



COMMUNICATION ON PROGRESS FOR THE UN GLOBAL COMPACT

REPORTING PERIOD: DECEMBER 2014 - DECEMBER 2015

ABOUT BLOM BANK

BLOM Bank is a leading Lebanese Bank offering universal services and solutions across a network of 257 banking and financial units in the Middle East and Europe, both directly and through subsidiaries. As a responsible business, we make sure our operations revolve around trust and credibility and are aligned with our defined strategies. In fact, our Corporate Social Responsibility strategy further supports the Bank's purpose of helping customers become better off financially, thus contributing to economic and social development, stability and comfort in the communities in which we operate.

In April 2015, the Board of Directors approved the establishment of a "Corporate Social Responsibility Committee" which is an advisory and consultative body with a primary purpose of assisting the Board of Directors in fulfilling its responsibilities in relation to the Bank's social responsibility policies and programs, as well as monitoring and evaluating the Bank's social responsibility performance.

For further information:

<http://www.blombank.com/english/Profile>

ABOUT THIS REPORT

On December 26, 2014, BLOM Bank became an official signatory with the UN Global Compact, thus committing to respect its ten principles, integrate them into our strategies and operations and annually report their progress to our stakeholders through an annual Communication on Progress (COP).

Throughout our first COP report, we aim to describe our achievements so far in implementing the ten UN Global Compact principles. These achievements will shed light on our current practices rather than refer to past progress, with a particular emphasis on future goals and the various means for attaining them.





LETTER OF COMMITMENT

"I am pleased to reaffirm BLOM Bank's commitment and support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Since its establishment, the Bank's conservative strategy and prudent risk management have led us to never compromise on quality for the sake of quantity. Today, we recognize also and strongly believe that the success and growth of our institution lies in the ability to deliver highest standards of integrity and ethics, and in making sustainable decisions that balance out social, environmental and economic factors to promote steady positive impact in the communities we serve.

Ultimately, the consistent delivery of our corporate responsibility promise could not be achieved without the dedication of our management team and staff who have showcased deep commitment by identifying with our organizational goals and values. In this regard, we will continue to collaborate closely with all stakeholders to constantly improve existing practices as well as innovate and explore new opportunities that bring Peace of Mind to our society in an ethical and responsible manner.

In this annual Communication on Progress, we shed light on our activities, achievements and progress to further reiterate the continuous commitment and integration of the UN Global Compact principles into our business, strategy, culture and daily operations. We commit to publically and transparently share this information with our stakeholders, using our primary channels of communication. We also wish this noble UN initiative all the success that it rightly deserves."

Sincerely,

A handwritten signature in blue ink, appearing to read 'Saad AZHARI', with a large, stylized flourish at the end.

Saad AZHARI, Chairman and General Manager

HUMAN RIGHTS

PRINCIPLE 1: BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS; AND

PRINCIPLE 2: MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

OUR COMMITMENT

At BLOM Bank, we support and fully adhere to international standards of human rights throughout our operations and daily practices. In fact, embedded in one of our core values is our commitment to protect and improve the well-being of our people and community, a value we aim to stand by under all circumstances.

Fraud Policy & Code of Conduct

Outlined in the Code of Conduct is a firm enforcement of professional and businesslike behavior where gambling, fighting, swearing and similar unprofessional behavior is strictly prohibited while on the job. Further to that, employees must not engage in sexual, ethnic or religious harassment. Finally, the use of inappropriate language or material in the work area will not be tolerated and will expose the employee in question to the most severe punishment under the law.

CURRENT STATUS OF IMPLEMENTATION

Ethical Work Environment

BLOM Bank's employees are expected to comply with the highest standards and policies of ethical behavior in terms of confidentiality, professionalism, transparency and integrity. In the event of a human rights violation, employees are encouraged to report their concerns internally and to an independent authority from their immediate supervisors in an anonymous manner through the "Hotline", further establishing an ethical duty in whistle blowing.

Working Hours & Wages

BLOM Bank is aware of the significance of investing in the comfort of its employees, especially through the flexible working hours whereby employees are given the opportunity to work from 8:00 AM until 2:00 PM, further supporting the notion of a work-life balance. In parallel, however, employees are also rewarded with overtime pay should they continue working until 5:30 PM. Through that, an equal and fair balance is available to all employees, depending on their various personal needs and requirements.

Flexible Work Environment

BLOM Bank's lunch break policy ensures the cultivation of utmost productivity and flexibility of movement in the workplace. Employees are encouraged to make use of an hour lunch break, chosen anytime between 1:00 PM and 3:00 PM daily, to eat, complete errands or attend to personal matters within or outside the premises. Through this policy, employees are given full freedom to disconnect for an hour and return back with refueled energy to continue the rest of the day.

Healthy & Safe Environment

Our efforts ensure that a safe environment is always promoted for all employees through a predefined Employee Workplace Health and Safety Policy that outlines the various responsibilities for incident management, accident and injury reporting, first aid and emergency procedures and the main hazards to avoid at the workplace, among others.

These efforts extend to foreign domestic workers where their signed contracts clearly stipulate the need for their employers to provide medical insurance and workers' compensation policies. In parallel, the Bank also follows informal practices of listening to workers' complaints and coordinating with their concerned employers in order to solve any raised concerns or problems.

GOALS

Because we strongly believe that the Bank's value lies in its human capital, we aim to make sure that our actions in the field of Human Rights are continuously fulfilled, respected and upheld at all times. To that effect, we:

- Assess the current implementation of human right practices across our premises.
- Devise mechanisms that will ensure respect for Human Rights.

LABOUR STANDARDS

PRINCIPLE 3: BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE 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; AND

PRINCIPLE 6: THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

OUR COMMITMENT

BLOM Bank recognizes its human capital as the most valuable asset and the driving force behind its continued success. Our people are key to achieving our vision of being the leader in client relationships, which is why we work hard to continuously educate, train and reward their performance, and in the process create an environment where all employees can excel in. Finally, it is through their efforts that the Bank's standing continues to be maintained and improved as a major player in regional financial markets.

Annual Report & Code of Conduct

At BLOM Bank, we are committed to continuously secure an environment where all employees are given equal opportunities and treated with utmost respect in a culture that strives on fairness and ethical and transparent standards, regardless of their position, sex, religion, ethnic background, age or disability. This commitment is clearly addressed in both our Annual Report and Fraud Policy & Code of Conduct.

Moreover, BLOM Bank is dedicated to protect and improve the wellbeing of its employees by encouraging them to participate in various social activities whilst ensuring access to a variety of benefits and facilities.

CURRENT STATUS OF IMPLEMENTATION

Recruitment & Selection

Providing the Bank with the required human capital to meet its operational and strategic goals is a challenging task that we continuously strive to accomplish. To this end, we adopt a strategic approach for the recruitment and selection process whereby the right person is matched to the right job based purely on his/her inherent qualifications and disregarding any form of discrimination whilst recognizing equal opportunities for all. The process is further backed up by a full background reference check by the Group Compliance Division.

In 2014, BLOM Bank group recruited a total of 648 employees; adding to the almost-equal gender balance of 47% females and 53% males. Furthermore, the group continues to pride itself on its 4,776 employees with the average age of employment being 35 mostly holding Bachelor Degrees.

Career Development & Promotion

BLOM Bank's strategy of recruiting fresh graduates and promoting from within means that Career Development is one of the Bank's key success factors. For that purpose, the Bank follows a clearly defined grading system that properly links the job functions to the employees taking on the roles. Promotions are based on the job's evolution and higher competency requirements as well as on the employee's individual performance within the job. The annual performance appraisal is a prerequisite to employee promotions, bonuses, salary increases and development.

Training & Development Programs

BLOM Bank considers training essential to ensure the development of a competent workforce able to adapt to the evolving business environment. A Training Needs Assessment (TNA) is performed by the Human Resources Division in collaboration with the line managers during the last quarter of each year, and the training plan for the coming year is set accordingly and updated continuously. By the end of each training seminar, an evaluation summary is made to assess the content, the trainer and the applicability of the training. Programs are also directly evaluated by monitoring the trainee's Key Performance Indicators (KPIs) relevant to the training topic.

BLOM Bank also recognizes the importance of higher education in career development and accordingly sponsors employees' tuitions to ensure they achieve all their aspirations. Going the extra mile, BLOM Bank also offers educational allowances to support employees with children in school, as well as special paid bonuses to employees whose children achieve high grades in academia as full-time students.

Talent Management Programs

In its efforts to appreciate and develop human capital, BLOM Bank established two Talent Management Programs that target top performers at its branches: The Management Training Program and the Individual Training Program. Comprehensive training programs are developed to cover all the banking operations and its diverse functionalities, giving employees the opportunity to gain in-depth knowledge of the banking sector as a whole. Through these various training approaches, BLOM Bank invests in its talent pool rendering employees more competent to become either future branch managers or holders of higher positions within the Bank's structure.

Work-Life Balance

BLOM Bank is aware of the significance of investing in its employees and keeping them motivated. In addition to investing in their training and education, the Bank provides employees with access to benefits such as special interest rates, medical coverage, guaranteed eligibility for preferred medical coverage upon retirement, profit sharing and special allowances, among others. The Bank also organizes various social activities such as BLOM Basketball Team (Males), BLOM Basketball Team (Females), BLOM Football Team, BLOM Running Team and BLOM Band. The latter volunteers entertainment for several NGOs.

Additional Allowances

Employees whose jobs require unique physical conditions or specific expertise benefit from special allowances such as inspection allowance, switchboard allowance, branch manager SOS allowance, credit allowance, fixed transportation allowance, special allowance for marketing overseas employees and more. Employees also benefit from special Bank Retirement bonuses upon their retirement, higher than that required by the law.

Internal Shared Network

We believe all employees should be fully aware of their rights and should have full access to employment-related policies and procedures. The internal shared network has been created for this purpose and serves as a platform to share essential information with all employees thereby developing a transparent open communication across. This file is placed on the desktop of all employees and is readily accessible at all times.

GOALS

For the upcoming years, we aim to ensure that our hiring, advancement, compensation, training, development and other privileges of employment are handled according to international labor standards and policies. We also aim to achieve these goals by conducting relevant procedures:

- Administer a questionnaire across all employees to evaluate the strength of the flow of internal communication.
- Assess the results of the Salary Benchmark Survey conducted by the Association of Banks in Lebanon (ABL) and apply the necessary improvements.

ENVIRONMENTAL STANDARDS

PRINCIPLE 7: BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE 9: : ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

OUR COMMITMENT

Since 2011, BLOM Bank began taking serious actions to address its shift towards a greener environment. We recognize the obligation and duty we have towards protecting our environment and are strongly committed to improving our actions and further embedding environmental sustainability into our core operations.

Progressive Environmental Policy

Initially, the Bank's aim was to reduce its paper and energy consumptions as well as its wasteful impact on the environment through daily operations and workflow processes. We later took this opportunity further to encourage green activities across our premises and communities of operation with the aim of promoting a cleaner and safer environment for all.

CURRENT STATUS OF IMPLEMENTATION

Paper Recycling & Reduction

The first action was the active reduction of paper consumption at the internal level by setting a number of "Best Practices" that have remarkable impact while requiring minimal effort from our staff. This was achieved by decreasing the number of printers in the Bank and encouraging double sided printing by making it one of the default settings for all computers. Furthermore, we stopped the generation of several reports that no longer serve our business needs - realizing a drop of 30% in the consumption of paper between 2014 and 2015.

In parallel, we signed an agreement with "T.E.R.R.E Liban" for paper recycling. With this initiative, we secured the planting of four trees for every one ton of recycled paper delivered to "T.E.R.R.E Liban". As of 2012, for example, we delivered 31,950 kilograms of recycled paper thereby securing 543.2 planted trees.

Waste Recycling

As part of our environmental awareness, BLOM Bank supplied its premises with bins of different colors to further segregate waste into recyclables and non-recyclables. With a clear written indication of rules and examples, the blue bins were placed for paper and cardboard waste, whereas the white bins for metals and plastic residues. Furthermore, a separate bin was placed under each desk for tissue paper and food residues. The segregated waste is to be later picked up by "Zero Waste Act" and transported to the corresponding factory for recycling.

Energy Consumption and Green Loans

The Bank also worked towards energy reduction by switching to economic bulbs in 2014 and optimizing the lighting control in our offices. This for instance was achieved by replacing the 50 WATT bulbs with 5 WATT bulbs, marking a considerable 90% decrease in the consumption of energy; which directly increased the lifetime of the bulb by five times and even played a role in bringing more beauty and clarity to all offices. The Bank also contributed with loans to finance 1,931 solar panel installations thereby promoting renewable energy and its applications.

GOALS

Our commitment to continuously establish and maintain a cleaner and greener environment drives us to set several goals that imply further actions, resulting in greater positive impact:

- Assess energy usage and efficiency in Bank Headquarters.
- Establish zero growth in paper consumption by 2016 for all departments and branches to further promote a paper saving environment.
- Raise more awareness on recycling and waste segregation to be able to spread this notion beyond Group employees.
- Establish a Sustainable Procurement Policy and develop a supplier Code of Conduct for performance evaluation purposes.

ANTI-CORRUPTION

PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

OUR COMMITMENT

At BLOM Bank, we recognize that Corporate Governance is not just a competitive advantage, but also an added value worth capitalizing on. Our commitment to better serve all environments with highest ethical standards goes beyond the rules and regulations set by official bodies, and aims at embedding the actual implementation of good practices into the core of our daily operations, while working against any form of unprincipled behavior including corruption, extortion and bribery.

Fraud Policy & Code of Conduct and Code of Governance

Our Fraud Policy and Code of Conduct conveys the basic policies that every employee should adhere to and identifies the measures to be taken for any breach such as immediate termination and prosecution to the fullest extent of the law. The Bank's culture of honesty and integrity is further fostered by a "zero tolerance" attitude towards fraudulent and unethical business dealings including any payments for illegal acts, indirect contributions, rebates and bribery.

CURRENT STATUS OF IMPLEMENTATION

Corporate Governance Awareness

The key to maintaining the right conduct throughout our day-to-day businesses lies in the ability to communicate the Code of Conduct transparently and accurately to all our employees thereby ensuring a clear understanding on what "responsible behavior" entails. To meet this objective, mandatory training courses are given to representatives of all branches and business units to further facilitate their understanding and raise awareness on good corporate governance. Led by the Head of HCM Department and the Head of Group Internal Audit Division, these presentations are conducted at entry level and repeated at least every two years with record attendance. A copy of the training presentation is made available for all employees for future reference.

Reporting Noncompliant Behavior

At a similar level, employees are encouraged to report their concerns internally and to an independent authority from their immediate supervisors in an anonymous manner through the "Hotline". The Fraud Policy and Code of Conduct clearly outlines the detailed procedures for corporate whistle blowing, which further establishes an ethical confidence and duty in employees whereby failure to report incidents and misconducts can result in the loss of profits, promotions, bonuses and even their jobs.

BLOM Bank established a committee made up of the Human Resources Department and Group Internal Audit Department to handle the Hotline reports and ensure they are operated by trained professionals in order to maintain the integrity and confidentiality that the "Hotline" promises to whistle blowers. All complaints received by the "Hotline" will be investigated promptly by the committee who will report on the incident and its recommendation for resolution to the Board's Human Resources Committee (chaired by the General Manager) for action.

Safety & Security

It is the Bank's duty to keep raising its employees' awareness on security threats. It thus launched the Information Security Awareness Campaign to address and prevent security threats and pro-actively monitor systems' activity by implementing advanced preventive and detective controls.

Signatories

Following our objective to guarantee safe transactions and investments for our stakeholders, BLOM Bank was the first Bank in the Arab world to sign the Investors for Governance and Integrity (IGI) Declaration in 2014. This commits the Bank to implementing the Governance and Integrity Rating guidelines and recommendations into its own ownership policies and practices, and working to further the advancement of good corporate governance practices, thus contributing to the safety of the financial environment in Lebanon.

GOALS

We are committed in our goal to continuously develop our Corporate Governance practices, while stressing the importance of maintaining a culture of honesty and high ethics by setting several mechanisms that further strengthen our governance structure:

- An annual report will be submitted to the HR committee with the recorded data, statistics of recurring violations and measures taken to further support the revision or adjustment of any existing regulations to lessen the risks and incidents.
- Widen incident reporting platforms for employees by making available a "Complaint Log" on the internal shared network to be filled out and sent via email anonymously.
- Reinforce the Bank's "Tone at Top" culture by sending a periodic newsletter to all employees.
- Evaluate the adequacy of existing policies and procedures along with their application through a survey circulated once every two years. Also, necessary measures and controls will be taken to assess awareness and to provide improvement when needed.



BLOMBANK.COM



[BLOMBANKLEBANON](https://www.facebook.com/BLOMBANKLEBANON)