

February 21, 2018

**EFG HERMES**

## **Communication on Progress**

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.

## Letter of Commitment

February 15, 2018

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

Dear Mr Secretary General,

2017 was an exciting year for us at EFG Hermes. On many levels, but particularly in the area of sustainability, it was a year where we pushed ourselves beyond the borders of our previous achievements and opened up challenging new frontiers. We are proud to report that we have officially become signatories of the United Nations Principles for Responsible Investment (UNPRI), marking a new milestone in our commitment to a more sustainable future. In conjunction, we have also officially launched our ESG strategy as part of our effort to embed sustainability so comprehensively in our activities that it becomes a fundamental part of our investment and operational ethos.

Our commitment to uphold the ten principles of the United Nation's Global Compact (UNGC) remains as strong as ever and we continue to engage with our peers through the Global Compact Network Egypt (GCNE) to demonstrate how sustainability can reduce risk, enhance financial returns and deliver tangible benefits both to the investor and to society as a whole.

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 UNGC principles on human rights, labour, environment, and anti-corruption into 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 seventh CoP as part of our commitment to a more inclusive and prosperous society.

Sincerely, yours



Karim Awad

CEO



# Communication on Progress

## Introduction

When EFG Hermes joined the United Nations Global Compact (UNGC) in 2011, it was with the firm belief that the business community must adopt practices that not only produce business results but also contribute actively to a more sustainable and inclusive global market and help build prosperous, vibrant communities.

Over the past seven years, we have succeeded in transforming our business culture and integrating sustainability policies into our organizational structure while simultaneously enabling economic growth and delivering attractive results for our shareholders.

Four intrinsic values have underpinned our firm’s strategy 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 nurturing a culture of mindfulness and inclusion and allowing us to fulfil 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.’

EFG Hermes is proud to continue to be an active participant in the UNGC and a founding member of the

Global Compact Network Egypt (GCNE). 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 and presents EFG Hermes policies and progress in each area.

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# Human Rights

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:

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.



## Spotlight on...

### NAGA' EL FAWAL AND EL DEIR VILLAGE INTEGRATED DEVELOPMENT PROJECT

In November of 2017, The EFG Hermes Foundation and the Sawiris Foundation for Social Development joined forces in a dynamic partnership to realize an integrated sustainable development in Naga' El Fawal and El Deir Village, Esna, Luxor (Upper Egypt).

The village lies in an area with high rates of poverty and unemployment, limited access to healthcare, poor housing conditions, inadequate infrastructure, and few opportunities for economic independence.

The EGP 53 million project aims to improve the lives of approximately 60,000 underprivileged citizens through investments in infrastructure development, educational opportunities and economic

empowerment. The decision to focus on infrastructural, educational and economic challenges reflects the Foundation's holistic approach to sustainable development and its commitment to providing basic human rights for underprivileged areas.

### RX HEALTHCARE FUND

In 2017, EFG Hermes launched the Rx Healthcare Fund (under establishment) to capitalize on the rapidly growing demand for affordable, high-quality healthcare services across the African continent.

Historically, Africa has had to bear more than 25% of the global infectious disease burden. Non-communicable diseases, primarily cardiovascular disease and diabetes, are also on the rise. Furthermore, the continent's underdeveloped healthcare

infrastructure suffers from a shortage of healthcare facilities and providers.

The Fund will pursue a focused investment strategy by investing in established North Africa-based healthcare companies with solid growth prospects, and a strong commitment to environmental, social and governance (ESG) best practices.

## Policy & Progress Review – Human Rights

Policies/Actions	Progress
EFG Hermes values	<ul style="list-style-type: none"> <li>- Continued commitment to our four core values of integrity, leadership, value creation and commitment.</li> </ul>
Commitment to sustainability	<ul style="list-style-type: none"> <li>- Continued support for the Corporate Social Responsibility (CSR) Department as the lead EFG Hermes division responsible for the advancement of sustainability issues within EFG Hermes.</li> <li>- Over 90% of employees have participated in mandatory sustainability training.</li> <li>- Release of the third annual sustainability report (SR) covering 2016 and preparation of the fourth annual SR to be issued in March 2018.</li> </ul>
Stakeholder engagement	<ul style="list-style-type: none"> <li>- Continuing internal awareness campaigns to highlight sustainable development issues and promote the Sustainable Development Goals (SDGs).</li> <li>- Published 24 collaterals for CSR initiatives on multiple assets (Facebook, Twitter, Portal, Screens, LinkedIn, etc.) with a total estimated reach of approximately 400,000 different people YTD.</li> <li>- Raised the profile of CSR activities in the media through securing high-profile interviews at the launch of the EFG Foundation’s Al-Makhzan village integrated development project including a 1-page profile and interview with the head of the CSR department.</li> <li>- 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 Global Compact Network Egypt GCNE.</li> </ul>
Employee engagement	<ul style="list-style-type: none"> <li>- Participation by employees in voluntary activities promoting sustainability including competitions, blood drives, fundraising activities, community development initiatives, and social media engagement.</li> </ul>
Accessible financing	<ul style="list-style-type: none"> <li>- EFG Hermes continues to provide microfinance solutions through its subsidiary Tanmeyah Microenterprise Services, Egypt’s leading private-sector microfinance provider. Tanmeyah offers comprehensive microfinance solutions to owners of very small businesses across Egypt who would otherwise have no access to the banking sector.</li> <li>- Tanmeyah is also an active participant in local community engagement projects, particularly those that further the development of human capital and help create jobs. The company has contributed to the establishment of vocational training workshops that teach carpentry and pottery to community members with special needs, so they can obtain the skills necessary to establish income-generating projects.</li> <li>- EFG Hermes also launched its state-of-the-art Fintech solution under the brand name ‘valU’, offering Egyptian consumers payment-on-installment programmes as part of the firm’s continuing efforts to ensure equitable access to financing throughout the country.</li> </ul>
Corporate citizenship	<ul style="list-style-type: none"> <li>- The launch of the EFG Foundation’s EGP 53 million Naga’ El Fawal and El Deir Village integrated development project in partnership with the Sawiris Foundation for Social Development.</li> <li>- Literacy eradication training, using the Montessori method for trainers at Naga’ El Fawal and El Deir Village to economically empower residents in collaboration with the MOVE Foundation for Children with Cerebral Palsy.</li> </ul>

Policies/Actions	Progress
The EFG Hermes Employee Handbook	- 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	- 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	- 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

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.

### PRINCIPLE 4:

The elimination of all forms of forced and compulsory labour.

### PRINCIPLE 5:

The effective abolition of child labour.

### PRINCIPLE 6:

Eliminate discrimination in respect of employment and occupation.



## Spotlight on...Cultivating leadership

Competition among financial institutions in the region is high. At EFG Hermes, we continuously search for innovative ideas to attract, develop and retain talent at all levels of our operation.

In 2017, we significantly increased our training budget to establish the Academy, a cutting edge online platform for professional development available to employees at all levels. The Academy is designed to help our employees take charge of their professional development and equip them with the skills they need to navigate a fast-paced work environment, progress in their career paths, and realize their full potential in

a compelling and competitive financial market.

The Academy will be launched in 2018 and will provide high-quality online learning experiences tailored to help our employees harness their ambition and drive the growth of our firm whether they are analysts starting their careers or top executives shaping the firm's future.

### Fast Facts

41%

Year-on-year increase in training opportunities available to employees in 2017.

38%

Year-on-year increase in the number of interns in 2017.

THE ACADEMY  
CULTIVATING LEADERSHIP

## Policy & Progress Review – Labour

Policies/Actions	Progress
Career development programmes	<ul style="list-style-type: none"> <li>- A 41% increase in training opportunities available to employees (482 opportunities in 2017 vs. 340 in 2016).</li> <li>- An increase in training budget to prepare for the launch of the Academy, EFG Hermes' online platform for professional development.</li> <li>- The percentage of untrained employees dropped by 4% in 2017 vs. 2016.</li> <li>- A 38% increase in the intake of interns for the Experiential Learning Programme across EFG Hermes offices.</li> <li>- An overall increase in the number of training hour by 2.5%, including virtual and in-class courses.</li> <li>- New-hire training sessions have been extended to regional offices.</li> </ul>
Policies to ensure workplace diversity and fair recruitment practices	<ul style="list-style-type: none"> <li>- Policies to prevent discrimination by nationality.</li> <li>- 'Know Your Employee' Policy.</li> </ul>
Employee engagement policies	<ul style="list-style-type: none"> <li>- An on-line portal 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.</li> <li>- The EFG Hermes Connect app 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.</li> <li>- Upgrading of the system to automate travel workflows starting from requesting the business trip, getting approvals and digital settlement of employee expenses. The system will also be integrated with EFG Connect to allow employee to request business trip remotely.</li> <li>- 'Whistle-blowing' Policy.</li> <li>- The 'Voice It' programme is an online tool for employees at all levels across the firm to communicate innovative ideas and voice complaints anonymously and discreetly.</li> </ul>
Wellbeing, safety and health policies	<ul style="list-style-type: none"> <li>- The 'Fit-for-Life' programme supervised by a certified fitness trainer and nutritionist.</li> <li>- On-site gym facilities.</li> <li>- Encouragement of employees to participate in team activities such as the World Health Day in-house fitness tournaments and the Bloomberg Square Mile Relay in Dubai.</li> <li>- Organization of cultural activities such as book fairs and handicraft exhibitions.</li> <li>- Medical and Life Grant policies for all employees.</li> </ul>



## Environment

EFG Hermes is committed to upholding the UNGC principles on the environment by minimizing the environmental risk surrounding our operation and investments.

### 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.



## Spotlight on...the ESG policy

In 2017, we are proud to announce the launch of our [ESG Policy](#). As a leading responsible financial institution, EFG Hermes understands that ESG issues can affect investment performance and expose us to potential investment risks. We believe that embracing ESG issues will not only make us better global citizens, but it will also make us more sensitive to strategic future scenarios, and better-equipped to meet competitive challenges and keep pace with global growth. Integrating ESG factors within investment processes is no longer a luxury; it is a necessity.

The implementation of ESG considerations in EFG Hermes varies across our business lines. Specific guidelines have been developed for the Private Equity, Asset Management, Investment Banking and Research business lines due to the significant impact of ESG factors on their activities.

EFG Hermes also believes that engagement with investee companies and initiating dialogue on ESG issues is in line with our objective of proactively managing ESG factors and acting as sustainability ambassadors within our field.

### Recognition:

#### Best Sustainable Financial Provider

*The European's Global Banking & Finance Awards*

#### Best Practices in Sustainability

*Better Business, Better World – MENA Business & Sustainable Development Commission*

#### FTSE4Good Emerging Index

One of only six MENA constituents

## Policy & Progress Review – Environment

Policies/Actions	Progress
Responsible investing	<ul style="list-style-type: none"> <li>- A commitment to the United Nations Principles for Responsible Investment (UNPRIs) in Q1 2018.</li> <li>- The Vortex Renewable Energy platform, one of the largest renewable energy-focused investment managers in Europe, currently manages 822 MW in net capacity of solar PV and onshore wind assets across the United Kingdom, France, Spain, Belgium and Portugal, and is on track to achieve its target of 1.5 to 2 GW of net installed capacity within the coming years. The platform supplies c.400,000 households with clean electricity annually, while continuing to generate higher than budgeted financial results and attractive returns to investors.</li> <li>- EFG Hermes Finance continues to offer Egypt's only alternative energy lease finance solution which provides agri-business with access to financing for renewable energy solutions.</li> </ul>
Environmental, Social and Governance Policy	<ul style="list-style-type: none"> <li>- Launch of the EFG Hermes' Environmental, Social and Governance (ESG) policy.</li> <li>- In line with the UNPRI requirements for reporting and the Egyptian Exchange (EGX) model guidance for reporting on ESG performance, EFG Hermes aims to be transparent about its ESG activities and has made the EFG Hermes ESG summary policy available on its website and internal portal.</li> <li>- Disclosures on EFG Hermes ESG integration efforts are made on an annual basis in the sustainability report.</li> </ul>
Energy conservation	<ul style="list-style-type: none"> <li>- Gradual migration to clean energy solutions by installation of solar panels at the Egypt HQ with a capacity of 24KW which is equal to 2% of current electric consumption.</li> <li>- Promotion of <i>Felsekka</i>, EFG Hermes' carpooling initiative via the sustainability competition to encourage our employees to reduce their carbon footprint. Ride numbers increased exponentially since the programme launch in 2016 (7 rides in 2016 vs 137 rides in 2017).</li> </ul>
Green IT	<ul style="list-style-type: none"> <li>- Replacement of the legacy core switch in KSA with 40% energy savings.</li> <li>- Increase in the VM footprint of the KSA data centre to reduce power consumption.</li> <li>- 100% virtual servers in Kenya and the UAE Boulevard.</li> <li>- Discontinuation of legacy storage in an Egypt data centre reducing overall power consumptions.</li> <li>- Increase in the virtual environment by 2%.</li> <li>- Migration of 70% of EFG Hermes staff across the firm into cloud-based solutions.</li> <li>- Safe disposal of all e-waste via certified companies in Egypt and the UAE.</li> </ul>
Resource Management	<ul style="list-style-type: none"> <li>- EFG HR Connect has minimized the use of paper by providing employees virtual access to internal documents such as CEO Notes, leave requests and approvals, latest corporate news, etc. This system will totally replace paper work being used in all EFG offices in all regions to reduce waste and increase savings.</li> <li>- Installation of new recycling bins and continued recycling practices across all EFG conferences at events.</li> </ul>

## Anti-corruption

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:

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



## Spotlight on...Business Continuity

EFG Hermes is committed to protecting its employees, clients and their assets at all times, whether during emergencies or significant business disruptions. In 2017, EFG Hermes launched its Business Continuity Plan (BCP) to facilitate the management of any incident that might potentially harm our employees or damage our premises while providing a reasonable, but not absolute, assurance of business continuity in the event of a disruption to the firm's normal operations.

The firm undergoes annual disaster recovery drills designed to ensure computing systems and networks are built with sufficient redundancies. The firm also requires all business units to conduct an annual exercise to ensure that personnel can be contacted at any time. In addition, BCPs are tested throughout the year to

ensure that EFG Hermes and its clients are provided with the most beneficial recovery plan to their needs.

EFG Hermes also uses satellite technology as an alternate communication channel with other offices in the region when regular internet and leased line services are interrupted.

The Business Continuity Team is responsible for the coordination and response procedures in the event of a disruption or possible disruption to normal operations. Liaison with regulatory authorities is a key aspect of their responsibilities.

On 4 January 2017, British Standards Institution (BSI) EFG Hermes became the first Investment Bank in Middle East and North Africa certified by BSI for compliance with ISO 22301:2012 requirements.

### Certification:



## Policy & Progress Review – Anti-corruption

Policies/Actions	Progress
Corporate governance	<ul style="list-style-type: none"> <li>- In 2017, EFG Hermes announced a comprehensive corporate restructure in the wake of its sale of its stake in Credit Libanais, signalling the end of the 2013 – 2016 strategic plan and the achievement of all goals set out by the Board of Directors in conjunction with the management team.</li> <li>- The new management structure is designed to streamline operations, increase efficiency and help in the achievement of the new 2017 – 2020 strategic plan.</li> <li>- The new structure has been disclosed to all stakeholders and ratified by the Board of Directors.</li> </ul>
Policies on: <ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Staff Dealing</li> <li>- Group Compliance</li> <li>- Information Disclosure</li> <li>- Whistle-blowing</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- All policies are available to employees on the intranet.</li> <li>- 100% of the workforce have signed and acknowledged the Code of Conduct.</li> <li>- An orientation package is available to give all trainees and newly hired employees a comprehensive view of all policies and operations.</li> </ul>
Mandatory anti-money laundering and anti-fraud courses	<ul style="list-style-type: none"> <li>- 92.59% of the workforce took the anti-money laundering and 95.84% the anti-fraud training in 2017.</li> <li>- Rigorous due diligence processes.</li> </ul>
Internal audit, compliance and risk management policies	<ul style="list-style-type: none"> <li>- Strong internal control and risk management culture to ensure the alignment of business to management’s strategic goals.</li> <li>- Internal Audit renewed its commitment to monitor, assess and, where possible, strengthen business and support functions’ sustainability efforts, including integration of the ESG policy in its standard procedures.</li> <li>- EFG Hermes is the first MENA investment bank to receive ISO22301 certification from the British Standards Institute for its commitment to business continuity management.</li> <li>- Inclusion of EFG Hermes on the FTSE4Good Emerging Index, 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</li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <li>- The IT Department continued the implementation of its cybersecurity plan and has completed its third round of information security awareness for employees.</li> <li>- International best practices are followed in the operation of all EFG Hermes data centres.</li> </ul>

## Measurement of Progress and Outcomes

In our push to initiate a new merchant banking model and pursue more expansion opportunities in emerging and frontier markets, we are acutely aware of the need for the highest levels of transparency, accountability and integrity. EFG Hermes upholds a strict culture of compliance, auditing and risk management that allows it to manage the rules and regulations of multiple authorities and regulators in Egypt, Jordan, the US, Gulf Cooperation Council (GCC) countries and beyond to our new frontier markets such as Pakistan, Bangladesh and Kenya.

Our Auditing, Compliance, Risk and Human Resource Departments continuously monitor and evaluate performance against KPIs, benchmarks and policies. As the Firm moves to incorporate ESG best practices into every facet of the operation, the scope of our audit has expanded to include close monitoring of progress and outcomes related to sustainability KPIs. These stricter measures are designed to ensure that sustainability commitments and all applicable laws regarding labour, human rights, the environment and anti-corruption practices are met across all business lines, subsidiaries and markets.