

February 20, 2021

**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, 2021

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

Dear Mr Secretary-General,


This year has undoubtedly been a year of challenges. Many concepts have been reshaped: the way we work, the way we live, and most of all the way we engage with issues of equity, social justice, and the environment. EFG Hermes has always been a pioneer in its commitment to assisting people and institutions overcome the financial, educational, and health-related challenges facing our society. In 2020, this expertise was particularly crucial. The social and financial toll taken by the COVID-19 pandemic has been immeasurable, particularly for the most vulnerable members of society. Our integrated development work through the EFG Foundation has allowed us to support social programmes aimed at mitigating the effects of the pandemic in Upper Egypt where we have created solid partnerships with local authorities and community organizations through our years of work in the area.

The COVID-19 pandemic has also underlined the importance of responsible investment, and we remain committed to the United Nations Principles for Responsible Investment (UNPRI), continuing towards business integration of ESG issues throughout our operations. On the governance side, we continue to strengthen our policy environment to ensure transparency and accountability and to address new challenges as they arise.

We look to 2021 with cautious optimism that fewer lives will be lost and that social safety nets will be strengthened to pre-empt additional suffering. Our commitment to uphold the ten principles of the UNGC remains as vital as ever, and we mention with particular pride that we have been selected by the Egyptian Financial Regulatory Authority (FRA) as sustainability champion in the first ever recognition of its kind.

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 10th 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 has always been a pioneer in developing policies that encourage ESG integration. In previous years, governance and environmental issues dominated the ESG narrative. This year, the COVID-19 pandemic has brought social issues to the forefront, highlighting how the most vulnerable are disproportionately affected by global conditions.

EFG Hermes through its Foundation for Social Development found itself ideally placed to provide the kind of support necessary during these extraordinary times which have placed unprecedented strain on social and financial systems.

Our commitment to good governance and maintaining a strict and transparent policy environment also helped us accommodate changing market and societal needs. This has always been vital given EFG Hermes' expansion into both new jurisdictions and product lines. This year it helped us respond with agility to evolving global risks and circumstances.

We also realize the importance of adapting our human resource and labour processes to keep pace with growth and business expansion while creating a supportive and safe work environment for our staff, particularly in light of the difficult work circumstances during the pandemic.

EFG Hermes is proud to continue to be an active participant in the UNGC. This Communication on Progress (CoP) report provides an overview of EFG Hermes activities to uphold the Ten Principles of the UNGC on human rights, labour, the environment, and anti-corruption. It also presents our 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 ... COVID-19 Pandemic Mitigation Measures

### EFG Hermes Business Continuity & Employee Programmes

To ensure business continuity in light of the developing pandemic, EFG Hermes immediately issued a COVID-19 strategy to lay out the approach to mitigating pandemic effects on operations and making sure all necessary precautions are taken to limit virus spread for the safety and security of employees and clients.

### EFG Hermes Foundation Efforts in Upper Egypt

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. To date, 94 houses have been fully rebuilt and the Young Scholars Academy provides 48 sustainable jobs and pre-schooling for over 100 of the area's children.

While work on core project activities continued during 2020, the Foundation also turned its attention to relief efforts to mitigate the effects of the COVID-19 pandemic on Upper Egypt communities.

As always, partnership was a key component of our efforts and a key contributor to our success. Our partners during this past year have ranged from the Egyptian Food Bank and the Ministry of Social Solidarity to small community groups in Naga' El Fawal and El Deir Village. Contributions to the fight against COVID-19 included:

- EGP 20 million contribution the Tahya Misr Fund to support government efforts to curb the spread of COVID-19.
- Support for 10,000 families through the Egyptian Food Bank.
- A furnished quarantine unit to accommodate 70 COVID-19 patients in El Deir village.
- 600 hygiene kits and 1700 awareness flyers distributed in El Deir village.
- Sanitization gates provided to projects and partners in Luxor.
- Support for women-led small businesses to produce hygiene kits.
- Cash donations for 1,500 families in cooperation with local authorities in Luxor.

## Policy & Progress Review – Human Rights

Policies/Actions	Progress
EFG Hermes values	<ul style="list-style-type: none"> <li>- We continue to uphold our four core values of integrity, leadership, value creation and commitment.</li> </ul>
Commitment to sustainability	<ul style="list-style-type: none"> <li>- The Corporate Social Responsibility (CSR) Department is the lead EFG Hermes division responsible for the advancement of sustainability issues within EFG Hermes.</li> <li>- Over 95% of employees participated in mandatory responsible investment training.</li> <li>- The sixth annual sustainability report (SR) was released covering 2019, with the seventh annual SR to be issued in March 2021.</li> </ul>
Stakeholder engagement	<ul style="list-style-type: none"> <li>- EFG Hermes was selected as Sustainability Champion by the Egyptian Financial Regulatory Authority's (FRA) in its first publication recognizing players championing sustainable development in the non-bank financial service industry.</li> <li>- Hanaa Helmy, Chief Executive Officer of the EFG Hermes Foundation and Head of CSR, attended the virtual World Learning Summit 2020, participating in a panel on 'education's digital future in the context of global sustainable development'.</li> <li>- Internal awareness campaigns were continued to highlight sustainable development issues and promote the Sustainable Development Goals (SDGs).</li> <li>- 30 collaterals were published for CSR initiatives on multiple assets (Facebook, Twitter, Portal, Screens, LinkedIn, etc.).</li> <li>- Sustainability measures were promoted 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>- Employees continued to participate 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 1.2 million in the contribution to the fight against COVID-19.</li> </ul>
Corporate citizenship	<ul style="list-style-type: none"> <li>- The EFG Foundation continued to support the 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 Young Scholars Academy, the village preschool launched in 2019, continues to provide area children (100) with a Montessori-based educational platform including a special programme catering to 50 children with special needs.</li> <li>- The preschool has successfully created 42 sustainable jobs, 38 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>- The Foundation is currently working with the community on upgrading houses at Naga' El Fawal. Ninety-four houses have been fully rebuilt. 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> <li>- The Foundation has also initiated a number of activities to provide pandemic support both on a national level via an EGP 20 million contribution to the Tahya Misr fund and on a local level in the Foundation's target project area of Luxor and specifically Naga' El Fawal and El Deir Village. Support included: <ul style="list-style-type: none"> <li>- Collaboration with the Egyptian Food Bank to support 10,000 families.</li> <li>- Partnership with the local community of Luxor to raise hygiene awareness by distributing 600 bags of detergents and 1700 flyers that are</li> </ul> </li> </ul>

Policies/Actions	Progress
	<p>aligned with the WHO and the Egyptian Ministry of Health safety instructions in the fight against COVID-19.</p> <ul style="list-style-type: none"> <li>- Cooperation with the local community of El Deir Village to distribute the bags and flyers to the partner communities in Naga' El Fawal and El Deir Village.</li> <li>- Partnership with a group of women to produce detergents bags, supporting families that care for children with special needs.</li> <li>- Collaboration with the Local Administrative Unit of the Ministry of Social Solidarity in Luxor to target 1500 families with cash donations.</li> <li>- Support for the local officials in Luxor to furnish a quarantine unit to accommodate 70 beneficiaries in need during their fight against the virus.</li> </ul> <p>- ValU, one of EFG Hermes' NBFIs, continued to provide sponsorship for Hana Gouda, under-15 world table-tennis champion.</p>
Accessible financing	<ul style="list-style-type: none"> <li>- EFG Hermes continues to provide microfinance solutions through its subsidiary Tanmeyah Microenterprise Services, Egypt's leading private-sector microfinance provider. Tanmeyah offers comprehensive microfinance solutions to owners of very small businesses across Egypt who would otherwise have no access to the banking sector.</li> <li>- In 2020, Tanmeyah increased its number of branches from 271 to 285 with presence in 25 governorates. Fifteen additional branches are in the pipeline and will be ready to operate by early 1Q21, taking the total to 300.</li> <li>- In 2020, Tanmeyah sold loans at a value of EGP 4.2Bn, reaching a total of more than EGP 19Bn in sales value since its inception in 2009. Clients served by Tanmeyah reached over 1M.</li> <li>- Over 70% of Tanmeyah's active borrowers are between the age group of 21-40. Total women active borrowers reached 47%. By means of empowering women through supporting their businesses, Tanmeyah launched a new product, "Women in Business". This product is dedicated to home-based businesses.</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> <li>- In 2020, valU introduced new initiatives to provide further financial assistance to the community in light of the difficult economic circumstances generated by the COVID-19 pandemic. These include: <ul style="list-style-type: none"> <li>- A new flexible six-month payment program with zero interest and no down payment.</li> <li>- A waiver on purchase and collection fees to further support its customers.</li> <li>- The launch of Waqty, a new online payment service that gives access to instalment payment plans for non-valU customers to allow them to shop from home.</li> <li>- The instalment payments were postponed for a period of three months for Uber drivers participating in valU's ride hailing program for car financing, a joint program with the Saudi Development Fund.</li> </ul> </li> <li>- Several new instruments were launched that promote financial inclusion, particularly at the SME level: <ul style="list-style-type: none"> <li>- PayTabs, a convenient and secure B2B payment solution provider that enables businesses to receive payments online through agile technology suited for the current market. In light of business interruption due to COVID-19, PayTabs provided SMEs with free access to its digital payment solutions for 3 months.</li> <li>- EV Fintech, the first financial technology-focused investment company in Egypt. Through its accelerator program in partnership with Falak Startups, it</li> </ul> </li> </ul>

Policies/Actions	Progress
	nurtures, supports, and empowers Fintech start-ups and contributes to the development of the Fintech ecosystem with a particular focus on financial inclusion and reaching underserved market segments.
Right to education	<ul style="list-style-type: none"> <li>- EFG Hermes Private Equity continues to manage the Firm’s Educational Platform in partnership with Global Education Management Systems (GEMS), one of the world’s leading providers of private English-language education for students from kindergarten to twelfth grade (K-12). The objective is to jointly establish a USD 300 million platform focused on Egypt’s underserved K-12 education sector. The partnership aims to provide high-quality education choices for Egyptian families by building Egypt’s largest institutional education service provider, upgrading education facilities, and providing safe and effective learning environments. The Fund also acquired a majority stake in the leading transport provider, Option Travel to provide a high quality and competitive student transportation service to c. 6k students currently enrolled in GEMS schools in Egypt.</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>- Policy statement on Human and Labour Rights.</li> <li>- 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 ... Empowering SMEs

### PayTabs

In 2020, EFG Hermes launched PayTabs, a convenient and secure online B2B payment solution provider that enables businesses to receive payments online through agile technology suited for the current market. The goal is to empower cashless payments in every sphere of the Egyptian customer's life cycle. PayTabs is designed to provide a cutting-edge platform to facilitate financial inclusion, catering to both the online and digital payment needs of multiple consumer segments in the country, whether the mass affluent or the emerging affluent segments. In September 2020, PayTabs, announced that existing and prospective clients will be offered access to set up a

payment gateway free of charge for a three-month period. The move is unprecedented in the MENA region and marks the widest charge-free extension of an online payment and checkout platform. This initiative is intended to support SMEs that have endured financial challenges with the COVID-19 lockdown and is not limited to specific industries or market segments.

### Tanmeyah

Tanmeyah Microenterprise Services is Egypt's leading private-sector provider of microfinance solutions and a key element of the Firm's non-bank financing platform. To date, Tanmeyah has provided over 1 million loans, providing comprehensive microfinance solutions to owners of very small

businesses across Egypt who would otherwise have no access to growth capital or banking sector services. In 2020, Tanmeyah took proactive steps to protect its clients from the economic fall-out of the pandemic. All measures taken are compliant with Financial Regulatory Authority (FRA) requirements and include allowing partial payment of installments due in March, April, May, and June (10% to 50% payment) and doubling the remaining tenor while ensuring that it does not exceed the original loan tenor. Over 85K of Tanmeyah's clients have benefitted from these offers.

Tanmeyah also covers all COVID-19-related medical expenses for its employees and their families to ensure their health and safety.



## Policy & Progress Review – Labour

Policies/Actions	Progress
Career development programmes	<ul style="list-style-type: none"> <li>- The annual Development Needs Assessment (DNA) serves as each employee’s blueprint for their learning opportunities each year and empowers employees to take charge of their learning opportunities.</li> <li>- Over 12,000 training hours including over 600 were delivered via the Academy, EFG Hermes’ online platform for professional development.</li> <li>- All new hires 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 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 on Human and Labour Rights.</li> <li>- 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> <li>- The implementation of talent management frameworks in Tanmeyah to develop a corporate level framework and competency models well-suited to the nature of Tanmeyah and also in sync with the Group’s approach.</li> </ul>
Pandemic Disease Protection Policy	<ul style="list-style-type: none"> <li>- Wellbeing is one of the essential beliefs of EFG Hermes. This policy was articulated to ensure fulfilment of corporate health and safety responsibilities by implementing and maintaining policies, procedures, and practices to provide a healthy and safe environment for all employees, visitors and customers for the duration of the COVID-19 pandemic.</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> <li>- The integration of the newly acquired operation in Nigeria, including labour market regulations, local laws, regulations, norms, and service providers.</li> </ul>
Wellbeing, safety and health policies	<ul style="list-style-type: none"> <li>- Policy 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 is offered as mandated by local law.</li> </ul>

Policies/Actions	Progress
	<ul style="list-style-type: none"> <li>- A 401k pension scheme is offered to US employees according to market and industry norms even though not mandated by law. Medical and Life Grant policies are offered for all employees.</li> <li>- On-site gym facilities at HQ with a certified trainer are available.</li> <li>- Employees are encouraged 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 provides 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>- Travel workflows are automated, starting from requesting the business trip and getting approvals to digital settlement of employee expenses. The system is integrated with EFG Connect to allow employee to request business trip remotely.</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... ESG Integration

Since articulating its Social Purpose in 2014, EFG Hermes has taken measured and consistent steps to integrate environmental, social and governance (ESG) factors in every aspect of its operation and create an ecosystem that supports the fulfilment of the SDGs.

In 2017, we laid the groundwork for becoming PRI signatories by developing and adopting an ESG strategy to support our goals. This process involved several activities which helped us develop a deeper understanding of the value of ESG, both to our business and to society. We assessed our existing ESG-related activities and practices and identified barriers to ESG integration across business lines and support functions.

In 2020, we issued a brief on ESG integration, laying out our Responsible Investment Policy, providing a general ESG framework, and outlining the approach to ESG integration across our four business lines: private equity, investment banking, asset management and research, as well as recommendations for various support functions.

These guidelines will equip our professionals with the knowledge, procedures, and tools, needed to take active ownership of ESG integration and move forward to the next step of actively seeking out impact investments in various fields.

Our Responsible Investment Policy aims to:

- Demonstrate the commitment and approach to ESG and responsible investment practices.
- Incorporate the United Nations Principles for Responsible Investment (PRIs) throughout the ESG framework, guaranteeing transparency and disclosure.
- Develop an ESG framework and tools that enable EFG Hermes investment professionals to effectively engage with and monitor progress of portfolio companies and funds.

Our efforts have led to selection as Sustainability Champion by the Egyptian Financial Regulatory Authority's (FRA) in early 2021.

## Policy & Progress Review – Environment

Policies/Actions	Progress
Environmental, Social and Governance Policy	<ul style="list-style-type: none"> <li>- EFG Hermes continues to be committed to the United Nations Principles for Responsible Investment (UNPRI) joined in 2018 with annual reporting in Q1 2019 and Q1 2020.</li> <li>- A brief on ESG integration, laying out the Firm’s Responsible Investment Policy has been developed. It provides a general ESG framework and outlines the approach to ESG integration across our four business lines: private equity, investment banking, asset management and research, as well as recommendations for various support functions.</li> <li>- An ESG integration consultant continues to support full ESG integration.</li> <li>- The Responsible Investment eLearning Course is 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>- EFG Hermes discloses ESG integration efforts on an annual basis in the sustainability report.</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>- Statement on Climate Change.</li> </ul>
Responsible investing	<ul style="list-style-type: none"> <li>- In 2020, Vortex Energy, a global renewable energy platform managed by Beaufort Investments S.ar.l (‘Beaufort’), a subsidiary of the private equity arm of EFG Hermes, has completed the sale of its controlling and managing stake in Vortex Solar, a 365MW solar PV portfolio, acquired in 2017 from TerraForm Power, at an enterprise value of c. GBP 500m. The Beaufort team is currently planning to establish Vortex IV, a renewable energy platform that will harness future global opportunities in renewables and the wider clean energy space.</li> <li>- EFG Hermes Leasing manages an annual portfolio of EGP 1,331,185,172 in the following sectors: <ul style="list-style-type: none"> <li>- Housing Development 28% - with an increase of 27% during 2020 and total beneficiaries of 13.</li> <li>- Education 11.81% - with an increase of 518% during 2020 and total beneficiaries of 10.</li> <li>- Healthcare 6.45% - with a decrease of (10)% during 2020 and total beneficiaries of 25.</li> <li>- Renewable Energy 0.91% - with a decrease of (11)% during 2020 and total beneficiaries of 4.</li> </ul> </li> <li>- EFG Hermes Factoring manages an annual portfolio of EGP 812MM (increased by 122% to EGP 812MM up from EGP 365MM) in the following sectors: <ul style="list-style-type: none"> <li>- Education 0.61%- with an increase of 0.61% during 2020 and total beneficiaries of 1 client.</li> <li>- Healthcare 16% - with an increase of 2% during 2020 and total beneficiaries of 6 clients.</li> </ul> </li> <li>- EFG Hermes Asset Management launched Al Barakat, its first Shariah compliant money market fund .The fund has its own Shariah board that approves the investment guidelines and reviews the investment periodically to ensure compliance with requirements. Its size currently stands at EGP300 million.</li> </ul>

Policies/Actions	Progress
Energy conservation & Green IT	<p>The IT department undertakes measures to conserve energy and adopt 'Green' practices that include:</p> <ul style="list-style-type: none"> <li>- Reducing the power consumption of computing devices by replacing another 15% of the old desktop computers in Headquarters with new ones with energy efficient power supplies. To date more than 90% of the old desktops have been replaced.</li> <li>- Implementing a COVID-19 IT plan to support pandemic mitigation procedures while ensuring business continuity. This plan includes: <ul style="list-style-type: none"> <li>- Providing laptops to employees to support the work from home (WFH) scenario, saving power in HQ, reducing transportation needs and keeping employees safe.</li> <li>- Achieving a daily average 400 to 450 VPN connection for the remote employees in the WFH scenario.</li> <li>- Achieving a daily average of 350 Citrix sessions for the remote employees in the WFH scenario.</li> <li>- Launching of a new BCP website to familiarize and train employees in the WFH scenario as part of the IT BCP Plan.</li> <li>- Undertaking all IT trainings virtually to minimize IT staff movement.</li> <li>- Introducing Microsoft Teams as a one stop shop for all communication/collaboration needs.</li> </ul> </li> <li>- Increasing the utilization of local branch offices to minimize employees' transportation to HQ.</li> <li>- Replacing 10 old LCD screens in HQ and branches with the eco-friendlier LED screens.</li> <li>- Reducing data centre power consumption by 15% through: <ul style="list-style-type: none"> <li>- Continuing to execute the plan of virtualizing IT servers and demote any unnecessary physical equipment leading to a 5% increase over 2019 in virtualization strategy.</li> <li>- Replacing users' old switches with new ones that are more power efficient, reducing energy consumption by 10%.</li> <li>- Migrating backup process with a solution that reduces both material waste and the data centre footprint.</li> <li>- Reducing the number of communication devices by aggregating the services on a new equipment that are more efficient in the power consumption.</li> <li>- Replacing the old storage system with a new one that is more power efficient.</li> <li>- Migrating all users from skype for business to Microsoft teams which retired 7 servers, so reducing data centre footprint.</li> </ul> </li> <li>- Expediting the shift to a cloud-based service strategy, through <ul style="list-style-type: none"> <li>- Introducing a new cloud-based system for budgeting.</li> <li>- Launching a new website for EFG Hermes Leasing and Factoring hosted on the cloud.</li> <li>- Hosting 97% of mail users over cloud-based solution since 2018.</li> <li>- Using WebEx and Zoom in many scenarios including the company's Annual General Meeting(AGM) hosting EFG shareholders.</li> <li>- Holding two big events (the One on One conference and the London MENA conference) virtually on the WebEx platform with thousands of clients instead of meeting physically as in previous years.</li> </ul> </li> </ul>

Policies/Actions	Progress
	<ul style="list-style-type: none"> <li>- Holding more than 8 Town Hall meetings virtually on Zoom to host EFG staff for CEO meetings and announcements.</li> <li>- Coordinating with the administration department to include old IT equipment in the e-waste recycling plan in an ongoing process.</li> </ul>
Resource management	<ul style="list-style-type: none"> <li>- EFG HR Connect minimizes 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>- Recycling practices continue 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... Aligning Compliance and Risk Management with Expansion

As the Firm grows and extends its footprint in diverse geographic areas and across new products, the challenge becomes greater to guarantee compliance with various regulations and laws while upholding EFG Hermes' commitment to the highest standards of transparency, accountability, and risk management.

### NBFIs

As the Firm's NBFi platform continues to grow and add to its product offering, the Internal Audit Department has been working alongside the new subsidiaries to establish reporting lines with field auditors and build a monitoring program, providing the necessary frameworks to enhance the Group's oversight of both new and existing operations. In turn, the NBFi Audit team has two members in addition to the 33 members that cover Tanmeyah, our microfinance enterprise. The team's scope is to ensure new products and subsidiaries are adequately monitored particularly in the

early phases of launch in addition to assessing compliance with regulatory requirements.

### New Markets

With the Firm having officially entered the Nigerian market at the start of 2019, the division played a fundamental role in integrating the new subsidiary into the Group's wider operating framework. The team drafted a dedicated policy document to govern the Firm's Nigerian operations taking into account country-specific risks and regulations.

### Awareness

Communicating the Firm's strategy, policies, and procedures to all employees has always been key to guaranteeing EFG Hermes' position as leader in terms of transparency and accountability. To guarantee that all new staff is promptly integrated in the Group's framework of operation, the team takes part in the HR onboarding package to orient

new employees on key audit, compliance, and risk issues at least once a year or on an as-needed basis if a high-risk situation arises.

### Digitization

Three years ago, EFG Hermes rolled out TeamMate, an internal audit management software that allows for more effective internal audit processes through automatization. This step is in line with the wider digital transformation strategy the Group has embarked on to ensure it remains at the forefront of an increasing digital financial services industry. However, to cope with the threats and challenges associated with digitization and ensure sustainability of our businesses, an external consultant was hired in 2020 to conduct an end-to-end risk assessment, IT, cyber & Information security audit of all our systems, applications, networks & infrastructure throughout locations and businesses.

## Policy & Progress Review – Anti-corruption

Policies/Actions	Progress
Corporate governance	<ul style="list-style-type: none"> <li>- EFG Hermes and its Board of Directors continue to comply with the Egyptian Financial Regulatory Authority's (FRA) corporate governance regulations released in 2016 that stipulate the appointment of a minimum of two independent board members for all regulated Egyptian subsidiaries.</li> <li>- EFG Hermes is also fully compliant with FRA regulations and EGX listing rules. Moreover, EFG Hermes Holding complies with the new FRA mandated regulations requiring all regulated companies in Egypt to have at least one female board member.</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>- Whistleblowing</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>
EFG Hermes Group Sanctions Policy Statement	<ul style="list-style-type: none"> <li>- This new policy expresses the Firm's commitment to compliance with all relevant sanctions laws and sanctions risk management. All employees are to be held accountable and responsible for their own actions, not to be involved in activities of non-compliance with sanctions requirements. This includes assisting customers not to circumvent or avoid sanctions laws.</li> </ul>
EFG Hermes Politically Exposed Person Policy	<ul style="list-style-type: none"> <li>- This policy presents guidelines on the acceptance, management and monitoring of clients considered to be Politically Exposed Persons (PEPs). This is done in order to mitigate reputational risk, operational risk, financial risk and legal risk, based on internationally accepted best practice, standards and guidelines.</li> <li>- The businesses are the first line of defence in preventing and detecting financial crime and also play a crucial role in identifying customers or potential customers who are PEPs. Annual training is provided to all relevant employees and managers to increase awareness.</li> </ul>
Mandatory anti-money laundering and anti-fraud courses	<ul style="list-style-type: none"> <li>- All employees are required to take annual anti-money laundering (AML), anti-fraud, responsible investment, general data protection regulation (GDPR), and cyber security courses.</li> <li>- Rigorous due diligence processes are in place.</li> </ul>
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>- The Firm's business continuity strategy was successfully deployed to mitigate pandemic circumstances and restrictions.</li> </ul>



Policies/Actions	Progress
	<ul style="list-style-type: none"> <li>- EFG Hermes is among 30 regional companies included in the new low carbon Select Index brought to market by the Arab Federation of Exchanges (AFE) and market data provider Refinitiv .</li> <li>- Nigeria operations were integrated within the wider Group, enforcing Group policies, and ensuring operations adhere to the Group’s risk and compliance framework.</li> <li>- An FRA license was successfully obtained for the Firm’s new securitization venture.</li> <li>- A short-selling license for brokerage in Egypt was successfully obtained, one of the first in the market.</li> <li>- Risks facing the Group’s new business lines especially in the NBFi segment were evaluated and mitigated.</li> <li>- The Group’s proxy voting policy was completed.</li> <li>- Audits were completed on all new NBFi platforms and frontier market operations.</li> <li>- The annual update for existing risk and compliance policies was completed.</li> <li>- Audits were extended to cover Nigerian operations.</li> <li>- The merger of EFG Hermes Leasing and EFG Hermes Factoring was announced.</li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <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> <li>- Cloud-centric advanced security controls are used to protect multiple services hosted in multiple geographic locations and cloud-based business services.</li> <li>- An external consultant was hired in 2020 to conduct an end-to-end risk assessment, IT, cyber &amp; Information security audit of all our systems, applications, networks &amp; infrastructure throughout locations and businesses.</li> </ul>

## Measurement of Progress and Outcomes

EFG Hermes has earned its position as a regional leader in the corporate governance realm through its rigorous rules and procedures and its disciplined approach to compliance. The Firm's prudent management and corporate governance frameworks have been at the heart of its success over the years and will continue to play a central role as EFG Hermes evolves and extends its reach across new markets and products.

Auditing forms an integral part of corporate governance at EFG Hermes. The Internal Audit function covers the entire EFG Hermes Group from its subsidiaries and business lines to its support functions. The team is made of nine centralized auditors covering investment banking and NBF1 activities, in addition to 37 auditors in Tanmeyah Microfinance. In line with the Audit Committee's pre-approved strategy for the year, Internal Audit is in charge of carrying out systematic reviews and periodic spot checks. To make the review process as efficient as possible, the frequency of reviews is set based on the function/department risk level and the previous review's internal audit score. As such, high- and medium-risk departments are reviewed annually, and low-risk departments are reviewed every other year. In parallel, the division also performs follow ups on previous audit findings to ensure they have been adequately addressed and corrected. It also provides a multitude of services ranging from in-depth assessment of operations, adherence to regulatory requirements, and monitoring of corporate governance.

Our commitment to the United Nations PRI, the UNGC and ESG issues in general has meant an expansion of the kind of data we monitor to integrate ESG factors and monitor progress and outcomes. As challenges arise, we also modify existing policies or introduce new ones such as the Pandemic Disease Protection Policy, the Politically Exposed Person Policy, and the Group Sanctions Policy to ensure that our practices mirror our commitments at all levels of our operation.