# BANQUE MISR

Task Force on Climate-related Financial Disclosures (TCFD)

2024

**Trust Built Since 1920:**

Securing Prosperity Through Climate Action

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# Overview


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## A message from our Chief Executive Officer

At Banque Misr, we recognize that climate change is reshaping the economic landscape and redefining the role of financial institutions. As a bank with a century-long legacy, we view this not only as a challenge, but as a strategic opportunity to lead.

Our adoption of the TCFD framework reflects our commitment to embedding climate considerations into our core strategy, risk management, and capital allocation. We are focused on strengthening portfolio resilience, anticipating emerging risks, and capturing opportunities arising from the transition to a low-carbon economy.

Sustainability is fundamental to long-term value creation. By scaling sustainable finance, enhancing governance and analytics, and supporting our clients through this transition, we are positioning Banque Misr at the forefront of responsible banking.

While this report marks important progress, our focus remains on the future. We are committed to continuous evolution, disciplined execution, and delivering sustainable impact, reinforcing our role as a trusted partner in Egypt's development.

**Mr. Hisham Ahmed Okasha**
Chief Executive Officer "CEO"



## A message from our Sustainable Finance Chief Officer

At Banque Misr, we view the climate transition not merely as a compliance requirement, but as a defining strategic imperative. The TCFD framework provides us with the essential lens to translate that imperative into actionable financial intelligence. This report represents a transparent account of how we are systematically identifying, assessing, and managing the physical and transition risks that shape Egypt's economic landscape, while simultaneously positioning the Bank to capture the opportunities of a low-carbon future.

Building on the foundation laid out in our Sustainability Report, our work is to embed climate considerations into the very architecture of our risk management and financial planning. As you will read in the following pages, we are moving beyond high-level commitment to develop rigorous, data-driven methodologies. From assessing the impact of water stress on agricultural collateral to measuring our financed emissions and supporting energy-intensive clients through the complexities of the EU's Carbon Border Adjustment Mechanism (CBAM), our goal is to build resilience at the portfolio level.

This journey requires dedicated expertise and robust governance. Guided by our Board and executed through our established governance structures and cross-functional teams, we are not just building a safer bank; we are building a competitive advantage. By integrating climate scenarios into our credit risk processes and scaling our green finance portfolio, which already directs a significant majority of financing to environmental projects, we are demonstrating that prudent risk management and sustainable value creation are two sides of the same coin.

We are proud of the progress detailed in this TCFD report, but we recognize that this is a continuous journey of refinement. Our commitment is to remain at the forefront of this evolution, ensuring that Banque Misr's leadership in sustainability translates into tangible resilience for our clients, our communities, and our institution.

**Dr. Suzan Hamdy**
Chief Sustainability & Sustainable Finance Officer

## About the Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system. Recognizing that climate change poses significant risks to the stability of the global economy, the FSB convened the TCFD to develop a consistent, comparable, and voluntary disclosure framework that would help financial markets understand their exposure to climate-related risks. The TCFD published its final recommendations in 2017, and since then, the framework has become the global gold standard for climate-related financial disclosure, endorsed by over 4,500 organizations worldwide and increasingly being integrated into national regulatory frameworks.

### WHY TCFD MATTERS FOR BANQUE MISR

For a financial institution with a century-long legacy and a central role in Egypt's development, adopting the TCFD framework is a strategic imperative. It allows us to:

- Enhance Risk Management: By systematically identifying climate pathways that impact credit, market, and operational risk, we can make more informed lending decisions and build a more resilient portfolio.
- Identify Opportunities: The transition to a low-carbon economy presents significant financing opportunities in renewable energy, water efficiency, and sustainable infrastructure. The TCFD framework helps us strategically position the Bank to capture these opportunities.
- Meet Stakeholder Expectations: Investors, regulators, and clients increasingly demand transparency on climate risk. The Central Bank of Egypt's (CBE) sustainability circulars underscore the regulatory importance of this agenda, and our TCFD-aligned reporting demonstrates our proactive compliance and leadership.
- Drive Strategic Dialogue: Transparent disclosure fosters better communication with our clients, helping them understand their own climate risks and supporting them in their transition journeys, particularly in navigating complex regulations like the EU's Carbon Border Adjustment Mechanism (CBAM).

### Our Commitment

This TCFD report represents Banque Misr's commitment to transparency and continuous improvement. We recognize that climate-related disclosure is an evolving discipline. As data quality improves, regulatory expectations develop, and climate science advances, our approach will continue to mature. This report is not an endpoint but a milestone in our ongoing journey to embed climate resilience into every facet of our operations and strategy, ensuring we remain a trusted and sustainable partner for Egypt's future.

### The Four Pillars of Disclosure

The TCFD framework is organized around four thematic areas that represent core elements of how companies operate and how investors evaluate them:

#### 01 Governance

Disclose the organization's governance around climate-related risks and opportunities.

This includes how the Board of Directors oversees climate issues and management's role in assessing and managing them. For Banque Misr, this means transparently reporting the oversight provided by our Board Risk Committee and Sustainability and Sustainable Finance Committee, as well as the execution driven by our ESG Risk Department and Sustainable Finance Champions Network.

#### 02 Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

This requires looking across short, medium, and long-term horizons and considering different climate scenarios. This section represents the forward-looking heart of the report, detailing how we assess the impact of physical risks like water stress on our agricultural portfolio and transition risks like carbon pricing on our energy-intensive clients.

#### 03 Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

This requires explaining how these processes are integrated into existing enterprise risk management (ERM) frameworks. For Banque Misr, this demonstrates how climate risk is not a standalone consideration but is embedded into credit approval processes, portfolio monitoring, and client due diligence through our Environmental and Social Risk Management (ESRM) system.

#### 04 Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

This includes Scope 1, Scope 2, and, where appropriate, Scope 3 greenhouse gas (GHG) emissions. This section provides the quantitative backbone of our disclosure, tracking our operational carbon footprint, our financed emissions in alignment with the Partnership for Carbon Accounting Financials (PCAF), and the growth of our sustainable finance portfolio.

# 02
# Governance


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## Board Oversight of Climate-Related Risks and Opportunities

In alignment with the Central Bank of Egypt's (CBE) sustainability circulars (2021 & 2022), Banque Misr has established a robust governance structure that places the oversight and strategic management of climate-related issues at the highest organizational level. The Board of Directors ensures that climate considerations are integrated into the Bank's overall strategy, sustainable finance agenda, and Enterprise Risk Management (ERM) framework through two specialized board-level committees:

> Describe the board's oversight of climate-related risks and opportunities.

### 01 Board Sustainability & Sustainable Finance Committee (BSSFC)

This committee, chaired by a non-executive board member, holds primary responsibility for the strategic direction, governance, and policy oversight of climate-related matters. Key functions include:

Policy Governance: Reviewing and approving sustainability-related policies, such as the Sustainable Finance Policy, and ensuring ESG principles are embedded in corporate strategy and international standards.

Strategic Oversight: Advising the Board on the development and implementation of the SSF strategy in alignment with the Paris Agreement and Egypt Vision 2030.

Integrated Risk & Opportunity Management: Recognizing that climate issues span multiple domains, the SSF Committee engages in cross-committee collaboration with the Risk Management and Audit Committees to ensure a coherent EESG approach. Central to this is the proactive oversight of Opportunity Management; the Committee is currently directing efforts to formally embed green finance, climate adaptation, resilience financing, and low-carbon transition support into the bank's SSF Strategy and associated policy frameworks.

Progress Tracking: The SSF Board Committee receives periodic updates on the progress of climate objectives, sustainable finance deployment, and value-creation opportunities.

### 02 Board Risk Committee (BRC)

The BRC retains responsibility for the oversight of climate-related financial risks within the ERM framework. Its mandate includes:

Strategic Alignment: Critically reviewing climate-related financial disclosures and risks to ensure they align with the bank's long-term strategy and capital adequacy planning.

Continuous Monitoring: Maintaining a direct oversight role concerning exposure to physical and transition risks.

Quarterly Reporting: The BRC receives regular ESG reports that include an initial, gradual integration of climate risk assessments at the transaction level to ensure the timely escalation of material exposures.

## Board Oversight of Climate-Related Risks and Opportunities

**Board**

The Board of Directors met 12 times in 2024. During this period, the Board specifically discussed:

- **Plan Approval:** Reviewing and approving the bank's 2024 Sustainability Plan, including specific ESG performance targets.
- **Performance Monitoring:** Tracking progress on financed emissions reduction and sustainable lending initiatives.
- **Education:** Conducting dedicated ESG education sessions for Board members specifically focused on climate-related financial risks.
- **Regulatory Alignment:** Receiving regular briefings on evolving ESG regulations and their potential impact on the bank's operations.

**Board Sustainability & Sustainable Finance Committee (BSSFC)**

- Policy & Strategy Governance

**Board Risk Committee (BRC)**

- Risk Monitoring
- Quarterly Reporting

**High Management Committee**

**Executive Committee**

## 2026-2028 CLIMATE ACTION PLAN

To translate climate commitments into measurable outcomes, Banque Misr is currently overseeing the development of its 2026–2028 Climate Action Plan. This strategic framework, developed in accordance with CBE requirements, addresses both physical and transition risks while maximizing opportunities in resilience and transition financing. Key features of the plan include:

- Strategic Governance: Oversight by the SSF Board Committee to ensure alignment with Egypt's sustainable transition.
- Risk Integration: Coordination with the Board Risk Committee to embed climate factors within the ERM framework.
- Operational Execution: A cross-functional implementation model led by the SSF Division and Lines of Business to integrate climate data into portfolio decision-making and impact tracking.

# Management Oversight of Climate-Related Risks and Opportunities

Management's role at Banque Misr is embedded within the bank's ERM framework. The bank has established a multi-layered management structure to ensure that climate-related risks and opportunities are systematically identified, assessed, and integrated into financial operations.

Describe management's role in assessing and managing climate-related risks and opportunities.

## 01 Specialized Departmental Responsibilities

ESG Risk Department: Within the Risk Management Sector, this department holds direct accountability for the day-to-day identification and assessment of climate-related and environmental risks for Large Corporate and SME clients. It reports to the CRO for operational alignment and strategically to the Board Risk Committee.

Sustainability & Sustainable Finance (SSF) Division: Led by the Chief Sustainability and Sustainable Finance Officer, it serves as the executive arm of sustainability governance. It is responsible for embedding ESG considerations into corporate strategy and culture, developing sustainability policies, and overseeing regulatory reporting and compliance.

Sustainable Finance Champions Network (SFCN): Over 50 departmental liaisons provide ESG data, develop metrics, and suggest management strategies.

## 02 Integration into Credit and Risk Processes

Decision Support: The ESG Risk Department aims to translate climate and environmental data into due diligence reports, which should be formally submitted to the Credit Committee, informing decisions on pricing, covenants, and exposure.

Assessment Tools: Management is planning to utilize a climate-risk Scorecard, which categorizes clients by risk level, and is currently developing a quantitative modeling software that will be adopted to model climate-influenced PD and LGD.

ESRM Framework: Management is rolling out a full Environmental and Social Risk Management System (ESRM), supported by a formal operational manual, to systematically manage risks associated with financed projects.

## 03 Strategic Execution and Monitoring

Executive Committee and High Management Committee: Composed of senior leadership from risk, compliance, finance, and sustainability, this ensures the execution of climate-related initiatives and monitors the bank's overall environmental performance.

Decarbonization Oversight: Management is committed to implementing a decarbonization strategy that will prioritize maximizing operational energy efficiency and seeks to engage high-emission clients in the development of their transition plans.

Capacity Building: Management has established a tiered capacity-building plan to disseminate technical knowledge to the C-suite and specialized teams on topics such as Carbon Foot printing, CBAM, and ESRM fundamentals.

# 03
# Strategy


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## Identification of Climate-Related Risks and Opportunities

Banque Misr seeks to systematically identify climate-related risks and opportunities across three distinct time horizons, recognizing the unique financial impact of each category within the Egyptian context. These risks are considered material drivers of financial risk, affecting the bank's credit, market, and operational exposure. The Bank's climate risks and opportunities assessment framework is under continuous development and will be updated regularly to ensure its accuracy and relevance.

**Physical Risks**

Refers to risks resulting from climate change that are event-driven (acute) or longer-term shifts (chronic) in climate patterns.

Credit Risk: Disrupts client operations (e.g., Agribusiness, Textiles) and damages cash flow, increasing default probability.
Collateral Risk: Erodes the value of key collateral like agricultural land and coastal real estate.
Operational Risk: Threatens BM's own infrastructure and supply chains, potentially raising insurance costs

**Transition Risks**

Risks arising from the shift to a low-carbon economy, involving policy, legal, technology, and market changes.

Client Financial Risk: Policy changes (e.g., carbon costs) strain liquidity for clients in high-emission sectors (Cement, Steel).
Stranded Asset Risk: Legacy carbon-intensive assets may lose market value, weakening collateral.
Reputational Risk: Exposure to transitioning sectors without a strategy could harm BM's market position.

**Opportunity**

Potential positive impacts from climate mitigation and adaptation efforts.

Green Finance: Enables access to international climate funding and new product offerings (e.g., green bonds).
Client Advisory: Positions BM as a key partner in client transition, securing long-term relationships.
Competitive Advantage: Strengthens ESG profile to attract partnerships and preferential investment.

> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

### Time Horizons

We consider climate-related risks and opportunities within the time horizons reflected below. These horizons are aligned with the Bank's Enterprise Risk Management (ERM) framework, strategic planning cycles, and the projected trajectory of physical and transition risks within Egypt's unique socio-economic context.

| Time horizon | Definition |
|---|---|
| Short term (0–3 Years) | The short-term horizon allows us to capture potential immediate financial impacts that could affect client cash flow, credit ratings, or liquidity. This period focuses on acute physical risks, such as the increased frequency of heatwaves disrupting industrial production, and immediate transition risks, such as rising utility costs from new national regulations. It is also the horizon where we engage directly with clients on corrective action plans and initial compliance measures. |
| Medium term (3–10 Years) | The medium-term horizon covers a period where market shifts due to potential carbon regulation, technology adoption, or consumer behavior changes may start to become noticeable. This time horizon is also commonly employed for climate scenario analysis and stress testing, making it an appropriate period for evaluating the evolving risk landscape and new business opportunities. Within this window, we assess chronic physical risks like water stress impacting agricultural productivity, as well as transition risks from international regulations such as the EU's Carbon Border Adjustment Mechanism (CBAM) affecting the competitiveness of Egypt's energy-intensive export sectors. |
| Long-Term (10+ Years) | The long-term horizon is consistent with the projected trajectory of climate-related risks and opportunities, such as deep decarbonization of certain industries, transition risks from moving toward net-zero, or more severe physical risks. This period allows us to consider the potential for systemic market shifts that may not fully materialize until beyond a decade. Key considerations include the permanent devaluation of high-carbon legacy assets (stranded assets) and the profound impact of sea-level rise and coastal erosion on real estate collateral in the Nile Delta and Alexandria. It is also the horizon where our strategic positioning as a leader in green finance is expected to generate sustained value through a resilient, low-carbon portfolio. |

| Category | Risks | Time horizon | Potential impact on BM | Management response |
|---|---|---|---|---|
| Physical Risk: Chronic | Water Stress and Temperature Rise: Accelerated impact of chronic water stress (specifically the GERD) and rising ambient temperatures. | Medium-Term (3–10 Years) | Threatens liquidity in water-intensive sectors (Agribusiness, Food Processing, and Textiles); increases Probability of Default (PD) and degrades the long-term value of agricultural collateral. | The Bank intends to implement quantitative modeling software to provide data-driven recommendations on PD and Loss Given Default (LGD) influenced by specific climate scenarios. |
| | Sea-Level Rise and Coastal Erosion: Permanent changes primarily affecting the Nile Delta and Alexandria. | Long-Term (10+ Years) | Directly reduces the value of real estate and commercial property collateral held in coastal areas; requires massive public sector adaptation expenditure. | The Bank will work to optimize its portfolio resilience by shifting capital allocation away from highly vulnerable sectors and into climate-resilient and low-carbon opportunities. |
| Physical Risk: Acute | Heatwaves: Increased frequency and intensity of extreme heat events. | Short-Term (0–3 Years) | Interrupts production for industrial and agribusiness clients; leads to mandatory halts, high cooling costs, and power grid strain, directly impacting client cash flow. | The Bank intends to subject all clients to qualitative climate risk vulnerability assessments to understand the nature of their industrial activities. |
| Transition Risk: Policy/Legal | Regulatory Enforcement: Rising costs for electricity, fuel, and water due to new national regulations. | Short-Term (0–3 Years) | Directly threatens borrower liquidity and financial stability; inefficient resource use leads to higher operational costs for clients. | The Bank pursues the embedding of E&S risk assessments within the credit approval cycle to incorporate ESG risk profiles into credit decisions. |
| Transition Risk: Market/Legal | International Regulations (EU CBAM) and Technological Obsolescence. | Medium-Term (3–10 Years) | Targets the export viability and competitiveness of energy-intensive sectors (Fertilizer, Aluminum, Steel, and Cement) that rely on European markets. | Assisting clients in understanding and complying with EU Carbon Border Adjustment Mechanism (CBAM) requirements, including emissions reporting and low-carbon practices. |
| Transition Risk: Market | Stranded Assets: Devaluation of high-carbon legacy production assets. | Long-Term (10+ Years) | Legacy assets (e.g., old Mazut/Diesel boilers) lose market value due to permanent regulatory shifts toward net-zero, increasing the bank's Potential Loss. | The Bank works to implement a decarbonization strategy to assist high-emission clients in developing transition plans aligned with global climate goals. |
| Opportunity: Market | Green Finance Leadership: Positioning as a market leader in Egypt's transition to a sustainable economy. | Ongoing | Access to climate finance and green funding from international partners (EBRD, IFC, EIB); qualifies the bank for ESG-linked partnerships and grants. | Actively pursuing growth in the Green Lending Portfolio, specifically financing renewables, water efficiency, and large-scale infrastructure. |

## Impact of Climate-Related Risks and Opportunities

Climate-related risks are considered material drivers of financial risk for Banque Misr, affecting credit, market, and operational exposure. The bank is evolving its approach from traditional risk assessments to impact-driven evaluations that embed ESG principles into strategic and financial decision-making. To enhance this integration, the bank aims to:

> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

> Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

**Credit Integration**

Climate assessment results and mitigation recommendations will be formally submitted to the Credit Committee to influence loan pricing, covenant setting, and portfolio exposure management.

**Quantitative Modelling**

The bank is procuring quantitative modeling software to provide data-driven recommendations on PD and Loss Given Default (LGD) influenced by specific climate scenarios.

**Operational Decarbonization**

Internally, the bank is implementing a decarbonization plan (e.g., LED lighting, VRV systems) to reduce its operational footprint and lower long-term operating costs.

| Category | Risks | Management response |
|---|---|---|
| Physical Risk: **Chronic** (Water Stress, Temperature Rise, Sea-Level Rise) | The bank's strategy will focus on shifting capital allocation away from highly vulnerable sectors, such as water-intensive agribusiness and textiles, and pivoting toward climate-resilient opportunities. | **Revenues/PD:** Chronic water stress (linked to the GERD) and rising temperatures threaten the liquidity of water-dependent clients, increasing the Probability of Default (PD) due to crop failure or revenue reduction.<br>**Capital:** Sea-level rise and coastal erosion in the Nile Delta and Alexandria directly reduce the value of real estate and commercial property collateral held by the bank |
| Physical Risk: **Acute** (Heatwaves) | Increased frequency and intensity of heatwaves interrupt client production continuity, necessitating a strategy that accounts for potential supply chain failures and delivery penalties for industrial and agribusiness segments. | **Expenditures:** High cooling costs and power grid strain directly impact client cash flow and liquidity. Penalties for delayed delivery further threaten the short-term financial stability of borrowers. |
| Transition Risk: **Policy/Legal** | Banque Misr pursues the embedding of E&S risk assessments into the credit approval cycle to manage the immediate impact of new national regulations regarding rising utility costs. | **Expenditures:** Rising costs for electricity, fuel, and water threaten borrower liquidity and overall financial stability. Inefficient resource use may also lead to regulatory penalties for clients. |
| Transition Risk: **Market/Legal** (Intl. Regulations/CBAM and Tech Obsolescence) | Strategy will focus on assisting export-oriented energy-intensive clients (e.g., Steel, Cement, Fertilizer) in understanding and complying with the EU's CBAM to maintain market access. | **Financing:** There is a risk of reduced access to international financing if the bank and its energy-intensive clients cannot demonstrate reliable emissions data and reduction progress. Technological obsolescence renders legacy assets commercially unviable. |
| Transition Risk: **Market** (Stranded Assets) | The bank plans to manage the transition away from high-carbon legacy assets by prioritizing clients with strong transition plans and setting ESG Corrective Action Plans (CAPs) as a prerequisite for financing. | **Potential Loss:** High-carbon assets (e.g., old Mazut or Diesel boilers) lose market value due to permanent regulatory shifts toward net-zero targets. This devaluation increases the bank's potential loss as these assets become obsolete. |
| Opportunity: **Market** (Green Finance Leadership) | Strategy positions Banque Misr as a market leader in driving Egypt's transition to a sustainable economy. It targets growth in the Green Lending Portfolio, specifically for renewables, water efficiency, and sustainable infrastructure. | **Revenues:** Expanding sustainable finance offerings (growing the Bank's environmentally sustainable project financing by 54% in 2024) unlocks new revenue streams.<br>**Financing:** Leadership in this space qualifies the bank for ESG-linked funding, green bonds, and grants from international partners like EBRD, IFC, and EIB. |

Banque Misr is currently in an active state of preparedness regarding the formal assessment of its strategic resilience under diverse climate-related scenarios, including a 2°C or lower pathway. While a full quantitative disclosure is pending, the Bank is committed to establishing a rigorous framework to evaluate how shifting climate-driven economic conditions may impact our long-term business model. In line with the TCFD recommendations, the Bank's approach includes the following key elements:

**Climate-Related Scenario Analysis and Stress Testing:** The Bank plans to undertake climate-related scenario analysis and stress testing to assess the potential impacts of physical and transition risks on its business, strategy, and financial performance under different climate pathways.

**Integration of Climate and ESG Risks into Risk Management:** Climate-related and broader ESG risks will be incorporated into the Bank's risk registers and existing risk management frameworks to enhance risk identification, assessment, and monitoring.

**Forward-Looking Assessment of Strategic Resilience:** Through scenario analysis, the Bank evaluates how changes in economic conditions driven by climate-related risks may affect its operations and strategy, enabling proactive adjustments and informed decision-making.

**Enhancement of Data, Tools, and Analytics:** The Bank is investing in digital risk management tools to strengthen data quality, scenario modelling capabilities, and early warning systems, supporting more robust identification and management of climate-related risks.

# 04
# Risk Management


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# Climate Risk Identification and Assessment Framework

Describe the organization's processes for identifying and assessing climate-related risks.

Banque Misr has established a multi-layered approach to identifying and assessing climate-related risks. Our methodology ensures that climate considerations are not siloed but are instead integrated into the existing risk architecture of the Bank, from individual client due diligence to portfolio-wide quantitative modeling.

## 01 Client-Level Vulnerability Profiling

Banque Misr is advancing from static assessments to dynamic, forward-looking evaluations:

Qualitative Assessments: The Bank intends to subject its Large Corporate and SME portfolios to qualitative climate risk assessments to assess their vulnerability. This involves analyzing the nature of their industrial activities to determine susceptibility to specific climate shocks.

The ESG Risk Scorecard: The Bank seeks to employ a standardized ESG Risk Assessment Scorecard to categorize clients into distinct risk levels. This scorecard profile will be a mandatory component of the credit package submitted for approval.

## 02 Environmental and Social Risk Management (ESRM) Lifecycle

The identification process will be embedded directly into the credit approval cycle through a multi-stage Environmental and Social Management System (ESRM):

Exclusion Screening: Every transaction will be first checked against a formal exclusion list to identify prohibited activities.

Compliance & Categorization: Transactions will be categorized based on their potential environmental and social impact severity.

Due Diligence & CAPs: Due diligence assessments will be applied to all transactions. In-depth appraisals and Corrective Action Plans (CAPs) will be undertaken for categories classified as moderate or high risk

## 03 Integration into Financial Governance

The findings from these identification processes are not static; the ESG Risk Department will translate climate data into due diligence reports that are submitted to the Credit Committee. This ensures that identified vulnerabilities directly influence loan pricing, covenant setting, and the bank's overall portfolio exposure management.

## 04 Strategic and Quantitative Evaluation

Banque Misr is advancing from static assessments to dynamic, forward-looking evaluations:

Temporal Risk Identification: The bank started to identify risks across short-term (acute shocks like heatwaves), medium-term (chronic water stress), and long-term (irreversible sea-level rise) horizons to understand how these drivers impact collateral and liquidity.

Financed Emissions Baselining: Using the PCAF methodology, the bank has identified carbon-intensive "hotspots" by calculating financed emissions for 32% of its lending portfolio, specifically targeting high-exposure sectors like Oil & Gas and Transport.

Predictive Modeling: To enhance assessment precision, the bank is currently procuring quantitative modeling software. This tool will enable the ESG Risk Department to generate data-driven recommendations on Probability of Default (PD) and Loss Given Default (LGD) specifically influenced by various climate scenarios.

## Climate Risk Mitigation and Management Processes

Banque Misr systematically integrates climate-related risk identification, assessment, and management into its established Enterprise Risk Management (ERM) framework. This ensures a cohesive approach where climate considerations are embedded within the bank's financial operations and strategic decision-making processes.

> Describe the organization's processes for managing climate-related risks.

### 01 Integration into the Credit Approval Cycle

The management of climate risks is embedded within the client credit approval cycle.

Parallel Assessments: ESG risk assessments are conducted in parallel with traditional credit evaluations to ensure a comprehensive view of the client's financial soundness without disrupting service level agreements.

Due Diligence Reporting: The ESG Risk Department translates climate and environmental data into due diligence reports that include specific mitigation recommendations.

### 02 Transactional Risk Mitigation

For individual transactions, the bank employs a structured process to mitigate identified risks:

Screening and Exclusion: All transactions are screened against an exclusion list to prohibit activities that violate environmental standards.

Corrective Action Plans: When high exposures are identified, the bank will set ESG Corrective Action Plans as a prerequisite for financing. These plans guide clients in adopting practical, tailored measures to address identified vulnerabilities.

### 03 Monitoring and Enforcement

The ESRM process concludes with a systematic monitoring cycle. The bank tracks client adherence to agreed-upon mitigation steps over time.

## Climate Risk Integration into Overall Risk Management

> Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

The integration into the organization's overall risk management is characterized by the following mechanisms

### 01 Governance and Oversight Alignment

Board-Level Responsibility: The BRC ensures that these risks are aligned with the bank's long-term strategy and capital adequacy planning.

Second Line of Defense: Management has formally embedded climate risk assessment within the Risk Management Sector through a dedicated ESG Risk Department, which acts as a specialized second line of defense.

Quarterly Reporting: To maintain continuous oversight, the BRC receives dedicated climate risk reports from the ESG Risk Department on a quarterly basis, ensuring timely awareness of material changes in portfolio exposure.

Policy Governance: The Sustainability and Sustainable Finance Board Committee guides the overall strategy, ensuring climate considerations are embedded into risk management and operational policies and ultimately reports to the CBE on the implementation of the sustainability pillars including climate action as per CBE regulations, and operational policies and disclosures.

### 02 Strategic Financial Decision-Making

Due Diligence Reporting: The ESG Risk Department translates climate data into due diligence reports containing specific mitigation recommendations.

Committee Submission: These findings are formally submitted to the Credit Committee, where they directly influence loan pricing, covenant setting, and overall portfolio exposure management.

Quantitative Modeling: To enhance management precision, the bank is currently procuring quantitative modeling software. This tool will allow the bank to provide data-driven recommendations for Probability of Default and Loss Given Default as influenced by specific climate scenarios, moving management from qualitative estimates to technical precision. This will further integrate climate scenarios into technical risk metrics.

### 03 Integration into the Credit Approval Cycle

Parallel Assessments: These assessments will be conducted in parallel with traditional credit risk evaluations, allowing the bank to gain a comprehensive risk view without disrupting existing Service Level Agreements (SLAs) or slowing down the decision-making process.

Holistic Credit Decisions: These results and recommendations will be formally submitted to the Credit Committee, where they are used to support informed decision-making regarding loan pricing, covenant setting, and overall portfolio exposure.

### 04 Framework and Policy Cohesion

The ESRM Framework: All climate risk processes across the bank are governed by the Environmental and Social Risk Management System (ESRM).

Operational Standardization: The bank has established a formal operational manual for the ESRM, ensuring that climate risk identification and management follow a standardized, repeatable process for both large corporations and SMEs.

# 05

# Metrics & Targets


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## Metrics Aligned with Strategy and Risk Management

Banque Misr employs a multi-dimensional set of metrics to track its progress in mitigating climate risks and capturing green growth opportunities, aligning its data collection with the GHG Protocol, PCAF, and GRI standards. The bank's metrics are categorized as follows:

> Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

### 01 Operational GHG Footprint

The bank monitors its direct environmental impact using standardized emissions Scopes and intensity ratios:

Absolute Emissions (2024): The bank recorded 14,158 $mtCO_2e$ for Scope 1 (direct fuel and refrigerants) and 48,589 $mtCO_2e$ for Scope 2 (purchased electricity and cooling, and Scope 3 (85,480 $mtCO_2e$), covering categories like purchased goods, capital goods, business travel, employee commuting, and waste.

Operational Intensity: Management tracks the Scope 1 & 2 Intensity per Full-Time Equivalent (FTE), which stood at 2.64 $mtCO_2e$/FTE in 2024, a 13.4% reduction from the 2022 baseline.

### 02 Financed Emissions (Portfolio Metrics)

Recognizing that lending activities constitute the bank's most significant climate impact, Banque Misr uses the PCAF methodology to baseline the carbon footprint of its portfolio:

Total Absolute Financed Emissions: For the 2023 baseline year, absolute financed emissions for the three covered sectors (Oil & Gas sector, Transport, and Construction & Real Estate) reached 369,792,152 $mtCO_2e$.

Sectoral Concentration: The bank identifies risk by tracking the percentage of the portfolio exposed to carbon-intensive sectors, which currently represents 44% of the Large Corporate portfolio and 32% of the total bank portfolio.

Lending Intensity: Impact is measured in $mtCO_2e$ per million USD lent; the Oil & Gas sector has the highest intensity at 76,006.49, followed by Transport (22.06) and Construction & Real Estate (15.38).

### 03 Sustainable Finance and Opportunity Metrics

The bank uses growth and allocation metrics to assess its progress in financing the green transition:

Project Growth: Environmentally sustainable project financing saw a 54% year-on-year growth as of December 2024.

Portfolio Allocation: 77% of the sustainable finance portfolio is dedicated to environmental initiatives, with 50% of that figure specifically allocated to energy efficiency projects.

Green Product Volume: The bank tracks specific product uptake, such as the EGP 1.1 billion allocated for dual-fuel vehicle replacement loans.

### 04 Resource Efficiency and Supply Chain Metrics

To manage operational transition risks, the bank tracks the efficiency of its physical infrastructure:

Energy and Water Intensity: In 2023, the bank recorded a 17% decrease in water consumption and an 8% decrease in electricity intensity per FTE compared to 2022.

Supplier Risk Screening: The bank monitors its supply chain using an ESG screening tool where 59% of the assessment questions focus specifically on environmental performance. Currently, 40% of Tier 1 suppliers have undergone these risk-based assessments.

### 05 Risk Management

ESG Risk Scorecards: All Large Corporate and SME clients are categorized by risk level using a mandatory ESG Risk Assessment Scorecard that informs the credit approval process.

### 06 Capacity Metrics

Training and Engagement: The bank tracks internal readiness through the number of employees trained, emphasizing mass training across specialty functions and various departments. In 2024, 9,405 employees completed sustainability-related training. This total includes not only risk officers but also colleagues across multiple Lines of Business (LoBs).

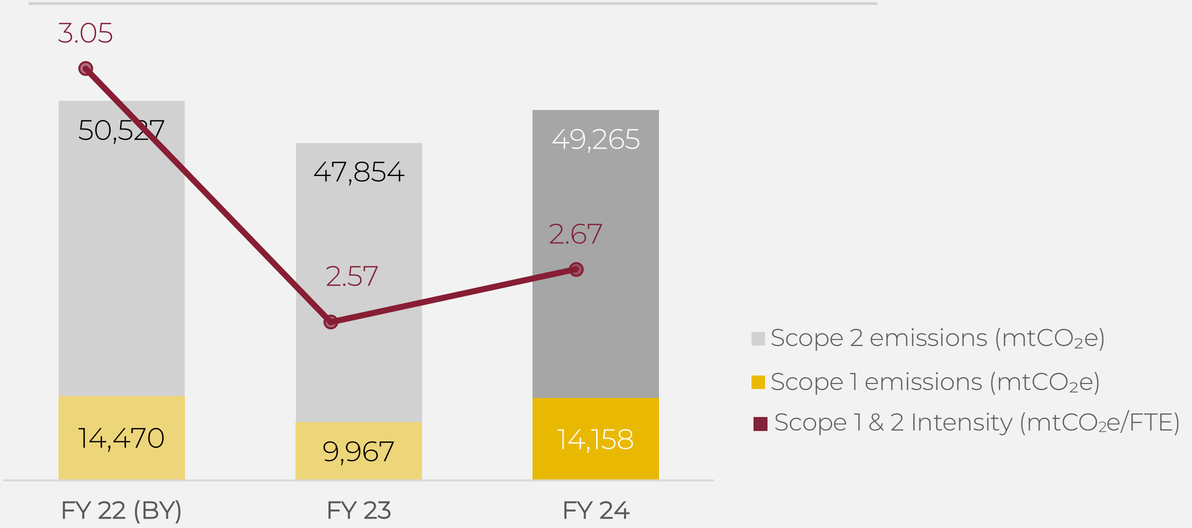
# Operational and Financed Emissions and Related Risks

At Banque Misr, we are committed to proactively managing and reducing our carbon footprint. Since 2022, we have consistently measured our operational emissions (Scope 1 and 2), alongside significant and relevant categories of our Scope 3 emissions. Banque Misr's GHG reporting is divided between operational emissions (direct and indirect impacts of the bank's own activities) and financed emissions (the climate impact of the bank's lending and investment portfolios).

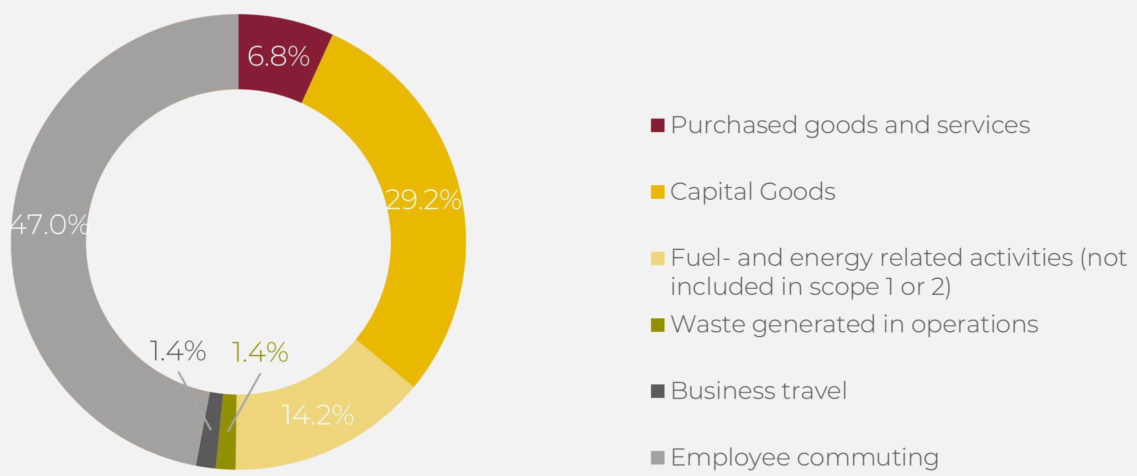
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

## 1. Operational Emissions

**Scope 1 and 2 GHG emissions**
($mtCO_2e$)




**Scope 3 emissions sources**
($mtCO_2e$)




## Scope-related risks

### Direct Emissions

**Scope 1**

Scope 1 (Direct Emissions):
Recorded at **14,158 $mtCO_2e$.** These emissions primarily stem from mobile fuel combustion, stationary generators, and refrigerant leakages.

These are primarily acute physical risks. Increased frequency and intensity of heatwaves lead to mandatory production halts and higher cooling costs, directly impacting the bank's physical facilities and the maintenance of on-site equipment like generators. Furthermore, rising fuel costs for owned vehicle fleets represent a direct financial planning risk.

### Indirect Emissions

**Scope 2**

Scope 2 (Indirect Emissions):
Recorded at **49,265 $mtCO_2e$**. These result from purchased electricity for facilities and ATMs, as well as purchased chilled water.

These are largely regulatory transition risks. Immediate impacts from new regulatory enforcement, such as the rising costs of electricity and water, threaten operational liquidity. Additionally, power grid strain during extreme weather events presents an operational disruption risk, as the bank's reliance on the national grid makes its ATM networks and branch operations vulnerable to outages

### Indirect Emissions

**Scope 3**

Scope 3 (Indirect Emissions):
Recorded at **85,644 $mtCO_2e$.** While Scope 3 emissions showed a high year-on-year increase, this was primarily driven by the expansion of our operational boundaries and the inclusion of additional Scope 3 categories. Consequently, we have adjusted the base year for specific Scope 3 categories to 2023 to ensure a more consistent and meaningful performance comparison in future disclosures.

## 2. Financed Emissions (Lending Portfolio Impact)

Financed emissions represent the most significant portion of the bank's carbon footprint, far exceeding its direct operations, as they account for the emissions generated by the businesses and projects the bank chooses to fund. Absolute Emissions recorded for the 2023 base year at **369,792,152 $mtCO_2e$.**

(Note: 2024 assessment is currently in progress). The Oil & Gas sector contributes **99.8%** of total financed emissions, with the remaining exposure concentrated in Construction & Real Estate and Transport.These sectors represent **86%** of the carbon-intensive exposure within the Large Corporate portfolio and **32%** of the bank's total portfolio.

| | Oil & Gas | Construction & Real Estate | Transport |
|---|---|---|---|
| Bank Exposure per sector | | | |
| **Outstanding loans** ($M) | 4,812.2 | 4,462.2 | 2,040.2 |
| **Sector % from large corporate lending portfolio** | 36.85% | 34.16% | 15.62% |
| 2023 Results | | | |
| **Scope 1** ($mtCO_2e$) | 358,135,931 | 63,585 | 39,241 |
| **Scope 2** ($mtCO_2e$) | 7,619,328 | 4,923 | 5,765 |
| **Scope 3** ($mtCO_2e$) | 3,397,140 | 497,287 | 28,851 |
| **Total Emissions** ($mtCO_2e$) | 369,152,399 | 565,895 | 73,858 |
| **Scope 1 & 2 Emissions Intensity** ($mtCO_2e$/$M lent) | 76,006.49 | 15.38 | 22.06 |

### Financed Emissions Related Risks:

**01 Transition Risks**

Market Transition (CBAM): New regulations like the EU's CBAM target the export viability of energy-intensive clients (fertilizer, steel, cement), increasing their Probability of Default (PD).

**02 Stranded Assets**

High-carbon legacy production assets (like old diesel boilers) may lose market value due to permanent regulatory shifts toward net-zero, leading to potential financial loss for the bank.

**03 Physical Devaluation**

Long-term sea-level rise in the Nile Delta and Alexandria directly threatens the value of real estate collateral and critical coastal infrastructure held by the bank..

> Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

## Climate-Related Targets and Performance

**1.**

The Bank successfully realized a **2.4%** reduction in combined Scope 1 and Scope 2 emissions in 2024 against the 2022 baseline. We are actively working on developing a robust reduction targets to be published in upcoming reporting cycles.

**2.**

Banque Misr remains dedicated to scaling its sustainable finance portfolio. As of year-end 2024, the Bank achieved a remarkable **54%** year-on-year increase in sustainable project financing, significantly expanding capital allocation toward renewable energy, energy efficiency, and climate-resilient infrastructure.

# 06
## Annex

## TCFD Recommendations Table

| Recommended Disclosure | Page Number |
|---|---|
| **Governance** | |
| Describe the board's oversight of climate-related risks and opportunities. | 05 |
| Describe management's role in assessing and managing climate-related risks and opportunities. | 07 |
| **Strategy** | |
| Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | 09 |
| Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. | 11 |
| Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 11 |
| **Risk Management** | |
| Describe the organization's processes for identifying and assessing climate-related risks. | 13 |
| Describe the organization's processes for managing climate-related risks. | 14 |
| Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | 15 |
| **Metrics and Targets** | |
| Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | 17 |
| Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. | 18 |
| Describe the targets used by the organization to manage climate-related risks and opportunities and performance against those targets. | 19 |

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