



UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

REPORTING PERIOD: DECEMBER 2016 - DECEMBER 2017

ABOUT BLOM BANK

Established in 1951, BLOM BANK's founders started Banque du Liban et d'Outre-Mer s.a.l. with a vision that has transformed the bank today into a leading regional Lebanese bank, which has repeatedly and unanimously been awarded prizes by the most recognised regional and international institutions, the most recent being "Best Bank in Lebanon in 2017" by EMEA Finance and The Banker.

Listed on the Beirut and London Stock Exchanges*, BLOM BANK offers universal services and solutions across a network of 257 banking and financial units, both directly and through subsidiaries. We take pride in the way we conduct our business by assisting our clients in fulfilling their goals. Our operations evolve around trust and credibility, and are aligned with our defined strategies. We aim to help economic growth and enrich the society in which we operate by conducting business in a responsible, sustainable, and inclusive manner.

In fact, our Corporate Social Responsibility strategy endorses the Bank's purpose, and our Corporate Social Responsibility Committee acts as an advisory to the Board of Directors in assisting them to monitor and evaluate the Bank's social responsibility performance, while deeply reflecting our core values of Prudence, Professionalism, Integrity, Improvement, Performance and Stewardship.

**GDRs listed on both Beirut and London Stock Exchanges.*

For further information:

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

ABOUT THIS REPORT

On 26 December 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).

In our third report, we aim at highlighting the progress achieved based on our past commitments with respect to the ten UN Global Compact principles in relation to Human Rights, Labor, Environment, and Anti-Corruption. We will also show how our activities align with the United Nations' Sustainable Development Goals.

	<p>This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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OUR CHAIRMAN'S LETTER OF COMMITMENT



The banking sector plays an integral part in Lebanon, both on the economic and social fronts. We, at BLOM BANK, are conscious of how our existence affects our stakeholders, and we do recognise the impact of our operations on the community at large. That is why we continuously persevere in “doing the right thing”, and acknowledge that our role – as one of the biggest banks in Lebanon – is not mere economic or financial, but also social.

The following progress report highlights our continuous efforts in pursuing and leading the CSR practices that we believe can help in sustaining our CSR goals. One of the new additions we have introduced to our report is the alignment of our activities with the Sustainable Development Goals. This comes as a result of our vow earlier this year to adopt “Quality Education”, the fourth of the United Nation’s seventeen Sustainable Development Goals. Consequently, we have broadened the scope of our contributions to support projects dedicated to serve this goal, working closely with reputable academic institutions throughout Lebanon. Because we believe that education is not a luxury, but a fundamental right for every individual, we will do our best to see this goal through and ensure a sustainable community by helping to educate our future generations.

While we know that the opportunities are endless and that we are still at the beginning of our journey, I am pleased to reaffirm BLOM BANK’s commitment to and support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. We also commit to publically and transparently share this information with our stakeholders using our primary channels of communication.

Sincerely,

A handwritten signature in black 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, and prescribed as one of our Employee Code of Conduct, is our commitment to protect and improve the well-being of our people by enforcing professional and businesslike behavior at all times and under all circumstances.

CURRENT STATUS OF IMPLEMENTATION

Ethical Work Environment

All our employees are responsible to comply with the highest levels of work behavior and ethical dealing, and treat each other with respect and dignity, creating an environment of professionalism, transparency and integrity. We do not tolerate any form of discrimination, bullying or harassment. We encourage whistleblowers to report any violation to an independent authority from their immediate supervisors through a dedicated "Hotline", ensuring their confidentiality and protecting their identity and job.

8 DECENT WORK AND ECONOMIC GROWTH



Working Hours and Salaries

We believe that a healthy work environment leads to higher productivity, and for this we continuously look for ways to implement new policies that promote work-life balance to our employees. A new working schedule has been introduced earlier this year, which decreased the working hours without affecting salaries.

Supply Chain Management

As service providers, our supply chain is usually less challenged with human rights issues. Nonetheless, we set the Bank's standards for outsourced services in order to define the rights and obligations of the workers. In coordination with the ILO – International Labor Organization – our employees regularly attend a workshop that promotes healthy employment relationships with their domestic workers.

8 DECENT WORK AND ECONOMIC GROWTH



Healthy and Safe Environment

Health, safety and welfare are of paramount importance to our Bank. We take health and safety hazards very seriously, so we implemented policies to control the risks. Our robust health and safety policy is controlled by the Safety and Security Committee, and we have developed specific policies for first-aid trainings and incident management. The latter have been supplemented with detailed procedure documents, signage across all floors at the head office and branches, safety posters and lists of the names of first aid officers and their corresponding emergency telephone numbers.

A dedicated line has also been allocated for quick and urgent medical care; this line is manned by assigned first aid professionals within the bank's premises. A first aid room allowing basic first aid care and treatment is available at the head office, and we have partnered with the Civil Defense and Red Cross to provide repeated emergency trainings to employees in each branch and department.

Lately, we appointed an external consultant who completed a site assessment for our headquarters in Verdun to determine whether our buildings have the necessary precautions, means of escape, and emergency arrangements and controls under our Health and Safety Action Plan. We started working on the report's recommendations to ensure that our buildings are fully meeting the country and fire safety codes. Similarly, the consultant will conduct training sessions to our staff in the first half of 2018 that will allow our teams to perform fire drills and evacuation scenarios.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

Our initiatives under Human Rights are aligned with SDG 8 "Decent Work and Economic Growth".

Whether we are talking about employer-employee or employee-employee relationships, we do not spare any effort to protect labor rights and promote a safe and secure working environment for all employees, including third party contractual workers.

We do not tolerate any form of disrespect among employees, and require all our people to be open to different opinions, treat people fairly and value different perspectives.

LABOR

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 LABOR;

PRINCIPLE 5 THE EFFECTIVE ABOLITION OF CHILD LABOR;
AND

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

OUR COMMITMENT

BLOM BANK recognises its human capital as the most valuable asset and the driving force behind its continued success. That is why 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, ethics and transparency regardless of their position, sex, religion, ethnic background, age or disability. This is clearly addressed in both our Annual Report and Fraud Policy and Code of Conduct.

CURRENT STATUS OF IMPLEMENTATION

Recruitment and Selection

Providing the Bank with the required human capital to meet its operational and strategic goals is an ongoing task that we continuously strive to accomplish. In 2017, BLOM BANK Lebanon* had a total of 2,713 employees, of which 48% are female and 52% are male. Progress in gender equality has also been endorsed with 51.69% of management positions being occupied by women in BLOM BANK Lebanon**. A total of 273 employees were recruited throughout the year. The average age of employment is 35.6, and all our employees work for us at their own volition and are of legal age.



*BLOM BANK, BLOMINVEST BANK, BLOM ASSET MANAGEMENT CO., and BLOM DEVELOPMENT BANK.

**BLOM BANK Group includes BLOM BANK Lebanon (51.69%), BLOMINVEST BANK (37.50%), BLOM DEVELOPMENT BANK (16.67%), and BLOM ASSET MANAGEMENT CO. (40%).

Training and Career Development Programs

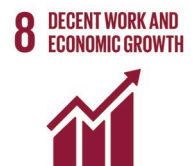
One of BLOM BANK's key success factors is its human capital. We place a big focus on career development for our employees and our strategy is to recruit fresh graduates and promote from within our talent pool. During 2017, 831 employees were promoted to a higher grade.

With our workforce being the core driver behind our success, we aim to make sure that comprehensive training and career development programs are deployed within. In 2017 alone, 69,924 training hours were provided to our employees on various topics, some related to banking and the work they do, and others that allow them to advance their soft skills. During the second half of the year, we also deployed a new e-learning opportunity where staff were introduced to new topics that enriched their banking career. At the higher education level, we sponsored the tuitions of 100 of our employees who chose to pursue a post-graduate degree and invest in their banking career path.

Succession planning plays a vital role in our medium and long-term plans, especially when it comes to our key roles. To ensure smooth continuity of the work-flow with uninterrupted service, we have identified individuals and trained them with the necessary skills that would allow them to succeed with minimal work disruption.

Diversity and Inclusion

In 2017, BLOM BANK acquired the operations of HSBC Bank Middle East Lebanon. We took the opportunity of this transaction to integrate 194 new employees from HSBC into our workforce, bringing diversity to our existing teams. This integration fostered a solid synergy between the two cultures and created new dynamics for a healthier and more productive work environment.



ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

Our initiatives under Labor Standards principles are aligned with SDG 5 "Gender Equality" and SDG 8 "Decent Work and Economic Growth".

Achieving gender equality and empowering women, including elimination of all forms of discrimination, is embedded within our values. We provide equal opportunities for leadership and decision-making at all levels within the bank. We follow a non-discriminatory policy in our recruitment and promotion, and treat our staff equally, regardless of their gender, sex, religion, ethnicity or background.

When it comes to decent work and economic growth, our acquisition of HSBC Lebanon has strengthened our banking capacity and expanded access to our financial services, which will eventually lead to higher levels of economic productivity.

Our inclusive work environment has allowed us to employ people with special needs, promoting an environment of tolerance and acceptance.

ENVIRONMENT

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

Our commitment to environmental sustainability has led us to continuously seek opportunities and improve practices that help us promote a greener culture across our premises and communities at large. Ultimately, our main aim is to reduce the ecological impact of our operations through paper reduction, waste segregation, supply chain sustainability and lower energy consumption.

CURRENT STATUS OF IMPLEMENTATION

Carbon Footprint Calculation and Assessment

One of our CSR goals for 2017 was to define, calculate and assess the bank's carbon footprint. Thus we appointed V4 Advisors to conduct a Greenhouse Gas (GHG) audit, measured in tCO₂e for our bank's branches, head offices and warehouses in Lebanon based on the Business-as-Usual (BaU) scenario. The Advisors quantified the results based on the "Built on GHG Protocol" Corporate GHG online calculator. The total GHG emitted by BLOM Bank, employing 2,195 employees in a total of 87,545.5 m² was 14,701 tCO₂e in year 2016. This is equivalent to 6.7 tCO₂e per employee or 0.2 tCO₂e (167.9 kgCO₂e) per m². The results equate to 1,547.4 trips around the equator. To offset our GHG emissions, 674,357.8 pine trees that are 10 years old need to be planted. This assessment is now being used as the basis for our action plan to reduce our carbon footprint starting the year 2018.

13 CLIMATE ACTION



Paper Recycling and Reduction

In 2017, we have delivered 79.85 tons of paper to a leading national paper recycling company and the proceeds were allocated to associations that support physically and mentally challenged children.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Moreover, 17,175 kilograms of shredded paper were handed out to "Association l'Ecoute" in order to support their main mission of providing earpieces to needy hearing-impaired individuals.

In addition, we have reviewed our bank forms and as a result have reduced the number of carbon copies for some forms to two instead of three, thus expecting 29% paper savings out of bank forms in 2018.

Waste Segregation

We have put in place a robust waste segregation campaign that is ready for launch in early 2018. This comprehensive initiative involves a framework that started with the selection of champions from across the bank, training them, and then creating awareness among staff through an internal campaign. We have invested in special material that will assist us in educating our staff about the correct way of segregating waste, and facilitating our onsite waste segregation. We anticipate that this practice will eventually become a habit for our staff that can be applied at their own homes.

13 CLIMATE ACTION



Energy Consumption

In 2017, we have optimised energy consumption use in our headquarters by reducing the number of generators that are turned on during hours of power failure. On another note, we turned off auxiliary apparatuses, thus decreasing fuel consumption by 35.3%.

Building	2017 Fuel Consumption in liters (as of 30 October 2017)	2016 Fuel Consumption in liters (as of 30 October 2016)	Decrease in Consumption (liters)	Percentage decrease in Consumption
BLOM 1	16,857	22,825	5,968	26.14%
BLOM 2	150,427	235,792	85,365	36.20%
Total	167,284	258,617	91,333	35.31%

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

Our initiatives under Environmental Standards are aligned with SDG 12 "Responsible Consumption and Production" and SDG 13 "Climate Action".

When it comes to responsible consumption and production, we are putting plans in place for an efficient use of natural resources in decreasing our paper and energy consumption, aiming to reduce waste generation through prevention, reduction, recycling and reuse.

As for issues related to the environment, we are integrating climate change measures into our policies and strategies to help reduce our carbon footprint on a national level, and be among the early adopters of this practice in our community. However, this cannot be accomplished without having our staff members on board, which is why we are working on educating our staff and raising awareness on the importance of climate change issues, and the role that each member can have to help start a chain reaction.

ANTI-CORRUPTION

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

OUR COMMITMENT

Our commitment to the highest ethical standards goes beyond the rules and the regulations set by official bodies and aims at promoting good corporate governance practices into the core of our daily operations, while working against any form of unprincipled behavior including corruption, extortion and bribery.

CURRENT STATUS OF IMPLEMENTATION

Corporate Governance Practices

In order to deepen Board members' understanding of sound governance principles and create heightened awareness of governance responsibilities of the Board of Directors, Board members attended in 2016 and 2017 trainings on "Board Level Corporate Governance in Banks". The trainings covered several topics including the role of the Board, risk management oversight, corporate strategy oversight, remuneration committee, and audit committee.



According to the 2017 Governance and Integrity Rating (GIR) on Online Transparency and Disclosure report published by Capital Concept's shareholders-Rights*, BLOM BANK received an "A" grade – the highest among all ten listed companies on the Beirut Stock Exchange. The Bank falls within the "Excellent" range according to the Shareholders-Rights' Grading System leading the way in transparency, accountability and integrity. BLOM BANK succeeded in positioning itself as a role model among its peers. It excelled in its disclosure on two crucial principles, embedding an effective corporate governance program and protecting shareholders' rights.

**Shareholders-Rights by Capital Concept is an independent provider of research and ratings on corporate governance affecting the performance of public and private companies.*

Fraud Policy and Code of Conduct

The Fraud Policy and Code of Conduct have been put in place to outline the standards of expected conduct in terms of professionalism, ethics and integrity, as well as the measures taken in case of failure to abide by these standards, which may lead to disciplinary action being taken including termination. In addition to annual trainings and presentations, we have issued a bi-annual e-newsletter that tackles specific topics covered in the policy document.

Reporting Noncompliant Behavior

Our employees have ethical obligations, fostered by a "zero tolerance" culture towards fraudulent and unethical business dealings including any payments for illegal acts, indirect contributions, rebates and bribery. We have made it easy for our employees to report any violation or noncompliant behavior by creating a "Hotline" that is handled by an independent authority in a confidential manner. This mechanism ensures that the integrity of whistleblowers is safeguarded, and fosters a culture of speaking up. Throughout 2017, nine cases were reported through our Hotline.



ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

Our initiatives under Anti-Corruption fall under SDG 16 "Peace, Justice and Strong Institutions".

We are continuously working with independent bodies to strengthen our policies and measures in fighting corruption, money-laundering and bribery, and protecting our reputation and the interests of our stakeholders. Our internal whistle blowing procedure has been put in place to help raise any concerns about misconducts at work while protecting the identity of the individuals who disclose such information.

