

## Communication of Progress

March 11th 2012

WE are pleased to confirm that EFG Hermes supports the ten principles of the Global Compact with respect to human rights, labor, environment, and anti-corruption. With this communication, we express our intent to advance these principles within our sphere of influence. We are committed, as confirmed by a resolution issued by our board of directors, to making the Global Compact and its principles part of the strategy, culture, and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly, the Millennium Development Goals. EFG Hermes will make a clear statement of this commitment to our stakeholders and to the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) report that describes our company's efforts to implement the ten principles. We are herewith pleased to submit our first COP report. It underlines our commitment to UNGC principles and demonstrates how we strive to create a productive work environment while having a positive influence on the communities around us.

Sincerely yours,



Hassan Heikal

CEO



Yasser El Mallawany

CEO

## HUMAN RIGHTS

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- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2 - Make sure that they are not complicit in human rights abuses

## POLICIES

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1. The EFG Hermes Employee Handbook clearly sets out employee rights in terms of conditions of employment, performance management, leave entitlements, recruitment, and employment termination procedures. The handbook is available to all employees on the intranet.
2. EFG Hermes promotes a culture of integrity and rejects unethical practices at all levels of its operation. The EFG Hermes Code of Conduct defines a clear set of standards for business conduct of employees and is available to all employees on the intranet.
3. The EFG Hermes Foundation, established in 2006 and registered as an NGO under the Ministry of Social Solidarity in 2007, is mandated to support high-impact social development projects targeting those most in need in Egypt's poorest communities.

## PROGRESS

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- EFG Hermes is a firm believer that corporations have a social responsibility towards their communities. With a focus on poverty alleviation through integrated development, the EFG Hermes Foundation funds social development projects that improve the quality of life and increase the opportunities for youth in local communities.
- The EFG Hermes Foundation partners with the most innovative, experienced and passionate individuals and organizations operating in the social development field using the following approach:
  - Support creative, passionate, and effective individuals and organizations in their efforts to make positive and lasting social impacts.
  - Cultivate, support, and finance innovative approaches to assist non-profit organizations and NGOs become more effective and self-sustaining.

- Promote and encourage social entrepreneurs who seek to build growing and sustainable businesses with primary objectives in the area of social and community development.
- Encourage the use of private sector and market-based skills to help achieve social objectives through alliances with the public sector.
- In 2008, the EFG Hermes Foundation embarked on an ambitious, EGP 27 million integrated development project in Ezbet Yacoub, Beni Sweif. The aim was to transform Ezbet Yacoub from a derelict, economically defunct rural slum into a vibrant, functioning, and sustainable village.
- Dubbed "**Ro'ya**," the Ezbet Yacoub project adopted an innovative approach: the rehabilitation of an entire community starting with infrastructure development and encompassing comprehensive economic and human development initiatives, as well as access to a variety of basic services. The objective of this dynamic, multi-dimensional approach was to reduce overall poverty among Ezbet Yacoub residents not just to make them more comfortable in their poverty.
- Ro'ya was invaluable in demonstrating how partnerships between the private sector, the government, and civil society can result in innovative, sustainable development initiatives. The private sector is by nature dynamic and capable of responding decisively to changing market or client needs. By applying private sector investment principles of sustainability and economic efficiency to the development process, Ro'ya was able to effect a profound transformation in Ezbet Yacoub, going on to win several prestigious awards:
  - The Egyptian Cabinet of Ministers–Social Contract Center's "Model Development Project of the Year," 2009
  - GTM/EGX's "Best Corporate Social Responsibility Award," 2010
  - Finalist, "Schwab Foundation Award for Social Entrepreneurship," 2008
- The Foundation is currently providing support to several projects:
  - **The MOVE Foundation for Children with Cerebral Palsy (CP).** CP is a non-curable, but treatable, condition caused by birth trauma or birth injury, most often the result of a lack of oxygen to the infant brain during childbirth. The MOVE mission is to improve the overall quality of life for children with disabilities and for the people who care for them. MOVE's program is dedicated to helping handicapped children and adults with severe disabilities sit, stand, and walk. MOVE has successfully graduated 10 children from its program, all of whom have been mainstreamed into the public school system or special education centers.
  - **Students in Free Enterprise (SIFE)** is an international non-profit organization whose main aim is to create improved sustainable life standards for people in need by developing their leadership, team work, presentation,



communication, and other interpersonal skills. The Foundation is currently funding two components. The first is a special competition on “Financial literacy” where SIFE students from 28 universities will implement projects in selected communities to encourage tertiary SIFE teams to educate others how to develop the personal financial management skills necessary to achieve financial independence. The second is the National Competition World Cup. This event will be held in Washington DC, (September 30 – Oct. 2, 2012).

- Previous projects funded by the Foundation include:
  - **Unite for Children** – In partnership with UNICEF, this project aimed at helping prevent children from living in the street and protecting children who are actually living in the street. The project involved the establishment of Egypt’s first-ever shelter for pregnant and young street mothers in Moqattam.
  - **The Egyptian Paralympics Committee** – The Foundation sponsored the Egyptian Paralympics Committee, the only entity responsible for managing all national and international activities related to handicapped athletes and those with special needs.
  - **The Youth Sustainability and Viability Fund** was designed to support and contribute to the growth and sustainability of an effective and vibrant Egyptian youth civil society, by providing the necessary financial and technical support to existing and emerging youth NGOs, with the ultimate aim of empowering them to address their problems and those of their communities.
  - **The Habitat Project** in Nazlet Hussein aimed at improving the quality of life for individuals living in one of the communities of Minya governorate through the provision of 1,000 healthy safe houses.
  - **Promoting Education for Children at Risk** – In partnership with The United Nations World Food Programme, the project aimed at promoting education and reducing poverty and food insecurity in Upper Egypt through access to basic education facilities for children-at-risk, in-school meal support, and take-home food rations.
  - **Microfinance** – The objectives of this project were to increase the income of women micro-entrepreneurs in the poor neighborhoods of Greater Cairo and improve their quality of life through access to sustainable and diversified financial services in line with their needs.
  - **Community Center and Non-Formal Education Curriculum** – In partnership with Alwan wa Awtar, an NGO focusing on art as a tool for social development, this project aimed at broadening the cultural dimension of youth through exposure to art, workshops, and field trips to museums and concerts.

- **Medical Convoys** – This project involved sending four medical convoys, each consisting of 12 fully-equipped medical vans, to two of the most poverty stricken areas of Greater Cairo; Manshiyet Nasser, and Masr El Qadima.
- **Hepatitis C & Blood Born Viruses Awareness and Combat Project** and **National Hepatitis B (HBV) University Vaccination and Awareness Campaign.**

## LABOR

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- Principle 3 - Businesses should uphold freedom of association and effective recognition of the right to collective bargaining
- Principle 4 - The elimination of all forms of forced and compulsory labor
- Principle 5 - The effective abolition of child labor
- Principle 6 - Eliminate discrimination in respect of employment and occupation

## POLICIES

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1. EFG Hermes adheres to all labor laws in its countries of operation including provisions on issues such as freedom of association and collective bargaining; the elimination of forced and compulsory labor; the abolition of child labor; and the elimination of all forms of discrimination. These laws include but are not limited to the following:
  - a. Egyptian Labor Law – No. 12 of 2003
  - b. Egyptian Income Tax Law – No. 91 of 2005
  - c. UAE Federal Labor Law – No. 8 of 1980
  - d. DIFC Employment Law – No. 4 of 2005
  - e. Labor and Workmen Law of the Kingdom of Saudi Arabia – No 745 of 1969
2. The EFG Hermes Employee Handbook clearly sets out employee rights in terms of conditions of employment, performance management, training and development, benefits, leave entitlements, recruitment, and allowances. The handbook is available to all employees on the intranet.
3. The EFG Hermes Training and Development Policy ensure that all staff members have equal access to high quality training and development opportunities to promote diversity at all levels in the workforce.
4. Policies ensuring workplace diversity and fair recruitment practices are documented and published through the intranet. These include a “Know your Employee” Policy (draft), a policy governing employment of family members, and a separate “Whistle Blowing” Policy designed to protect employees from discrimination and foster a culture of open dialogue between employees and managers, through both formal and informal channels.



- The management of EFG Hermes recognizes that, in a dynamic and competitive industry such as investment banking, it is the caliber and quality of its employees that distinguishes EFG Hermes from other banking institutions. EFG Hermes is committed to promoting an environment of training, learning, and continuing professional development for all employees.
- In addition to mandatory training on subjects such as anti money laundering and fraud prevention, employees are offered general skills training as well as specialized training in particular areas of expertise. The Firm also funds examination costs for employees seeking certifications including Chartered Financial Analyst (CFA), Certified Public Accountant (CPA), Certified Management Accountant (CMA), Association of Chartered Certified Accountants (ACCA), and Certified Portfolio Manager (CPM), among others.
- EFG Hermes seeks to appoint the best-qualified individuals to fill positions on the basis of experience, ability, and skills while simultaneously creating career growth opportunities for superior performers, so wherever practical and appropriate, vacancies are filled from within the organization by the promotion or transfer of qualified staff.
- Full-time employees may participate in the EFG Hermes Group Medical Plan from their first day of work with the Firm. Up to three members of their family may also be covered, if they qualify as eligible dependents.
- Under the EFG Hermes Group Survivors Plan, the Firm commits to pay \$120,000 to the estate of any EFG Hermes employee who dies, whether by natural causes or through an accident. This benefit is applicable to all employees, whether part-time or full-time, on the Firm's payroll, and does not depend on gender, seniority, salary, length of service or which office or country that they work in. This benefit is without any financial obligations or monthly installments from the employee.
- A fixed monthly deduction of 1% is made from the salaries of employees based in Egypt, which is matched by 3% from the firm and credited to an Employee Fund managed by the Administration Department. Benefits of the Employee Fund include subsidized recreational activities for employees, grants in certain events (marriage, birth of a child, death of family member, as well as Umrah travel grants for non-officers.
- Obligations for End of Service Benefits are accrued on a monthly basis.
- EFG Hermes is committed to maintaining a work environment with the highest standards of ethics, transparency, and accountability. An important aspect of this lies

in ensuring the validity of all employee-related information from the start of the employment relationship. The “Know Your Employee” Policy (draft) is intended to outline the firm’s requirements in vetting all relevant employee-related information at the start of the employment relationship. Employee screening is now an integral part of the hiring process. Pre-employment verification checks are undertaken to confirm the candidate’s experience. In addition, the Firm does not consider members of an employee’s family, up to the third degree for employment. Family members beyond the third degree may be considered for employment on the basis of their qualifications.



## ENVIRONMENT

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- Principle 7 - Businesses should support a precautionary approach to environmental challenges
- Principle 8 - Undertake initiatives to promote greater environmental responsibility
- Principle 9 - Encourage the development and diffusion of environmentally friendly technologies

## POLICIES

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1. EFG Hermes adheres to all environmental laws in its countries of operation. Furthermore, projects funded by EFG Hermes are required to be in compliance with all country-specific legal requirements including environmental legislation such as Egyptian Law 4/1994 for the Preservation of the Environment.
2. The EFG Hermes Employee Handbook includes provisions for maintaining a safe and healthy workplace environment, conserving energy, and minimizing waste whenever possible.
3. The EFG Hermes Foundation aims to support innovative and sustainable programs that improve living standards for those most in need in its local communities.

## PROGRESS

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- EFG Hermes maintains a smoke-free policy in its offices at all times.
- Plants and greenery are generously placed in all offices to create a calming and healthy work atmosphere.
- A number of measures have been introduced to decrease the Firm's carbon footprint by reducing waste, promoting efficient use of resources, and encouraging recycling. The following are some examples:
  - Providing transportation for employees to reduce traffic congestion and encourage fuel conservation.
  - Encouraging video-conferencing to reduce the need for business travel.
  - Introducing energy efficient heating and cooling systems.
  - Encouraging paper recycling whenever possible.
  - Introducing reusable cutlery and crockery in the cafeteria.
  - Reducing water consumption using automatic sensors on all water taps.
- The environment is a crosscutting concern in all EFG Hermes Foundation activities. All projects are required to take environmental considerations into account when submitting grant proposals.

- The EFG Hermes Foundation has funded a number of initiatives with environmental dimensions. These include the following:
  - **Paper and Graphics Center** – The aim of this project was to conserve natural resources and create employment opportunities for dozens of under-privileged young males and females in Egypt. Undertaken in partnership with a local NGO, Al Nafeza, the project involved establishing a recycling unit and annually training between 10 and 13 local community members on the art of paper-making using rice straw and waste paper.
  - **Ro'ya 2008** – As part of its award-winning, integrated development project in Ezbet Yacoub in Beni Sweif, the EFG Hermes Foundation provided wastewater treatment facilities for two villages.
  - **The Water and Latrine Facilities Project** – This project, executed in association with the Better Life Association for Comprehensive Development (BLACD), provided water and latrine facilities to 3,000 houses located in the Manshiyet Samalout and Bani Khaled communities in Minya governorate. It also included awareness-raising activities for the residents of these communities, so that they can use and care for these facilities.
  - **National Campaign for A/H1N1 Awareness in Schools** – This project focused on raising awareness on A/H1N1 virus among teachers, students, and their families in 50,000 schools throughout Egypt.
- EFG Hermes Foundation staff members have participated in several conferences and meetings on environmental issues including "Egypt's Business Summit on Climate Change," CARE Egypt's "Engage Beyond Charity" conference, and "Investing in Egypt's Green Economy 2010," a conference bringing together experts to discuss the social and environmental impact of transitioning to a more environmentally friendly economy and the importance of creating social awareness on environmental issues.

## ANTI-CORRUPTION

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- Principle 10 - Businesses should work against all forms of corruption, including extortion and bribery.

## POLICIES

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1. EFG Hermes' Anti-fraud and Corruption Policy is published on the company's intranet and is available to all employees.
2. The EFG Hermes Employee Handbook and Code of Conduct have separate sections on issues such as whistle blowing, bribes and commissions, conflicts of interest, acceptance of gifts, and Chinese walls, and are available to all employees on the intranet.
3. EFG Hermes' Anti Money Laundering Policy is published on the company's intranet.
4. Policies enforcing strict action against all forms of unethical behavior and actions are documented and published through the intranet. These include a "Know your Employee" Policy (draft), a "Brokerage Best Execution" Policy, a separate "Whistle Blowing" Policy, and a policy governing the employment of family members.

## PROGRESS

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- These policies have been applied since EFG Hermes was established. They are updated on a yearly basis and modified as needed to address any loopholes that become evident during the course of company operation.
- The policies and procedures are available to all staff members on the intranet and upon request from the Human Resources Department and Internal Audit. All policies and procedures are confidential to the staff of EFG Hermes.
- Upon employment, employees and directors are required to affirm in writing, that they have read and understood the Code of Conduct and that they will comply with it. In addition, periodically all employees are required to re-affirm their understanding of and compliance with the current Code of Conduct.
- All employees are required to read the Firm's Anti-fraud and Corruption Policy in conjunction with the EFG Hermes Code of Conduct. This policy applies to all employees irrespective of their position with the firm and aims to educate EFG Hermes employees on fraud and corruption, set the framework for fraud prevention and anti-corruption actions, and define each employee's role in fighting any potential fraud and corruption within EFG Hermes. Compliance with this policy is mandatory and non-compliance may lead to disciplinary action including dismissal.



- Having sufficient information about clients and making use of that information underpins all other anti money laundering procedures and is the most effective means against the EFG Hermes Group being used for money laundering purposes. The Anti Money Laundering Policy sets out procedures for employees to follow to ensure that they have sufficient information about clients and to identify suspicious practices that may be associated with money laundering activities.
- Internal Audit plays a vital role by assisting senior management to maintain best practice control standards and fulfill regulatory requirements. The Risk and Audit Committee meets 4 times a year with additional unscheduled meetings as necessary. Internal Audit is responsible for ensuring that all fraud or corruption-related findings are addressed during those meetings. In case of any unresolved issues, Internal Audit makes sure that those findings are declared in the external auditor's engagement letter which is disclosed to stakeholders.
- All staff members are required to complete a two-part, interactive, web-based awareness training course. The purpose of this course is to educate junior, mid-level, and senior personnel about how fraud can cause enormous reputational damage to an organization—not just to its financial wellbeing. It also illustrates how being alert to the potential for fraud and reporting wrongdoing directly benefits every employee by preventing staff cutbacks and limitations on compensation and benefits. The training serves to instill the values of “doing the right thing” in the organization's culture by encouraging employees to use the knowledge they gain from the training to report suspicious activity according to the Firm's policies. Failure to complete the course results in investigation by management and is reflected in the employee's annual appraisal.
- The standards the firm demands of its staff and the procedures they must follow are always significantly tougher than those required by regulators in all of the markets in which EFG Hermes operates. Similarly rigorous is the quality and nature of the documentation required of clients. Institutionalized and documented procedures mean that corporate governance is a cornerstone of the Firm's operations. This exceptionally high level of compliance has helped EFG Hermes maintain its strong position in the market.
- EFG Hermes exercises zero tolerance in handling cases related to corruption and any form of unethical behavior or transactions. All people working for the Firm, in whatever capacity, whether employees, consultants, temps, freelancers or contractors (“staff”) are required to comply with the Firm's rules and regulations and applicable employment policies to raise concerns and disclose information they believe shows fraud, malpractice, etc. Failure to observe these policies may result in disciplinary action, up to and including immediate termination of employment or other relationship with the company.



- An important aspect of transparency and accountability is having a mechanism that enables employees to voice any concerns in a confidential, safe, and effective manner. The Whistle Blowing Policy is designed to empower employees to share any information they may discover that highlights potential fraud and any failure to comply with a law, regulatory requirement, internal rule, regulation or policy or any workplace malpractice without fear of being reprimanded, pressurized or victimized.
- New policies are constantly being developed in response to evolving laws and standards and to reflect new visions and global developments.