

EFG Hermes

Communication on Progress 2016
Submitted to the United Nations Global Compact



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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Abbreviations

AAST	Arab Academy for Science Technology
AUMs	Assets Under Management
BUE	British University in Egypt
CDA	Community Development Association
CoP	Communication on Progress
CP	Cerebral Palsy
CSC	Corporate Sustainability Committee
CSR	Corporate Social Responsibility
EGX	Egyptian Stock Exchange
EIU	Economist Intelligence Unit
ESG	Environmental, Social and Governance
FATCA	Foreign Account Tax Compliance Act
GCC	Gulf Cooperation Council
GCNE	Global Compact Network Egypt
HBV	Hepatitis B Virus
HCV	Hepatitis C Virus
IFC	International Finance Corporation
KPI	Key Performance Indicator
MENA	Middle East and North Africa
MIU	Misr International University
SAC	Sustainability Advisory Committee
SDGs	Sustainable Development Goals
SR	Sustainability Report
SSE	Sustainable Stock Exchanges
UNGC	United Nations Global Compact
UNPRI	United Nations Principles of Responsible Investing

Letter of Commitment

January 29, 2017

H.E. António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

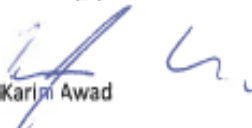
Dear Mr Secretary General,

At EFG Hermes, we thrive on challenge and pride ourselves on continuously pushing the envelope and creating new opportunities for our clients. We realise that achieving sustainability in the field of financial services is a multi-dimensional challenge but we believe that it also offers a wealth of opportunity. As the leading Middle East and North Africa financial services corporation, we look forward to taking the lead in working towards a more equitable, sustainable society.

Our commitment to the United Nations Global Compact for the past six years has shaped our sustainability efforts and provided us with a blueprint for change. In 2014, we redefined our vision and articulated a set of values that describe the kind of institution EFG Hermes aspires to be in the coming decades. In 2015, we issued our first stand-alone Sustainability Report in conjunction with our Annual Report and we committed to a series of actions and activities designed to further our commitment to sustainability. In 2016, we embarked on a path of transformation, expanding our sustainable investments and engaging extensively with our peers to advance the UNGC's ten principles and act as catalysts for wider change within our industry and within the communities where we do business.

We are pleased to confirm that EFG Hermes continues to support the ten principles of the United Nation's Global Compact (UNGC) with respect to human rights, labour, environment, and anti-corruption. We recognize that a key requirement for continued participation in the Global Compact is the annual submission of a Communication on Progress (COP) report that tracks performance on incorporating the ten principles in the firm's strategy, culture, and day-to-day operations as confirmed by a resolution issued by our board of directors. We have made a clear statement of this commitment to our stakeholders and to the general public and we are herewith pleased to submit our sixth COP as part of our commitment to a more sustainable future.

Sincerely, yours


Karim Awad
CEO

THE UNITED NATIONS GLOBAL COMPACT—UPHOLDING THE TEN PRINCIPLES

EFG Hermes is proud to be an active participant in the United Nations Global Compact (UNGC) and a founding member of the Global Compact Network Egypt (GCNE). Our support for the UNGC underscores the importance that we attach to corporate sustainability and our commitment to creating a transparent and responsible business environment. This Communication on Progress (CoP) report provides an overview of activities undertaken by EFG Hermes to uphold the Ten Principles of the UNGC on human rights, labour, the environment and anti-corruption. The summary below presents the Ten Principles and the corresponding EFG Hermes policies and progress in each area and is followed by an in-depth report on our sustainability initiatives and activities.

HUMAN RIGHTS PRINCIPLES

EFG Hermes’ goal is to uphold the UNGC principles on human rights by engaging with stakeholders and committing to policies that minimize risk on human rights issues and improve living standards in the communities where it operates.

Principle 1:	Policies/Actions	Progress
Businesses should support and respect the protection of internationally proclaimed human rights.	EFG Hermes values	- Continued commitment to our four core values of integrity, leadership, value creation and commitment.
	Commitment to sustainability	- Creation of a stand-alone Corporate Social Responsibility (CSR) Department responsible for policy development, reporting and liaison on all sustainability issues in collaboration with the Corporate Sustainability Committee (CSC). - Over 90% of employees have participated in mandatory sustainability training. - Release of the second annual sustainability report (SR) covering 2015 and preparation of the third annual SR to be issued in March 2017.
Principle 2: Make sure that they are not complicit in human rights abuses.	Stakeholder engagement	- Internal awareness campaign to promote the 17 Sustainable Development Goals (SDGs) and highlight their alignment with EFG Hermes activities. - Promotion of sustainability measures within the investment and finance industry through membership in the Sustainability Advisory Committee (SAC) of the Egyptian Stock Exchange (EGX) and the GCNE.
	Employee engagement	- Participation by employees in voluntary activities promoting sustainability including community development initiatives, development of financial literacy tutorials and social media engagement.
	Microfinance	- Extending banking services and loan facilities to small and micro-business owners previously considered ‘unbankable’ through the EFG Hermes subsidiary Tanmeyah.

Corporate citizenship	<ul style="list-style-type: none"> - The inauguration of the EGP 9 million Al-Makhzan integrated village development project which has provided clean water, sanitation, housing and education services to an impoverished rural community in Upper Egypt. - Financial literacy sessions for over 940 students at five Egyptian universities. - Sponsored field trips for over 20,000 public school students to the KidZania edutainment facility. - Support for the MOVE Foundation for Children with Cerebral Palsy (CP).
The EFG Hermes Employee Handbook	<ul style="list-style-type: none"> - 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. It is available to all employees on the company intranet.
The EFG Hermes Code of Conduct	<ul style="list-style-type: none"> - 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.
The EFG Hermes Supplier Code of Conduct	<ul style="list-style-type: none"> - The EFG Supplier Code of Conduct requires suppliers to uphold sustainability beliefs shared by EFG Hermes and all applicable laws regarding labour and human rights, health and safety, environmental protection and ethics practices whenever they make products or perform services for EFG Hermes. To date it has been signed by 56% of suppliers.

LABOUR PRINCIPLES

EFG Hermes upholds the UNGC principles on labour with a clearly defined set of policies and a commitment to investing in the professional development and well-being of its employees.

Principle 3:

Businesses should uphold freedom of association and effective recognition of the right to collective bargaining.

Policies/Actions

Career development programmes

- A total of 8,741 training hours in 2016.
- The percentage of untrained employees dropped by 10.4% from 57.7% in 2015 to 46.6% in 2016.
- An intake of 102 interns for the Experiential Learning Programme across EFG Hermes offices (up from 90 in 2015).

Policies to ensure workplace diversity and fair recruitment practices

- Policies to prevent discrimination by nationality.
- 'Know Your Employee' Policy.

Principle 4:

The elimination of all forms of forced and compulsory labour.

Employee engagement policies

- An on-line system to provide new hires with vital information ranging from minor details such as the dress code, to more important matters such as regulatory requirements and policies.

Principle 5:
The effective abolition of child labour.

Principle 6: The elimination of discrimination in respect of employment and occupation.

	<ul style="list-style-type: none"> - The EFG Hermes Connect application designed to streamline processes such as requesting vacations and HR letters, checking official holidays and pay days and provides access to all internal announcements and other important information. - ‘Whistle-blowing’ Policy. - Extension of the ‘Voice It’ programme, an online tool for employees at all levels across the firm to communicate new ideas and voice complaints anonymously and discreetly. - Installation of ‘Voice It’ grievance/suggestion boxes in our office in Egypt, Jordan, Kuwait, Oman, Saudi Arabia and the UAE. - Roll-out of firm-wide online sustainability awareness training completed by 90.5 % of employees.
Wellbeing, safety and health policies	<ul style="list-style-type: none"> - The ‘Fit-for-Life’ programme supervised by a certified fitness trainer and nutritionist. - On-site gym facilities. - Encouragement of employees to participate in team activities such as the internal football and table tennis tournaments in Egypt and the Bloomberg Square Mile Relay in Dubai. - Organization of cultural activities such as book fairs. - Medical and Life Grant policies for all employees.

ENVIRONMENT PRINCIPLES

EFG Hermes is committed to upholding the UNGC principles on the environment by being at the forefront of regional investment firms in the area of renewable and clean energy and by minimizing the environmental risk surrounding our operation and supply chain.

Principle 7:
Businesses should support a precautionary approach to environmental challenges.

Principle 8:
Undertake initiatives to promote greater environmental responsibility.

	Policies/Actions	Progress
	Responsible investing	<ul style="list-style-type: none"> - The Vortex Renewable Energy platform, the largest renewable energy-focused investment manager in Europe with a target capacity of 1.5 to 2 GW of net installed capacity within the coming years. - Launch of Egypt’s first alternative energy lease finance solution to provide agri-business with access to financing for renewable energy solutions.
	Environmental, Social and Governance Policy	<ul style="list-style-type: none"> - Commissioning of a third-party consultant to assist in developing and integration of an Environmental, Social and Governance (ESG) policy.
	Energy conservation	<ul style="list-style-type: none"> - Launch of <i>Felsekka</i>, a carpooling initiative to encourage our employees to reduce their carbon footprint.

Principle 9:
Encourage the development and diffusion of environmentally friendly technologies.

Green IT	<ul style="list-style-type: none"> - Complete conversion of the UAE, Jordan, and Egypt’s Assiut and Nasr City offices to energy efficient LED lights. - Campaign to encourage employees to save energy. - Migration to virtual servers to decrease power consumption and replace legacy IT equipment. To date, virtualization in the Egypt and UAE offices has reached the target of 75%, with 73% for Jordan and 33% for Saudi Arabia. - Migration of the EFG Hermes e-mail gateway to a secure cloud-based server. - Automation of internal reporting mechanism to decrease paper use. - Adoption of power-saving technologies such as firewalls and switches. - Safe disposal of all e-waste via a certified company.
Resource Management	<ul style="list-style-type: none"> - Announcement of Egypt HQ, Jordan, Oman and Saudi Arabia offices as free of disposable plastic cups. - Encouragement of clients to adopt e-statements to reduce paper use. - Replacement of paper file presentations with e-presentations via iPads in Board of Directors and Committee meetings.

ANTI-CORRUPTION PRINCIPLES

To uphold the UNGC principles on anti-corruption, EFG Hermes takes an energetic, proactive approach to corporate governance, compliance, auditing and risk management.

Principle 10:	Policies/Actions	Progress
Businesses should work against corruption in all its forms, including extortion and bribery.	Policies on: <ul style="list-style-type: none"> - Staff Dealing - Group Compliance - Information Disclosure - Disaster Recovery - ‘Chinese Wall’ - Anti-Fraud and Corruption - Whistle-blowing - Anti-Money Laundering 	<ul style="list-style-type: none"> - All policies are available to employees on the intranet. - 100% of the workforce have signed and acknowledged the Code of Conduct. - Development of a new orientation package designed to give trainees and newly hired employees a comprehensive view of all policies and operations.
	Mandatory anti-money	- 93% of the workforce took the anti-money laundering and 92% the anti-fraud training in 2016.

laundering and anti-fraud courses	- Rigorous due diligence processes.
Internal audit, compliance and risk management policies	<ul style="list-style-type: none"> - Adoption of continuous auditing as the Audit Department's new methodology. - Completion of a full review of EFG Hermes Leasing to ensure that the newly launched leasing activities are included as part of the firm's compliance coverage. - Strong internal control and risk management culture to ensure the alignment of business to management's strategic goals. - Internal Audit is renewing its commitment to monitor, assess and, where possible, strengthen business and support functions' sustainability efforts. - The compliance team also completed a year-long process to become compliant with the US government's Foreign Account Tax Compliance Act (FATCA), which came into effect in 2014. - EFG Hermes is the first investment bank in the Middle East and North Africa (MENA) region to receive ISO22301 certification from the British Standards Institute for its commitment to business continuity management.
Cybersecurity	- The IT Department continued the implementation of its cybersecurity plan, which was officially introduced to employees through a mandatory online course.

MEASUREMENT OF PROGRESS AND OUTCOMES

EFG strives to maintain its reputation as the leading Middle East and North Africa financial services corporation by adhering to a robust and stringent model of corporate governance, compliance and auditing. We have clearly defined management processes, structures, and policies that assure appropriate decision-making and accountability and reassure shareholders and clients that their investments are in safe hands in times of both bull and bear markets. A clear set of principles governs the conduct of all EFG Hermes employees, from the Board of Directors down to the most junior staff member.

Our auditing and compliance procedures adhere to the rules and regulations of multiple authorities and regulators in Egypt, Jordan, Gulf Cooperation Council (GCC) countries and beyond. To meet these types of challenges we have developed a clear compliance strategy built on a strong governance culture that promotes integrity, transparency, and accountability. Our Audit, Compliance, Risk and Human Resources Departments continuously monitor and evaluate performance against key performance indicators (KPIs), benchmarks and policies and provide conduits for employees to register any complaints or problems and ensure the highest levels of accountability, transparency and integrity.

STRATEGY

EFG Hermes is the leading Middle East and North Africa financial services corporation. Since its founding in 1984, it has been transforming the regional financial landscape and establishing a competitive edge in every market and sector of operation.

At EFG Hermes, we thrive on challenge and pride ourselves on continuously pushing the envelope and creating new opportunities for our clients. Our aim is not only to provide them with best-in-class products and services but also to enable growth and economic progress and deliver sustainable returns despite challenging operating environments.

Our strategy focuses on two main pillars: geographic expansion into frontier markets and product diversification. This strategy is underpinned by our social purpose: Leveraging our financial expertise and capitalizing on our human talent to create sustainable value for our stakeholders and the communities we serve.

We provide a wide spectrum of financial services including investment banking, asset management, securities brokerage, research and private equity to the entire region. In 2016, EFG Hermes announced the launch of a finance platform, EFG Hermes Finance, which will oversee activities in the non-banking finance field through EFG Hermes Leasing and Tanmeyah Microfinance.

Four intrinsic values have governed our firm since its founding in 1984: Integrity, Leadership, Value Creation and Commitment. It is our commitment to these values that has set us apart from our competitors by informing all aspects of our strategy and nurturing a culture of mindfulness and inclusion. The Six Ps of our strategy: People, Positioning, Presence, Products, Profits, and Public Responsibility function as the key pillars supporting our operations and the benchmark of our performance.

We understand that we are an integral part of the communities where we do business and that we have a responsibility towards these communities. The EFG Hermes Foundation continues to facilitate ground-breaking citizenship initiatives but we believe that this does not go far enough. Accordingly, we are preparing to become signatories of the United Nations Principals of Responsible Investing (UNPRI) as part of our strategy to embed sustainability and public responsibility in all aspects of our business.

We realise that achieving sustainability in the field of financial services is a multi-dimensional challenge but we believe that

EFG HERMES AT A GLANCE*

We operate in

6 countries

We serve over

115,000 clients

We have more than

880 employees

Our group assets total over

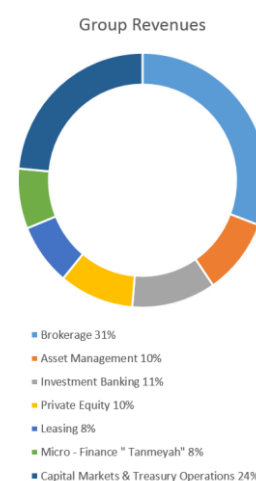
EGP 14 BN

Investment bank assets under management (AUMs) total

USD 3 BN

Net profit of

EGP 168 MN



*All figures for 9M2016

it also offers a wealth of opportunity. As the leading Middle East and North Africa financial services corporation, we look forward to taking the lead in once again transforming the market and working towards a more equitable, sustainable society.

SUSTAINABILITY

This year was an exciting year for us with significant advances on sustainability throughout our operation. Our efforts have been recognised and honoured both on an international as well as on a local level and we continue to refine and develop our approach to sustainability as our understanding of the challenges deepens and matures.

POLICY, GOVERNANCE AND REPORTING

This year, we created a stand-alone Corporate Social Responsibility (CSR) Department responsible for policy development, reporting and liaison on all sustainability issues in collaboration with the Corporate Sustainability Committee (CSC) and the Green Team, a dynamic action group comprising representatives of different departments.

In 2016, we also contracted a third-party consultant to assist us in developing an Environmental, Social and Governance (ESG) policy and integrating it into our business lines in preparation for becoming signatories of the UNPRI.

We report annually on our sustainability performance and have been active participants in the United Nations Global Compact (UNGC) since 2011. We are currently working on developing our sustainability reporting procedures in line with global guidelines. To date, we have issued two annual sustainability reports in tandem with our annual report and our third is due in March 2017 and covers the calendar year 2016 in addition to highlights of our progress over time.

THE SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development—adopted by world leaders in September 2015 at an historic UN Summit—officially came into force on 1 January 2016. As part of its employee engagement activities, the CSR Department has been organizing an awareness campaign with material on each of the 17 Sustainable Development Goals (SDGs) on the company intranet throughout the year. The department also seeks to highlight how EFG Hermes activities on sustainability align with different SDGs and illustrate how businesses can advance the 2030 Agenda through their core activities and partnerships.



Recognition



In December 2016, EFG Hermes Holding SAE was selected as a constituent of the FTSE4Good Index Series, a market-leading tool for investors that wish to align their portfolios with their values, or seek to invest in companies based on their management of ESG risks and demonstration of leading management practices.

The FTSE4Good Emerging Indexes are designed to measure the performance of companies in emerging markets that meet the globally recognised ESG inclusion standards used by the FTSE4Good Index Series.

In its 2016/2017 awards programme, UK's CEO Insight Magazine named EFG Hermes as its 'Social Sustainability Leader' of the year for the concrete results that we have collectively achieved in the areas of: sustainability disclosure reporting, corporate philanthropy, corporate governance, corporate social responsibility, community leadership, ethical principles and sustainable growth.



EFG Hermes is also proud to be one of 30 Egyptian companies listed on the S&P/EGX ESG Index. This index was developed in conjunction with Standard & Poor's and Crisil and designed to raise the profile of those companies that perform well in terms of environmental, social and corporate governance responsibility when compared to their market peers.

FOCUS ON ENGAGEMENT



Institutions such as EFG Hermes are uniquely positioned to help promote acceptance and implementation of sustainability measures within the investment industry. We take this responsibility seriously and engage with our peers and the wider community through several forums.

EGX SUSTAINABILITY ADVISORY COMMITTEE

The Egyptian Stock Exchange (EGX) was one of four pioneer exchanges that joined the United Nations' Sustainable Stock Exchanges (SSE) initiative in 2009. The aim of the initiative, founded by the UN Secretary General is to increase exchange-listed companies' transparency and commitment to environmental, social and corporate governance issues and to promote issues related to the SDGs.

EFG Hermes is a member of the EGX's Sustainability Advisory Committee (SAC) and participates extensively in sustainability outreach initiatives. In March 2016, EGX joined 34 Stock Exchanges around the world in a 'Ringing the bell ceremony for gender equality', celebrating and promoting sustainability and gender equality—one of the 17 SDGs—with the support of international institutions such as the International Finance Corporation (IFC) and UN Women as well as local investors and institutions.

GLOBAL COMPACT NETWORK EGYPT

The Global Compact Network Egypt (GCNE) was launched in February 2004 as the local contact point for the UNGC. In 2015, the GCNE became an independent entity in the form of a foundation, which aims to promote the Ten Principles of the UNGC and the SDGs in Egypt. EFG Hermes is proud to be a founding member of the GCNE and a participant in the UNGC since 2011. As members of the GCNE Steering Committee, we have been working with the GCNE and partner organizations on creating a responsible business climate in Egypt, whereby organizations move away from traditional business conduct toward sustainable development practices.

INVESTING IN CLEAN ENERGY

In 2015, nearly 200 countries signed up to the 17 SDGs of the 2030 Agenda for Sustainable Development and the Paris Climate Change Agreement. The transition to clean, sustainable and renewable energy underpins many of these goals and requires a transformational approach to energy investing and financing. EFG Hermes, via its Private Equity and Finance arms, is at the forefront of regional and global efforts to invest in clean energy and to support a cleaner future.

THE VORTEX RENEWABLE ENERGY PLATFORM



Vortex is a European renewable energy platform managed by the private equity arm of EFG Hermes. In two years, the private equity team has built Vortex from a newcomer in the renewable energy investment field into the largest renewable energy-focused investment managers in Europe. Vortex currently manages 822 MW in net capacity of solar PV and onshore wind assets, across the United Kingdom, France, Spain, Belgium and Portugal, well on its way to a target of 1.5 to 2 GW of net installed capacity within the coming years.



With its latest transaction to acquire 100% of a 365 MW operational solar PV power portfolio in the United Kingdom, originally owned by TerraForm Power, Vortex has successfully deployed c. USD 1.4 billion in the European renewables market since 2014 after acquiring net installed wind capacities of 457 MW through assets managed by EDP Renováveis SA across four Western European jurisdictions. The Solar PV transaction is valued at an Enterprise Value of c. GBP 470 million and comprises 24 operational assets, representing one of the largest portfolios of solar PV in the United Kingdom.



‘The successful close of this landmark deal provides EFG Hermes’ private equity division with considerable traction in Europe’s renewable energy space, a key pillar of EFG Hermes’ regional and global expansion strategy,’ said EFG Hermes CEO Karim Awad. ‘The transaction also demonstrates the dedication and professionalism of our private equity team, who have done an excellent job in solidifying EFG Hermes’ infrastructure investment footprint across several European jurisdictions,’ he added.

Vortex has already outperformed investment targets in terms of electricity generation and financial performance demonstrating the attractive financial returns possible on sustainable and responsible investment.



THE VORTEX PORTFOLIO AT A GLANCE

Gross capacity

1,363 MW

Gross generation

2,834 GWh

Households supplied

623,950

CO2 emission reductions

1,568, 000 TONS

AUMs in the European renewable energy market

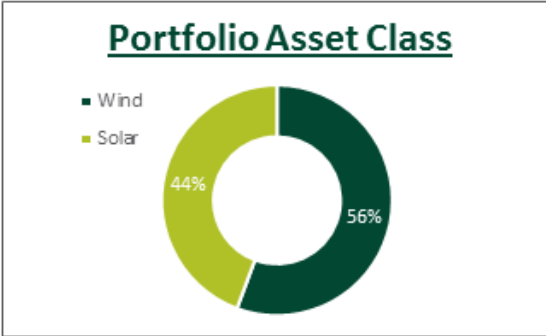
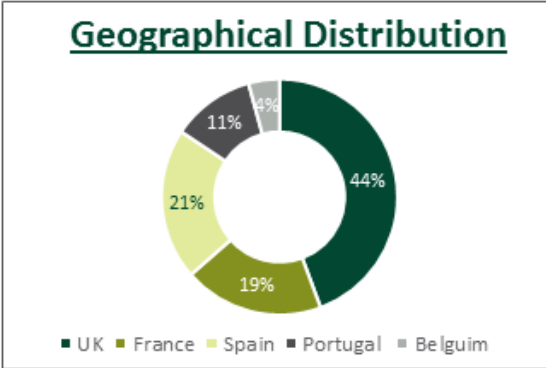
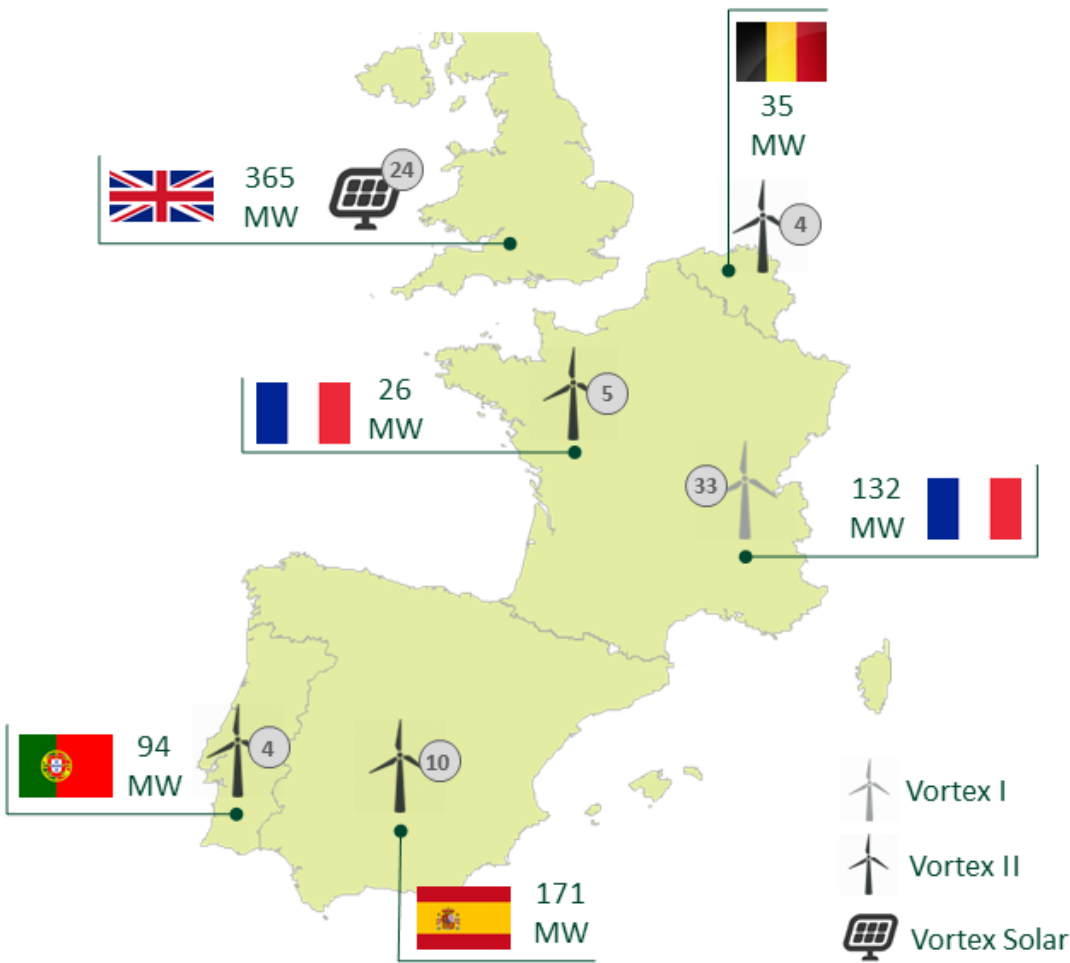
USD 1.4 BN

Percentage of total group AUMs in renewable energy

Over 40%

Vortex Energy Portfolio | Building a Geographically Diversified Asset Base

Vortex Platform Currently Owns Net Operational Capacity of 822MW Spread Over UK, Spain, Portugal, France and Belgium



Turbines	MW
Vestas	186
Enercon	98
GE	72
Alstom	38
Siemens	37
Other ¹	26
Total	460

Panels	MW
SunEdison	179
Hanhwa	102
Other ²	84
Total	365

²Includes JA Solar / Canadian Solar (44 MW), Trina Solar (18 MW), ReneSola (15 MW), Jinko (8 MW)

¹Nordex, Acciona, Gamesa, Repower

THE PROBLEM

Agricultural areas are often disconnected from the national grid and forced to rely on costly fuel shipments to power their water pumps.

EFG HERMES' SOLUTION

The launch of Egypt's first alternative energy lease finance solution.

THE VALUE

- Solar power is ideally suited to more remote, off-grid areas and for growers and businesses looking to reduce reliance on fossil fuels.
- Potential for cultivation of millions of acres of arable land in Egypt outside the Nile Delta.
- Clean energy provides agribusinesses with the opportunity to reduce their carbon footprint and burnish their organic credentials, with organic crops the fastest-growing segment in Egypt's agriculture industry.

LEASE FINANCING FOR ALTERNATIVE ENERGY SOLUTIONS

In December 2016, EFG Hermes Leasing launched Egypt's first alternative energy lease finance solution with KarmSolar, Egypt's largest private off-grid solar energy integrator. The vendor partner programme is the first of its kind in Egypt, and aims to create a sustainable solar energy financing solution for businesses while addressing the country's growing demand for alternative energy solutions. The solution is particularly well-suited to the nation's underserved agriculture sector, where it can play a transformative role in growing Egypt's base of arable land outside the Nile Delta region, easing pressure on Nile water resources and eliminating the need for less environmentally friendly energy sources. Rooftop solar panels for businesses and large corporations looking to add sustainable energy to their power mix or to add new capacity without reliance on the national grid are also included in the programme.

'EFG Hermes Leasing believes that a critical part of its role is to provide solutions that are innovative and that cater to untapped markets,' explained Walid Hassouna, CEO, EFG Hermes Finance. As demand for energy continues to grow across sectors, subsidy cuts and rising awareness of the environmental impact of fossil fuels are encouraging demand for clean, renewable energy.

The programme is the most aggressive financing scheme for solar stations in the Egyptian market and aims to prove that solar energy is an accessible and profitable alternative by minimizing barriers to entry for the agribusiness industry, across both individual farmers and corporations. This partnership will allow businesses across the country to not only meet their individual energy requirements through a reasonably priced custom financing plan, but also save costs while contributing to the health and sustainability of their communities.



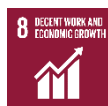
REACHING THE UNREACHABLE WITH TANMEYAH



Egypt has a young and vibrant population and a highly-developed banking sector. Despite this, over 90% of Egyptians remain outside the scope of services of the traditional banking industry. EFG Hermes is changing this through its recent acquisition of Tanmeyah, a fast-growing microfinance solution provider with over 114 nationwide branches.



Tanmeyah was established in 2009 to address a major impediment to the country's overall development: Small- and micro-business owners are usually considered 'unbankable' by major financial institutions and are cut off from access to the funding necessary to grow their business, boost employment, and improve living standards within their communities.



A core component of Tanmeyah's business model rests on the ability to reach unreachable clients through branches strategically located close to potential customers throughout Egypt. These community-based 'mini-banks' operate in the heart of the community employing trained residents with direct ties to the target client pool. This allows Tanmeyah to form close ties with each community, optimizing the collection cycle and minimizing credit risk. As a result, Tanmeyah has one of the lowest rates of non-payment of loans in the industry.



Tanmeyah's strategy is rooted in a strong development ethos that aims to provide its clients a path out of poverty as well as achieve an attractive return on investment. This guiding principle is at the core of its business and is reflected in its community outreach policies. In addition to providing financing for its clients, Tanmeyah offers them guidance, training, and advice on how to achieve their goals. Non-paying clients, particularly women-headed households, who have defaulted for reasons beyond their control are often referred to local NGOs who assume the capital debt while Tanmeyah writes off the interest.

A major factor in Tanmeyah's success lies in the strategic deployment of technology and in the quality and professionalism of its staff, from the management team to loan officers and branch managers. Careful recruitment and in-house training programmes reflect a dedication to hiring and retaining the most talented professionals in the field.

The acquisition of Tanmeyah cements EFG Hermes' strategic drive into the finance sector. It also underscores its commitment to sustainability and to the SDGs by serving underprivileged communities with limited access to finance and expanding lending to this vital segment of the Egyptian economy.

TANMEYAH AT A GLANCE

Clients served since inception

Over 470,000

Total loans disbursed

Over EGP 3 BN

Branches nationwide

114

Training

687 employees

864 field officers

Percentage of borrowers aged 21-40 years

72%

Percentage of borrowers in Upper Egypt

65%

Rate of non-payment

< 1%

TRANSFORMING LIVES IN AL-MAKHZAN



The EFG Hermes Foundation continued its pioneering integrated development work in 2016. After more than two years of hard work and dedication on the part of the Foundation, the Kuwaiti Initiative for the Support of the Egyptian People and staff volunteers, Al-Makhzan Village Development Project was inaugurated in October 2016 in a brilliant example of the transformative effects of dynamic partnerships for development.

The EGP 9 million project, which has been in the works since late 2014, has helped build homes for over 35 families in the village. Working together with the local community in the village of Al-Makhzan, the EFG Hermes Foundation delivered the second phase of newly built houses and succeeded in providing clean water and sanitation services to the entire village. The Foundation provided a new sanitation truck to the local community managed by Al-Makhzan Community Development Association (CDA). A new bakery has also been built with a capacity to produce 4,000 loaves per day to ensure a consistent and affordable supply of bread and create employment opportunities for residents. Both the bakery and the sanitation truck projects are implemented and managed by the local CDA, with support from the Foundation, to provide employment opportunities for the local community and build the capacity of the CDA.

An integral part of the project focused on the improvement of education in the community. The construction of a new school building has improved the student-to-classroom ratio. Classrooms have been outfitted with new furniture and science laboratory equipment, and 1,500 school bags with all needed stationery for students arrived in time for the start of the new school year. Additionally, a renovated health unit has been upgraded with new equipment, giving it the capacity to serve over 20,000 residents from Al-Makhzan and nearby villages.

Hanaa Helmy, CEO of the EFG Hermes Foundation, commented on the project's completion, saying, 'Since its inception, this results-oriented joint effort with the Kuwaiti Initiative has placed the people of Al-Makhzan at the forefront. We wanted to make a sustainable and positive impact on the residents of this village. To do that, we adopted a comprehensive approach to community development that does not focus on a single area, but rather aims to rehabilitate communities as a whole.' The successful project is a testament to the Foundation's unwavering commitment to sustainable development and the implementation of integrated solutions to the challenges facing communities in rural and underserved areas in Egypt.

AL-MAKHZAN AT A GLANCE

Total funds disbursed

EGP 9 MN

Homes built

35

A bakery with a capacity of

4,000 loaves/day

A renovated health unit serving
over

20,000 residents

A new school serving

1,500 students

Sanitation services for over

20,000 residents

GLOBAL CHANGE MAKERS: ERADICATING HCV



The EFG Hermes Foundation has been at the forefront in the battle to eradicate liver disease in Egypt since 2007. In January 2017, Hanaa Helmy, in her capacity as CEO of the EFG Hermes Foundation, was honoured by the Economist Intelligence Unit as one of 18 global change makers in the fight to eradicate the Hepatitis C virus (HCV).



Liver disease is the second highest cause of mortality in Egypt after heart disease, with liver cancer one of the three most commonly diagnosed cancers in Egypt. It is estimated that 51.5% of cases can be attributed to HCV infection and 21.3% to the Hepatitis B virus (HBV). The EFG Hermes Foundation, under the leadership of CEO Hanaa Helmy, has supported several projects instrumental in the fight against viral hepatitis in Egypt.



In 2007, the Foundation initiated a campaign to raise awareness of the role of unsanitary medical practices in the spread of viral hepatitis. About 300 people get endoscopies at Kasr al-Aini Teaching Hospital in Cairo each day, and the hospital was using devices that were not properly sterilised. The Foundation granted EGP 2 million in funding to purchase new machines to disinfect the endoscopes and provided a two-year supply disposable syringes and gloves to raise hygiene levels.

Realising that the next generation of physicians and medical providers could be a powerful force for change, the Foundation has also funded a campaign to provide awareness and HBV vaccinations to medical, dental, pharmacy and nursing school students at 13 universities. The programme reached over 200,000 from 2008 to 2012. After pausing during the revolution, it resumed in 2012, thanks to the EFG Hermes Foundation's commitment to innovative and sustainable programmes, at a time when many other development programmes were forced to shut down for lack of support.

A large factor in the success of the campaign was the reliance on direct outreach via peer-to-peer counselling. The campaign trained student volunteers in campaign organization and community outreach. The volunteers manned the information and vaccination booths set up on-campus and were responsible for raising the awareness of more than 45,000 university students regarding viral hepatitis. An extension of the campaign carried out in youth centres around the country spread the message to an estimated additional 150,000 youth.

Since 2012, the Foundation has also provided EGP 2 million to support a screening programme at Mansoura University Children's Hospital. All patients and their families are screened for HCV and infected children are provided with treatment. These efforts have helped cure 200 children of HCV, allowing them to lead healthy lives. 'You're saving someone from having liver cancer,' says Ms. Helmy, 'They can become productive members of society.'

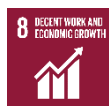
THE PATH TO ZERO

The Hepatitis C virus affects nearly 160 million people worldwide. Up to 700,000 of those infected, die from Hepatitis C every year.

The Path to Zero foundational research tools and reports, carried out by the Economist Intelligence Unit (EIU) and sponsored by AbbVie, strive to build focus and accountability towards eliminating HCV.

The programme consists of three core components: foundational country-level policy research; a series of roundtable meetings designed to generate fresh thinking to help eliminate HCV in three thematic areas: Awareness Raising, Innovations in Funding and Bridging the Know-do Gap (or the gap between theory and practice); and finally, the 'HCV Change Makers' recognition programme which shines a light on 18 persons or organisations that are breaking new ground on this Path to Zero.

CULTURAL EVOLUTION: VOLUNTEERING FOR SUSTAINABILITY



In 2015, we launched the ‘Rethink’ initiative to encourage our employees to adopt sustainable habits at all levels of our operation. In 2016, they became a key driver in our sustainability efforts, initiating and participating in many voluntary activities designed to promote sustainability.

Actively engaging our employees in sustainability initiatives is a key part of our sustainability strategy. Through our Green Team, employees not only participate in sustainability initiatives but also extend these efforts to their homes and communities. Participants in our quarterly sustainability competitions have submitted solutions ranging from residential solar water heaters to a community development initiative in Assiut in Upper Egypt and a new private equity literacy tutorial.

It is in volunteering, however, that the spirit of sustainability has really come to the fore among EFG Hermes employees. Our financial literacy initiative is a shining example. Employees such as those who developed the Private Equity Tutorial Video, are proud to dedicate their time to furthering the Firm’s social purpose and capitalizing on their expertise to enhance financial literacy within our community. The video uses simple infographics and basic terminology so that the educational content is easily understood by a range of audiences. The set of financial literacy tutorials are not only available on our YouTube channel and Microsoft’s *Masr Ta3mal* portal but are also presented to university students by passionate and dedicated EFG Hermes employees who believe in their duty to help incubate an educational environment for newcomers looking to enter the industry.

Employees also dedicated considerable time and effort to support the EFG Hermes Foundation’s project to support the children of Al-Makhzan village. The back-to-school drive involved packing and distributing 1,500 school bags with supplies for the children of Al-Makhzan’s renovated school and had a tremendously positive impact on ensuring the start of a promising new year for the students.

We are also exceptionally proud of our employees for supporting initiatives such as toy drives, blood donation drives and the 57357 Children’s Cancer Hospital, and we look forward to even more engagement from our employees during upcoming initiatives.

EMPLOYEE ENGAGEMENT AT A GLANCE

216 volunteers

842 hours

2,526 total
beneficiaries

Social media impact of
#I_am_sustainable

57 social media posts

12,374 likes

265 shares

59,395 views (reach)

Funds donated to 57357 Cancer
Hospital

Over EGP 210,000

INVESTING IN TOMORROW: YOUTH INITIATIVES



Providing opportunities for upcoming generations is a mission we take seriously at EFG Hermes. Our youth empowerment programmes are among our most successful corporate citizenship initiatives and underscore our commitment to transforming the future.



FINANCIAL AWARENESS AND LITERACY SESSIONS

In 2016, EFG Hermes conducted financial literacy sessions in five universities reaching more than 940 students in Ain Shams University, Cairo University, Misr International University (MIU), the Arab Academy for Science Technology (AAST) and the British University in Egypt (BUE). The tutorials were developed by volunteers from different departments at EFG Hermes in collaboration with the Green Team and are also available on the Firm's YouTube channel and on Microsoft's *Masr Ta3mal* portal.



EDUTAINMENT WITH KIDZANIA

The EFG Hermes Foundation has remained committed to investing in youth empowerment, continuing during the second half of the year to sponsor school trips for 20,000 public school students to KidZania. The collaboration, which is now in its second year, has seen over 13,000 students from 130 public schools benefit from the hands on, entertaining learning experiences provided by the 'edutainment' facility.

MAINSTREAMING HOPE

In 2016, the EFG Hermes Foundation continued its support of the MOVE Foundation for Children with Cerebral Palsy (CP), a non-profit organisation for underprivileged, disabled children. The MOVE Foundation was founded in 2004 and aspires to improve the quality of life for disabled children and those who care for them by developing programmes that assist children to sit, stand and walk on their own through a combination of adaptive physical and arts-infused education. Children between the ages of two and twelve years old receive quality one-on-one care and services including physiotherapy, occupational and speech/language therapy, and augmentative communication using computers and other handheld devices.

The partnership between the EFG Hermes Foundation and MOVE promotes engagement at home, schools, work and society to break the social stigma and isolation of children with CP. Thanks to the support of the Foundation, to date, 90 children have received support and 20 have been successfully mainstreamed into the public school system or private educational centres providing them with hope of a rewarding future. In addition to providing financial support for MOVE programmes, the Foundation has worked to increase awareness of CP and MOVE programmes through social media and hopes to raise funds in 2017 to accommodate the growing waiting list of children in need of MOVE support.

YOUTH INITIATIVES

AT A GLANCE

Financial Literacy

5 online tutorials

5 universities

940 students

Edutainment with KidZania

130 public schools

13,000 students

The MOVE Foundation

90 beneficiaries to date

20 children mainstreamed into schools

35 children currently supported

GOING GREEN



At EFG Hermes premises, we continually look for ways to reduce our environmental footprint and minimize environmental risks that come from our operations and supply chain. Many of our new initiatives originate as ideas suggested by employees, thanks to the enthusiasm and diligence of the Green Team in raising awareness on sustainability.



BREAKING THE PLASTIC HABIT

We are proud to announce that our headquarters, Jordan, Oman and Saudi Arabia offices have successfully become plastic-free zones. In just under two years, the efforts of our Green Team alongside the compliance of our staff members has paid off. The initiative to eradicate the use of disposable plastic cups in collaboration with the on-site coffee shop was the winning idea of the Firm's first company-wide sustainability competition. A date was set for removal of all disposable plastic cups from our headquarters and a countdown campaign was rolled out on the company intranet to raise awareness on the detrimental effects of plastics on the environment. Employees were also encouraged to bring in their own reusable flasks for water and coffee. Since then, the initiative has been successfully extended to many of our other offices with more to come in 2017.



ENERGY: ON THE ROAD AND IN THE OFFICE

In 2016, we launched *Felsekka*, a carpooling initiative to encourage our employees to reduce their carbon footprint while minimizing the stress of their daily commute and developing a friendlier association with their colleagues. *Felsekka* facilitates the commute to and from work with colleagues through an online registration portal and a point system that can be transferred for each ride. A promising number of employees have signed on and new features are being developed to encourage more employee engagement.

We also continue our energy saving initiatives throughout our offices, such as replacing regular light bulbs with LEDs, applying UV protective window films and encouraging employees to switch off computers and practice mindfulness regarding energy use. We are happy to report that our UAE and Jordan offices and two of our Egypt branches (Nasr City and Assiut) are now entirely illuminated with energy-saving LEDs.

PAPER: REDUCE, REUSE, RECYCLE

We have instituted several measures to cut down on the amount of paper we use. During 2016, we started encouraging our clients to move to e-statements and the response has been very encouraging with the percentage increasing almost daily.

GOING GREEN AT A GLANCE

Employees in Egypt HQ switching from plastic cups

634

Plastic cups saved

90,000

Free water flasks distributed to blue collar workers

150

Trees saved

166.5

LEDs installed

1,410

E-statements for Clients (2016)

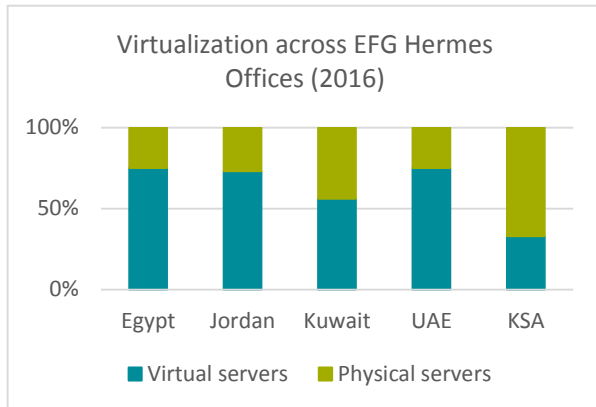


■ paper 24% ■ e-statement 76%

Thanks to another entry to the quarterly sustainability competition, we have also replaced paper file presentations with e-presentations via iPads in the Board of Directors and committee meetings. We also encourage double-sided printing and the recycling of shredded paper throughout our operation.

GREEN IT

The IT Department has undertaken several initiatives to streamline its operation in line with sustainability guidelines. The most significant is the gradual migration to virtual servers to decrease power consumption and replace legacy IT. To date, virtualization in the Egypt and UAE offices has reached the target of 75%, with 73% for Jordan, 56% for Kuwait and 33% for Saudi Arabia. Migrating the EFG Hermes e-mail gateway to a secure, cloud-based server is another significant step. Our IT Department has also successfully automated various reports to enhance performance and reduce paper waste. Additionally, power saving technologies such as firewalls and switches have been instituted for some of the financial business servers. Finally, all e-waste is disposed of through a company specialized in the secure recycling of electronic equipment.



BUILDING TOMORROW'S LEADERS



It is thanks to our talented professionals that EFG Hermes has become the leading Middle East and North Africa financial services corporation. We believe that investing in the professional development and wellbeing of our employees is the only way to maintain our competitive edge and continue to create value for our clients and communities.



Competition among financial institutions in the region is high. At EFG Hermes, we continuously evolve the methods we use to attract, develop and retain talent at all levels of our operation. Our approach involves three complementary techniques:



LEARNING AND DEVELOPMENT

This year, we focussed our efforts on team building, organizing a highly successful team development event for employees from all the countries where we operate. The programme aimed at fostering inter-functional collaboration among team members, building a sense of trust and encouraging internal problem-solving skills.

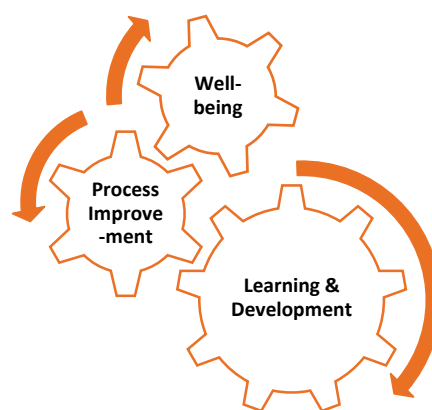
For the first time since 2008, we conducted two sessions of our in-class orientation programme in Egypt for new hires, including a section on sustainability initiatives and the EFG Hermes Foundation's activities.

Our Experiential Learning Programme for interns continued to grow with 102 participants in 2016, (up from 90 in 2015 and 54 in 2014). Over the past year, we delivered over 8,700 training hours and succeeded in decreasing the percentage of untrained employees from 57.7% in 2015 to 46.6% in 2016.

PROCESS IMPROVEMENT

Our Human Resources Department continuously introduces process improvements that allow employees to seamlessly manage their affairs and complete various requirements on-the-go. These include a new online system to provide new hires with vital information ranging from minor details such as the dress code, to more important matters such as regulatory requirements and policies.

Our application, EFG Hermes Connect, streamlines processes such as requesting vacations and HR letters, checking official holidays and pay, and provides access to all internal announcements and other important information.



LEARNING & DEVELOPMENT AT A GLANCE

Training hours

8,741

Percentage of employees who have received training

53.4%

Number of interns

102

WELLBEING

We strive to provide a positive work environment and offer tools and opportunities to help our employees take charge of their overall wellbeing. We provide an on-site gym and a 'Fit-for-Life' exercise programme supervised by our certified fitness trainer. A nutritionist is also available to advise interested staff members on their nutritional habits. Moreover, we encourage staff members to participate in morale-raising group activities such as the annual table tennis and football tournaments. In 2016, the team from our Dubai office fielded a solid team for the annual Bloomberg Square Mile Relay and hopes to claim one of the top spots this year.

In recognition of World Health Day, we also launched an internal campaign to encourage EFG Hermes staff to stay fit and be healthy by delivering inspirational quotes on the company intranet.

On a different level, the EFG Hermes Foundation held a successful event at our Smart Village headquarters in collaboration with *Alef* bookstores, bringing an impressive selection of English and Arabic titles directly to EFG Hermes staff at a discount on all purchases.

WELLBEING

AT A GLANCE

Football tournament

96 players

Table Tennis tournament

42 players

Bloomberg Square Mile
Relay (Dubai)

10 runners

Gym facilities

56 members

Nutritionist services

20 beneficiaries

INTEGRITY, TRANSPARENCY AND ACCOUNTABILITY



An energetic, proactive approach to corporate governance, compliance and auditing has helped EFG Hermes succeed in maintaining its reputation and market leadership in the face of global economic challenges and ongoing regional geopolitical unrest.



Our clearly defined management processes, structures, and policies not only provide channels for appropriate decision-making and accountability, but reassure shareholders and clients that their investments are in safe hands. A clear set of principles governs the conduct of all EFG Hermes employees, from the Board of Directors down to the most junior staff member.

EFG Hermes upholds a strict culture of compliance that allows it to manage the rules and regulations of multiple authorities and regulators in Egypt, Jordan, the GCC and beyond. Dealing with these types of challenges requires a clear compliance strategy built on a strong governance culture that promotes integrity, transparency, and accountability.

Our efforts to enhance the internal audit function are ongoing. We have adopted continuous auditing as our new methodology, which requires performing more frequent risk-based reviews to enhance audit monitoring. We have also expanded our audit scope to assess business conformity to sustainability KPIs. Moreover, the audit team also conducted a full review of EFG Hermes Leasing to ensure that the newly launched leasing activities are included as part of the firm's compliance coverage.

Signing the Supplier Code of Conduct has now become a requirement for all suppliers and mandates that they abide by our sustainability commitments and all applicable laws regarding labour, human rights, health and safety, environmental protection, and ethical practices. To date, more than 56% of suppliers have signed with 44% pending in 2017.

The IT Department continues the implementation of its cybersecurity plan, which was officially introduced to employees through a mandatory online course. The compliance team also completed a year-long process to become compliant with the US government's Foreign Account Tax Compliance Act (FATCA), which came into effect in 2014.

'VOICE IT'

In 2015, Internal Audit launched a mechanism called 'Voice It', an online tool for employees at all levels across the firm to communicate new ideas and voice complaints anonymously and discreetly. 'Voice It' grievance/suggestion boxes were also installed in our office in Egypt, Jordan, Kuwait, Oman, Saudi Arabia and the UAE. The mechanism has proved a successful conduit for employee concerns at all levels. In 2016, 20 complaints were submitted through the online account and all cases were handled and properly communicated to relevant parties.

Employee Orientation

To ensure that all our employees including our new hires are fully aligned, we have developed a new orientation package in partnership with our HR Department that is designed to give trainees and newly hired employees a comprehensive view of how the firm operates.

COMPLIANCE AT A GLANCE

Supplier Code of Conduct signatories

56%

Employees who have completed mandatory courses:

Anti-fraud

92%

Anti-money laundering

93%

Cybersecurity

90%

Sustainability

90.5%