

SECOND PARTY OPINION

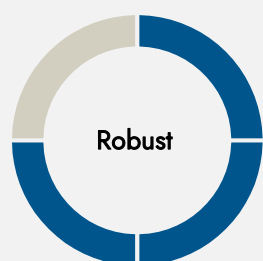
on the sustainability of the Arab Republic of Egypt's Sovereign Green Financing Framework

Vigeo Eiris is of the opinion that the Arab Republic of Egypt's Financing Framework is **aligned** with the four core components of the Green Bond Principles 2018 ("GBP")



Framework

Contribution to Sustainability:



○ Advanced
 ○ Limited
 ○ Robust
 ○ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



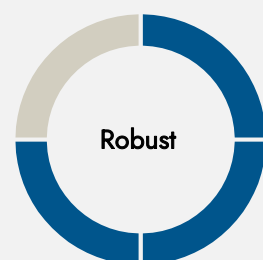
Characteristics

Green Project Categories	⇒ Clear transportation ⇒ Renewable Energy ⇒ Pollution Prevention and Control ⇒ Climate Change Adaptation ⇒ Energy Efficiency ⇒ Sustainable water and wastewater management
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Project locations	Egypt
Existence of framework	Yes
Share of refinancing	21% (first issuance)
Look back period	36 months

Issuer

ESG Performance as of June 2020



○ Advanced
 ○ Limited
 ○ Robust
 ○ Weak

	Weak	Limited	Robust	Advanced
Environment				
Social				
Governance				

Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Green Financing Framework is coherent with the Arab Republic of Egypt's strategic sustainability priorities and issues and contributes to achieving the Issuer's sustainability commitments.

Keys findings

Use of Proceeds

- The **Eligible Categories** to be financed are clearly defined.
- The **Environmental Objectives** are clearly defined and relevant with regards to the eligibility criteria selected.
- The **Expected Environmental Benefits** are clear.
- The Issuer has provided information on the estimated overall **share of refinancing** at bond level, and a **look back period** has been defined.

Evaluation and Selection

- The **Evaluation and Selection Process** is clearly defined and the process for selection is publicly disclosed in this Second Party Opinion.
- **Eligibility Criteria** (selection & exclusion) are defined and specific.
- The process for the Identification and Management of **Environmental and Social Risks** is formalised and publicly disclosed.

Management of Proceeds

- The **Process for the allocation and management** of proceeds is clear and is publicly disclosed.
- The **allocation period** is 24 months or less.
- The net proceeds of the Bond will be placed in the Issuer's **general treasury, tracked in an appropriate manner and attested to in a formal internal process**. The information **on the intended types of temporary placements** for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that, as long as the bond is outstanding, **the balance of the tracked net proceeds will be periodically adjusted** to match allocations to eligible categories made during that period.
- The Issuer has provided information on the procedure in case of **divestment or postponement**.

Reporting

- The Issuer has **committed to report annually and until full allocation of proceeds**. The report will be publicly disclosed and will cover relevant information on the allocation of proceeds and on the expected environmental benefits.
- The **process and responsibilities for reporting** on the Bond are clearly defined.
- The Issuer will report on the **allocation of proceeds** at project level **and on environmental benefits** at eligible category level.
- **Tracking and allocation of funds to Eligible Categories will be verified externally**.
- **Indicators used to report on environmental benefits** will be **verified internally** by the Issuer.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

Contact

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SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Bond(s)¹ or Sukuk(s) (“Bonds”) to be issued by the Arab Republic of Egypt (the “Issuer”, “Egypt”) in compliance with the Green Financing Framework (the “Framework”) created to govern their issuances.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) voluntary guidelines edited in June 2018.

Our opinion is built on the review of the following components:

- 1) Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the GBP 2018.
- 2) Issuer: we assessed the Issuer’s sustainability performance as of June 2020, according to Vigeo Eiris’ methodology for *Sovereign Sustainability Rating* ©.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from August 6th to September 22nd, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

¹ The “Green Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

PART. 1: ISSUANCES

The Issuer has described the main characteristics of the Bonds to be potentially issued within a formalised Green Bond Framework which covers the four core components of the GBP 2018 (the last updated version was provided to Vigeo Eiris on September 22nd, 2020). The Issuer has committed to make this document publicly accessible on its website² at the Bonds' issuance date, in line with good market practices.

Alignment with the Green Bond Principles

Vigeo Eiris is of the opinion that Egypt's Green Financing Framework is aligned with the four core components of the Green Bond Principles 2018.



- **Use of Proceeds:** Egypt's Green Financing Framework is **aligned** with the Use of Proceeds component of the GBP 2018.
- **Evaluation and Selection:** Egypt's Green Financing Framework is **aligned** with the Evaluation and Selection component of the GBP 2018.
- **Management of Proceeds:** Egypt's Green Financing Framework is **aligned** with the Management of Proceeds component of the GBP 2018, and is in line with the **best practices** taken into account in Vigeo Eiris' methodology.
- **Reporting:** Egypt's Green Financing Framework is **aligned** with the Reporting component of the GBP 2018.

Contribution to Sustainability

The potential contribution of the eligible categories to environmental objectives is expected to be robust.

Expected Impacts

The potential positive impact of the eligible projects on environmental and social objectives is considered to be robust.

ESG Risks Management

The identification and management of the environmental and social risks associated with Eligible Projects is considered robust.

² <http://www.mof.gov.eg/English/Pages/External-Debt.aspx>

Alignment with the Green Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under six Green Project Categories ("Eligible Categories"), as indicated in table 1.

- **Eligible Categories** are clearly defined: the Issuer has communicated the nature of eligible expenditures and the location for all eligible categories. The Issuer has provided a clear description, eligibility and exclusion criteria for nearly all of the eligible categories.
- The **environmental objectives** are clearly defined: they are relevant and set in coherence with sustainability objectives defined in international standards for all eligible categories.
- The **expected environmental benefits** are clear: they are relevant and measurable for all eligible categories. The Issuer has not estimated the expected benefits ex-ante but these will be quantified for all of the eligible categories within reporting.
- The **potential positive Impact** of the eligible categories on environmental objectives is considered robust.
- The **expected share of refinancing** is 21% for the first issuance, and the **look-back period** will be equal or less than 36 months.

The Issuer has communicated that the following types of expenditure will be eligible for all categories: investment expenditures, operating expenditures, and tax expenditures. The Issuer has also communicated that all projects will be located in Egypt and has provided specific locations at sub-national level for some of the projects included as examples in its Framework.

Table 1 – Vigeo Eiris' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework (see detailed table in Appendix 1)

ELIGIBLE CATEGORIES	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Clean Transportation	Climate Change Mitigation GHG emissions reduction and avoidance	The definition of this category is clear, including description, eligibility criteria, nature of expenditures and location of eligible projects. The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.
Renewable Energy	Climate Change Mitigation GHG emissions avoidance	The definition of this category is clear, including description, eligibility criteria, nature of expenditures and location of eligible projects. The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.

Pollution Prevention and Control	Pollution Prevention and Control Waste recycling Prevention of pollution from uncollected waste	The definition of this category is clear, including description, eligibility criteria, nature of expenditures and location of eligible projects. The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.
Climate Change Adaptation	Climate Change Adaptation Increase of resilience and adaptive capacities Reduction of vulnerabilities to climate change	The definition of this category is clear, including description, eligibility criteria, nature of expenditures and location of eligible projects. The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.
Energy Efficiency	Climate Change Mitigation GHG emissions reduction and avoidance	The definition of this category is partially clear. An area for improvement is to define more clearly the content and specify thresholds of efficiency for energy efficiency (for example, and improvement in 30% in relation to a baseline year). The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.
Sustainable Water and Wastewater Management	Pollution Prevention and Control Increase in the efficiency of water production and consumption Increase in the amount of water reused Energy generated from sludge treatment	The definition of this category is clear, including description, eligibility criteria, nature of expenditures and location of eligible projects. The Issuer has not specified a specific threshold of methane emissions for sewage sludge treatment but has reported having a monitoring system to prevent CH ₄ emissions. The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, and measurable. The Issuer has committed to quantify them within reporting.










The Issuer has transparently communicated on the estimated share of refinancing, which will be 21% for the first issuance. The Issuer has committed to communicate transparently on the share of refinancing for each bond issuance in the investor presentation. The Issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from the issuance date will be applied.

BEST PRACTICES

- ⇒ Relevant environmental benefits are identified and measurable for all project categories
- ⇒ The Issuer has provided information on the share of refinancing and it is less than 50%

SDG Contribution

The Eligible Categories are likely to contribute to 5 of the United Nations' Sustainable Development Goals ("SDGs"), namely: SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", SDG 11 "Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production", and SDG 13 "Climate Action".

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Clean Transportation		<p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>
		<p>The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.</p>
Renewable Energy		<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>
		<p>The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.</p>
Pollution Prevention and Control		<p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>
		<p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>
Climate Change Adaptation		<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>
Energy Efficiency		<p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p>
Sustainable Water and Wastewater Management		<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>

Evaluation and Selection of Eligible Projects



- The **process for evaluation and selection** of Eligible Projects is clearly defined and publicly disclosed. The roles and responsibilities for project evaluation and selection are clearly defined and include relevant internal expertise.
- **Eligibility and exclusion criteria for project selection** are clearly defined.
- The Issuer reports that it will **monitor continued compliance** of selected categories with eligibility and exclusion criteria specified in the Framework as well as **potential ESG controversies** throughout the life of the Bond, and has provided details on content, frequency and procedures adopted in case of non-compliance. In addition, the Issuer has transparently communicated on how it will ensure traceability of decisions taken regarding project evaluation, selection and monitoring.
- The **E&S risks identification and mitigation process** is publicly disclosed in this SPO and is considered **robust** (see detailed analysis on pages 15-17).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, a Green Finance Working Group (GFWG) has been created. This Committee is composed of representatives of:
 - The Ministry of Finance
 - The Ministry of Planning and Economic Development (MPED)
 - The Ministry of Environment (MoE)
 - The Ministry of Transportation (MOT)
 - The Ministry of Housing, Utilities & Urban Communities (MoHUUC)
 - The Ministry of Electricity and Renewable Energy (MOEE)
 - The New and Renewable Energy Authority (NREA)
 - The Egyptian Electricity Transmission Company (EETC)
 - The Construction Authority for Potable Water & Wastewater (CAPW)
- The Working Group is responsible for:
 - Consulting other Government departments to identify Eligible Projects.
 - Reviewing all proposed Eligible Projects to determine their compliance with the Green Financing Framework and approving the allocation of proceeds.
 - Reviewing the allocation of proceeds to the Eligible Projects, ensuring compliance of the Projects with the Eligibility Criteria throughout the lifetime of the Bond, and determine if changes are necessary (for example in cases of project cancellation, or if a project becomes ineligible). The Issuer has stated that it will also strive to substitute projects no longer eligible with new Eligible Green Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.
 - Reviewing the Framework on a regular basis, and if needed, updating and amending the Framework. These updates, if not minor or technical in nature, will be subject to the prior approval of the Ministry of Finance, in addition to that of the Ministry of Planning and Economic Development and Ministry of Environment.
 - Monitor and treat potential controversies, until bond maturity. The Issuer defines a controversy as an event impacting a major ESG domain, such as human rights violations, fossil fuels, pollution incidents

or governance issues. The issuer commits to exclude the related project from the portfolio and substitute it on a best effort basis.

The traceability and verification of the selection, evaluation and monitoring of the projects are ensured throughout the process:

- The Working group will meet annually.
- Meeting minutes will be written for each meeting of the Working Group.

Eligibility and Exclusion Criteria

The process relies on eligibility and exclusion criteria relevant to the environmental objectives defined for the Eligible Categories. The eligibility and exclusion criteria are clearly defined.

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework.
- Exclusion criteria are detailed in the Use of Proceeds section of the Framework, and are:
 - Burning of fossil fuels for power generation and transportation
 - Rail infrastructure dedicated for the transportation of fossil fuels
 - Nuclear power generation
 - Alcohol, weapons, tobacco, gaming, or palm oil industries
 - Renewable energy projects generating energy from biomass using feedstock originating from protected areas
 - Waste incineration activities:
 - Waste to energy facilities that incinerate recyclable or reusable materials or that divert waste from other usage
 - Landfill projects.

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor continued compliance of selected projects/assets with eligibility and exclusion criteria specified in the Framework throughout the life of the Bond, and has provided details on content, frequency and duration, and on the procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects/assets throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project.

Management of Proceeds



The rules for the management of proceeds are clearly defined and will be verified. We consider that they will enable a documented and transparent allocation process.

- The **process for allocation and management** of proceeds is clearly defined, detailed and publicly available.
- The **net proceeds of the Bond will be earmarked and tracked** by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information **on the intended types of temporary placements** for the balance of the unallocated net proceeds is publicly disclosed.
- The **allocation period** is 24 months or less.
- The Issuer has committed that, as long as the Bond is outstanding, **the balance of the tracked net proceeds will be periodically adjusted** to match allocations to eligible projects/assets made during that period.
- The Issuer has provided information on the procedure that will be applied **in case of project/asset divestment or postponement** and it has committed to reallocate divested proceeds to projects that are compliant with the Framework.

Management Process

- To manage the proceeds, Egypt will establish a Green Financing Register, containing the following information:
 - Details of the Bond/Sukuk: ISIN, pricing date, maturity date, etc.
 - Details of Eligible Use of Proceeds, including: Eligible Green Projects, amount of allocation made, other necessary information so that the aggregate of issuance proceeds allocated to the Eligible Use of Proceeds is recorded at all times, and estimate of the impact of the Eligible Use of Proceeds.
- The net proceeds of the Bonds will be credited to the Issuer's General Treasury and earmarked for allocation in the Green Financing Register.
- The unallocated funds will be held within Egypt's Treasury. Pending full allocation, unallocated proceeds may be invested in cash, deposits and short-term money market instruments. Egypt commits to not finance GHG intensive activities nor controversial activities.
- Egypt intends to fully allocate the proceeds to Eligible Green Projects as soon as possible, and no later than 24 months from the Bonds' issuance date.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, Egypt has committed to replace the no longer Eligible Project by a new Eligible Project.

Traceability and Verification

Traceability and verification of both the tracking method and allocation of the proceeds are ensured throughout the process:

- The Ministry of Finance and Ministry of Planning and Economic Development are responsible for overseeing the allocation and tracking of expenditures on Eligible Green Projects up to an amount equal to the net proceeds of Green Bond/Sukuk issued.
- The proceeds will be appropriately managed and tracked by the Ministry of Finance and Ministry of Planning and Economic Development through the Green Finance Register, which will be reviewed annually.
- An independent third party will verify the tracking and allocation of funds.

BEST PRACTICES

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.

Monitoring & Reporting



The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

- The Issuer has committed to **report on the Use of Proceeds annually, until full allocation** and on a timely basis in case of material developments. The report will be publicly available until bond maturity and will cover all relevant information related to the allocation of proceeds and to the expected sustainability benefits of the categories, including potential material developments and ESG controversies.
- The **process and responsibilities for reporting** on the Bonds are clearly defined and publicly disclosed.
- The Issuer will report on the allocation of proceeds and on environmental benefits at **bond and eligible category level**. The **indicators** selected by the Issuer to report on the **allocation of proceeds** and on the **environmental benefits** of the eligible projects are clear, relevant and exhaustive.
- **An external auditor will verify the tracking and allocation** of funds to the Eligible Projects until full allocation and in case of material changes. Indicators used to report on **environmental benefits will be verified only internally** by the Issuer.

Reporting Process

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in the Framework. The Green Finance Working Group is responsible for facilitating the reporting process, involving dedicated ministries and agencies for extra-financial data.

The Issuer has committed to report annually until full allocation of proceeds, and on a timely basis until Bond maturity in case of material changes. The Reports will be made publicly accessible on the Ministry of Finance's website. The Issuer has committed to report Bond by Bond, at eligible category level for environmental benefits, and at project level for allocation of proceeds.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level on:

- Allocation of proceeds: the selected reporting indicators are clear and exhaustive

REPORTING INDICATORS

- ⇒ The list of Eligible Projects (re)financed, including a brief description
- ⇒ Total amount allocated to Eligible Green Projects;
- ⇒ Total amount allocated per Eligible Green Project Category;
- ⇒ Amount remaining unallocated;
- ⇒ Breakdown of refinancing versus new financing.
- ⇒ % of co-financing (projects financed in part by the bond, and in part by other sources)
- ⇒ Type of temporary unallocated funds placements

- Environmental benefits: the selected reporting indicators are clear, relevant and exhaustive for most project categories.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Clean Transportation	Passengers using public transportation growth rate Number of new train lines created/maintained (in km)	GHG emissions reduced or avoided (tCO ₂ e)
Renewable Energy	Estimated annual energy production (MWh) Change in primary fuel mix Change in primary fuel mix for electricity production	GHG emissions reduced or avoided (tCO ₂ e)
Pollution Prevention and control	Amount of waste recycled (tons) Amount of waste collected (tons)	
Energy Efficiency	Energy savings (MWh or %)	GHG emissions reduced or avoided (tCO ₂ e)
Climate Change Adaptation	Estimated number of beneficiaries from adaptation projects Estimated cost of losses due to climate change impacts Estimated number of vulnerable people Estimated total area of protected lands Estimated cost of Infrastructure and built environment established for protection (E.g. sea walls, resilient road networks, etc.)	Estimated benefits/costs of protected Ecosystem and ecosystem services provided/lost (E.g. ecosystem conservation and management, ecotourism, etc.)
Sustainable water and wastewater management	Amount of treated water reused or recycled (in litres) Amount of seawater treated (in litres) Amount of energy generated from sludge treatment (kWh)	Increase in the efficiency of water production and consumption (m ³ per day or %)

The Issuer has committed to publicly disclose in the annual reporting the reporting methodology and assumptions used to report on the environmental benefits of the Eligible Categories.

Process for controlling monitoring & reporting

An external auditor will verify the tracking and allocation of funds to Eligible Projects until full allocation and in case of material changes. Indicators used to report on environmental benefits of the Eligible Categories will be verified internally by the Issuer, with the support of Structural Advisors and the World Bank.

BEST PRACTICES

- ⇒ The issuer report will be publicly available at least until bond maturity.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected environmental benefits of the Eligible Categories. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Categories will be disclosed publicly.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be **robust**.

ELIGIBLE CATEGORIES	LEVEL OF EXPECTED IMPACT	ANALYSIS
Clean Transportation	ADVANCED	Clean Transportation is highly relevant to respond to the key environmental issues of Egypt, with transportation remaining one of the highest energy consuming and polluting sectors, as well as having high urban pollution levels, and with an impact on local and global stakeholders.
Renewable Energies	ADVANCED	Like other countries in the region, Egypt is highly dependent on fossil fuels, thus renewable energy is particularly relevant to respond to Egypt's key environmental issues, positively impacting global stakeholders. In addition, the eligible projects follow the best available technical screening criteria.
Pollution Prevention and Control	ROBUST	Waste collection and recycling also constitute a key environmental issue for Egypt, with only 2% of the country's waste managed in modern sanitary landfills. Waste collection, recycling and composting can have important positive effects on local stakeholders. We have no information on collection standards and technologies for recycling and composting.
Sustainable Water and Wastewater Management	ROBUST	Wastewater infrastructure and a reduction of water consumption are key environmental issues for Egypt. Infrastructure projects have positive impacts on all relevant stakeholders. We have no precise information on alignment with recognised national/international benchmarks/standards for wastewater/effluent quality at discharge and treatment efficiency.
Energy Efficiency	ROBUST	Energy efficiency is relevant as a tool to reduce CO2 emissions, responding to the key issue of climate change mitigation. No information has been given by the Issuer on the aimed improvement in energy performance.
Climate Adaptation	ADVANCED	Egypt is highly vulnerable to the impacts of climate change, as such Climate Adaptation projects aiming to increase resilience and adaptive capacities are highly relevant, and have a positive impact on all relevant stakeholders, with little to no anticipated negative impacts.
OVERALL	ROBUST	

Relevance of ESG Risks Identification and Management systems in place at project level

ESG risks Materiality of and management

The identification and management of the environmental and social risks associated with Eligible Projects is considered **robust**.

Integration of ESG factors in project tenders

All public tenders and contracts are regulated by the Egyptian Public Procurement law No 182 of 2018, which applies to all Eligible Projects. In the context of this law, each administrative authority keeps a registry of contractors, including

their financial and technical capabilities, business reputation, track record and professional licenses. This registry is updated annually. The General Authority for Government Services keeps a registry for those banned from dealing with any of the administrative authorities due to their bad track record which covers, as stated by the Issuer, violations of environmental and social obligations under Egyptian laws.³ In addition, the contracting authority runs an annual evaluation of contractors at the end of each fiscal year or at the end of the contract term. The evaluation results are published on the Public Procurement Portal, including the names of the contractors who have violated the terms of the contract and the penalties that have been imposed on them.

The Issuer reports that all public contracts must comply with the Environmental Protection Law (No 4 of 1994) and with Egypt's laws regarding human and labour rights, and that audits are regularly organised by competent authorities to monitor compliance.

Environmental and Social Impact Assessment

The Issuer reports that all of the Eligible Projects must undergo an Environmental and Social Impact Assessment (ESIA) made by an external consultant. The analysis of one ESIA confirmed that these assessments include:

- i. an analysis of the physical and biological environment and of the human and socioeconomic conditions before the project;
- ii. an analysis of the potential environmental and social impacts during project construction and operation;
- iii. proposed mitigation measures.

The topics covered the assessment appear exhaustive, covering all the relevant material environmental and social issues, namely: climate, natural risks, water resources and quality, biodiversity, local population, neighbourhoods, economic activities, gender issues and vulnerable people, health and safety issues (including air quality, noise and vibration, waste, and safety), labour and employment, and cultural heritage. The Issuer reports that all ESIA's carried out for the Eligible Projects to be financed through the Framework cover these topics.

The monitoring of the implementation of the mitigation measures included in the ESIA is made by the Egyptian Environmental Affairs Agency (EEAA), which has a specialised compliance department responsible for inspections. For all of the Eligible projects, the execution of the contract can only begin once the EEAA issues a permit. This permit is given on the basis of the ESIA, and includes the items identified as mitigation measures in the ESIA. The Issuer reports that the EEAA conducts an inspection to ensure that the project is compliant with all the items included in the permit every three, six or twelve months, depending on the industry. If a violation is found, corrective measures are taken, up to project cancellation in cases of major violations.

Finally, the EEAA has an online portal for Public and Investor Complaints and Inquiries,⁴ as well as a hotline, to make inquiries and complaints. When a complaint is made, the EEAA schedules a site visit and a site inspection to evaluate the compliance of the site, with penalties in case of no compliance.

Additional environmental measures in place at project level

For renewable energy projects, the ESIA's have concluded that the environmental impacts are marginal, with the exception of bird migration. As a result, the projects must include bird monitoring programs during bird migration seasons. The National Renewable Energy Agency (NREA) is responsible for implementing the bird monitoring programs. The implementation of the risk mitigation measures by contractors are audited by the NREA and EEAA.

Protection of fundamental Human and Labour rights

All projects are required to comply with Egypt's laws regarding human and labour rights, notably Egypt's constitution and Law 12/1968. The Issuer reports that the authorities executing projects are responsible for monitoring the compliance of projects, suppliers and contractors with these laws. It also reports that audits to monitor compliance with social rights

³ The list of prohibited companies can be found at the following link: <http://www.manpower.gov.eg/Prohibitedcompanies.html>

⁴ The portal can be found at: <http://www.eeaa.gov.eg/en-us/services/complaintinquiry.aspx>

are carried out quarterly, semi-annually or annually depending on the type of project, with sanctions and penalties in case of no compliance detailed in the law. There is a governmental complaints portal,⁵ where complaints can be made regarding violations of labour law. The Ministry of Work is responsible for investigating these complaints, and for related inspections.⁶ As stated on the Ministry of Work's website, following complaints regarding the violation of labour law and permits, there is the possibility to have information campaigns for workers and employers on labour law and applicable governmental decisions. Once a complaint has been made, it is treated in two days by the special directorate for work and the general directorate for labour inspection.

The Ministry of Work has formalised conditions on extra hours: the employer has to make a written request treated in one week by a special unit, under the supervision of the special directorate for work and the general directorate for labour inspection. Of note, the Ministry has led campaigns for inspection and collaboration with directors of sites where there is a high density of employees, in particular foreign employees, to ensure the respect of applicable laws. Regarding governance, and to prevent fraud, the Ministry has put in place a rotation system, where inspectors can only stay a maximum of 3 years per region and specialty. The Ministry also has a special directorate to mediate conflicts between employers and employees.

Fundamental labour rights such as freedom of association and collective bargaining appear to face challenges in Egypt. According to the International Trade Union Confederation (ITUC), Egypt was one of the world's ten worst countries for workers recurrently in 2015, 2017, 2018 and 2020 due to severe obstacles to union representation and arrests of workers representatives during strikes.⁷ The Issuer states that guarantees for labour rights such as freedom of association and collective bargaining are included in the tenders and contracts for the Eligible Projects.

Health and Safety

Health and Safety requirements and monitoring are integrated in all public contracts, following the Egyptian Labour Law (12/2003). The General Administration for Occupational Safety, Health, and Securing the Work Environment⁸ is the central authority responsible for monitoring compliance with health and safety measures. The Ministry of Work provides trainings on health and safety issues, by geographical area.⁹ Complaints on health and safety issues can be made through an online portal.¹⁰

Dialogue with local stakeholders and communities

As part of the ESIA, projects undergo a public consultation process, allowing the project promoter to identify and address public concerns, share information with the public, and allow the public to give input to the project development. Any negative impacts on populations and communities living near the projects need to be compensated before the start of the construction phase. The public consultations are undertaken twice during the ESIA process: during the definition of the ESIA scope, and after completion of the draft ESIA. The Issuer has confirmed that all Eligible Projects will undergo a public consultation as part of the development of the ESIA.

Business Ethics

The Administrative Control Authority (ACA) is responsible for combating corruption and ensuring business ethics. It has been reorganised by Law No.54/1964 to expand the role and responsibilities of the ACA. Amendments in 2017 have granted it administrative and financial independence. The ACA must coordinate with other institutions and bodies, including the Central Auditing Agency, to improve transparency and integrity. The Issuer has stated that there is an inter-ministerial complaints portal¹¹ where complaints can be made regarding violations of the law and business ethics.

⁵ The portal can be found at: <http://www.manpower.gov.eg/LabourInspection.html>

⁶ The website of labour inspections can be found at: <http://www.manpower.gov.eg/LabourInspection.html>

⁷ ITUC Global Rights Index 2020 <https://www.ituc-csi.org/ituc-global-rights-index-2020>

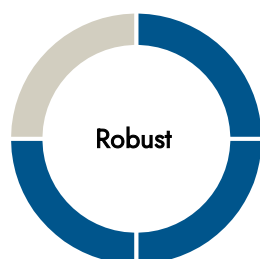
⁸ The webpage of the administration can be found at: <http://www.manpower.gov.eg/Safety.html>

⁹ More information can be found at: http://www.manpower.gov.eg/AdvisersAddresses_mc_div.html

¹⁰ This online portal can be found at <http://www.manpower.gov.eg/LabourInspection.html>

¹¹ This portal can be found at: <https://www.aca.gov.eg/english/Complaints/pages/sendcomplaint.aspx>

PART 2: ISSUER



The Arab Republic of Egypt is a country located in the northeast corner of Africa. Egypt has over 100 million inhabitants, making it the country with the highest population in North Africa, the Middle East, and the Arab world, and the 13th most populous country in the world. The majority of the population lives near the Nile River, and about half of Egypt's residents live in urban areas. Egypt has the third-largest economy in Africa, and the world's 40th largest economy by nominal GDP.

Level of ESG performance

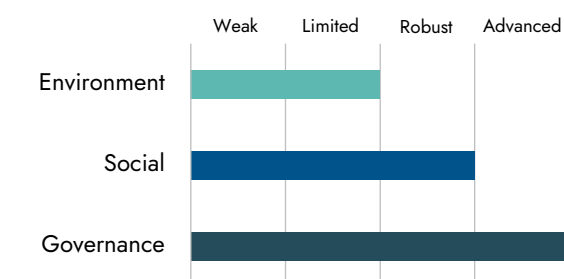
The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

According to the *Sovereign Sustainability Rating* © last updated by Vigeo Eiris (VE) in June 2020, Egypt received a score of 55/100 which is reflecting an overall **robust** sustainability performance. Egypt ranks 105th out of 178 countries rated in our global sovereign sustainability index, and 6th out of 20 MENA¹² countries rated by VE¹³.

By sustainability pillar, Egypt shows mixed levels of performance – the Issuer has a limited performance in Environmental Responsibility (45/100), a robust performance in Social Responsibility and Solidarity (56/100), and an advanced performance in Governance Responsibility (65/100). A full analysis of Egypt sustainability profile is presented in Appendix 2, on pp. 22-24.

In response to VE's Limited rating for the Environmental pillar, the Issuer has provided additional international sources that report on alternative and more recent data, which reflect a recent improvement in Egypt's performance in terms of energy production from renewable sources, air pollution in cities and level of water stress. Specifically, the Issuer has indicated that: (1) Energy from renewable sources (solar and wind) amounted to 1.5% in 2018¹⁴; (2) Annual average ambient PM2.5 were 66 µg/m3 in 2016¹⁵; (3) Level of water stress: Freshwater withdrawal as a proportion of available freshwater resources (internal and external) amounted to 117.3% in 2017¹⁶. This additional information cannot be incorporated in Egypt's rating because it is derived from sources which have different reporting scopes, and have not been agreed for use in our data collection and rating methodologies for the Sovereign Sustainability Rating. Of note, Egypt's current environmental strategy is highlighted in the Coherence section (p. 19).

ESG PERFORMANCE AS OF JUNE 2020



¹² According to the World Bank Country and Lending Groups classification, Middle East and North Africa (MENA) includes the following countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen. Source <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>. All these countries are covered by Vigeo Eiris (VE) in the Sovereign Sustainability Rating.

¹³ Note: The Issuer has not been subject to a review of its ability to mitigate sustainability risks based on the review of stakeholder opinion.

¹⁴ Source: <https://www.iea.org/data-and-statistics/data-tables?country=EGYPT&energy=Electricity&year=2018>.

¹⁵ Source: <https://openknowledge.worldbank.org/bitstream/handle/10986/32513/Egypt-Cost-of-Environmental-Degradation-Air-and-Water-Pollution.pdf?sequence=1&isAllowed=y>.

¹⁶ Source: <https://sdg6data.org/tables> or <https://unstats.un.org/sdgs/indicators/database/>

PART 3: COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with Egypt's strategic sustainability priorities and contributes to achieving the Issuer's sustainability commitments and targets.

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs), recognising the urgent challenge of achieving sustainable development, including combating climate change. Reaching these goals requires the transition of all economic sectors towards sustainable development models, and the immediate action of all public and private actors. In particular, national governments must mobilise to achieve sustainable development goals through regional and global leadership, integrating sustainability in policies, budgets, institutions and regulatory frameworks, and working with all stakeholders.

Egypt is particularly vulnerable to the impacts of climate change. According to the Intergovernmental Panel on Climate Change (IPCC), Egypt's Nile Delta is one of the world's three hot spots for "extreme" climate vulnerability. It is projected that Egypt will suffer from many impacts of climate change, such as sea level rise, water scarcity and deficiency, and an increase in the frequency and intensity of extreme weather events. This is expected to have a major impact on infrastructure, fertile land, and land and water resources, potentially affecting food security, health, economy and ecosystems. Sectors which are projected to be particularly affected include water resources, agriculture and fisheries, health, housing and settlements, biodiversity, telecommunications, energy, tourism, as well as coastal zones and coral reefs.

Egypt appears to acknowledge its mission in facing the aforementioned challenges and has formalised significant environmental commitments and action plans, which in some cases have quantitative targets:

- Egypt's commitment to achieve the UN SDGs is reflected in the framework of Egypt's national strategy, "Sustainable Development Strategy: Egypt Vision 2030" (SDS).¹⁷
- Egypt has committed to increase the share of renewable energy in the electricity mix to 20% by 2022 and to 42% by 2035.
- Egypt has adopted a plan to upgrade its infrastructure across all sectors and regions within the country for greater energy efficiency and resource conservation.
- The *Government Program (2018/2019 – 2021/ 2022)* includes several development programs that take sustainability into consideration, including water consumption rationalisation, developing renewable energy resources, transition to a green economy, improving water and air quality, waste management, solid wastes disposal, and linking the scientific research with environmental improvements.
- the Sustainable Development Plan of the Fiscal Year 2020/2021 focuses on prioritising the finance of green investment projects, which represent about 14% of total public investments (as of 2020).

In addition, Egypt has demonstrated commitment to addressing climate change by regularly submitting national communication reports on this issue, and by submitting its National Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015, and its first biennial update report in 2019.

In particular, these strategies show a high level of ambition from Egypt, considering the environmental challenges it faces and past environmental performance. They illustrate the commitments of Egypt in improving its environmental performance and the coherence of the bond with strategic sustainability priorities, to tackle its key environment issues.

¹⁷ <https://www.arabdevelopmentportal.com/publication/sustainable-development-strategy-sds-egypt-vision-2030>.

APPENDIX 1 – ELIGIBLE CATEGORIES

THE ARAB REPUBLIC OF EGYPT SOVEREIGN GREEN FINANCING FRAMEWORK		
ELIGIBLE CATEGORY	DEFINITION AND ELIGIBILITY CRITERIA	OBJECTIVES AND BENEFITS
Clean Transportation	<p>Investment in electric rail and related infrastructure.</p> <p>Projects incentivising public transport and related infrastructure, leading to reduced emission from transportation activities.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> Electric train linking the new administrative capital (NAC) to other cities in the country through the fourth stage of the third line for Cairo Metro Third line for underground Metro (Tharwa Line) Upgrading and Modernization of Cairo Metro Line1 (Helwan - ElMarg) 	<p>Climate Mitigation</p> <p>GHG emissions reduction and avoidance</p>
Renewable Energy	<p>Renewable energy electricity generating facilities such as solar energy, wind energy, hydro (<25MW), and biomass:</p> <ul style="list-style-type: none"> All energy generation must have direct emissions below 100 gCO₂e/kWh. For biomass, the feedstock will not be originated from fields that deplete existing terrestrial carbon pools, high biodiversity, protected areas, nor compete with food production. <p>Transmission and distribution infrastructure associated with renewable energy facilities.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> 240 M.W wind farm project in GabalElzayt 50 M.W Photovoltaic project in komEmbo Wind Projects In Gulf Of Suez NagahHamadi Industrial Pipeline / Benban 3 Solar Park Electric stations with Wind power (Gulf of Suez) 	<p>Climate Mitigation</p> <p>GHG emissions avoidance</p>
Pollution Prevention and Control	<p>Waste collection, waste recycling and composting facilities.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> Investment in a waste composting facility 	<p>Pollution Prevention and Control</p> <p>Waste recycling</p> <p>Prevention of pollution from uncollected waste</p>
Climate Change Adaptation	<p>Projects increasing resilience and adaptive capacities and reducing risk and vulnerabilities.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> Adaptation projects in all sectors such as early warning systems, development of crop species resistant to salinity and temperature increase, coastal zone management, etc 	<p>Climate Change Adaptation</p> <p>Increase of resilience and adaptive capacities</p> <p>Reduction of vulnerabilities to climate change</p>

THE ARAB REPUBLIC OF EGYPT SOVEREIGN GREEN FINANCING FRAMEWORK		
ELIGIBLE CATEGORY	DEFINITION AND ELIGIBILITY CRITERIA	OBJECTIVES AND BENEFITS
Energy Efficiency	<p>Projects leading to increase in energy efficiency of buildings.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> • Energy efficiency • Selection of building systems and materials • Indoor environmental quality improvement • Design and innovation process 	<p>Climate Mitigation</p> <p>GHG emissions reduction and avoidance</p>
Sustainable Water and Wastewater Management	<p>Infrastructure for transportation and treatment of wastewater, including for example, building new wastewater treatment plants (WWTP), sewer systems and pumping stations and maintaining and optimizing existing ones.</p> <p>Infrastructure for sewage sludge treatment, including for example, using anaerobic fermentation of sludge in generating electric power. The Issuer has not specified a specific threshold of methane emissions for sewage sludge treatment but has reported of a monitoring system to prevent CH₄ emissions.</p> <p>Seawater desalination plants with most energy-efficient technologies.</p> <p>Projects that reduce water consumption or improve the efficiency of resources e.g., collection, treatment, recycling or reuse of water, rainwater, or wastewater.</p> <p><u>Example projects:</u></p> <ul style="list-style-type: none"> • Sewage treatment plants • Sea water desalination plants • Sludge treatment facility of Abu Rawash W.W.T.P 	<p>Pollution Prevention and Control</p> <p>Increase in the efficiency of water production and consumption</p> <p>Increase in the amount of water reused</p> <p>Energy generated from sludge treatment</p>

APPENDIX 2 – ISSUER ESG PERFORMANCE

According to the *Sovereign Sustainability Rating* © last updated by Vigeo Eiris (VE) in June 2020, Egypt received a score of 55/100 which is reflecting an overall **robust** sustainability performance. Egypt ranks 105th out of 178 countries rated in our global sovereign sustainability index, and 6th out of 20 MENA¹⁸ countries rated by VE¹⁹.

By sustainability pillar, Egypt shows mixed levels of performance – the Issuer has a limited performance in Environmental Responsibility (45/100), a robust performance in Social Responsibility and Solidarity (56/100), and an advanced performance in Governance Responsibility (65/100).

In response to VE's Limited rating for the Environmental pillar, the Issuer has provided additional international sources that report on alternative and more recent data, which reflect a recent improvement in Egypt's performance in terms of energy production from renewable sources, air pollution in cities and level of water stress. Specifically, the Issuer has indicated that: (1) Energy from renewable sources (solar and wind) amounted to 1.5% in 2018²⁰; (2) Annual average ambient PM2.5 were 66 µg/m3 in 2016²¹; (3) Level of water stress: Freshwater withdrawal as a proportion of available freshwater resources (internal and external) amounted to 117.3% in 2017²². This additional information cannot be incorporated in Egypt's rating because it is derived from sources which have different reporting scopes, and have not been agreed for use in our data collection and rating methodologies for the Sovereign Sustainability Rating. Of note, Egypt's current environmental strategy is highlighted in the Coherence section (p. 19).

Please note that Egypt's ESG assessment included in the table below is solely based on VE's Sovereign Sustainability Rating data and rating method.

PILLAR	COMMENTS	PERFORMANCE LEVEL
Environmental Responsibility	<p>Egypt's performance in the Environmental Responsibility pillar is limited with a score of 45/100, placing the country in the bottom quartile in VE's rated sovereign universe (142nd out of 178). At the time of the evaluation, Egypt has ratified most relevant international environmental conventions, such as the Paris Agreement, the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Framework Convention to Combat Desertification and the Stockholm Convention on persistent organic pollutants.</p> <p>Among the areas where Egypt needs improvement are the reduction of GHG emissions and pollution, the promotion of renewable energy, the management of water resources and consumption, and the development of sustainable agriculture practices.</p> <p>Like other MENA countries, Egypt's economy is highly dependent on generation and consumption of fossil fuels. With a very high rate of population access to electricity, Egypt is generating over 90% of its energy needs from fossil fuels – e.g. as of 2014, 71% of Egypt's electricity was generated from natural gas sources and 21% from oil sources. By comparison, energy from renewable sources (e.g. solar, wind,</p>	Advanced
		Robust

¹⁸ According to the World Bank Country and Lending Groups classification, Middle East and North Africa (MENA) includes the following countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen. Source <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>. All these countries are covered by Vigeo Eiris (VE) in the Sovereign Sustainability Rating.

¹⁹ Note: The Issuer has not been subject to a review of its ability to mitigate sustainability risks based on the review of stakeholder opinion.

²⁰ Source: <https://www.iea.org/data-and-statistics/data-tables?country=EGYPT&energy=Electricity&year=2018>.

²¹ Source: <https://openknowledge.worldbank.org/bitstream/handle/10986/32513/Egypt-Cost-of-Environmental-Degradation-Air-and-Water-Pollution.pdf?sequence=1&isAllowed=y>

²² Source: <https://sdg6data.org/tables> or <https://unstats.un.org/sdgs/indicators/database/>

	<p>geothermal, biomass, excluding hydropower) amounted to less than 1%.</p> <p>Egypt recorded the fifth lowest CO₂ emissions per capita (2.23 metric tons in 2014) and the third lowest CO₂ emissions of transport per capita (in 2014) compared to peers, despite having the highest population count in the MENA region.²³ However, with a record GDP growth rate over the last five years, transport remains one of Egypt's highest energy consuming and the high polluting sector.²⁴ The country has the second highest urban pollution levels among its MENA peers – e.g. Egypt's annual mean levels of fine particulate matter (PM_{2.5}) in cities (population weighted) was 79.3 microgram/m³ in 2016.²⁵ Urban air pollution is further escalated by substandard municipal solid waste disposal facilities, with only 2% of the country's waste managed in modern sanitary landfills.²⁶</p> <p>Water stress is a very high-risk climate change risk that affects most MENA countries due to their arid and semi-arid climate. Egypt has very low performant water resources management and conservation systems – e.g. annual freshwater withdrawals for agriculture, industry and domestic use exceed over 40 times the country's total water resources,²⁷ while renewable internal freshwater resources per capita is the fourth lowest²⁸ in the MENA group. Decreasing rainfall and increasing temperatures due to global climate change mean that Egypt urgently needs to adapt and innovate when it comes to water consumption, supply and conservation infrastructure.</p>	Limited
		Weak
Social Responsibility and Solidarity	<p>Egypt's performance in the Social Responsibility and Solidarity pillar is assessed as robust with a score of 56/100, placing the country at the bottom of the second quartile in VE's rated sovereign universe (81st out of 178).</p> <p>Egypt has high enrolment rates for both primary and secondary education. However, the country fares among the bottom seven countries in the MENA region regarding government spending on education, which, according to last available official data, amounted to 3.8% of GDP (2008).²⁹</p> <p>The promotion of healthy lives is an area where Egypt demonstrates mixed performance. Decreasing under-five and infant mortality rates and increasing life expectancy at birth have recorded positive performance trends over the last ten years.³⁰ By contrast, maternal mortality and under-five malnutrition have both increased and show deteriorating long-term trends.³¹</p> <p>Income equality in Egypt is high and comparable to that of other MENA countries. The country's Gini coefficient revolved between 31 to 32 percent during the 1990-2017 period.³² On the other hand, the working population does not enjoy fundamental rights such as freedom of association and collective bargaining. According to International Trade Union Confederation (ITUC), Egypt was one of the world's ten worst countries for workers recurrently in 2015, 2017, 2018 and 2020 due to severe obstacles to union representation and arrests of workers representatives during strikes.³³</p>	Advanced
		Robust
		Limited

²³ In 2019, Egypt recorded a GDP growth rate of 5.6% (source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>) and over 100 million in total population (source: <https://data.worldbank.org/indicator/SP.POP.TOTL>).

²⁴ The transport sector accounted for 36% of Egypt's final energy consumption in 2017. Source: <https://www.enerdata.net/publications/executive-briefing/transport-efficiency-improvements-ghg-emerging-countries.html>.

²⁵ As of 2016, the lowest two annual mean levels of PM_{2.5} in cities (population weighted) in the MENA region were recorded in Malta (13.9 microgram/m³) and Israel (19.5 microgram/m³). Source: <http://unstats.un.org/sdgs/indicators/database/?indicator=11.6.2>.

²⁶ Source: <http://documents1.worldbank.org/curated/en/245761468024247659/pdf/PID-Print-P152961-01-05-2015-1420469398757.pdf>.

²⁷ Egypt's annual freshwater withdrawals amounted to 4,100% of internal water resources in 2014. Withdrawals that exceed 100% of total renewable resources indicate where extraction from nonrenewable aquifers or desalination plants is very high or where there is significant water reuse. Source: <https://data.worldbank.org/indicator/ER.H2O.FWTL.ZS>.

²⁸ Egypt's renewable internal freshwater resources per capita accounted for 19.9 m³ in 2014. Source: <https://data.worldbank.org/indicator/ER.H2O.INTR.PC>.

²⁹ Source: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

³⁰ Source: Under-five mortality rate <https://data.worldbank.org/indicator/SH.DYN.MORT>; Infant mortality rate <https://data.worldbank.org/indicator/SP.DYN.IMRT.IN> and Life expectancy at birth <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>

³¹ Source: Maternal mortality rate <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>; Prevalence of under-five malnutrition <https://unstats.un.org/sdgs/indicators/database/?indicator=2.2.2>

³² A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. Source: <https://data.worldbank.org/indicator/SI.POV.GINI>

³³ ITUC Global Rights Index 2020 <https://www.ituc-csi.org/ituc-global-rights-index-2020>

	<p>Egypt fares low in areas such as accessibility of healthcare and gender equality. With 1.9 nurses & midwives and 0.5 physicians per 1,000 people,³⁴ the density of medical staff in Egypt is well below the WHO estimates of 2.5 medical staff per 1,000 people needed to provide adequate coverage with primary care interventions.³⁵ Similar to other MENA countries, Egypt has low rates of women representation in political life and labour force.³⁶ Increasing women's access to education and the labour market is identified as a determinant for change by the Sustainable Development Goals (SDGs) in tackling world poverty.</p>	Weak
Governance Responsibility	<p>Egypt's performance in the Governance Responsibility pillar is assessed as advanced with a score of 65/100, placing the country at the top of the third quartile in VE's rated sovereign universe (94th out of 178).</p> <p>Egypt has ratified all the fundamental conventions relating to human rights including non-discrimination based on race and gender, children's rights, and workers' rights including forced labour, freedom of association and collective bargaining. The country retains the death penalty in law.³⁷</p> <p>Egypt scores low in most areas related to the promotion of the rule of law and democratic accountability. Following the anti-government uprisings that swayed the MENA region in early 2010s, Egypt demonstrates little was done to reform its political systems, increase the efficiency of the government and eliminate endemic corruption – the country has recorded negative performance trends over the last ten years in all six dimensions of governance covered by the Worldwide Governance Indicators: Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law; and Control of Corruption.³⁸</p> <p>Egypt ranked in the bottom quartile of the Global Peace Index (130th out of the 163 countries evaluated), with a score of 2.5/5 in 2020³⁹ – the country as a whole remains significantly less peaceful than it was prior to the social unrest of the Arab Spring in 2011. The prolonged unfavourable political environment also mars the country's prospects for long-term economic stability – Egypt's political outlook poses a high risk for domestic companies of defaulting on their commitments.⁴⁰ In addition, Egypt's adjusted net savings have recorded a deteriorating trend in the last two decades, indicating a consistent run down in the country's overall resources and wealth.⁴¹</p>	Advanced
		Robust
		Limited
		Weak

³⁴ Source: Nurses & midwives per 1,000 people <https://data.worldbank.org/indicator/SH.MED.NUMW.P3>; Physicians per 1,000 people <https://data.worldbank.org/indicator/SH.MED.PHYS.ZS>

³⁵ As per the definition of medical staff shortage in the 2006 World Health Report https://www.who.int/whr/2006/whr06_en.pdf?ua=1

³⁶ Proportion of seats held by women in national parliaments (%) <https://data.worldbank.org/indicator/SG.GEN.PARL.ZS> ; Labor force participation rate, female <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>

³⁷ Source: <https://www.amnesty.org/en/countries/middle-east-and-north-africa/egypt/>

³⁸ Source: Worldwide Governance Indicators (WGI) <https://info.worldbank.org/governance/wgi/>. Vigeo Eiris (VE) calculates performance trends where underlying historical data is available at the source.

³⁹ Source: <http://visionofhumanity.org/indexes/global-peace-index/>

⁴⁰ Vigeo Eiris (VE) uses country risk analysis published by Coface to assess the country's business resilience to market risks. Source: <http://www.coface.com/Economic-Studies-and-Country-Risks>

⁴¹ Source: <https://data.worldbank.org/indicator/NY.ADJ.SVNG.GN.ZS>

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Project Manager, Quality Reviewer and final review and validation by a Senior Supervisor). A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally Vigeo Eiris' Scientific Council. All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

PART 1. ISSUANCE

Alignment with the Green Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Vigeo Eiris according to the ICMA's Green Bond Principles - June 2018 ("GBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Vigeo Eiris evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Vigeo Eiris on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Vigeo Eiris on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Vigeo Eiris' assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

PART 2. ISSUER

Level of the Issuer's sustainability performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

Vigeo Eiris' methodology, the *Sustainability Sovereign Rating*®, measures and compares the levels of integration of international public law and soft law frameworks, including for the recent period the Sustainable Development Goals (SDGs), and the action programmes of Agenda 21, adopted by 178 countries at the Rio Earth Summit in 1992. We pay particular attention to the commitments, policies and impacts of public policies in terms of respect of fundamental human rights, access to economic, social, cultural and environmental rights, quality of governance, as well as international solidarity and cooperation. Based on the analysis of a universe composed of 178 countries, the results provide a comparative view of risks and performances, with regard to universally acknowledged sustainability objectives.

The sustainability performance of Egypt was most recently evaluated by Vigeo Eiris in June 2020, based on three rating domains, all equally weighted in the model: Environment (i.e. environmental protection), Social (i.e. social protection and solidarity) and Institutions (i.e. rule of law and governance):

- Commitment indicators: reflecting the state's level of commitment to the goals and principles set by major international agreements: Conventions, recommendations and statements of the ILO; UN Charters and treaties; guiding principles of the OECD; regional instruments (assuming their full compliance with the United Nations Charter); the Universal Declaration of Human Rights and its related protocols and treaties.
- Result indicators: measuring the efficiency of the country's sustainable development actions. Vigeo Eiris gathers information from diversified sources including international organisations such as intergovernmental organisations, international trade unions and NGOs.

PART 3. COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to its main sustainability issues.

VIGEO EIRIS' ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. Reasonable level of risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of assurance of risk management is weak to very weak.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

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This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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