



البنك الإسلامي العربي  
ARAB ISLAMIC BANK

# **Sustainability and Social Responsibility Policy**

**2023**

## Contents

Version Control	3
First: Introduction	4
Second: Terms and Concepts	5
Third: Policy Objectives	5
Fourth: Scope and Parties Subject to the Policy	5
Fifth: Sustainability and Social Responsibility Committee (Administrative Committee)	6
Sixth: Plans and Reports	6
Seventh: General Rules of the Policy and Its Main Areas	6
Eighth: Submitting Sustainability and Social Responsibility Applications and Their Review Process	9
Ninth: Criteria for Selecting and Evaluating Sustainability and Social Responsibility Applications	9
Tenth: Withdrawal of Contributions	10
Eleventh: Policy Ownership	11
Twelfth: Review and Update	11

## Version Control

Document Approval	
Prepared by	Approval
<b>Name:</b> Sustainability Unit	<b>Name:</b> Chairman and Members of the Sustainability Committee and Board of Directors
<b>Date:</b> 21/11/2023	<b>Date:</b>

Version Control		
Version Number	Date	Reasons for Amendment:
1.0	2022/11/08	Board of Directors Decision No. 04/2022 dated 11/08/2022
2.0	2022/09/14	Fatwa Authority Decision No. 62/2022 dated 14/09/2022
3.0		

## **First: Introduction**

Sustainability has become one of the most pressing topics amidst the dynamic local and global changes that significantly impact various operations and activities. These include, in an integrated manner, banking operations, environmental aspects such as climate change and resource scarcity, and social aspects such as human rights, financial inclusion, community investment, and data privacy. The concept of social responsibility emerged in the early 20th century, shifting the focus from profit as the sole objective of any institution toward a broader understanding of an institution's responsibility towards its community. It emphasizes accountability for the impact of decisions and activities on the environment and society, which is embodied in sustainable development, community welfare, respect for laws, and embedding these principles within the institution's culture. Organizations are expected to carry out their activities in alignment with societal goals and principles while adopting global best practices in areas such as good governance and transparency, including board composition, risk management, anti-corruption measures, and ethical business practices.

When discussing sustainability in Islam, the religion has, since its emergence in the 7th century, promoted sustainability principles. Islamic teachings encourage the preservation of the environment, care for the earth, and the fair use of natural resources. These teachings also emphasize avoiding corruption, extravagance, waste, and overexploitation. In recent decades, environmental and sustainability issues have become some of the most prominent global concerns. These concepts are now integral to the business strategies of Islamic banks, reflecting their commitment to sustainable development and enhancing the quality of life for the communities they serve. As part of their communities, Islamic banks believe in their belonging to the societies in which they operate and recognize their responsibility towards them. They also value the importance of transparency and disclosure regarding their social responsibility and sustainability activities. This helps stakeholders assess the bank's commitment to the environment and its various beneficiaries, including shareholders, employees, depositors, and the local community.

In response to these aspirations and to support its vision of entrepreneurship and excellence both locally and internationally, the Arab Islamic Bank has adopted a sustainability strategy as part of its overall strategy, along with a banking sustainability and social responsibility policy across the bank. The bank is committed to continuously developing this strategy in alignment with Islamic Sharia principles, as well as local, regional, and international standards and principles. Special focus is given to the United Nations Sustainable Development Goals (UNSDGs), the Global Reporting Initiative (GRI) Standards, and the guidelines from the Palestinian Monetary Authority, Capital Market Authority, and the Palestinian Financial Market on sustainability, disclosure, and reporting issues.

The bank also respects the following international agreements and guidelines that underpin this policy:

1. **International Capital Markets Association (ICMA)** – Green & Social Bond Principles
2. **International Finance Corporation (IFC)** – Performance Standards
3. **International Labor Organization (ILO)** – Declaration of Fundamental Principles of Rights at Work
4. **United Nations Global Compact**
5. **United Nations Guiding Principles on Business and Human Rights**
6. **World Bank Environment, Health, and Safety Guidelines**

## **Second: Terms and Concepts**

The following words and phrases, wherever they appear in this guide, shall have the meanings assigned to them below:

1. **Bank:** The Arab Islamic Bank.
2. **General Manager:** The General Manager of the Arab Islamic Bank.
3. **Sustainability Unit:** A unit that aims to achieve and promote the concept of sustainability within the bank. It reports directly to the General Manager and is responsible for executing various tasks and activities to ensure the achievement of sustainability and social responsibility goals.
4. **Sustainability Unit Officer:** The individual responsible for implementing the bank's sustainability action plan, which ensures the achievement of sustainability and social responsibility goals. This officer plays a key role in executing the sustainability and social responsibility policy and serves as the secretary of the Sustainability Committee, which operates under the Board of Directors.
5. **Sustainability Committee:** A committee formed under the Board of Directors.
6. **Administrative Committee:** The Sustainability and Social Responsibility Committee established by the General Manager, as outlined later in the policy.

## **Third: Policy Objectives**

1. This policy outlines the bank's approach to promoting sustainability through three main pillars: environment, social responsibility, and governance. It addresses both the direct and indirect impacts of activities in this context to ensure a consistent approach across the entire bank.
2. The policy establishes the general principles and rules for sustainable and socially responsible projects and activities that the bank can participate in and their respective controls. It creates a framework to encourage actions that foster shared value for all stakeholders (employees, shareholders, customers, suppliers, the community, and the environment) within a culture rooted in sustainable development. It also emphasizes the bank's role as a key and constructive contributor to the community.
3. This policy complements other related policies, such as the Anti-Corruption and Anti-Bribery Policy, Internal Reporting Policy, and the Disclosure and Transparency Policy. As a minimum, the policy requires compliance with all legislative and regulatory governance, environmental, and social requirements in the markets and activities where the bank operates.

## **Fourth: Scope and Parties Subject to the Policy**

This policy applies to all stakeholders, including the Board of Directors, executive management, all bank employees across its branches, offices, and departments, as well as customers, suppliers, and others. Each department/unit is responsible for ensuring the implementation and compliance with this policy within its area of responsibility, ensuring alignment of their charters and policies with this policy. Additionally, the policy covers all activities related to social responsibility and charitable work conducted by the bank.

## **Fifth: Sustainability and Social Responsibility Committee (Administrative Committee)**

The General Manager forms a committee called the Sustainability and Social Responsibility Committee (Administrative Committee), consisting of six members. The role of the committee is to thoroughly evaluate applications, ensuring they meet the terms and conditions, align with the sustainability and social responsibility policy, and determine their priority among other cases. Based on the evaluation, the committee provides recommendations for approval or rejection.

## **Sixth: Plans and Reports**

- **Sustainability Unit Action Plan:** The Sustainability Unit prepares an annual action plan, which must be approved by the Sustainability Committee. This plan includes the sustainability budget, approved by the Board of Directors, and outlines activities that promote sustainability within the bank. It also focuses on training and developing human resources in the field of sustainability, based on the pre-established sustainability framework.

- **Annual Sustainability and Social Responsibility Report:** The bank commits to disclosing its sustainability performance through its annual report and/or a standalone sustainability report, following the Global Reporting Initiative (GRI) Standards or the bank's internal reporting framework. Additionally, the bank will develop an annual sustainability and social responsibility report preparation plan, detailing how data is collected, performance indicators, and the bank's activities to promote sustainability.

## **Seventh: General Policy Guidelines and Key Areas**

### **1. Environmental Sustainability**

The bank integrates environmental management into its core activities and strives to reduce the material aspect of banking operations, aiming to set an example in competitive environmental practices. It is committed to protecting the environment by minimizing emissions and waste, and conserving electricity, water, and paper in both its direct operations and interactions with suppliers.

To achieve these goals, the bank works to apply the best practices and standards recognized locally and globally and complies with all relevant environmental laws and regulations, focusing on the direct environmental impact of its operations through the continuous improvement of its internal environmental management system to ensure sound environmental management and reduce the impact of its operational activities. According to its environmental policy, the bank commits to continuous improvement of resource efficiency (such as energy, water, and paper use, and waste and chemical management).

It also manages and reduces the direct environmental impacts of its internal operations by applying an environmental management system and sets environmental goals as part of the internal environmental management system, ensuring these goals align with local, regional, and global environmental objectives, including the Sustainable Development Goals developed by the United Nations.

The bank provides training and participatory programs aimed at raising environmental awareness among employees and encouraging them to recognize the importance of integrating environmental considerations into their daily work. It continuously monitors, tracks, and develops its environmental performance, improving it by acting as an environmentally friendly advisor to assist customers in reducing their environmental impact while also effectively reducing its own environmental footprint. Under no circumstances will the bank compromise long-term environmental security in the communities it operates within to achieve short-term benefits.

**Financing and Environmental and Social Risks:** As part of the bank's strategic commitment to sustainable financing, we apply fair classification principles to project financing transactions and integrate environmental and social risk management into the due diligence process. We also work to reduce the indirect environmental impacts resulting from our financing activities and operations. Additionally, we manage the environmental, social, and governance (ESG) risks associated with our financing activities, while promoting the support and funding of small and micro-projects.

**Financing Portfolio:** The bank unifies the methodology and standards for its financing portfolio, including green projects and clean energy, to reflect the bank's contribution to achieving the Sustainable Development Goals, in line with international principles such as those set by ICMA.

**Small, Medium, and Micro-Enterprises and Entrepreneurs:** We support the growth of small and medium enterprises (SMEs), micro-enterprises, and entrepreneurs by providing them with appropriate financing. Additionally, we promote financial inclusion for marginalized groups, underserved areas, and unbanked customers.

**Sustainable Products and Services:** We are committed to conducting our business responsibly, offering our services and products according to customers' needs in an appropriate manner, taking into consideration their requirements and their capacity to manage risks. We also account for external risks and provide innovative products and services that help mitigate these risks, support our clients' financial stability, and contribute to the sustainable success of our business. We offer products and services that address environmental or social challenges, such as promoting financial inclusion, mitigating the effects of climate change, supporting the development of renewable energy, sustainable business practices, Sharia-compliant financing, and projects focused on environmental sustainability activities.

## **2. Social Sustainability**

### **Human Rights, Employees, and Labor Standards:**

- The bank is fully committed to respecting the human rights of individuals impacted by its operations, ensuring dignity and equality for all, regardless of race, religion, gender, disability, age, or language, while adhering to the principles of diversity.
- The bank pledges to treat all its employees fairly and respectfully, providing a workplace where employees are treated equitably, including fair wages, development opportunities, grievance mechanisms, and measures to prevent discrimination while fostering professional growth and ensuring they receive their entitlements and compensation in full.
- The bank is committed to fostering a healthy workforce by ensuring the safety, security, and well-being of its employees through a safe and sound working environment, with a focus on occupational health and safety and continuous improvement practices.

- It strives to create a work environment where employees function as a united family, fostering strong relationships to embody the values of inclusiveness and mutual respect, developing employee talents, protecting their human rights, and promoting transparency, responsibility, and accountability towards both employees and the community.
- **Talent Management and Development:** The bank offers continuous training and career development for its employees, aiming to attract, recruit, and retain the best talents.
- The bank commits to the United Nations Global Compact, the Universal Declaration of Human Rights, the International Labor Organization's Declaration of Fundamental Principles and Rights at Work, and the OECD Anti-Bribery Convention.
- The bank strictly prohibits child labor and forced labor.

**Procurement and Supply Chain:** The bank applies sustainability principles in managing its procurement policy and supply chain by setting minimum requirements for suppliers to operate responsibly. It assesses sustainability risks in its supply chain as part of its third-party risk management framework and collaborates with other parties to ensure compliance with regulations, instructions, and policies. These parties are also required to adhere to laws and regulations as a minimum standard.

The bank is committed to delivering value to shareholders, customers, and employees by providing suitable employment opportunities aligned with the latest banking and digital developments. It aims to maximize value for shareholders, offer reliable banking and financial services to customers, and ensure that its operations contribute to financial stability and the economic development of the communities in which it operates.

**Sustainable Growth:** The bank is dedicated to achieving continuous growth, reflecting its efforts to foster stability and establish a sustainable level of growth. This growth enables the bank to provide high-quality products and services based on innovations that form the core of its operations. It demonstrates excellence by achieving the highest level of sustainable revenue growth and profitability, reinforcing the bank's financial performance and ensuring the development and growth of both the bank and its stakeholders.

**Sustainable Investment:** The bank builds its internal capabilities to assess risks and opportunities related to environmental, social, and governance (ESG) factors associated with its investments and those of its clients.

### 3. Governance

**Integrity:** This is one of the most fundamental principles governing the bank's operations, holding it accountable for its banking practices, ethical behaviors, and responsible procedures. These actions aim to protect our customers, investors, employees, and the public, earning their trust. The bank's foundation is rooted in integrity, values, and responsibility.

**Relevant Policies and Regulations:** This policy integrates with other relevant policies and also adheres to their provisions and guidelines, including the Sustainability Charter and the General Framework for Sustainability.

**Stakeholders:** We are committed to maintaining continuous communication with our shareholders, customers, employees, regulatory authorities in Palestine, and all relevant parties. This enables us to understand their needs and aspirations as integral parts of our core business, supporting the achievement of positive environmental and social impacts through our operations and activities aligned with our vision



and strategy. We also strive to maintain channels for dialogue and consultation with stakeholders, including employees, shareholders, customers, suppliers, and regulators, to receive all important feedback and understand their priorities.

**Governance, Compliance, and Risk Management:** The bank is committed to its governance framework and charter as essential to the success of its operations. It upholds the highest levels of fairness, integrity, and accountability within a high-level banking and corporate governance framework, ensuring full compliance at all levels with all relevant legislation, laws, and environmental practices within the geographical context in which it operates. The bank also aims to effectively manage all risks and promote a risk culture among all its employees.

**Anti-Corruption and Bribery:** The bank adopts a zero-tolerance approach to bribery and corruption and is committed to the highest standards of professionalism and integrity in all transactions and working relationships, wherever business is conducted. It implements effective processes, measures, and systems to combat any form of corruption, money laundering, and the financing of terrorism.

**Responsible Communication with Customers:** The bank provides transparent and responsible financial advice to empower customers to make better financial decisions.

**Privacy and Data Protection:** The bank is committed to protecting customer information and respecting the right to privacy in accordance with the principles outlined in all applicable data protection and privacy laws and regulations.

**Reporting, Disclosure, and Transparency:** The bank is committed to enhancing transparency and disclosing sustainability performance in its annual report and/or independent sustainability report, in accordance with the Global Reporting Initiative (GRI) standards and relevant regulatory guidelines. The bank specifically focuses on ensuring high standards of data quality and continuous improvement, proactively sharing and disclosing its governance, environmental, and social data to relevant institutions, including the Palestinian Capital Market Authority and the Palestine Monetary Authority. It is committed to continuous disclosure of data and information according to due processes and regulations, taking responsibility for its actions and their impacts. The bank works to enhance trust in the financial system and sector through ongoing commitment to transparency and credibility. Additionally, the bank encourages reporting any suspected violations and misconduct through the designated system for reporting infractions, in line with the internal reporting policy adopted by the bank to protect its image and reputation.

**Tax Compliance:** We are committed to complying with the letter and spirit of tax laws in all areas where we operate and ensuring that our banking services are not linked to any known or suspected arrangements to facilitate tax evasion.

**Sustainable Operations:** The bank works to integrate environmental, social, and corporate governance standards into its operations and through the provision of its services and products to ensure ethical and effective conduct. It strives to enhance corporate and banking governance practices, promote equality among its entire workforce, and maintain compliance with regulations related to environmental, social, and corporate governance, helping the bank to be the employer of choice.

**Eighth: Submission of Sustainability and Social Responsibility Applications and Mechanism for Their Review:**

The mechanism for handling sustainability and social responsibility applications operates as follows:

1. Applications are received through branches or the administration, including inquiries about sustainability activities.
2. The applications studied by the sustainability unit.
3. The applications examined by the anti-money laundering and anti-terrorism department.
4. The applications forwarded to the administrative committee for a comprehensive review, starting from the fulfillment of the request's terms and conditions and assessing the project's alignment with the bank's sustainability budget policy. The committee then recommends acceptance or rejection based on a majority vote.
5. The applications sent to the General Manager for final approval.
6. The sustainability unit informs the concerned parties and beneficiaries of the outcome, whether approved or declined.
7. The payment for approved applications is made after project implementation, following the submission of a financial claim and meeting the requirements set by the institution or presenting entity.

**Ninth: Criteria for Selecting and Evaluating Sustainability and Social Responsibility Applications:**

- The selection process for sustainability and social responsibility applications is subject to a set of criteria as follows:
  - a. The submitting entity must be legal and licensed.
  - b. The project shall align with the bank's strategy and goals, consistent with sustainable development principles.
  - c. The project shall create value for the community and bring about positive change.
  - d. The project shall promote partnerships with relevant local and international institutions.
  - e. The project shall comply with the provisions of Islamic law and respect the customs, traditions, and culture of the Palestinian community.
  - f. The project budget shall be reasonable and within the bank's approved annual budget.
  - g. The project shall fall within the activities and sectors identified by the bank in its sustainable development policy, based on the previously mentioned main axes.
  - h. The project shall cover as many geographical areas as possible and include all segments of the community.
  - i. The project and the submitting entity shall be neutral and free from partisan or political affiliations.
  - j. The project shall be feasible and implementable.
- **Activities Excluded from Sustainability and Social Responsibility:**

The following activities do not fall under the bank's sustainability and social responsibility efforts, and the bank does not support or sponsor them:

- a. Projects affiliated with political or political groups.
- b. Projects that are detrimental to the environment.
- c. Projects that are unlawful.
- d. Projects related to marketing or promotion.

**Tenth: Contribution Withdrawal**

The bank reserves the right to withdraw its contribution in any of the following cases:

1. Discovery that the information provided to the bank is incorrect or inaccurate.
2. If there is a lack of clarity regarding the disbursement of funds allocated for the project.
3. If the applicant fails to adhere to the agreements made with the bank.

### **Eleventh: Policy Ownership**

The Sustainability Unit under the General Manager is responsible for this policy, including making updates and obtaining approval from the relevant committee and the Board of Directors.

### **Twelfth: Review and Update**

This policy shall come into effect from the date it is approved by the Board of Directors. The Sustainability Committee, established by the board, shall review it every three years or as needed.