

*The chairman*

Beirut, July 27th, 2017

**Statement of Continued Support**

To our stakeholders:

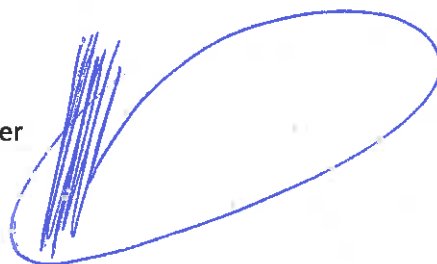
I am pleased to confirm that BLC bank reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Maurice Sehnaoui

Chairman General Manager



## BLC Bank COP

### Human Rights Principles

Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2 – Businesses should make sure they are not complicit in human rights abuses.

### *Assessment, Policy & Goals*

BLC Bank considers it as its corporate responsibility to respect all human rights and enforce their application on a daily basis. The Bank has established a set of policies that are related to the respect of human rights and concern all of its stakeholders, whether people in its direct employment (through Code of conduct, Grievance Mechanism, Whistle blowing Policy, and Net Promoter Score- NPS) or through its supply chain (Credit & Procurement Policies).

As a responsible financial institution, the Bank believes it has a pivotal role to play in fighting poverty and working towards financial inclusion of all including women's basic right to access finance, access markets and access knowledge through the WE Initiative program.

### *Implementation*

Upon joining BLC Bank, all new recruits are handed the Bank's code of conduct, which mainly tackles ethics & compliance issues. The Grievance Mechanism, Whistle blowing Policy and NPS give any employee the right to communicate to higher management any of their concerns in a discreet way.

The Bank's credit policy includes an exclusions list gathering all the people or entities that do not abide by human rights, such as child labor or non-environment friendly businesses. Also, the procurement policy does not allow the Bank to deal with suppliers that do not abide by human rights.

In its effort to increase financial awareness, play its part in the eradication of poverty (SDG no. 1) and facilitate everyone's access to banking, BLC Bank has continuously been expanding its network of branches in rural areas and has carried out numerous roadshows and initiatives across Lebanon. In addition to these activities, the Bank has been harnessing technological innovation to help develop its business efficiently and sustainably. The Bank has implemented state-of-the-art mobile and internet banking options that grant its clientele access to their Bank accounts wherever they are. Through technology BLC Bank has been able to guarantee access to finance to the community it serves, all the while reducing energy and natural resource consumption.

BLC Bank's WE Initiative- Woman Empowerment Initiative targets all women be they entrepreneurs, professionals, executives or mothers seeking solutions to their challenges and concerns, aiming to unleash their potential and enhance their professional and personal lives. The Initiative offers a unique customer value proposition that comprises exhaustive financial and non-financial services, ranging from learning and development to market exposure and consultancy, information and guidance and comprehensive financial schemes. An internal diversity and inclusion program was launched in parallel with the WE-Initiative.

Having a leadership role in women empowerment and the fight for gender equality (SDG no.5), BLC Bank has also joined the Business for Inclusion Action Platform in order to further contribute to achieving the goals set out in the 2030 Agenda for Sustainable Development.

The Bank's participation with the UNGC did not stop at committing to the UNGC's 10 principles and the WEPs signature; as the Bank was invited to join the WEPs Leadership Group and was among the members who consulted on and piloted the GAP Analysis Tool (an online platform that assesses a company's progress in advancing gender equality).

Finally, BLC Bank strives to Ensure inclusive and equitable quality education and promote lifelong learning opportunities for al (SDG no. 4) by promoting financial education through our content on the WE website, on social media and in roadshows as well as during the Business Power Sessions- trainings we provide to SMEs. BLC Bank also provides student loans subsidized by the Central Bank of Lebanon to make education accessible to all and by providing education loans to our employees at very low cost.

### *Measurement of Outcomes*

BLC Bank makes sure that the above policies are strictly abided by. Their implementation is followed-up by relevant committees (HR Committee, Credit Committee, and Purchasing Committee). As a result, we do not note any legal disputes or any acts of violations of human rights.

On a CSR level, in 2016 the Bank's contributions to the Lebanese society totaled \$300,000.

We have to date reached more than 15,000 women, giving them consultancy services, training and development programs and access to markets in and outside of Lebanon.

The impact of this inclusion strategy on the Bank's bottom line:

- First, the Bank was able to grow the loan portfolio of women SMEs, by 69% since the launch of the program in 2012.
- Second, the program's IRR exceeded 30%

BLC Bank also had an impact on the Economy. By 2015, the Bank had created the necessary awareness in the Lebanese Banking sector which increased lending to women from 10% to 26%.

Internationally, the Bank has become a reference and the subject of several publications and case studies by different reputable institutions such as IFC, GBA and Oxford University. The Bank has been

invited to conferences in order to share best practices, spreading its impact to global levels (including New York, Washington, Frankfurt, Tanzania, Dubai, Colombia and Brazil). It has also carried out study tours to IFC and GBA members, sharing best practices and influencing the creation of women empowerment programs in no less than 50 banks around the world (Latin America, Asia, Africa and Middle East).

The result of our GAP analyses tool which assesses a company's progress in advancing gender equality was "improver" but BLC Bank aims to work on the weaknesses and become ranked, in a short period, as an "achiever".

### Labor Principles

Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5 – Businesses should uphold the effective abolition of child labor.

Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### *Assessment, Policy & Goals*

BLC Bank makes sure that it is not involved in activities that:

- harm or induce forms of forced labor;
- lead to discriminatory practices

BLC's policy for recruitment is clear, since the Bank fully abides by Lebanese labor law that prohibits child labor and employment before the age of 18. The Bank also refuses any practice that prevents employees from exercising their rights of association and collective bargaining.

BLC Bank is an equal opportunity employer. Employees are recruited based on their ability to perform the job, skills and capabilities, with no discrimination to gender, religion, race...

In its strive to fight discrimination, it is primarily gender equality that BLC Bank aims to reach, both inside its premises and on a national level.

### *Implementation*

BLC Bank has an active syndicate of 7 members that are elected by the Bank employees every three years. The syndicate has open dialogue with the Bank's Chairman & General Management in order to discuss employee-related issues and reach agreements that are jointly acceptable by the employees and management. In addition to that, the Bank has a club of 9 members that organize events for the well-being & entertainment of the employees and their families. The bank's management has allocated a budget for this club to be spent for employee-related activities.

BLC Bank is governed by the Collective Labor Agreement, which is common for all banks in the country. The bank considers this agreement as the minimum benefits that employees are eligible for. All employees have compensated work contracts with the bank and are enrolled in the National Social Security Fund (NSSF), in addition to other benefits granted for their well-being (private insurance for the

employee and their family; tuition allowances for the kids...). The Bank makes available employment contracts to all employees stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave, including the appropriate procedures and any penalties that may be associated with their departure.

BLC Bank is also a member of the Association of Banks in Lebanon, where it is part of the institution's effort to develop an industry wide approach to address labor-related principles.

At BLC Bank, we strive for a more equal and inclusive workplace (SDG no. 8); employees are recruited based on their ability to perform their job (skills and capabilities) with no discrimination to gender, religion, race... The recruitment process starts with an assessment test and is followed by multiple interviews.

Once recruited, an employee's skills and knowledge are further enhanced by the continuous learning development and trainings offered by the Bank.

As a flagship institution in the momentum for gender equality, BLC Bank has launched the We Initiative, which has over the past five years been a pioneering program offering women inside and outside the Bank the financial and non-financial services they need to enhance both their professional and personal lives. Internally BLC Bank aims to reach gender equality in upper management by 2020. A set of measures and actions has already been taken: Training to all concerned employees to become more gender sensitive and remove unconscious bias when studying files; procurement policy favoring women suppliers; Nursing schedule for mothers returning from their maternity leave (2 months of part-time schedule with full pay).

The We Initiative has thus turned BLC Bank into the first financial institution from MENA to sign the UN Women Empowerment Principles and to join and chair the Global Banking Alliance for Women.

Finally, BLC Bank is the first institution in Lebanon to implement a full emergency Response Plan to better ensure the health and safety of all its employees in the workplace (wardens on each floor who received first rescue trainings and very detailed security policies...)

### *Measurement of Outcomes*

We at BLC Bank, in addition to the benefits specified in the Collective Labor Agreement, provide our employees with health insurance to not only the eligible employee but also all of their family, where 1684 employees and their families currently benefit from insurance coverage. Regarding the tuition allowance for employees' children, we provide an additional 12.5% on the set amount. In addition, the Bank offers preferential rates on all creditor & debtor accounts to its employees.

On the women empowerment side and as a result of the implementation of the We Initiative, women in upper management reached 45% and women in middle management 35%. In 2016, 51% of BLC Bank's employees were women.

The We Initiative has led BLC Bank to win numerous awards in 2016: the Global Banking Alliance for Women’s Leadership Award and CPI Financial’s Best Female Empowerment in Banking Award. BLC Bank was also named Best Bank in MENA Supporting Women Owned and Women Led businesses for 2015 by the American Chambers of Commerce.

Moreover, the Bank has extended its efforts to provide the adequate trainings to its employees, as part of its commitment to developing the human resources’ competencies and skills. As the below table depicts:

Year	2015	2016	Difference 2015 v/s 2016
Total Attendees	3,997	4,782	785
Internal	3,179	3,317	138
<b>% of total hours</b>	<b>79.5%</b>	<b>69.4%</b>	
External	812	1,013	201
<b>% of total trainings</b>	<b>20.3%</b>	<b>21.2%</b>	

By the end of 2016, in the second phase of the ERP, the project was extended to all of BLC Bank premises:

- 41 Branches
- 2 Archive locations
- The Learning Center
- 3 remote Head Office locations

90 more wardens volunteered and attended the first aid training. Awareness and refresh sessions are periodically provided to all employees and new recruits.

The Bank is the first to establish an Emergency Response Plan based on the standard requirements followed by Oil and Gas industry.

## Environmental Principles

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

Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies.

## *Assessment, Policy & Goals*

BLC Bank developed a public Corporate Environmental Policy and a code of conduct for its operations that confirm the Bank's commitment to care for the environment, and added an additional value to its existing ones: "We are Responsible Corporate Citizens".

BLC Bank also included green preferences in its Procurement Policy and in its Corporate Lending Policy in order to have bigger environmental impact on all its stakeholders.

In addition to that, the Bank also supports green initiatives and NGOs that contribute to sustainable development and safeguard of the environment

## *Implementation*

In order to implement this green policy, BLC Bank adopted the 3R's approach: Reduce (reduce unnecessary consumption), Reuse (reuse material instead of throwing it away), Recycle (sort and recycle) and added a 4<sup>th</sup> one: Rethink (rethink our procedures and activities). This strategy was implemented in 4 categories: paper, energy, water, waste and pollution. As a result, BLC Bank headquarters was the first operational building in Lebanon to receive the ARZ green certificate. It is the result of the collaboration between BLC Bank and IFC (International Finance Corporation) and LGBC (Lebanese Green Building Council). This environmental approach is strategic and embedded in all new procedures issued and in daily activities. The Bank also holds regular trainings for its employees to inform them of the current environmental issues and encourage them to adopt greener habits. In addition to these sessions, 100% of new recruits attend BLC Bank's induction program, which aims to familiarize the staff with our values and activities, among which our green initiatives and goals.

By modifying its Procurement Policy to include green requirements and by signing Lebanon Opportunities Green Pledge ([www.green.opportunities.com.lb](http://www.green.opportunities.com.lb)), BLC Bank demonstrates its will to involve its suppliers in its environmental initiatives. In fact, BLC Bank commits to:

- Introducing green criteria in its tender specifications. For example, all purchased paper must be PEFC (or equivalent) certified as sourced from sustainably managed forests.



- Giving preference to products and services that are certified as eco-friendly by governmental or other widely recognized authorities like products with Energy Star Label.
- Giving priority to local suppliers with established Corporate Social Responsibility policies.
- Encouraging all its suppliers to adopt greener behaviors and to reduce their environmental footprint.

Moreover, BLC Bank encourages the development and diffusion of environmentally friendly technologies and products whenever possible and supports the work of local NGOs such as Jouzour Lebanon,, working on the reforestation of Lebanon (SDG no. 15)

. A paperless project was implemented to reduce paper consumption: implementation of electronic pay slips for employees, reports and communication online, printing of customer statements on demand, generalization of double-sided printing and photocopying practices.

BLC Bank is also committed to develop and encourage environmentally friendly products and eco-loans that will have long term benefit on the environment and spreading of renewable energies (SDG no. 7). Banking products for sustainable programs have thus been released, reflecting BLC Bank's engagement and making it easier for the Lebanese community to lead a greener life. These products cover a wide range of domains among which: water heating, solar energy generation, pollution abatement, solid waste and waste water treatment, and recycling, landscaping, eco-tourism.

Eco-friendly loans are also offered to both individuals and businesses. To name a few products: Solar Water Heater Loan, Small Energy Loan, Non-Subsidized Energy and Non-Energy Related Eco-Loans, BDL Subsidized Energy and Non-Energy Related Eco-Loans, Green Kafalat Loans: Kafalat Energy A, Kafalat Energy B, Kafalat Energy C, Kafalat Trees and Kafalat Small Farmers

### *Measurement of Outcomes*

More than 10500 trees planted thanks to BLC Bank and Jouzour Lebanon.

#### OUTSTANDING LOANS IN 000'S US\$

	2014	2015	2016	% Increase 2015-2016
<b>ECO FRIENDLY LOAN</b>	13,419	40,251	43,665	8.48%
<b>KAFALAT TREE AND ENERGY</b>	4,921	8,551	11,416	33.50%
<b>SOLAR WATER HEATING SYSTEM</b>	932	1,167	1,243	6.51%
<b>TOTAL</b>	<b>19,272</b>	<b>49,969</b>	<b>56,324</b>	<b>12.72%</b>

## **Anticorruption Principle**

Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery.

### *Assessment, Policy & Goals*

Effective Corporate Governance is an essential part of the Bank's identity. It is mainly related to the internal means by which the Bank is operated and controlled. The Bank's Corporate Governance guidelines/code, together with the Bank's By-Laws and the Charters of the Board Committees are key elements of the structure by which our Bank is governed. The Code of Compliance and Ethics provides the framework for maintaining the highest standards of professional conduct among all employees, management and directors.

This Bank's corporate governance is designated to reinforce the confidence of the stakeholders by optimizing the system by which the Bank is directed and controlled, the overall risk management practices, the reporting transparency and the quality of cooperation between Shareholders, Board of Directors and Management of the Bank.

BLC Bank deals with customers regardless of their profile and social class, transparently, fairly and professionally throughout the relationship. The Bank is promoting this culture among all its employees and aims to be a reference in Quality of Service and Customer Advocacy.

### *Implementation*

BLC Bank conducts continuous trainings and awareness sessions for its employees to train them on fighting all forms of corruption. The Bank's management is very strict when it comes to fighting fraud and corruption. Special controls are set to fight money laundering, and anti-money-laundering procedures, trainings, guidelines and audits are performed to protect the Bank and all its stakeholders.

In order to ensure an ethical and fair trading with business partners, we have established a range of procurement policies that aims to deal with the suppliers that best represent our values and what we stand for. In this vein, a purchasing committee was designated to preside over all related procurement policies. This is inherent to our combat against corruption and our continuous efforts towards more transparency and ethics.

Moreover, BLC Bank is a founding member the Global Compact Network Lebanon's (GCNL) Steering Committee, composed of 10 leading organizations.

Launched in September 2015, Global Compact Network Lebanon (GCNL) works closely with the UNGC Headquarters to provide opportunities for learning, policy dialogue, and partnership on the Ten Principles and newly formulated Sustainable Development Goals (SDGs). GCNL developed an Anti-Corruption Guide for businesses with statistics on corruption in the region, as well as tips to help companies limit or avoid inadvertently participating in corruption. Additionally, on February 24, 2017 GCNL hosted an Anti-corruption workshop given by an anti-corruption expert from the UNDP. GCNL also took part in the Parliamentary Sub-committee and the Governmental Subcommittee that are working on Anti-corruption at the national level.

BLC Bank was one of the first banks operating in Lebanon to implement the requirements of the Central Bank of Lebanon (BDL) and the Banking Control Commission circulars 134 and 281 on Business Ethics and Customer Protection by adopting the below :

- Full transparency in operations and transactions
- Rights and Duties for customers
- Efficient Complaints Management and reporting
- Customers Education

#### *Measurement of Outcomes*

In its strive to combat corruption in all of its forms, BLC Bank has established 24 management committees that are dedicated to the upholding of this principle, insuring a balanced approach to running the institution avoiding excessive concentration of power in individuals or functions. This is in addition to the 6 board committees, ranging from audit, risk management, remuneration, credit and corporate governance.

Since the implementation of the BDL 134 circular in October 2015, 306 complaints were received and solved. In 2016, 100% of the complaints were resolved.