

February 20, 2020

**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 20, 2020

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

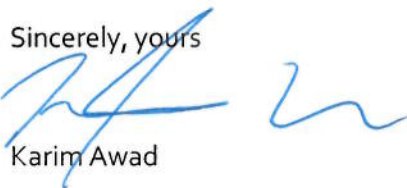
Dear Mr Secretary-General,

At the start of 2018, EFG Hermes took the momentous step of becoming the first financial services corporation in Egypt to sign the United Nations Principles for Responsible Investment (PRI). We have been working towards this goal since we first joined the United Nation's Global Compact (UNGC) in 2011. In 2019, we submitted our first Transparency Report to the PRI, well ahead of requirements. On the business side, we continue to provide training to our business lines on environmental, social and governance issues, and we are proud to have assembled an investment portfolio that includes initiatives that directly feed into the Sustainable Development Goals in areas ranging from education and clean energy to microfinance and technology. This year, we also strengthened our approach to ESG from a governance perspective by issuing statements on two urgent issues: climate change and human trafficking and modern slavery.

In 2020, we look forward to further strengthening our commitment to sustainability. Our commitment to uphold the ten principles of the UNGC remains as strong as ever. We pride ourselves particularly on our advocacy for sustainability issues and continue to engage with our peers, both through our award-winning investment conferences and through events such as the Aswan Forum for Sustainable Peace and Development. We look forward to enhancing our regional role as sustainability ambassadors and encouraging more businesses to embrace measures that will ensure a better future for our children.

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 public, and we are herewith pleased to submit our ninth CoP as part of our commitment to a more equitable and sustainable future.

Sincerely, yours



Karim Awad

Group Chief Executive Officer

EFG Hermes



## Communication on Progress

### Introduction

EFG Hermes believes that there can be no long-term prosperity without responsible investment and a long-term commitment to sustainable practices at all levels of operation. From our initial commitment to the United Nations Global Compact and the articulation of our social purpose in 2014 to our signing of the United Nations Principles for Responsible Investment (PRI) in 2018, we have been taking measured but determined steps to align our business with environmental, social and governance (ESG) factors.

In 2019, we submitted our first report as signatories of the United Nations PRI, and we are proud to have

assembled an investment portfolio that includes initiatives that directly feed into the Sustainable Development Goals (SDGs) in areas ranging from education and clean energy to microfinance and technology.

As market leaders, we also recognize that it is our duty to act as catalysts for wider change within our industry and within the communities where we do business. We believe that the partnerships we have forged and continue to initiate can help realize the SDGs and actively contribute to the future health and prosperity of both business and society.

EFG Hermes is proud to continue to be an active participant in the UNGC. 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

Launched in 2017 under the leadership of the EFG Hermes Foundation, the EGP 70 million Naga' El Fawal and El Deir Village Integrated Development Project benefits over 75,000 inhabitants. The ambitious project involves the rehabilitation of an entire community starting with infrastructure development and encompassing economic and human development initiatives, as well as access to a variety of services.

2019 has been an exciting year for the project. Following the successful inauguration of the completely refurbished El Deir health unit and the completion of the potable water network, this year we launched the village preschool, the Young Scholars Academy, and delivered the first phase of 20

newly built houses to Naga' El Fawal residents.

The empowerment of women and youth is a critical pillar of the project. The preschool provides 70 children with a Montessori-based education and includes a programme catering to 20 children with special needs. Significant progress has also been made in training women to find employment and become leaders in their community. We have prioritized training teachers to meet the educational needs of children in their formative years, and the preschool has successfully created 27 sustainable jobs, 23 of which are teaching positions.

Future phases under the project will include a

sanitation and wastewater treatment plant as well as upgrading housing whereby each family will have their own unit. In addition, the project will offer economic empowerment projects serving women and youth.

Thanks to our partner donors – The Kuwaiti Initiative for the Support of the Egyptian People, the Sawiris Foundation for Social Development and Orascom Construction – it has been possible to maximize resources and work towards broad and lasting impact. The success of the project also relies in no small measure on the support we have received from the Ministry of Social Solidarity, Luxor Governorate and the local authorities as well as on the enthusiasm and passion of community members.



## Policy & Progress Review – Human Rights

Policies/Actions	Progress
EFG Hermes values	<ul style="list-style-type: none"> <li>- Continued dedication 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 95% of employees have participated in mandatory responsible investment training.</li> <li>- Release of the fifth annual sustainability report (SR) covering 2018 and preparation of the sixth annual SR to be issued in March 2020.</li> </ul>
Stakeholder engagement	<ul style="list-style-type: none"> <li>- Hanaa Helmy, Chief Executive Officer of the EFG Hermes Foundation and Head of CSR, attended the Aswan Forum for Sustainable Peace and Development, participating in a session titled 'Harnessing Digital Financing and Financial Inclusion for Sustainable Development and Peace'.</li> <li>- Continuing internal awareness campaigns to highlight sustainable development issues and promote the Sustainable Development Goals (SDGs).</li> <li>- 24 collaterals published for CSR initiatives on multiple assets (Facebook, Twitter, Portal, Screens, LinkedIn, etc.).</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).</li> </ul>
Employee engagement	<ul style="list-style-type: none"> <li>- Participation by employees in voluntary activities promoting sustainability including fundraising activities, community development initiatives, and social media engagement.</li> <li>- This year, employees participating in the annual Ramadan 'Give from the Heart' drive succeeded in raising EGP 227,500 for the EFG Foundation's Naga' El Fawal initiative and EGP 315,800 for Abul Reesh Mounira Children's Hospitals.</li> </ul>
Corporate citizenship	<ul style="list-style-type: none"> <li>- Continued support for the EFG Foundation's Naga' El Fawal and El Deir Village integrated development project in partnership with the Kuwaiti Initiative for the Support of the Egyptian People, the Sawiris Foundation for Social Development, and Orascom Construction.</li> <li>- The launch of the village's preschool, the Young Scholars Academy, in September 2019. The preschool provides 70 children with a Montessori-based educational platform including a special programme catering to 20 children with special needs.</li> <li>- The preschool has successfully created 27 sustainable jobs, 23 of which are teaching positions.</li> <li>- Teachers at the Young Scholars Academy have been receiving training on the Montessori philosophy in early education since August 2017.</li> <li>- Four out of the 20 children with special needs are joining their colleagues in the Montessori classrooms to prepare them for future public-school enrolment.</li> <li>- The Foundation is currently working with the community on upgrading houses at Naga' El Fawal. Twenty houses have been fully rebuilt as a first phase. Houses have been designed in a way to give each family its own space with separate rooms for parents and male and female siblings.</li> </ul>

Policies/Actions	Progress
Accessible financing	<ul style="list-style-type: none"> <li>- Sponsorship by valU, EFG Hermes' Fintech lending solution, of Egyptian table tennis prodigy, Hannah Gouda, for a full year of training and tournament support.</li> <li>- EFG Hermes Leasing successfully signed three agreements with commercial banks to finance SMEs at subsidized interest rates, the Egyptian Arab Land Bank, Ahli Bank of Kuwait and HSBC.</li> <li>- The company succeeded in directing EGP 500 million of its available funds towards the SME segment throughout the past three years, which helped to increase the contribution of SMEs in the portfolio to 16% by end of year 2018 compared to 6% at end of 2017.</li> <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>- In 2019, Tanmeyah increased its number of branches from 248 to 271.</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 continued to operate 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>
Right to education	<ul style="list-style-type: none"> <li>- EFG Hermes' Education Platform managed by EFG Hermes Private Equity completed its 3rd investment and acquired a majority stake in the Option Travel, the leading transportation services provider in Egypt.</li> <li>- The transaction stems from the Platform's strategy of creating a one stop shop for top tier education services in Egypt. The transaction involves secondary and primary tranches, latter to be directed towards accelerating Option Travel's organic growth plans and launching Egypt's first specialized student transport service provider, which will primarily cater for the Platform's existing schools in addition to third party schools.</li> <li>- The Platform's investment in Option Travel marks its 3rd investment in the Egyptian market after acquiring four operational schools in the cities of Rehab and Madinaty earlier this year and kicking off the development of a 5th international school in the city of Rehab in August to bring the Platform's total capacity to approximately 10k students.</li> <li>- EFG Hermes sponsored the Model Egyptian Stock Exchange (MESE) Cairo University conference attended by 187 students. In addition, EFG Hermes employees volunteered to conduct two sessions at the conference.</li> <li>- EFG Hermes sponsored MESE Cairo University's sessions for juniors conducted at MSE (Modern School of Egypt) with 170 attendees from seven different classes. In addition, four sessions were held at Career Gates. 350 students were recruited at the Traverse event (the biggest summit for high school students in the middle east) as well as from various international schools.</li> </ul>

Policies/Actions	Progress
Human rights	<ul style="list-style-type: none"> <li>- Policy statement on Human and Labour Rights.</li> <li>- Policy statement on Modern Slavery and Human Trafficking.</li> </ul>
The EFG Hermes Supplier Code of Conduct	<ul style="list-style-type: none"> <li>- 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.</li> </ul>

# 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 ... EFG Hermes Statement on Modern Slavery and Human Trafficking

EFG Hermes recognizes its responsibility to ensure that modern slavery and human trafficking and their associated outcomes, such as the laundering of illicit gains, do not take place within our sphere of influence. In 2019, EFG Hermes has articulated a corporate Statement on Modern Slavery and Human Trafficking and has identified key areas of engagement:

*Labour* — EFG Hermes believes that protecting the rights of its employees is of vital importance and has articulated two statements to complement its existing policies: A Statement on Human and Labour Rights affirming compliance with the laws and regulations of the countries we operate in

and a Statement on Health and Safety which aims to fulfil all corporate and legal health and safety responsibilities. EFG Hermes also ensures all salaries fulfil legal minimum wage requirement in all the countries we operate in.

*Compliance and Risk Management* — EFG Hermes believes that having sufficient information about our clients is the best way to minimize the Firm's risk of being used for illicit activities such as the processing of funds gained from human trafficking or modern slavery

*Supply Chain* — EFG Hermes' Supplier Code of Conduct requires its suppliers to uphold all applicable laws and regulations regarding labour

and human rights, health and safety, environmental protection, and ethical practices wherever they make products or perform services for EFG Hermes.

EFG Hermes is also committed to mitigating the socio-economic factors that may trigger vulnerability to human trafficking or modern slavery via two lines of attack: its corporate social responsibility activities implemented through the EFG Hermes Foundation for Social Development and financial inclusion initiatives such as its subsidiary Tanmeyah Microenterprise Services, Egypt's leading private-sector microfinance provider.



## Policy & Progress Review – Labour

Policies/Actions	Progress
Career development programmes	<ul style="list-style-type: none"> <li>- The Firm's inaugural DNA (Development Needs Assessment) Open House event took place in April 2019. This annual initiative invited all employees to speak to us about their, and/or their teams', learning and development needs for the year. The event also incorporated short and informative smart sessions which covered various talent development topics. A total of 165 employees participated in this event.</li> <li>- 5,888 in-class training hours (excluding online hours).</li> <li>- 1542 training hours delivered via the Academy, EFG Hermes' online platform for professional development.</li> <li>- All new hires in the UK, USA, Kenya, and Bangladesh are enrolled in our Online Onboarding Programme which includes all the forms and policies they need to sign as well as any country specific forms which we added to ensure compliance with local regulations, e.g. the GDPR Consent for UK based employees.</li> </ul>
The EFG Hermes Employee Handbook	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
The EFG Hermes Code of Conduct	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Policies to ensure labour rights	<ul style="list-style-type: none"> <li>- Policy statement on Human and Labour Rights.</li> <li>- New statement on Modern Slavery and Human Trafficking.</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> <li>- Mandatory pre-employment background checks for New York office employees by an independent outside agent as mandated by state regulations.</li> </ul>
Payroll & HR policies	<ul style="list-style-type: none"> <li>- Payroll in the UK, USA, Kenya, and Bangladesh is handled by a payroll agent to ensure compliance with local law and to apply any mandatory statutory deductions/contributions.</li> <li>- Policies are customized based on country need such as in Pakistan where a customized policy was created to regulate loans and salary advance requests to accommodate employee needs given the financial situation in the country.</li> </ul>
Wellbeing, safety and health policies	<ul style="list-style-type: none"> <li>- Policy statement on Health and Safety.</li> <li>- All employees in the UK, USA, Kenya and Bangladesh receive life insurance benefits through the same coverage and provider.</li> <li>- Medical insurance coverage is provided to UK, Kenya and Bangladesh employees in line with coverage offered to other employees.</li> <li>- Pakistan employee medical and life insurance coverage has been upgraded in line with EFG Hermes standards.</li> <li>- Medical insurance for USA employees is offered through a local provider in line with EFG Hermes standards.</li> <li>- A pension scheme for UK employees as mandated by local law.</li> </ul>

Policies/Actions	Progress
	<ul style="list-style-type: none"> <li>- 401k pension scheme offered to US employees according to market and industry norms even though not mandated by law.</li> <li>- Medical and Life Grant policies for all employees .</li> <li>- On-site gym facilities at HQ with a certified trainer.</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> </ul>
Policies to encourage employee engagement	<ul style="list-style-type: none"> <li>- An online 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 is 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>- Automation of travel workflows starting from requesting the business trip, getting approvals and digital settlement of employee expenses. The system is 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>

## 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... EFG Hermes Statement on Climate Change

EFG Hermes believes it is vital for financial institutions to make a firm commitment to the sustainable development goals (SDGs) and to the support of Climate Change mitigation efforts. Within this context, EFG Hermes has released a Statement on Climate Change and identified key areas of engagement:

*Policy* — EFG Hermes is committed to expanding its environment, social and governance (ESG) policy, adopted in 2017, to more specifically address Climate Change considerations.

*Investment* — EFG Hermes is committed to expanding its responsible investments, particularly in the area of

clean and renewable energy. We also aim to help our clients limit their exposure to environmental risk utilizing our exceptional research capabilities and our in-depth knowledge of Frontier Emerging Markets (FEMs) that may be environmentally and socially vulnerable.

*Training* — EFG Hermes is introducing training modules to help our investment professionals recognize climate risks and identify sustainable opportunities.

*Operation* — EFG Hermes is committed to increasing supply chain efficiency, minimizing the carbon footprint of our premises worldwide and expanding

energy conservation efforts and recycling initiatives.

*Advocacy* — EFG Hermes is committed to promoting the implementation of Climate Change measures within the investment industry by engaging with peers, government agencies and the wider community. On an internal level, EFG Hermes continues to engage with employees to prioritize Climate Change issues.

*Citizenship* — EFG Hermes Foundation for Social Development is committed to incorporating Climate Change mitigation measures in its integrated development initiatives in rural Egypt and elsewhere.

## Policy & Progress Review – Environment

Policies/Actions	Progress
Environmental, Social and Governance Policy	<ul style="list-style-type: none"> <li>- Continued commitment to the United Nations Principles for Responsible Investment (PRI) joined in 2018 with preliminary reporting in Q1 2019.</li> <li>- Advanced ESG training workshop held in Cairo for business lines in EFG Hermes Headquarters to support full ESG integration.</li> <li>- Enrolment in Responsible Investment eLearning Course mandatory for all staff. The course provides an introduction to PRI requirements as well as to EFG Hermes' Environmental, Social and Governance policy launched in 2017.</li> <li>- In line with the UNPRI requirements for reporting and the Egyptian Exchange model guidance for reporting on ESG performance, EFG Hermes is 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>
Climate Change	<ul style="list-style-type: none"> <li>- New Statement on Climate Change.</li> </ul>
Responsible investing	<ul style="list-style-type: none"> <li>- Managed by EFG Hermes' Private Equity Department, the Vortex Renewable Energy platform, one of the largest renewable energy-focused investment managers in Europe, is currently expanding into global markets, with an aim to geographically diversify its clean energy footprint. Vortex has successfully executed transactions worth ca. EUR 2.4 billion in the European renewables market since 2014. Vortex was able to close three investments, one divestment and three debt re-financings since inspection. Vortex acquired 457 MW of wind assets from EDP Renováveis SA across four Western European jurisdictions and acquired 365 MW of solar assets from TerraForm Power in the United Kingdom, and recently, divested its wind portfolio in 2019 to J.P. Morgan Asset Management. The Solar PV transaction was valued at an Enterprise Value of ca. GBP 470 million and comprises 24 operational assets, representing one of the largest portfolios of solar PV in the United Kingdom. Vortex has continued to outperform investment targets in terms of electricity generation and financial performance across the years, demonstrating the attractive financial returns possible on sustainable and responsible investment.</li> <li>- EFG Hermes Finance, Egypt's only alternative energy lease finance solution, maintains two vendor agreements with solar station suppliers Karm Solar and Solarize in a strategic alliance to provide clients with solar stations through a leasing facility. By providing agri-business with access to subsidized financing for renewable energy solutions, clients can generate savings from the product itself and decrease their carbon footprint.</li> <li>- EFG Hermes Leasing succeeded in increasing the grant facility provided by the Saudi Development Fund to reach EGP 225 million of which EGP 37.5 million are allocated to fund SMEs located in remote governorates with a further 37.5% to be directed to the agricultural sector including the agricultural industry.</li> </ul>

Policies/Actions	Progress
	<ul style="list-style-type: none"> <li>- The total portfolio of EFG Hermes Leasing reached EGP 3.5 billion by Q4 2019, with the SME contribution maintained at 15 to 16 %.</li> </ul>
Energy conservation & Green IT	<ul style="list-style-type: none"> <li>- Replacement of 30% of desktop computers at HQ with newer, more energy-efficient models. To date, almost 80% of desktops have been replaced.</li> <li>- Six LCD screens have been replaced with more eco-friendly LED screens.</li> <li>- Data centre power consumption has been reduced by 33% through: <ul style="list-style-type: none"> <li>· Continuing to execute the plan of virtualizing IT servers and demoting any unnecessary physical equipment for a 3% increase over the 2018 virtualization strategy.</li> <li>· Replacing the power switch with a new one that is more energy efficient, reducing consumption by 90%. Replacing all user edge switches had similar impact.</li> <li>· Migrating backup process to a solution that reduces both material waste and the footprint in the data centre.</li> <li>· Reducing the number of communication devices by aggregating the services on new equipment with lower power consumption.</li> </ul> </li> <li>- Continuing the strategy to shift to cloud-based services by: <ul style="list-style-type: none"> <li>· Migrating to WebEx Cloud licenses which will eventually reduce dependency on the On-Premise WebEx and be reflected in lower data centre power consumption.</li> <li>· Establishing a cloud-based mail archiving system with 30% completion to date. 97% of users are using mail over a cloud-based solution.</li> <li>· Adopting centric advanced cloud security controls to protect multiple services hosted in multiple geographic locations as well as cloud- based business services.</li> </ul> </li> <li>- WebEx as a teleconferencing/online meeting platform usage increased by around 30% over 2018 with an average of 388 conferences per month.</li> <li>- Replacing the outdated telephony system in Pakistan with a new IP telephony system reduced the footprint and power consumption in the data centre.</li> <li>- Coordinating with the administration department to include old IT equipment in the e-waste recycling plan in an ongoing process.</li> <li>- Continuing the migration to clean energy solutions by installing solar panels at the Egypt HQ with a capacity of 24KW which is equal to 2% of current electric consumption.</li> <li>- Promoting <i>Felsekka</i>, EFG Hermes' carpooling initiative to encourage employees to reduce their carbon footprint.</li> <li>- Employees are also encouraged to use ride-sharing apps such as Careem for business-related trips to decrease stress related to poor traffic conditions (12,625 Careem rides in 2019).</li> <li>- The EFG Hermes Foundation has introduced the use of solar energy for the operation of the Naga' El Fawal community centre and the Young Scholars Academy nursery.</li> </ul>



Policies/Actions	Progress
Resource management	<ul style="list-style-type: none"> <li>- EFG HR Connect continues to minimize the use of paper by providing employees virtual access to internal documents such as CEO Notes, leave requests and approvals, latest corporate news, etc., to reduce waste and increase savings.</li> <li>- Continued recycling practices across all EFG conferences and 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... Compliance and Risk Management

EFG Hermes believes that having sufficient information about our clients is the best way to minimize the Firm's risk of being used for illicit activities such as the processing of funds gained from human trafficking or modern slavery. It also protects EFG Hermes against fraud and enables EFG Hermes to recognize suspicious activity. EFG Hermes anti-money laundering (AML) policy is based upon the strict adherence to the following procedures:

- The verification of the identity of new clients
- The ongoing screening of clients against international sanctions lists and media sources
- The receipt and payment of funds directly to / from the client (not from third parties)
- The reporting system of suspicious transactions
- The maintenance of complete and accurate records

- The ongoing training of all employees on the AML policies and procedures.

EFG Hermes' thorough due diligence processes, which are applied to individual and corporate clients alike, ensure that no new businesses are undertaken prior to Compliance scrutiny, verification and approval. Our due diligence processes are implemented across business lines at EFG Hermes to ensure that our investment platforms are not used for illegal transactions. Potential clients are required to fill out a detailed questionnaire, and investor names are checked against domestic and international sanctions lists like the Office of Foreign Assets Control (OFAC), European Union and United Nations lists to protect the Firm from entering into business with persona non grata individuals. Our due diligence documents are protected by strict access regulations and documentation standards.

EFG Hermes Anti-Fraud and Corruption Policy 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. This policy applies to all employees irrespective of their position with the Firm and should be read in conjunction with the EFG Hermes Code of Conduct. Compliance with this policy is mandatory and non-compliance may lead to disciplinary action including dismissal. Under monitoring from Compliance, EFG Hermes also conducts four mandatory annual training courses on Anti-Money Laundering (AML), anti-fraud, cybersecurity, and sustainability awareness. A policy was also drafted, and a course launched on the EU's General Data Protection Regulation (GDPR) for all EFG Hermes employees.

## 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> <li>- Under this new framework, the Board of Directors was restructured during the year to comply with the Egyptian Financial Regulatory Authority’s (FRA) corporate governance regulations.</li> <li>- EFG Hermes is fully compliant with FRA regulations and EGX listing rules, which require companies to appoint new board members every three years.</li> <li>- EFG Hermes Leasing became the first leasing company in the market to align with all new FRA regulation and standards announced in 2019. The FRA regulation and standards are related to capital adequacy, liquidity ratios, provisioning, portfolio concentration, in addition to the change in accounting standards in line with international leasing standards.</li> <li>- To better instil sound corporate governance practices, the Firm restructured its Board committees, splitting the Audit and Risk functions into two independent committees and adding a Corporate Governance and Nomination Committee and Business Risk and Compliance Committee.</li> <li>- The Firm also obtained a license from FINRA for EFG Hermes USA; complied with the Common Reporting Standards Regulations; and complied with Markets in Financial Instruments Directive (MiFID II), an EU law that seeks to boost investor protection and market transparency.</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> </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>- The training completion rate for the anti-money laundering (AML), anti-fraud, responsible investment, general data protection regulation (GDPR), and cyber security courses is over 91% for 2018.</li> <li>- Rigorous due diligence processes are in place.</li> </ul>

Policies/Actions	Progress
Internal audit, compliance and risk management policies	<ul style="list-style-type: none"> <li>- Strong internal control and risk management culture serves 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 maintained its ISO22301 certification from the British Standards Institute renewing its commitment to business continuity management.</li> <li>- Continued inclusion in 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> <li>- Completed GAP analysis for all networks and systems including two external systems for valU and EFG Hermes Leasing. The division is actively working to include all NBFIs in the analysis, having already completed one full cycle this year.</li> <li>- Drafted a new proxy voting policy, which will be reviewed and updated as necessary to address new and evolving proxy voting issues and standards.</li> <li>- Completed audits on all the Firm’s NBFi platforms as well as frontier market operations.</li> <li>- Completed the annual update for all existing risk and compliance policies and procedures for risk and compliance.</li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <li>- Completed the second and last phase of the Cyber Security Compromise Assessment for all EFG Hermes networks and systems with successful results.</li> <li>- Drafted a policy on the EU’s General Data Protection Regulation (GDPR) for all EFG Hermes employees.</li> <li>- International best practices are followed in the operation of all EFG Hermes data centres.</li> <li>- The IT team applies the same security policy for both cloud and on premises applications related to risk management and all security controls including but not limited to the following: vulnerability assessment, encryption standards, penetration testing, multi-factor authentication, firewalling and intrusion prevention systems along with the standard administrative controls.</li> </ul>

## Measurement of Progress and Outcomes

Our leading position in the area is a direct result of the rigorous guidelines and procedures across our operation. We are equally prudent when it comes to the quality and nature of the documentation that we require from clients. As a result, EFG Hermes has succeeded in maintaining its reputation and market leadership as it continues its expansion into new geographies and its launch of a new roster of products and services.

Auditing forms an integral part of corporate governance at EFG Hermes. Both internal and external auditors play a key role in providing an independent assessment of our operations and internal controls. Our Auditing, Compliance, Risk and Human Resource Departments consistently monitor our operations to ensure adherence to the regulatory requirements of the markets where we operate and the integration and of new policies and benchmarks.

Our commitment to the United Nations PRI and our submission of the first report has also necessitated an expansion of the kind of data we monitor to integrate ESG factors and maintain the same level of transparency and accountability that we pride ourselves on throughout our operation. New policies that we have enacted, such as those on Climate Change and Modern Slavery and Human Trafficking, have also been accompanied by a review of our current practices to ensure that our practices mirror our commitments at all levels.