

**From Principles to Practice:
Responsible Banking Case
Study Series**

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Principles for
Responsible Banking



**Commercial
International Bank:
Integrating Local
Priorities with
Sustainable Banking**

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Principles for Responsible Banking

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these six principles across all business areas, at the strategic, portfolio and transactional levels.





Commercial International Bank (CIB), Egypt's leading private-sector bank, is headquartered in Cairo, Egypt. CIB joined the Principles for Responsible Banking as a founding signatory in 2019. For more information about the bank, visit [here](#).

Climate strategy and sustainable finance initiatives

Approach to climate impact and alignment with global and national priorities

CIB began its PRB journey by conducting an initial impact analysis focused on its business banking portfolio. The scope of its impact analysis has been progressively expanded over the years to also include corporate and consumer banking lines of business. CIB leveraged the UNEP FI [Portfolio Impact Analysis Tool](#) to assess both positive and negative impacts of the activities they financed at local, national, and global levels. The tool's adaptable structure has guided CIB to align with and respond to regional and national priorities, such as Egypt Vision 2030 and the Africa Agenda 2063. Through this approach, the bank has identified both climate change and financial inclusion as two key impact areas. The bank's work on financial inclusion supports Egypt's strategic priorities for fostering a more inclusive economy, and by identifying climate change as a key impact area, CIB is working to address both the mitigation and adaptation aspects of this global challenge. This case study examines CIB's impact efforts, focusing especially on the climate dimension.

As part of the bank's sustainability efforts, CIB has implemented an Environmental and Social Risk Management System (ESRMS) and developed a Green Bond Framework, which defines eligibility criteria for sustainable finance projects. Focus areas include energy efficiency, renewable energy, and pollution prevention. The bank further supports corporate clients in transitioning to low-carbon operations through initiatives like energy

walk-through audits and the “Sustaining Sectors Program” contributing to climate change mitigation efforts.

By working on emission reductions, CIB supports the energy transition as laid out in national priorities and key objectives of the national climate strategy, which aims to increase the share of renewable and alternative energy sources in the energy mix. The bank joined the Net-Zero Banking Alliance (NZBA) in 2021 and held the NZBA Steering Group seat for Africa and Middle East until 2023, whereby the bank was focused on advancing the decarbonization imperative at both the MENA and African regional level.

CIB will prioritize the development of a decarbonization plan for high carbon-intensive sectors to align with Egypt Vision 2030 and the National Climate Change Strategy 2050. CIB started off measuring emissions for two carbon intensive sectors—power generation and real estate—utilizing the Partnership for Carbon Accounting Financials (PCAF) Standard for the calculation.

The bank’s action plan for the energy sector consists of three main strategies: financing clean energy technologies, investing in the retrofitting of fossil fuel power plants, and supporting carbon capture and storage (CCS) projects at power plants.

In the real estate sector, the bank is developing selection criteria for climate finance, aligned with its commitment to green building practices and sustainability. As part of this initiative, the bank incorporates financing terms for projects that meet recognized green building certifications, such as LEED (Leadership in Energy and Environmental Design), EDGE (Excellence in Design for Greater Efficiencies), or BREEAM (Building Research Establishment Environmental Assessment Method), to encourage property owners and developers to prioritize sustainable practices. Additionally, the bank plans to offer both new and existing clients free building guidelines and recommended codes to assist in the decarbonization of their operations.

The bank is also actively addressing physical climate risks by aligning its actions with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); CIB was the first Egyptian bank to join TCFD in 2020, releasing its first report in 2022.

PRINCIPLE 5: GOVERNANCE & CULTURE

To advance progress on its climate goals, CIB has engaged key internal departments, including the Sustainable Finance, the ESG Risk Management and the Corporate Banking Group. The Governance framework for these initiatives is supported by two key committees:

- **The Sustainable Finance Steering Committee**, chaired by the Deputy CEO and Executive Board Member, is a cross-functional body responsible for overseeing and guiding the implementation of the Bank’s sustainability agenda, ensuring alignment with business needs and international best practices.
- **The Board Sustainability Committee** oversees the Bank’s sustainability efforts, focusing on the integration of ESG factors to generate value for stakeholders. It also approves sustainability frameworks, strategies, policies, and international affiliations.

Both committees work to ensure alignment with the bank's general sustainability objectives.

External auditors and verifiers with expertise in climate and environmental reporting support the bank's internal work around performance, due diligence and disclosures aligned with global standards and best practices.

PRINCIPLE 2: IMPACT & TARGET SETTING

Addressing challenges in climate strategy implementation

CIB encountered challenges in the implementation of its climate strategy, such as methodological limitations, constraints of available tools and climate scenarios, as well as difficulties in accessing data; nevertheless, the bank was able to adopt a range of approaches to address and overcome these obstacles. Some of the examples include:

- **Methodologies to measure portfolio emissions:** CIB set targets in accordance with the IEA's Net-Zero Emissions by 2050 scenario, relying on its sector-specific pathways. Financed emissions were calculated based on the PCAF Standard for Business Loans and Unlisted Equity asset classes, the Global GHG Accounting and Reporting Standard for the Financial Industry, and the Greenhouse Gas Protocol Guidelines.
- **Limited access to data posed a significant challenge:** to address the limitation of client's data related to their production capacity and their raw materials and utilities' consumption according to each sector. The bank enhanced its ESRM System for collecting the relevant data needed in addition to using proxy averages available for the Middle East through PCAF.
- **Accountability of all stakeholders:** Enhancing disclosure and transparency on progress is a key mechanism for improving monitoring and accountability. By sharing updates and performance metrics, organizations can foster trust among stakeholders, ensure alignment with established goals, and identify areas requiring further attention or improvement.

These are some examples of the steps the bank has taken to navigate and address challenges related to measuring portfolio emissions and setting decarbonization plans. Despite these challenges, CIB, a bank operating in emerging markets, is progressing in its goal to align its portfolio with a 1.5-degree pathway, and continues to navigate these challenges, working on decarbonization for the high carbon intensive sectors.

Climate adaptation finance, an opportunity for Africa

Africa is among the most climate-vulnerable regions, facing challenges like flooding, drought, and declining crop yields. Yet, Africa holds immense potential, with 60% of the world's arable land and a young, dynamic population. These resources could position the continent as a leader in global food security but leveraging them requires innovative financial solutions, therefore offering increasing opportunities for private investments

in adaptation projects. Adaptation finance has been seen as far as a matter of public funding and /or concessional loans to private finance.

The “Brain Trust Program,” launched by CIB during COP27, advocates for a new approach to adaptation finance. This program sees financial institutions as drivers to mobilize significant private investments specifically in agriculture and water systems, with the aim to build sustainable and sufficient food systems in Africa. It also highlights how adaptation projects can yield financial returns alongside societal and ecological gains, demystifying adaptation finance as not profitable enough for private funding.

CIB’s Brain Trust Program on climate adaptation

This project includes an Adaptation Finance Governance Mechanism for investment-attractive initiatives, fostering partnerships among the ecosystem players, including banks, development financial institutions, research centres, regulators, and policymakers.

Key design elements focus on sustainable revenue streams, innovative financial instruments like green bonds, and blended finance structures targeting adaptation finance, with a focus on energy, water scarcity and food systems.

The Brain Trust Program incorporates risk management and de-risking strategies, emphasizes transparency through ESG reporting, and employs auditing and rating systems for effective fund allocation.

Furthermore, it aims to establish a sustainable-investment brand for Africa, ensuring quality assurance for international investors.

PRINCIPLE 4: STAKEHOLDERS

Partnerships as a lever for catalyzing sustainable finance

CIB engages in partnerships to advance sustainable banking practices aligned with the PRB. The collaboration with the International Finance Corporation (IFC) resulted in CIB issuing Egypt’s first corporate Green Bond. This initiative represents a step toward diversifying climate finance tools in the local market.

CIB partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to advance sustainable finance and practices within the business banking sector. This collaboration includes the development of a Sustainable Finance Loan specifically designed for SMEs, targeting CAPEX financing for Energy Efficiency and Renewable Energy projects.

The program extends beyond these areas to support initiatives in Sustainable Water, Materials and Resource Efficiency, Waste Management, and Agribusiness and more.

The sustainability-focused technical eligibility criteria are assessed on a case-by-case basis by the technical sustainability team. The loan also integrates advisory services and financing to support projects aligning with economic growth and sustainability objectives.

Furthermore, CIB and GIZ are offering awareness sessions and technical assessments, to design tailored products for SMEs with significant impact. These efforts are complemented by capacity-building programs for CIB clients, providing valuable insights into environmental solutions and their potential business cases.

CIB participated in the launch of the Global Capacity Building Coalition and contributed to the GFANZ Africa Network Capacity Building initiative, focusing on sustainable finance and climate action across the Africa and the MENA region. CIB's representation on advisory boards and working groups also contributes to shaping the sustainable finance landscape in the region.

Through these efforts, CIB integrates sustainability into its operations while advocating for collaborative solutions to climate issues.

Advancing responsible banking through sustainable governance

Effective governance, underpinned by robust policies and structures, is crucial for advancing responsible banking: it ensures that banks integrate the Principles into their core business and decision-making processes. Such governance frameworks empower banks to assess and mitigate risks related to ESG factors while seizing opportunities in sustainable finance. They also help to align the bank's objectives with global sustainability goals and to ensure accountability and transparency.

In 2021, CIB introduced the Sustainable Finance Institutional Pillars, establishing a comprehensive framework to integrate sustainability principles across its operations.

Key components of CIB's sustainable finance institutional pillars

- **Sustainability governance:** CIB has built a robust sustainability governance structure to ensure seamless integration of ESG principles into its operations and business activities. Oversight is ensured by the Board Sustainability Committee (BSC), senior management alignment is led by the Sustainable Finance Steering Committee (SFSC), and the executive leadership is spearheaded by the Chief Sustainability Officer, heading the Sustainable Finance Department. This top-down approach is complemented by the cross-functional Sustainability Strategic Network (SSN), enabling a bottom-up integration process for a holistic governance framework.

- **Sustainable finance policy:** Introduced in January 2021, this policy mandates the integration of ESG dimensions across all business lines. The Sustainable Finance policy is updated yearly and continues to be rolled out across the bank as of today.
- **Sustainable finance strategy:** Embedded within the Bank's four-year corporate strategy, this focuses on Environmental and Social (E&S) and Climate Risk, Revenue Generation, Operational Ecological Footprint, and Advocacy for Sustainable Finance.
- **Sustainability systems:** This multi-faceted approach incorporates sustainability principles into policies, capacity building and data monitoring, ensuring integration of ESG across departments' standard operating procedures (SOPs).
- **Sustainability advocacy & stakeholder engagement:** This pillar focuses on promoting stakeholder engagement and awareness of sustainability, both within the Bank and externally through clients and networks.
- **Sustainable finance innovation:** This pillar emphasizes fostering intellectual capital to support the Bank's capacity to create stakeholder value.

CIB has established a Sustainability Strategic Network (SSN), a cross-functional, multi-stakeholder network to support internal integration of sustainability principles, that strengthens governance and supports the integration of ESG principles across the organization. The SSN is an integral part of the Bank's sustainability governance connecting key representatives from various departments, fostering an inclusive, knowledge-based, and action-oriented approach to advancing sustainability within CIB. Staff members from different functions are designated as sustainability champions, engaging on sustainability themes, such as green buildings, transition finance, sustainable tourism, among others; this engagement includes attending expert talk sessions, working groups and workshops designed to build on their knowledge of sustainability and their implications for the financial sector.

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UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles

unepfi.org

for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.



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