Abu Dhabi Islamic Bank (ADIB) - Egypt

Environmental and Social Management System (ESMS)

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1 BACKGROUND

This Environmental & Social Management System (ESMS) details the policy, procedures and workflow that will be followed for investments made by Abu Dhabi Islamic Bank – Egypt.

ADIB is committed to equip itself with the necessary tools to ensure that environmental and social risks of its investments are adequately taken into consideration at all stages of its activities. The ESMS described in this report are integrated into ADIB's overall management structure to address the immediate and long-term impacts of its products and services on the environment and society.

The key risk issues addressed by the ESMS include occupational health and safety; emergency preparedness and response; pollution prevention and abatement; biodiversity conservation and sustainable management of living natural resources ; energy efficiency; waste and hazardous materials management; community health, safety and security; indigenous people, land acquisition and involuntary resettlement; and conservation of cultural heritage.

2 ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

2.1 ADIB'S SOCIAL AND ENVIRONMENTAL POLICY

ADIB's objective is to ensure identification, assessment & management of environmental & social risks & impacts in a structured & continuous manner in line with the growing attention paid to such issues by both investors and the civil society. ADIB continually endeavors to ensure effective Environmental & Social management practices in all its activities, products and services.

The standards adopted in this document are based on National Laws, EEAA regulations, CBE requirements, IFC performance standards and IFIs' policies with respect to Environmental & Social sustainability pillars. and are recognized as the benchmark for the financial industry that best meets the need to protect the environment & society as a whole..

2.2 APPLICABLE REQUIREMENTS

ADIB ensures that all projects are reviewed and evaluated against the following Environmental & Social requirements

- The IFC Exclusion List for all projects
- All applicable national laws on environment, health, safety and social issues and any standards established therein
- The IFC Performance Standards
- Islamic Sharia
- IFC Environment, Health and Safety Guidelines

It should be noted that both Egyptian and IFC standards are examined, and where these differ, ADIB will apply whichever of the two is more stringent.

Based on the industry sector to which the project belongs, its proximity to environmentally or culturally sensitive sites, its potential irreversible impacts, and the extent of its social and environmental issues, the project is assigned to one of IFC's three categories, which represent different levels of environmental risk. Thus:

- **Category C (low-risk):** activities with little or no environmental impact.
- **Category B (medium-risk):** activities for which the social and environmental impacts can be readily predicted, prevented and/or mitigated. Impacts are generally site-specific. Typically these projects do not need a detailed expert appraisal, but the Environmental Officer should take active steps to verify the project's environmental, health & safety (EHS) and social status and conformity with IFC's applicable requirements.
- **Category A (high-risk):** activities which, due to their inherent complexity and characteristics, have the potential to cause significant adverse social and environmental impact (diverse, irreversible, or unprecedented) and will probably require a detailed social and environmental appraisal by independent experts.

2.2.1 ADIB Exclusion List

ADIB fully adopts the IFC Exclusion List for all its projects. ADIB's Exclusion List defines the types of projects that ADIB, **will not** finance. According to that list, ADIB will not finance the following projects:

- 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.
- 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 unbounded 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/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.

2.2.2 IFC Performance Standards

ADIB applies the IFC Performance Standards to manage and reduce social and environmental risks of its financing activities. All – clients are required to meet all applicable Performance Standards throughout the duration of the investment. The standards address the following:

Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Performance Standard 2: Labor and Working Conditions

Performance Standard 3: Resource Efficiency and Pollution Prevention

Performance Standard 4: Community Health, Safety and Security

Performance Standard 5: Land Acquisition and Involuntary Resettlement

Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Performance Standard 7: Indigenous People

Performance Standard 8: Cultural Heritage

N.B:

- All clients are subject to exclusion list and screening criteria
- In line with the Central Bank of Egypt instructions mentioned in the circular dated November 3rd, 2023, any project finance of a facility of EGP 200 million or more, an external environmental consultant will assess the project and provide an environmental assessment.

2.2.3 Adoption and implementation of Corrective Action Plan (CAP)

Prospective clients must provide all requested information and must be able to demonstrate compliance with the Applicable Requirements. If the project is not in compliance with National laws or the IFC Performance Standards, the ESMS Manager will ask for a Corrective Action Plan (CAP), including periodic reporting and monitoring, to be developed within a reasonable timeframe. It will be included as a condition of disbursement in investment agreement.

The CAP must, therefore, be agreed to in order for the investment to proceed. A target completion date for each specified action must also be agreed and covenanted in agreements signed with the investee. Investment Agreement