green Economy Financing Facility (GEFF II), in cooperation with the European Bank for Reconstruction and Development (EBRD). The facility targets financing retail and SMEs clients promoting greener and inclusive economic activities.

Promoting the use of high-performance technologies and services in climate-mitigation and climate-adaptation activities, and supporting the transition to a greener economy, the US$ 50 million loan, which includes US$ 7.5 million of concessional finance from the Green Climate Fund, QNB will extend the EBRD's financing to retail and SMEs, operating in the residential, agribusiness, industrial, commercial and service sectors, who are developing green, energy efficiency, water efficiency, renewable energy and resource efficiency projects.

Also, the Bank offers sustainable finance products, such as Electric Car Loans for low-interest financing of electric vehicles, Dual-Fuel Car Loans promoting cleaner-burning fuels, Solar Loans for renewable energy investment, and subsidized Mortgage Loans fostering homeownership. These products align with our ESG criteria, uphold human rights, and reduce carbon emissions, contributing to a sustainable future.

2. Sustainable Operations **SDGs 8, 13**

Sustainable operations refer to managing our direct ESG impacts, ensuring we operate ethically and efficiently. Our approach to improving sustainable operations is to measure, manage and report performance in alignment with the criteria set by QNB Group and guidance on ESG reporting. This places particular emphasis on strong corporate governance, respecting the human rights of our employees and suppliers, and minimizing the carbon emissions associated with our operations.

3. Beyond Banking **SDGs 1, 3, 4, 8, 10**

We actively contribute towards wider socio-economic development through our Corporate Social Responsibility activities with an overarching focus on education in the communities where we operate.

QNB engages in various initiatives to support youth education, underprivileged families, and entrepreneurship in Egypt. Collaborations with organizations that contribute to improving living conditions, fostering economic growth, and integrating marginalized groups into society.

1.3 Alignment with Global and National Frameworks

Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs) The 17 UN SDGs, also known as Agenda 2030, constitute a holistic international agenda and a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity and that no one is left behind. QNB's sustainability framework integrates the principles and objectives of different SDGs into its strategic initiatives and operations, aiming to align its efforts with the global agenda for sustainable development and contribute to addressing pressing global challenges such as poverty alleviation, environmental protection, and social equity.

1. Alignment (Continued)

Egypt's Vision 2030

Egypt Vision 2030 outlines a comprehensive plan to turn Egypt into a thriving and inclusive society by 2030, focusing on sustainable economic growth, social justice, and environmental sustainability. Through targeted reforms and investments in infrastructure, education, healthcare, and innovation, Egypt aims to become a regional hub for trade and investment. QNB is committed to supporting Egypt's vision, prioritizing sustainable development, investing strategically in key sectors, and adhering to principles of good governance and transparency. This alignment underscores QNB's contribution to Egypt's journey towards sustainable development and prosperity for all its citizens.

Pillar	SDGs Alignment	Egypt's Vision 2030 Alignment
Sustainable Finance	1, 3, 4, 8, 9, 11, 12, 13, 17	Economic Development
Sustainable Operations	8, 13	Environmental Sustainability
Beyond Banking	1, 3, 4, 8, 10	Social Development

United Nations Global Compact (UNGC)

QNB aligns with the 10 principles of the United Nations Global Compact (UNGC), which incorporate principles on human rights, labor, the environment, and anti-corruption.

Principle 1: QNB supports and respects the protection of internationally proclaimed human rights.
Principle 2: QNB ensures no human rights are violated in the scope of its operations.

Principle 3: QNB upholds the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4: QNB upholds the elimination of all forms of forced and compulsory labor.
Principle 5: QNB upholds the effective abolition of child labor.
Principle 6: QNB upholds the elimination of discrimination in respect of employment and occupation.

Principle 7: QNB supports a precautionary approach to environmental challenges.
Principle 8: QNB undertakes initiatives to promote greater environmental responsibility.
Principle 9: QNB encourages the development and diffusion of environmentally friendly technologies.

Principle 10: QNB works against corruption in all its forms, including extortion and bribery.

1. Alignment (Continued)

Central Bank of Egypt's Sustainable Finance Guidelines

In line with Central Bank of Egypt's sustainable finance guidelines, QNB implemented an Environmental Social Risk Management framework (ESRP) to systematically identify, assess, and manage environmental and social risks associated with its lending and investment activities.

This framework integrates ESG criteria into decision-making processes, ensuring that QNB's financing activities contribute to positive environmental and social outcomes while mitigating potential risks. By adopting the ESRP framework, QNB demonstrates its commitment to responsible banking practices and sustainable development, aligning with global best practices and regulatory requirements set forth by the Central Bank of Egypt (CBE).

QNB adheres with Central Bank of Egypt's six principles as follows:

> First Principle: Building the Necessary Capacity and Knowledge

At QNB, fostering a culture of Responsible Banking is a top priority. We understand the significance of integrating these principles into our operations to support sustainable growth and maintain trust with stakeholders. To achieve this, we offer tailored training programs to equip our employees with the knowledge and skills necessary for responsible banking practices. Our training curriculum is regularly updated to reflect industry changes, ensuring our staff stays informed about the latest developments and best practices. Through investing in our workforce's development, we aim to cultivate skilled and ethically committed employees.

> Second Principle: Promote Sustainable Finance

In addition to its ongoing initiatives, QNB has financed projects exceeding 13 billion EGP that contribute to social, environmental, and socio-economic development. These projects include participation in mega infrastructure projects, resource recycling, water recycling programs, agricultural projects, public health, and digitalization such as the promotion of e-wallets. By investing in such diverse projects, the Bank aims to foster sustainable growth and derive positive change across various sectors.

Also, QNB initiated the Green Value Chain program with EBRD to offer SMEs technical assistance and financial resources, focusing on reducing operational costs. Collaborations with entities like IDA and DFC provide tailored financial solutions to SMEs across various sectors. And, Micro-loans are extended to rural areas, with a focus on female micro-enterprise owners, promoting economic empowerment. Youth-focused products, freelancer programs, and digital channels enhance accessibility and convenience for clients. Financial literacy initiatives, including school visits and community outreach, aim to educate underserved areas on the benefits of financial services.

Moreover, The Bank participates in Egyptian Pollution Abatement Programme (EPAP III), offering credit lines for pollution abatement measures to industrial companies. It also provides sustainable finance products like Electric Car Loans, Dual-Fuel Car Loans, Solar Loans, and subsidized Mortgage Loans, aligning with ESG criteria and promoting a sustainable future.

> Third Principle: Stakeholder Engagement

QNB prioritizes stakeholder engagement and open communication across its operations. Stakeholders, including customers, regulators, investors, supply chain partners, employees, communities, and external experts, are actively addressed through appropriate channels. Customer satisfaction is ensured through surveys and a dedicated Call Center, while regulators benefit from transparent disclosures. Investors receive transparency through meetings and reports, and fair relationships are fostered with supply chain partners. Employees are supported with training and feedback mechanisms, and communities engaged through CSR initiatives. Partnerships with external experts further promote positive societal and environmental impacts, reflecting QNB's commitment to responsible banking and sustainable development.

> Fourth Principle: Climate Change Risk Management

QNB employs a robust Environmental and Social Risk Policy (ESRP) framework that aligns with the group's sustainability strategy and minimum standards, focusing on risk management in lending activities. Additionally, we utilize an Environmental Social Risk Assessment (ESRA) Model for selected transactions or sectors to ensure adherence to sustainability principles.

> Fifth Principle: Integrating Sustainability Principles to the Bank's Internal Activities and Operations

QNB has started various environmental management processes across its premises. These include installing motion sensor detectors to control lighting, transitioning from fluorescent to LED lighting, and incorporating solar energy stations, resulting in an estimated 22% energy saving. Additionally, shredded papers are disposed of through a recycling service provider, and the bank has increasingly adopted digital workflow tools to minimize paper usage. Furthermore, low-pressure water taps have been installed to reduce water consumption, with data on water usage tracked and monitored for efficiency.

1. Alignment (Continued)

- **Sixth Principle: Report Preparation**

Our GRI report 2019, 2021, Environmental Footprint Report, and PRB report reflect the Bank's commitment to transparency, accountability, and sustainability. These reports provide detailed insights into our corporate sustainability efforts, environmental impact, and adherence to responsible banking principles. Through these publications, we demonstrate our dedication to transparency, responsible business practices, and ongoing efforts to create positive impacts on society and the environment.

1.4 Our ESG Highlights

- Increased finance to social housing projects in line with the CBE's mortgage initiatives, contributing to addressing housing challenges and enhancing community living standards.
- Provided more than EGP 13 bn in various sustainable finance areas including renewable energy projects, waste management, water facilities, sustainable transport, social housing, sustainable infrastructure, health and education.
- Offered fast and easy lending process to Micro and Very Small Enterprises (MVSEs) based on a scoring system.
- Increasing sustainable finance to energy efficiency, water efficiency, renewable energy, and pollution prevention projects.
- Continued support for Business incubators, sponsoring initiatives such as "NilePreneurs" at Nile University.
- Launched the Hayat program to support women in business & retail, facilitating access to banking services and offering banking and non-banking products.
- Expanded banking relationships with Non-Governmental Organizations to finance micro-enterprises in rural areas, with a focus on lending to women.
- Increasing lending to microenterprises, fostering entrepreneurship, and driving economic growth.
- Offered a selection of SME packages tailored to different business needs.
- Launched a new lending program targeting micro, small, and medium-sized enterprises led by local entrepreneurs, under the Youth in Business program with EBRD.
- Participated in financial literacy sessions targeting underserved segments, including women, youth, children, and low-income groups.
- Continued to support Small and Medium Enterprises with reduced interest rates according to the CBE initiative, facilitating business expansion.
- Provided special coverage on QNB's Facebook page for 6 CBE Financial Inclusion events.

2. Impact and Target Setting

We will continuously increase our positive impact on people and environment while reducing our negative impact and managing the risks resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2. Impact and Target Setting

2.1 Impact Identification
Show that your Bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements.

a) **Scope:** What is the scope of your Bank's impact analysis? Please describe which parts of the Bank's core business areas and products/services across the main geographies that the Bank operates in (as described under 1.1) have been considered in the impact analysis. Additionally, please identify and describe the areas that have not yet been included and provide reasons.

A) Scope
We strive to actively promote sustainable development, empower communities, and contribute positively to environmental conservation through our responsible banking efforts. In this regard, QNB has undertaken a comprehensive impact assessment of its Lending portfolios to identify the extent of its social, economic, and environmental impacts, as well as to pinpoint areas for improvement. By utilizing the latest version of the UNEP-FI Portfolio Impact Analysis Tool (Version 3), this report presents the results of our first impact assessment, highlighting the portfolio's influence across various economic, social, and environmental dimensions.

Our initial impact assessment includes the Corporate Banking and SME Banking portfolios, Additionally, we analyzed the Retail Banking portfolio.

B) Portfolio composition: Has your Bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope: If your Bank has taken another approach to determine its scale of exposure, please elaborate to show how you have considered where the Bank's core business/major activities lie in terms of industries or sectors. by sectors and industries for the Business, Corporate, and Investment Banking portfolios (i.e., sector exposure or industry breakdown in %), and/or by products and services and by types of customers for the Consumer and Retail Banking portfolios.

Our Corporate and SME Lending portfolios are large and fragmented, which exceeds the Impact Analysis Tool's constraint of 50 sectors. Nevertheless, we succeeded in covering approximately 92% and 70% of the Corporate and SME portfolios respectively. Hence, the sectors included in our analysis are selected based on:

1. **Sectors with the highest exposure in terms of finance provided:** This approach ensures that our analysis focuses on sectors where most of our financial resources are allocated, allowing us to assess their impact.
2. **Sectors with substantial ESG risks and key negative impact:** This ensures that we prioritize sectors where environmental, social, and governance risks are pronounced, enabling us to identify potential areas for improvement and risk mitigation strategies within our lending portfolios.
3. **Sectors that best align with the national context:** This ensures that our analysis considers the specific economic, social, and environmental priorities of the country where we operate, allowing us to tailor our sustainability efforts to address local needs and contribute to national development objectives.

The main 10 sectors financed by Corporate Banking include:

- Extraction of crude petroleum.
- Electric power generation, transmission, and distribution.
- Manufacturing basic iron and steel.
- Manufacture of pharmaceuticals, medicinal chemicals, and botanical products.
- Short-term accommodation activities.
- Manufacture of basic chemicals, fertilizers, nitrogen compounds, plastics, and synthetic rubbers.
- Other specialized wholesale.
- Manufacture of other food products.
- Other financial services activities, except insurance and pension funding activities.

2. Impact and Target Setting (Continued)

The main 10 sectors financed by SME Banking are:

- Wholesale food and beverages.
- Manufacture of plastic products.
- Wholesale household goods.
- Manufacture of paper and paper products.
- Construction of buildings.
- Real estate activities with own leased property.
- Wholesale construction materials, hardware, and plumbing.
- Wholesale of machinery, equipment, and supplies.
- Retail sale of other goods in specialized stores.
- Manufacture of other fabricated metal products, and metalworking service activities.

QNB also evaluated its entire Retail Banking Portfolio which is segmented into Assets (Credit) and Liabilities (Certificate of Deposits, Current Accounts and Saving Accounts).

Credit Portfolio

- Consumer loans and overdrafts.
- Mortgage loans.
- Other specialized credit.
- Credit cards.
- Car loans.

During the implementation of the impact assessment, several challenges arose.

Firstly, data availability slowed down the segmentation of retail banking by age, gender, and income.

Secondly, the SME and Corporate Portfolios are fragmented across over 50 sectors, making it difficult to aggregate them to level 3. Despite these challenges, we remain committed to addressing data gaps in the future to enhance our portfolio segmentation efforts.

c) Context: What are the key challenges and priorities related to sustainable development in the main countries/regions where your Bank and/or your clients operate?

Please describe how these have been considered and identify the stakeholders you have engaged to help elaborate on this factor of the impact analysis. This step aims to put your Bank's portfolio impacts in the context of society's needs.

C) Context

QNB collaborated with ESG experts to identify and emphasize Egypt's challenges and focus areas. Our assessment considered the level of needs across various impact areas using the Portfolio Impact Analysis Tool. Additionally, we aligned with Egypt's National Climate Change Strategy 2050 and the Voluntary National Review (VNR 2021) to ensure a comprehensive evaluation. integrity and security, health and safety, availability, accessibility and quality of resources and services, livelihood, equality and justice, infrastructure, socio-economic convergence, climate stability, biodiversity and healthy ecosystems, and circularity.

2. Impact and Target Setting (Continued)

Sustainable Development Pillar	Impact Areas	Impact Topics	SDGs
Social	Integrity & Security of Person, Health & Safety, Availability, Accessibility, Affordability, Quality of Resources & Services, Livelihood, Equality & Justice	Conflict, Modern Slavery, Child Labor, Data Privacy, Natural Disasters, (Water, Food, Energy, Housing, Healthcare & sanitation, Education, Mobility, Information, Connectivity, Culture & Heritage, Finance	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 16
Socio-Economic	Strong Institutions, Peace & Stability, Infrastructure, and Socio-Economic Convergence.	Rule of law, Civil liberties, Sector diversity, Flourishing MSMEs	1, 9, 10, 11, 16
Natural Environment	Climate Stability, Biodiversity & Healthy Ecosystems, Circularity	Waterbodies, Air, Soil, Species, Habitat, Resource intensity, Waste	1, 3, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16

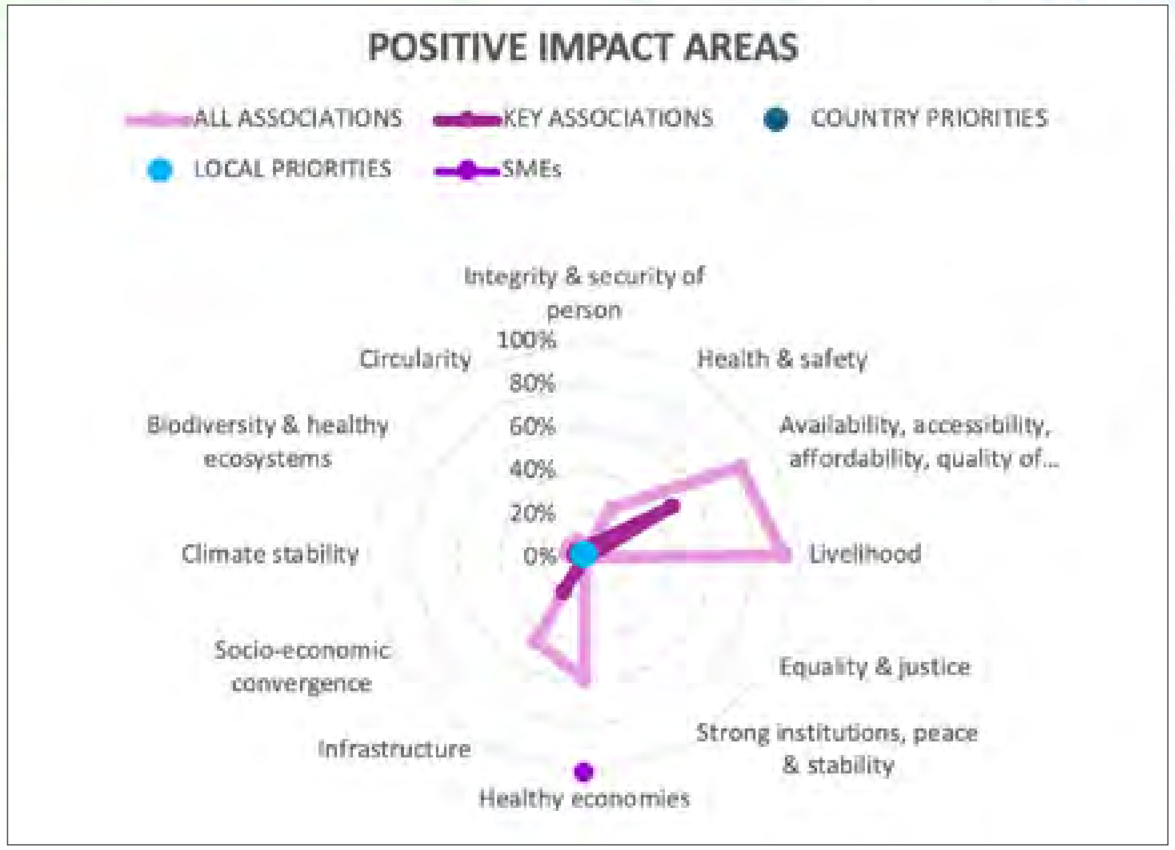
2.2 Impact Analysis

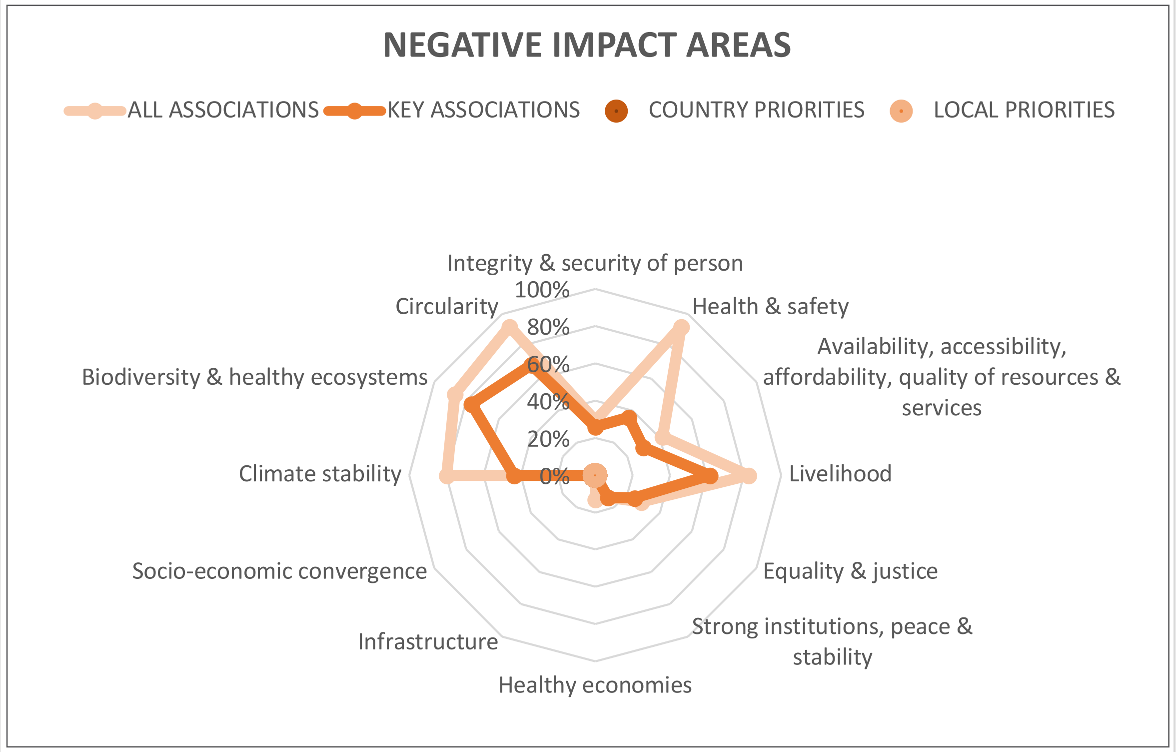
d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the Bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the Bank's activities and provision of products and services.

Corporate Banking Results

Positive Impact Areas	Negative Impact Areas
Livelihood	Health and Safety
Availability, Accessibility, Affordability, Quality of Resources & Services	Circularity
Healthy Economies	Climate Stability
Infrastructure	Biodiversity and Healthy Ecosystems

2. Impact and Target Setting (Continued)





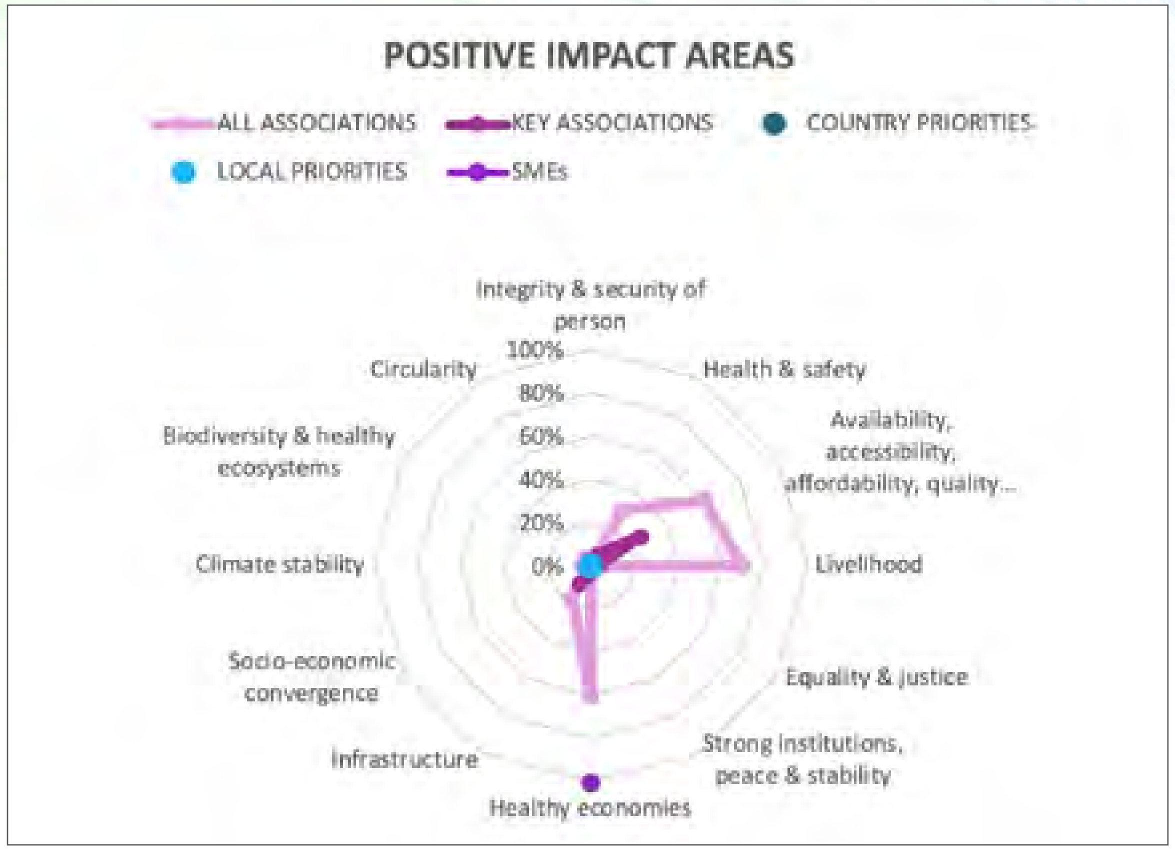
Heat Map

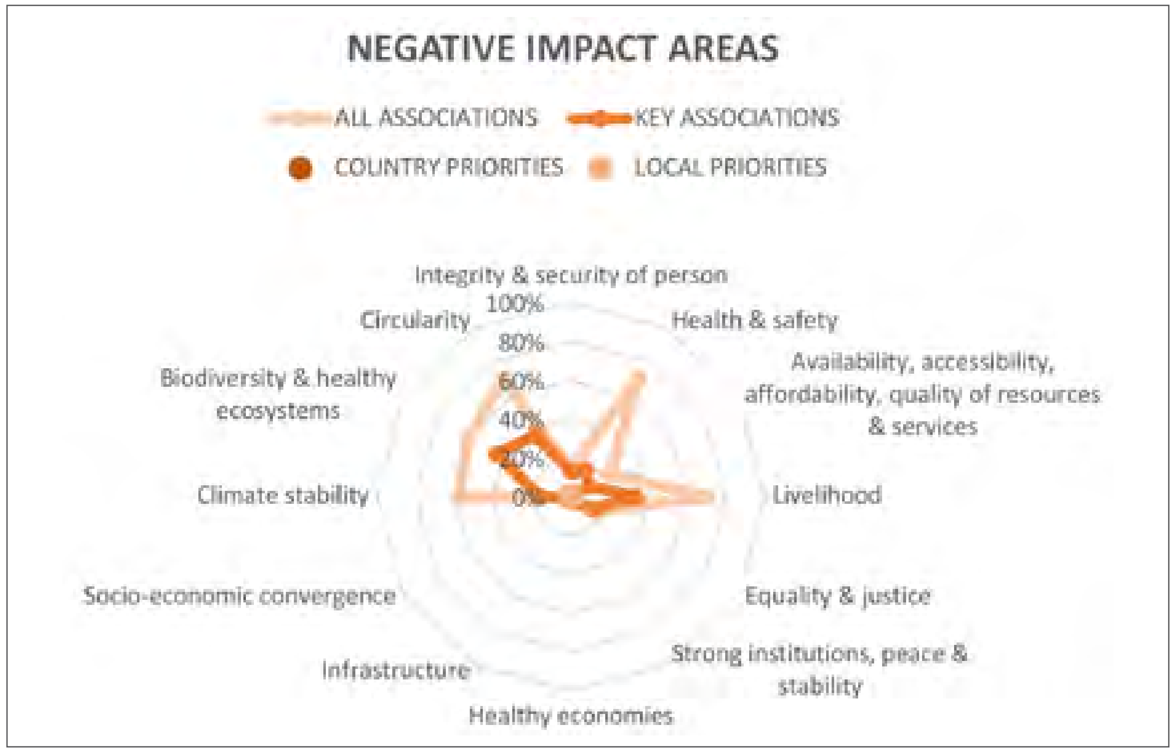
	Livelihood	Availability, Accessibility, and Quality of Resources	Healthy Economies	Health and Safety	Circularity	Climate Stability
Extraction of crude petrolum						
Electric power generation, transmission and disturbution						
Manufacture of basic iron and steel						
Manufacture of pharmaceutical, medicinal chemical and botanical products						
Other financial service activities, except insurance and pension funding activities						
Manufacture of basic chemicals, fertilizers and nitrogen compunds, plastics and synthetic rubber in primary forms						
Note: Blue indicates an associated positive impact, red indicates an associated negative impact.						

SME Banking Results

Positive Impact Areas	Negative Impact Areas
Livelihood	Health and Safety
Healthy Economies	Circularity
Availability, Accessibility, Affordability, Quality of Resources & Services	Biodiversity and Healthy Ecosystems
Infrastructure	Climate Stability

2. Impact and Target Setting (Continued)





Heat Map

	Livelihood	Availability, Accessibility, and Quality of Resources	Healthy Economies	Health and Safety	Circularity	Climate Stability
Wholesale of food, beverages and tobacco						
Manufacture of plastics products						
Wholesale of household goods						
Manufacture of paper and paper products						
Construction of buildings						
Wholesale of construction materials, hardware, plumbing and heating equipment and supplies						

Retail Banking Results

Impact Area	Associated Impacts (Positive)
Finance	Education, Mobility, Information, Flourishing, MSMEs, Socio-Economic Convergence.

SDG 5
SDG 8
SDG 9
SDG 10

2. Impact and Target Setting (Continued)

Our portfolio impact assessment exercise reveals that the key positive areas of impact across the portfolio are:

- Livelihood
- Healthy Economies
- Availability, Accessibility, Affordability, and Quality of Resources and Services (Financial Inclusion)
- Infrastructure

Meanwhile, our key negative impact areas include:

- Health and Safety
- Circularity
- Climate Stability
- Biodiversity & Healthy Ecosystems

Positive Impact Areas: These areas have been identified as pivotal areas where our banking activities can have a substantial impact, aligning with Egypt's requirements and SDGs.

- **Livelihood:**

We understand the significance of livelihood in enhancing the welfare of the communities we serve. Through our Corporate and SME banking activities, we finance diverse industries, such as the extraction of crude petroleum, real estate activities, wholesale distribution of food and beverages, manufacture of basic iron and steel, and the manufacture of pharmaceuticals. By extending financial support to these sectors, we play an important role in fostering job creation, income generation, and social security, hence positively impacting livelihoods.

- **Healthy Economies:**

In driving economic growth and stability, our banking initiatives focus on financing key sectors that align with Egypt's development vision. Through Corporate Banking, we extend support to industries such as the extraction of crude petroleum, electric power generation, and the manufacture of basic iron and steel, fostering energy security and industrial advancement. Additionally, we facilitate the production of pharmaceuticals and chemicals essential for healthcare and scientific innovation. SME Banking also plays an important role in financing sectors like wholesale food and beverages, plastic products manufacturing, and construction activities, empowering entrepreneurship, and infrastructure development. By investing in these sectors, we contribute to job creation, infrastructure enhancement, and economic diversification, laying the foundation for sustainable economic progress aligned with Egypt's growth objectives and SDGs.

- **Availability, Accessibility, Affordability, and Quality of Resources and Services (Financial Inclusion)**:

Are fundamental pillars of our commitment to community development and inclusive economic growth. We strive to improve access to healthcare, education, and clean water while enhancing affordability through tailored financial products and services. Our efforts in financial inclusion, including microfinance programs and digital banking platforms, aim to expand access to affordable financial services, particularly among underserved populations. By promoting financial literacy and empowerment, we empower individuals to make informed financial decisions and contribute to sustainable development, reflecting our vision of a more equitable society where all individuals can thrive economically.

- **Infrastructure:**

Infrastructure is essential for economic and social progress. We invest strategically in various sectors such as the manufacture of basic iron and steel, construction of buildings, real estate activities with own leased property, wholesale of construction materials, hardware, and plumbing, and wholesale of machinery, equipment, and supplies. Our focus aligns with national development agendas and sustainable goals, fostering resilience and prosperity for all, and contributing to inclusive growth and job creation.

2. Impact and Target Setting (Continued)

Negative Impact Areas: We understand the interconnection between sustainability and responsible banking practices, and we are committed to acknowledging and addressing the potential negative impacts of our banking portfolios on the environment and society.

Our negative impact areas are:

- **Health and Safety:**

Sectors related to extraction of crude petroleum, real estate activities with own leased property, and construction of buildings activities highly contribute to our banking portfolios. These sectors are associated with various health and safety risks such as occupational hazards for workers, potential environmental contamination, and concerns arising from accidents or incidents within these industries. Therefore, we raise the awareness with our clients in this regard to ensure they adhere to safety standards, regulatory licenses, and best practices to mitigate potential health and safety incidents.

- **Circularity:**

As we recognize the importance of transitioning towards a circular economy, we acknowledge the potential negative impact of certain production and consumption patterns within our banking portfolios. Sectors such as manufacturing, retail, and consumer goods may contribute to resource depletion, waste generation, and environmental pollution. We encourage our clients for better sustainable practices such as recycling, waste reduction, and product lifecycle management.

- **Climate Stability:**

We recognize the importance of addressing climate change. Our banking portfolios includes sectors that has an impact on climate stability, such as electric power generation, transmission, and distribution, manufacture of basic chemicals, fertilizers, nitrogen compounds, plastics, and synthetic rubbers. To mitigate the associated impacts, we engage proactively with our clients to promote renewable energy investments, energy efficiency measures, and sustainable transportation solutions. Additionally, we advocate for climate-conscious policies and initiatives that support the transition to a low-carbon economy. By aligning our banking practices with climate resilience and mitigation strategies, we aim to contribute positively to climate stability and ensure a sustainable future for generations to come.

- **Biodiversity & Healthy Ecosystems:**

Preserving biodiversity and maintaining healthy ecosystems are critical for environmental sustainability. Certain activities within our banking portfolios may have impact on biodiversity and ecosystem health such as the manufacture of plastics and synthetic rubbers. We actively engage with our clients to assess and mitigate these risks, promoting practices that conserve biodiversity, protect natural habitats, and support ecosystem resilience.

2.3 Implementation and Oversight

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[1]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, resource efficiency & circular economy and financial have been identified as the most significant impact areas, as a result of the impact analysis.

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 6 months prior to publication

☐ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Target Setting (Key Step 2) Elaborate on how your Bank has set and published a minimum of two targets that address at least two different areas of most significant impact — the ones that you identified in your impact analysis. The targets must be specific, measurable (qualitative or quantitative), achievable, relevant, and time-bound (SMART). Please disclose the following elements of target-setting (a-d) for each target separately.

Target Implementation and Monitoring (Key Step 2) For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

2. Impact and Target Setting (Continued)

Our ESRP framework enables us to identify, assess, and address potential environmental and social risks associated with our operations.

By engaging with clients and stakeholders, we ensure adherence to safety standards, regulatory requirements, and best practices, thereby minimizing risks related to negative impact areas. Through our commitment to the ESRP framework, we strive to foster sustainable development, mitigate environmental and social risks, and uphold our responsibility to both our stakeholders and the planet.

In this regard, QNB has pinpointed Three key impact areas:

Circularity:

Promoting circular economy principles enhances resource efficiency and reduces waste, aligning with global sustainability trends. For SMEs, it drives cost savings and provides opportunities to innovate. Retail customers gain access to sustainable products, fostering loyalty and expanding the Bank's market reach.

Climate Stability:

Focusing on climate stability ensures economic resilience, safeguarding investments and fostering a healthier environment for future generations.. Corporate clients benefit from improved environmental governance and risk management, enhancing their competitiveness and sustainability.

Financial Inclusion:

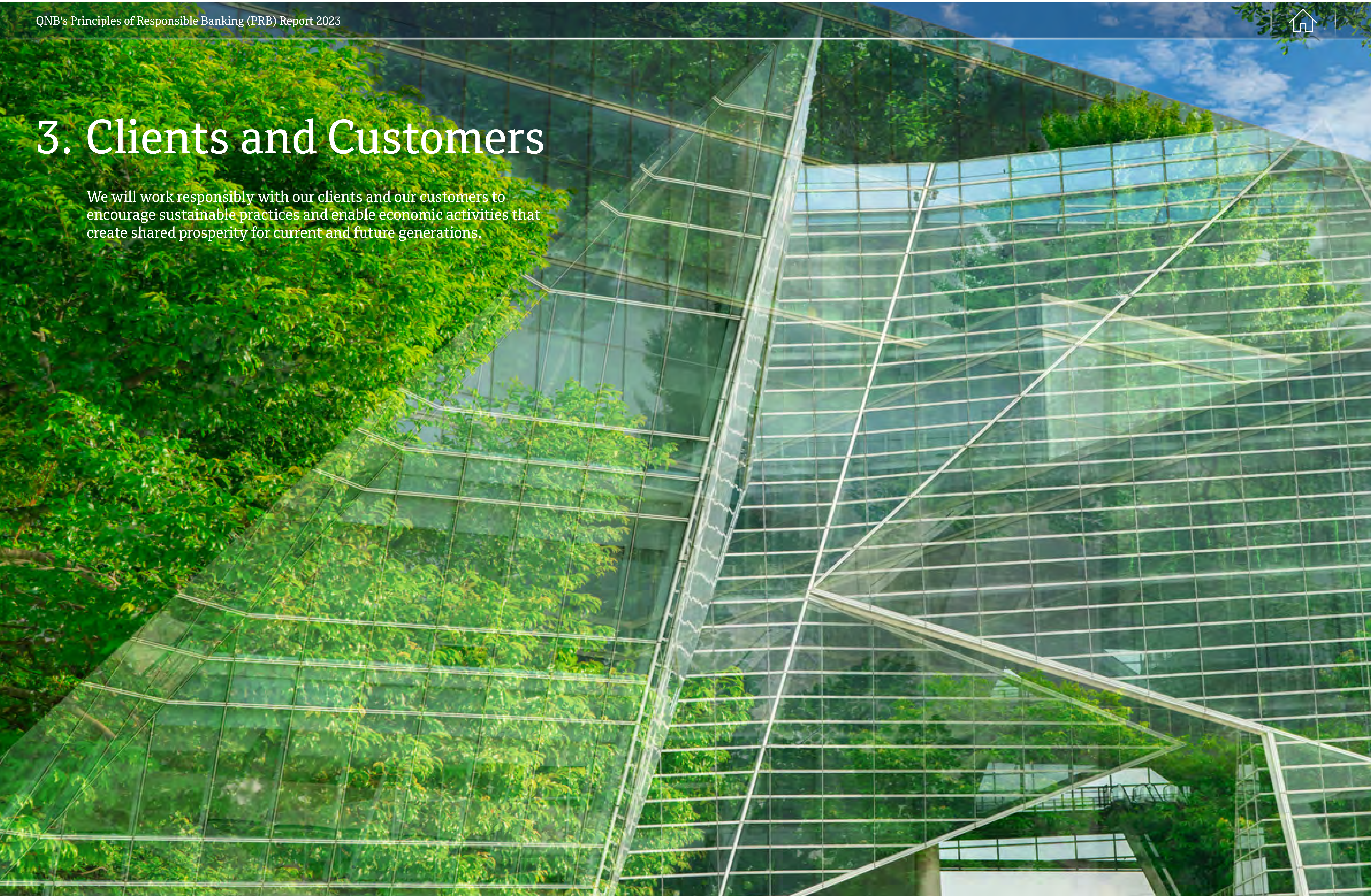
Empowering SMEs and retail customers through enhanced access to essential financial services drive economic growth and reduces inequality. Financial inclusion supports the expansion of the Bank's customer base and promotes broader economic participation, contributing to a more robust and diversified portfolio.

The forthcoming year, the Bank will choose two from these three areas to establish targets aligned with Egypt's Vision 2030, CBE's directives, and the Bank's strategic orientation Hence, the Bank will select qualitative and quantitative indicators to assess its performance in these two impact areas.

Once targets are set, we will develop a comprehensive implementation plan and Key Performance Indicators (KPIs) to effectively meet and monitor our sustainability objectives. This strategic approach ensures that our sustainability goals are translated into actionable steps, with clear metrics to track progress and evaluate performance. By aligning our actions with measurable outcomes, we can assess the effectiveness of our initiatives, identify areas for improvement, and continuously enhance our sustainability efforts. Through rigorous monitoring and evaluation, we remain committed to achieving our targets and driving positive environmental, social, and economic impacts within our organization and the communities we serve.

3. Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



3. Clients and Customers

3.1 Client Engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement, and, where possible, the impacts achieved.

QNB implements an Environmental and Social Risk Policy (ESRP) Framework that includes a robust set of rules and standards. The Policy Framework sets forth the Bank's approach, as part of QNB Group, to E&S matters in its sustainable financing and operations in alignment with the Group's sustainability policy, strategy, and ESG commitments. The Policy Framework is aligned and adheres to the minimum standards as established by the Group ESRM policy Framework.

The Policy Framework emphasizes the E&S Risk Management Overview in Lending Activity, while another Environmental Social Risk Assessment "ESRA" Model, illustrated in a separate document, applies to transactions that may be funded by EBRD or other multilateral institutions on a selective basis and as required by the related multilateral institutions. Also, QNB may opt to apply the ESRA on some sectors or clients.

This Policy Framework provides an overview of the Bank's approach to E&S in terms of:

- Commitments
- Impacts of operations
- Related risk management activities in sustainable lending

Hence, as required, in addition to relevant internal policies and procedures in effect, this Policy Framework is to be supplemented by procedures and training to support effective implementation across all relevant divisions.

This framework acts as a guide for our client engagement strategies, ensuring that our lending practices consistently uphold our dedication to environmental and social responsibility. These include:

- All loans undergo screening against our Exclusion list, When initiating a new client relationship, it is imperative to be demonstrated that their adherence to all pertinent laws and regulations, particularly those concerning environmental and social responsabilities. This validation should be supported by the provision of valid licenses or permits directly related to the client's operational activities.
- For thorough screening and assessment, our engagement with clients is categorized based on the level of risk associated with their activities, categorized as high, medium, or low risk following the Pre-Defined Categorization List guided by EBRD E&S Risk Categorization List. Clients with medium and high environmental and social (E&S) risk activities undergo comprehensive risk assessment and site visits to mitigate potential E&S risks. Subsequently, an action plan may be developed based on the E&S questionnaire to evaluate the client's ability to manage E&S concerns effectively.

3. Clients and Customers (Continued)

Responsible Communication

The Bank emphasizes responsible communication with its clients. This approach empowers clients to make informed decisions regarding their banking needs. Additionally, the Bank maintains ongoing engagement through various channels, including digital campaigns and social media platforms, in alignment with the Group's objectives. The Bank disseminates press releases and articles to disclose its achievements and provide stakeholders with a comprehensive overview of its efforts and offerings. Through these communications, the Bank aims to transparently share its progress, initiatives, and contributions to its stakeholders, fostering trust and engagement within the community.

Organizing sponsorships linked to our business lines plays a significant role in engaging clients effectively. Sponsorship management entails participation in conferences, summits, financial inclusion initiatives, and various other activities aimed at fostering robust communication with our clients. These sponsorships not only showcase our commitment to supporting relevant causes but also provide valuable networking opportunities and platforms for showcasing our products and services to our target audience.

3.2 Sustainable Finance

Describe the strategic business opportunities, in relation to the increase in positive and the reduction of negative impacts, your Bank has identified and/or how it has worked on them in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency), and/or as a % of your portfolio, as well as the SDGs or impact areas you are striving to impact positively (for example, green mortgages, climate, social bonds, financial inclusion, etc.).

QNB is dedicated to promoting sustainable and green finance through a variety of initiatives. Our wide range of financial products and services is tailored to facilitate the adoption of sustainability measures by both businesses and individuals. These offerings include sustainable loans, green finance, education loans, and mortgage loans, catering to a variety of financial needs.

Green Finance and Social Lending

Egyptian Pollution Abatement Programme (EPAP III)

The Bank participates in the Egyptian Pollution Abatement Programme (EPAP III), which aims to reduce pollution intensity stemming from both public and private sector industries. This program specifically targets industrial companies contributing to pollution and extends lines of credit to support investments in pollution abatement measures. Participating in EPAP III offers significant advantages, including coverage of up to 90% of project investment costs as well as technical support.

Agriculture Development Program (ADP)

The Agriculture Development Program initiative contributes to the advancement of the Egyptian agriculture sector by promoting financial access to the agriculture supply chain and inputs that are necessary for diverse agricultural activities. This initiative provides loans of up to EGP 5 million for eligible sectors, including SMEs, midcaps, and large corporates. It offers two types of loans: short-term loans for one year and medium-term loans for five years. Furthermore, the program offers flexibility through various grace periods for loan repayment.

Retail Loans

The Bank provides a range of sustainable products and services aimed at engaging our retail customers in our sustainable financial initiatives. Our commitment extends beyond environmental considerations to include social impact as well. We actively participate in various initiatives focused on enhancing social welfare, and we offer a diverse array of products and services specifically tailored to benefit society.

3. Clients and Customers (Continued)

These products and services include:

A. Electric Car Loan

We provide our customers with the chance to acquire electric cars through our electric car loan program, featuring a low-interest rate of 1%. This initiative serves not only as financial assistance but also as a contribution to reducing greenhouse gas (GHG) emissions and associated health risks.

B. Dual Fuel Car Loans

QNB participates in the “Go Green” initiative initiated by the Central Bank of Egypt's. Through our dual-fuel car loan program, we provide attractive financing options with low interest rates, facilitating the replacement of older vehicles with eco-friendly alternatives. These dual-fuel cars utilize cleaner-burning alternative fuels, thereby contributing significantly to the reduction of air pollution caused by conventional fuels.

C. Solar Loans

We empower our customers to contribute to a sustainable and cleaner future by offering financial assistance for the implementation of solar panel systems, including roof solar panels, solar batteries, and full solar panel setups. This loan is available to all types of clients, ensuring accessibility to renewable energy solutions for everyone.

D. Mortgage Financial Initiative

Committed to enhancing social welfare, we enthusiastically participate in the mortgage financial program initiative led by the Central Bank of Egypt's. Our mortgage loans are designed to accommodate customers across all income segments, from lower to upper-middle-income brackets. With subsidized interest rates, we ensure that our clients can affordably purchase housing units, fostering homeownership and socioeconomic development.

3. Clients and Customers (Continued)

Supporting MSMEs

The Green Value Chain program, initiated by QNB in collaboration with EBRD, offers SMEs invaluable technical assistance and financial resources. Through this program, SMEs gain access to capital investment aimed at reducing operational and resource expenses, particularly in areas like energy and water consumption.

These funds are primarily allocated to support companies in adopting technology and green investments, thereby enhancing product quality, and adding value for customers. Moreover, the program offers free technical support to ensure the financial viability of projects, further bolstering the sustainability efforts of participating SMEs.

To address the pressing financial needs of SMEs, our fast-lending program is tailored for swift disbursement, minimizing processing times, and ensuring rapid access to essential capital. This initiative is instrumental in supporting SMEs efficiently, enabling them to meet urgent financial requirements without delays.

Moreover, QNB has embarked on a range of initiatives to extend financial assistance to SMEs spanning various sectors. These initiatives include partnering with prominent entities such as the Industrial Development Authority (IDA), Damietta Furniture City (DFC), and protocols established for sectors like leather and IT through agreements such as the Roubeky protocol and the ITIDA protocol. Through these strategic partnerships, we aim to provide tailored financial solutions that cater to the specific needs of SMEs across diverse industries, fostering their growth and development.

QNB extends its support to small businesses by providing non-financial services, including specialized workshops designed for startups and young entrepreneurs. These workshops focus on enhancing their managerial, administrative, and legal skills, for business success. Additionally, the Bank offers training programs, consultancy, and advisory services through its Business Development Services Centers to further support the growth and prosperity of these projects.

Microfinance Lending

At QNB, we extend our financial services to micro-enterprises, recognizing their significant role in economic development and poverty reduction. We prioritize tailoring our products and services to meet the unique requirements of these enterprises, aiming to facilitate their growth and success. We offer micro-loans as credit facilities in rural and remote regions, with a specific focus on extending financial support to female micro-enterprise owners. By providing targeted financing solutions and empowering entrepreneurs in underserved areas, we contribute to driving economic empowerment and fostering inclusive growth within our communities.

Financial Inclusion and Financial Literacy

QNB plays a pivotal role in fostering financial inclusion by offering a range of tailored financial products for underprivileged groups, including youth, women, and people with disabilities. We dedicate our efforts to integrating a higher number of unbanked segments into the banking sector through different channels.

Empowering Women

We offer a comprehensive package designed to meet the diverse needs of women, including the option for mothers to donate to their children for the first time. Alongside this innovative feature, our package includes exclusive Annual Super Savings and Daily Savings accounts tailored specifically for women. These accounts come with competitive interest rates and provide convenient access to funds as needed. Additionally, we offer supplementary credit card issuance for family members and provide a 25% discount on the card issuance fee.

Women's health and safety is a responsibility that we are committed to fulfilling by providing complimentary coverage for breast cancer insurance. This coverage includes a primary credit card with a value of EGP 25,000 for medical expenses for women diagnosed with breast cancer.

Fostering female small business owners and entrepreneurs is pivotal for empowering women in our society, especially in unprivileged areas. In this regard, QNB cooperated with EBRD. The initiative focuses on empowering young female entrepreneurs by offering them comprehensive support, including training, advisory services, and access to financial and banking resources. Twenty-five female entrepreneurs recently participated in a workshop at QNB's headquarters. The workshop aimed to explore financing options for their projects and promote our Women in Business program and other relevant products, encouraging women to initiate or expand their ventures.

Empowering Youth

We are actively empowering young people by continuously enhancing our range of products and services tailored specifically to their needs. Our "YO offers" are designed to facilitate their integration into the banking sector. To achieve this, we introduced innovative products such as wearable wristbands and specialized custody services. QNB is dedicated to ensuring that our youth packages, available to individuals aged 16 to 21, are affordable and cater to their requirements, thereby fostering financial independence among this segment.

3. Clients and Customers (Continued)

Supporting people with disabilities

We prioritize accessibility and support for clients with special needs across 31 dedicated branches. Our trained employees, equipped with sign language skills, ensure prompt assistance and effective communication. Mobile banking features, including chat services, further enhance accessibility. Ramps have been installed at six locations to facilitate entry and exit, and CDs containing service terms and conditions are provided for vision impaired clients in the format of audio recordings. In collaboration with ATAA, a mutual fund charity, we cover education, healthcare, and social needs to empower individuals with special needs. Additionally, we partner with the Misr El Kheir Foundation to donate prosthetic devices, underscoring our commitment to improving their quality of life.

Freelancer Program

We have launched a specialized facility program designed specifically for freelancers, offering a smooth application process and minimal documentation requirements. This program also provides competitive interest rates and includes complimentary life insurance coverage, enhancing financial security for freelancers. Our aim with this initiative is to empower freelancers by providing them with convenient access to affordable financial services tailored to their distinct requirements, thereby supporting their professional development.

Digital Channels

To ensure convenience and accessibility for our clients, we offer various digital services catering to retail, corporate, and SME customers. For corporate clients, we provide applications and internet banking to facilitate transaction management. Retail customers enjoy internet banking capabilities, along with advanced ATM features like e-wallet functionality for cardless transactions and Meeza card integration, promoting a cashless economy. SMEs benefit from simplified credit facility applications through our website, eliminating the need for complex documentation and lengthy procedures. Additional services such as e-commerce and PAYnGO are tailored to SME needs, enabling sales growth while ensuring security and transparency.

Financial Literacy

We are committed to extending our reach to unprivileged areas, aiming to provide them with beneficial financial services. To achieve this goal, we are expanding our presence by establishing more branches, ATMs, and digital solutions.

However, the success of our expansion relies on educating our potential clients about the importance and benefits of financial institutions, as well as how to effectively use them to easily access our financial services and products. In this regard, we aim to raise awareness on how to effectively utilize these institutions to easily access our financial services and products.

To promote financial literacy, our Bank has conducted numerous outreach activities, including visits to schools. These visits aim to educate children about financial services, such as opening accounts, understanding the history of money, and other relevant financial information.

Furthermore, we engaged with communities in underserved areas, including Kafr El Sheikh, and El Fayoum, and conducted financial literacy sessions targeting farmers, fishers, and craftswomen. Additionally, we have launched a digital platform to support female business owners and entrepreneurs.

4. Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4. Stakeholders

4.1 Stakeholder Identification and Engagement

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated, or partnered with to implement the PRBs and improve your Bank's impacts. This should include a high-level overview of how your Bank has identified relevant stakeholders, what issues were addressed/results achieved, and how those fed into the action planning process.

QNB maintains open and regular communication with its stakeholders to address their interests and concerns. The Bank actively seeks their input through various external and internal engagement channels, ensuring their feedback is integrated into our decision-making processes. Our stakeholders include employees, customers, suppliers, investors, regulators, government entities, and the broader society affected by our operations.

We aim to establish effective partnerships with both international and national organizations and programs. By collaborating with these entities, our goal is to strategically allocate capital towards businesses, projects, products, and sectors of the economy that actively contribute to Egypt's sustainable development. Through these alliances, we seek to maximize the positive impact of our investments and further promote economic growth and stability in the region.

Stakeholder	Internal/ External	Priority Topics	Methods of Engagement
Customers	External	• Customer Privacy • Quality Service • Customer Satisfaction • Financial Inclusion and Literacy • Competitive Rate and Fees • Diversified & easy-to-use digital banking • E-Payment Products • Responsible Banking	• Annual Customer Satisfaction Survey • Call Center • Complaints Management • Network of Branches • Relationship Management
Regulators and Government (Ex: Central Bank of Egypt & Public Authorities	External	• Compliance with Regulatory Requirements • Strong Risk Management & Governance • Financial Inclusion • Digital Transformation	• Disclosures
Investors	External	• Strong and Stable Returns • Robust Corporate Governance, Risk Management, and Ratings • Transparency	• General Assembly Meetings • Public Reports • Financial Positions

4. Stakeholders (Continued)

Stakeholder	Internal/ External	Priority Topics	Methods of Engagement
Supply Chain	External	• Timely Payment • Fair and Transparent Relationship • Ontime Service Provision	• Bidding • Tendering • Prices & Offers Negotiations • Partnerships
Employees	Internal	• Training and Development • Employee Engagement • Competitive Salaries and Benefits • Equality & Inclusion • Business Ethics & Responsible Banking	• Employee Engagement Survey • Learning and Development Programs • Training Needs Analysis • Whistleblowing & Grievance Mechanisms
Communities	External	• CSR Activities • Supporting Youth • Providing Job Opportunities • Protecting the Environment	• Products and Services with Environmental or Social Benefits • CSR Activities • HR Recruitment Plan • Seminar
Partners & Experts	External	• Partnership, collaborations & providing finance for creating a positive impact on the society and environment in which the Bank operates	• Meetings • Contacts

4.2 Impactful Partnerships

International Partnerships

In an increasingly globalized world, forging international partnerships has become imperative for organizations seeking to drive impactful change and foster sustainable development. These collaborations transcend geographical boundaries, bringing together diverse expertise, resources, and perspectives to tackle complex challenges and seize emerging opportunities.

International partnerships facilitate knowledge exchange, capacity building, and innovation, enabling organizations to remain agile and responsive in an ever-evolving landscape. Through strategic alliances, QNB demonstrates its commitment to harnessing the power of international cooperation to drive positive social, economic, and environmental change both locally and globally.

European Bank for Reconstruction and Development (EBRD)

- **Green Value Chain**

This impactful partnership has expanded to offer additional support for SMEs by introducing the "Green Value Chain" program. This financial initiative, established through collaboration between QNB, the EU, and EBRD, provides loans and free technical advisory services. These services are designed to enhance product quality and add value, strengthening SMEs' capacity to enter the export market.

- **First Green Retail-Financing Program**

QNB partnered with EBRD, supported by the European Union and the Green Climate Fund, to introduce the first green retail-financing program. As the first Bank in the country to collaborate with EBRD in providing financing directly to individuals, QNB aims to promote sustainability and green financing. Through this partnership, customers can benefit from a 10% cashback on retail banking facilities, such as cash loans, when purchasing energy-efficient, environmentally

4. Stakeholders (Continued)

friendly products that are fully sustainable. This initiative is in line with the Central Bank of Egypt's sustainability strategy and supports the nation's efforts toward sustainable development and climate action.

- **Green Economy Financing Facility (GEFF-I)**

QNB is one of the first banks in Egypt to join the Green Economy Financing Facility (GEFF). This initiative, launched by EBRD and supported by the European Union (EU), is designed to finance sustainable energy projects through term financing coupled with free technical assistance/advisory as well as incentive grants funded by the EU.

- **Green Economy Financing Facility (GEFF-II)**

QNB collaborated with EBRD and, with support from the Green Climate Fund (GCF), has secured a USD 50 million loan under the GCF GEFF Regional Egypt Framework. The second Green Economy Financing Facility (GEFF II) in the country with a special focus on SMEs, women-led businesses, and green financing. The loan amounted to USD 7.5 million as concessional finance from the Green Climate Fund. As the first Bank in Egypt to benefit from this initiative, QNB will extend financing to private sub-borrowers, including individual households and SMEs, across various sectors, thereby fostering projects aimed at promoting green practices, energy efficiency, water efficiency, renewable energy, and resource efficiency. Notably, this program represents a first-of-its-kind initiative encompassing both retail and residential segments in Egypt and the broader Southern and Eastern Mediterranean (SEMED) region.

- **Youth in Business Program**

QNB cooperated with EBRD to continue its efforts in supporting youth education by renovating two schools in the Dakahlia Governorate in collaboration with local associations. Additionally, the Bank extended its partnership with EBRD in the "Youth in Business" program, offering critical financing and technical assistance to young entrepreneurs to help them develop their micro and small businesses.

National Cooperations

- **Egyptian Pollution Abatement Program (EPAP)**

Recognizing the global imperative to maintain and protect the environment and public health, QNB supports the Egyptian Pollution Abatement Program (EPAP). EPAP's mission is to incentivize industries with high pollutant emissions to reduce their environmental impact. Through EPAP, QNB offers loans and grants to projects aimed at mitigating industrial pollution, thereby enhancing the quality of air and water in critical environmental areas.

- **"Decent Life" Initiative**

QNB, in collaboration with the Misr El-Kheir Foundation and Al-Orman Association, has actively participated in numerous development endeavors under the "Decent Life" initiative. These efforts encompass various projects aimed at enhancing the quality of life for underprivileged families. Initiatives include the improvement of housing conditions, the enhancement of access to clean drinking water, the facilitation of micro-income generating activities, and the provision of employment training programs for women and teenagers. Furthermore, support has been extended to empower individuals with special needs by providing prosthetic devices, thereby facilitating their integration into society.

- **Protocol agreement with the Industrial Development Authority (IDA)**

QNB entered into a protocol agreement with the General Authority of Industrial Development to offer financial products and services to investors involved in industrial complex projects across various regions in Egypt, including Cairo, Menoufia, and Port Said. This collaboration aims to stimulate industrial growth in Egypt, recognizing the important role of the manufacturing sector in driving economic development.

- **The Credit Guarantee Co. (CGC)**

QNB established a Credit Guarantee Agreement with The Credit Guarantee Co. (CGC) to jointly mitigate risks associated with Micro, Small, & Medium Enterprises (MSMEs). Through this collaboration, QNB widens its risk tolerance and reduces collateral requirements, thereby enhancing financial accessibility for MSMEs.

- **Nilepreneurs initiative**

For the fifth consecutive year, QNB continued to support youth through its participation in the NilePreneurs Initiative. This initiative, conducted under the auspices of CBE in collaboration with Nile University, involves sponsoring one of the incubators known as the "Creative Incubators" at Nile University. The aim is to increase awareness about the competitive advantage of the creative design industry in various projects and its importance in driving economic growth as a source of competitiveness. In this regard, we established two Business development centers in Mansoura and Kafr El Sheikh. By the end of 2021, we expanded these efforts by adding three satellite offices in New Damietta, Shebeen El Kom, and Beni Suef. These centers offer advisory to startup projects, complementing QNB's financial services and fostering entrepreneurship and economic growth in Egypt.

5. Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5. Governance and Culture

5.1 Sustainability Governance

Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies, and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the principles.

QNB Board of Directors (BoD) plays a significant role in driving and overseeing our sustainability efforts. The BoD provides strategic guidance and oversight to ensure that sustainability considerations are embedded into our long-term business strategy.

Our Sustainability Framework, aligned with QNB Group's sustainability framework, **comprises three pillars**: **Sustainable Finance, Sustainable Operations, and beyond Banking.** Each pillar targets key sustainability topics crucial to the Bank and stakeholders, with action plans devised to enhance performance.

To embed a culture of sustainability, QNB integrates sustainable practices into day-to-day operations, utilizing a KPI approach. These tailored KPIs are set across divisions, aligning with their business activities, and are used to monitor and control sustainability performance via divisional scorecards.

At QNB, we have a strict Environmental and Social Risk Policy (ESRP) Framework in place, to manage environmental and social risk across our Bank operations and lending practice. This framework is effectively governed by the BoD through its dedicated oversight body, the Board Risk Committee (BRC). Tasked with monitoring and managing various risks. The chief Risk Officer ensures that this policy framework and exclusion list are implemented effectively throughout QNB in Egypt and provides insights and recommendations to the Board of Directors regarding sustainability matters.

QNB is currently in the process of establishing a Sustainability & Sustainable Finance Committee. This Committee will be responsible for monitoring the integration of ESG principles into the Bank's decision-making processes, focusing on environmental impacts, social responsibility, and governance standards. The Committee's goal is to enhance the Bank's sustainability, manage risks, and seize opportunities for positive social and environmental outcomes. The Sustainability & Sustainable Finance Committee will enable the Board to make informed decisions, assess the effectiveness of current strategies, identify areas for improvement, set clear goals, and ensure accountability throughout the Bank's operations.

At QNB, the Sustainability and Sustainable Finance Division plays a pivotal role in driving the integration of sustainability principles into our core operations and lending practices of the Bank. Committed to environmental and social responsibility, the Division leads initiatives to ensure that the Bank's activities are in line with SDGs while promoting growth.

Below are the key responsibilities and contributions of the Sustainability and Sustainable Finance Division:

- Integration of sustainability principles into Bank operations and lending practices
- Effective implementation of sustainability initiatives
- Promotion of sustainable lending across various business lines
- Formation of partnerships with multilateral institutions
- Development of strategic plans and innovative programs for sustainable finance
- Conducting market research to identify emerging opportunities and best practices
- Oversight of training efforts and regulatory compliance
- Facilitation of coordination with internal and external stakeholders
- Preparation of sustainability reports detailing ESG performance
- Management of reporting requirements for the Principles for Responsible Banking (PRB)
- Contribution to Bank growth while upholding environmental and social responsibility standards
- Identify and assess new business opportunities to expand green initiatives
- Coordinate training opportunities related to sustainability and sustainable lending programs
- Research and review regulatory, technical, or market updates related to sustainability and sustainable lending
- Review and update the sustainability and sustainable finance action plans
- Monitor sustainability portfolio to ensure growth in environmental, social, and governance initiatives

5. Governance and Culture (continued)

5.2 Practices Fostering Responsible Banking

Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

At QNB, we prioritize promoting a culture of Responsible Banking among our employees. We recognize the importance of integrating these principles into our operations to promote sustainable growth and maintain trust with our stakeholders. To achieve this, we have implemented various training programs tailored to provide our team members with the necessary knowledge and skills.

We regularly update our training curriculum to reflect the evolving landscape of responsible Banking, ensuring our employees remain up to date with the latest developments and best practices. By investing in our workforce's development, we aim to cultivate a workforce that is skilled in its roles and committed to upholding ethical standards.

Our commitment to responsible Banking reflects its significance in building and maintaining stakeholder trust. Through ethical conduct and responsible practices, we aim to drive positive change and create shared value for our customers, communities, and the environment.

As a result, 138 employees have been trained through various sustainability programs.

These programs include:

- Accelerating Egypt's Transition to Clean Energy
- Environmental & Social Management System (ESMS) Program for Banks
- Principles of Responsible Banking - Climate Change
- Principles of Responsible Banking – Principles
- Sustainable Facilities Management
- Sustainability - E-learning
- Sustainable Finance
- QNB Credit Program 2023 – Sustainability
- (CIRB) Level 3 - Module 2: ESG/Sustainability and Climate Change

5. Governance and Culture (continued)

5.3 Policies and Risk Management

Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.
Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

QNB operates within an Environmental and Social Risk Policy (ESRP) Framework, which governs both internal Bank operations and lending practices. This framework is designed to actively identify and manage environmental and social risks associated with financing, with a focus on continuous improvement. The Bank seeks to collaborate closely with clients to evaluate and mitigate these risks, promoting sustainability and achieving positive financial, environmental, and social outcomes.

The Environmental and Social Risk Policy Framework outlines QNB's approach to environmental and social considerations within its sustainable financing and operations. It provides clear guidance on exclusions, high-risk sectors, and risk categorization. Our ESRP framework comes in alignment with QNB Group's Sustainability Policy, Strategy, and ESG commitments that recognize the UNGC, UNSDGs, and Global Reporting Initiative "GRI".

The Environmental and Social (E&S) Risk Management Policy Framework for lending activities at QNB outlines the processes and criteria for screening, assessing, and managing environmental and social risks associated with lending transactions. All lending transactions are screened against an Exclusion List (Annex1.1) to ensure compliance with environmental and social standards. Clients must demonstrate compliance with relevant laws and regulations, and those with missing or withdrawn licenses are subject to follow-up. Environmental & Social risk categorization will adhere to the guidance and performance standards set forth by the International Finance Corporation (IFC).

E&S Risk Categorization, as follows:

Risk Category	Description of Risk
Low Risk (category C)	• Projects with minimal or no adverse social or environmental impacts or risks
Medium Risk (category C)	• Projects with potenial limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigration measures
High Risk (category C)	• Projects with significant potential adverse social or environmental impacts or risks that are diverse, irreversible or unprecedented

5. Governance and Culture (continued)

Standard credit screening and due diligence will remain integral parts of the approval process for projects, with additional E&S screening for clients operating in Restricted Sectors including animal welfare, fisheries, and protected areas.

Furthermore, the Risk Division may opt to utilize the ESRA as guidance to mitigate E&S risks in specific sectors or client segments identified as significant. The Bank implements a Policy Framework in lending activities, aligning with Group requirements and considering market conditions and Egyptian regulatory standards. To ensure the Policy Framework and Exclusion List are implemented effectively across QNB, oversight is conducted by the Chief Risk Officer (CRO). Additionally, the CRO presents regular reviews of the E&S Risk Policy Framework to the Risk Committee.

In line with QNB Group, QNB supports the transition to more sustainable practices in Extractive and Palm Oil activities, whilst supporting economic growth and prosperity. This non-legally binding position aims to encourage clients to use, or transition towards, internationally recognized standards to manage E&S risks and impacts.

6. Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6. Transparency and Accountability

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

6.2 Frameworks and Standards for Reporting

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI
☒ SASB
☐ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☐ TCFD
☒ Other: United Nations Global Compact (UNGC)

At QNB, we are committed to transparently disclosing sustainability information in alignment with internationally recognized standards and frameworks. Our reporting encompasses a variety of frameworks, including the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Additionally, we participate in the UNGC. Stakeholders can access comprehensive information regarding our sustainability efforts through various channels.

6.3 Looking Forward

Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

QNB has identified circularity, climate stability, and finance (financial inclusion) as key impact areas. In the forthcoming year, the Bank will choose two of these areas to establish targets aligned with Egypt's Vision 2030, Central Bank of Egypt's directives, and the Bank's strategic orientation.

6.4 Challenges

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☒ Embedding PRB oversight into governance
☐ Gaining or maintaining momentum in the bank
☐ Getting started: where to start and what to focus on in the beginning
☐ Conducting an impact analysis
☐ Assessing negative environmental and social impacts
☐ Choosing the right performance measurement methodology/ies
☒ Setting targets
☐ Customer engagement
☐ Stakeholder engagement
☒ Data availability
☐ Data quality
☐ Access to resources
☐ Reporting
☐ Assurance
☐ Prioritizing actions internally
☐ Other:

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