

2021 COP Report – UN Global Compact

About Bank of Palestine (BOP)

Bank of Palestine has a long-embedded presence and experience in Palestine dating back to 1960. Bank of Palestine is constantly growing to be financially inclusive, and socially responsible at the cutting edge of global financial practice and innovation. The bank has the most widespread branch network in Palestine 70 branches; (29 branch, 38 Sub-branch, 1 electronic sub branch and 2 representative offices), a paid-up capital of \$217 million, and assets of over USD 6.16 billion, with 1745 employees serving more than 917,076 customers. BOP is engaged in retail, corporate, micro & SME, and Diaspora banking operations. BOP is the sole agent for issuing and acquiring Visa and MasterCard in Palestine with over 7,000 Point of Sale merchant terminals nationwide. BOP is involved in large project finance loan syndications. It adopts a holistic sustainability strategy; and has as such worked with international partners to develop a stringent risk management & governance structure. BOP has been the leader in **Corporate Social Responsibility (CSR)** in Palestine dedicating 5% of its profit to community & human development.

The Global Alliance for Banking on Values-GABV, a network of Values based banks and Bank of Palestine Group, a member of the alliance organized the First Banking on Values Conference in Palestine under the theme: “Values Matter” in January 2020. This brought together the leadership of the Global Alliance for Banking on Values and Member Banks and Financial Institutions from the Globe and the Region in addition to Local Palestinian Financial Entities, Corporates, Foundations and International Development Agencies. The conference focused on the importance of exposing the value-based banking where community matters and social issues are equally factored in banking operations. Bank of Palestine Group has embraced these core values and community centricity in its core operations.

2021 was a year where the bank announced its thrust to adopt a holistic sustainability strategy to build further on its values based approach and commit to measureable ESG metrics and reporting according to GRI standards.

Our Vision

We aspire to become a valued & distinguished financial and banking institution on both the local and regional levels.

Our Mission

Bank of Palestine is endowed with a mission rooted in a value system that is humane and friendly, promoting the real practice of inclusive banking and customer care. We will strive to grow while remaining local at heart with global standards, but energized with agile

innovation in finance and banking in order to impact positively human and economic development at home and in the globe.

Statement of continued support by the CEO:

18/1/2022

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

Dear Mr. Secretary-General,

I am pleased that Bank of Palestine is one of the institutions committed to the principles of the United Nations Global Compact with regard to human rights, labor, the environment and combating corruption.

Through this message, we would like to express to you our happiness to continue promoting these principles in our actions and responsibilities. Our commitment to making the Global Compact and its principles part of our culture, systems, and daily instructions to the Bank's family, while maintaining an active participation in cooperative projects that promote humanitarian goals and preserve human rights and the principles of the United Nations. Bank of Palestine will present a clear statement of this commitment towards shareholders, customers and the general public.

We recognize that one of the main key for participating in the Global Compact is the annual submission of a Notice of Progress (COP) that describes our bank's efforts to implement the principles. We work to support public accountability and transparency, and thus we commit to reporting progress within one year of joining the Global Compact, and annually thereafter in accordance with the policy of the Conference of the Parties to the Global Compact.

Sincerely,

Mahmoud Shawa

General Manager
Bank of Palestine

United Nations Global Compact Principles: -

Human Rights Principles

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

Labor Principles

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;

Principle 6: the elimination of discrimination in respect of employment and occupation

Environmental Principles

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

Anti-Corruption Principles

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

Human Rights Principles

Bank of Palestine and its subsidiary companies have adopted the United Nations Global Compact policies on human rights. The code of conduct of Bank of Palestine and its subsidiary companies emphasizes a policy on respecting human rights and preventing potential abuses. A special mechanism to investigate and prosecute human rights violations at the work place has also been established. In fact, all the bank branches and offices have a suggestion box, which could be utilized to highlight ideas pertaining to human rights at the work place. Bank of Palestine has established an open-line policy between its employees and the Human Resources Department, thus allowing employees to report any human rights violations or abuses. Through its Internal Employee by Law, Bank of Palestine has made it clear to all employees and stakeholders that it adopts and supports the United Nations Global Compact policies on human rights. This is evident as Bank of Palestine's senior management receives regular reports from the Human Resources Department on issues relating to human rights. When cases of human rights abuses are discovered, investigations are held promptly and correction measures are then adopted. It is vital to mention that hiring employees with disabilities lies within the bank strategy and the ultimate aim is for them to constitute 6% of the employees. Moreover, the majority of the bank branch buildings are constructed in a way that complies with the needs of people with disabilities.

Financial Inclusion and Felestineya Program,

Program for Women empowerment

Moreover, as part of the bank's strategy to provide access to finance to all segments of society, BOP continued to work on enhancing its extensive programs for women in 2021 in order to meet their needs through banking and non-financial advisory services. Through the bank's non-financial advisory services, 18,000 beneficiaries from both genders were reached out in almost 1000 sessions. Bank of Palestine under its flagship "Felestineya" program focusing on economic and social empowerment for women both at the bank and in the market place. As the pandemic started in 2020, It was essential to keep the commitment towards the beneficiaries and the programs; so the accurate approach was to conduct sessions virtually. However, in 2021 the approach was to continue supporting female business owners to cope with the crisis, programs were held virtually and in-person while keeping the social distancing. As a response to the emerging needs for female business owners, the bank through signing new partnerships with the local and international organizations, designed and implemented several programs that helped female business-owners plan alternative solutions and specify the opportunities to grow their businesses. Felestineya Program focused on enhancing the skills for women from different sectors to better present themselves and businesses through digital platforms by introducing them to different trainings in digital marketing, photography,

and presentation skills. In 2021 the bank also addressed the importance of moving the businesses from informal to formal status by conducting sessions in partnership with the Palestinian Ministry of National Economy about business registration. Lock downs during 2021 has affected small businesses and created economic crises, therefore the bank sponsored a Bazaar to support female business owners from rural areas to promote their products to new customers.

Besides that, Bank of Palestine launched a Mobile Bank “Banki Rahhal” that reaches all segments in rural areas to provide them with financial services.

Post the success of the first program with the Ministry of Labour to finance small and micro sized enterprises for people with disabilities, a program with a USD 500K to finance these enterprises with no interest rate. The Bank renewed this facility with a USD 1 million targeting people with disabilities without interest rate to ensure this segment is financial included.

The bank and the United Nations Development Program (UNDP) continued to work under a framework agreement to build a long-term cooperation in Support of Sustainable Development and Financial Inclusion in Palestine by pledging to work together dedicating knowhow, expertise and other resources towards a joint program of works. The Bank partnered with UNDP, PMA, Chambers of Commerce to support a one stop shop for SMEs providing help training for the one stop shop call center.

The bank and the United Nations Children’s Fund (UNICEF) continued to work under a Memorandum of Understanding that aims to formalize the collaboration between the bank and UNICEF and to further partnership in promoting the rights of Palestinian children, especially young people, by leveraging resources and collaborating in areas where there is a common interest. A partnership last year was in sponsoring a hackathon for Social Entrepreneurship during which 4 companies were provided financial awards.

Labor Principles:

Bank of Palestine and its subsidiaries uphold the Labor Principles of the United Nations Global Compact. These principles are referenced in Bank of Palestine’s Internal Employee By law. In addition to these principles, Bank of Palestine emphasizes other labor principles including those that focus on gender inclusion at the work place.

The Labor Principles of the United Nations Global Compact are adopted at Bank of Palestine in several ways. First, an employee-employer communication mechanism has been established through an employee suggestion email, and through the adoption of an open-line policy connecting the employees with the general management. Through the

suggestion email and the open-line policy, the employees are freely able to communicate all their suggestions and concerns to their seniors. Second, the bank has invested great efforts in training all employees to improve their skills through implementing a wide range of trainings according to their needs so as to improve and enhance their skills. For example, a new employee orientation has been set in place to support this initiative. Bank of Palestine has enhanced its healthcare insurance to all employees and their families. In addition, the Bank has extended paternity leaves for its male employees. The Bank has also extended a child allowance for female employees, where this privilege was only granted to male employees in the past.

In addition, the senior management continues to receive regular reports from the Human Resources department pertaining to the labor principles of the United Nations Global Compact. The reports focus on gender inclusion, including figures on employees' benefits and salaries in order to ensure equality at the work place.

With a total of 1745 staff in 2021, Bank of Palestine continued to attract talented staff into its operations. In fact, it has continued to support job creating initiatives in the market place and continued to invest in training. Gender parity was an important milestone achieved this year. In 2016, UN Women and the International Labor Organization (ILO) were invited to conduct a gender audit of the Bank. The Bank achieved good marks, on its gender inclusion policies and parity between female employees with their male counterparts. Also the bank signed UN Women's empowerment principles (WEP's) in 2014. Today, women employees at senior and all levels make up to 42.8% of the bank's total staff with an aim to reach %50 males- %50 females as part of our Gender Equity inclusion.

In addition, the Bank was also awarded Best Global Bank in Financial Inclusion by the Banker Magazine of the Financial Times in December 2016 in recognition for its pioneering work in women inclusion under the women flagship Felestineya Program. Other recognitions were Best Program for Women Empowerment by the Global Alliance for Banking for Women GBAW and Best Bank in the Middle East for Financial Inclusion by Emea finance in 2016 and 2018, in addition to Best CSR Program in 2015 and 2018. AL Wasata Securities Company (subsidiary of the bank) received Best Securities Company in Palestine in 2018 as well.

The bank also received the certificate in 2021 of compliance with the Information Security Standards and Electronic Payment Cards Data Security Standards (PCI DSS), from the Global Payment Cards Protection and Security Council based in the United States of America, as the first Palestinian banking institution to obtain this certificate since 2018, a step that will further enhance transactional security to Bank customers. The bank also

received the EMEA Finance: Green finance award as well as receiving the Best Bank in Distinguished crisis leadership as the world's best trade finance providers 2021. The world's best foreign exchange providers.

The bank is a leader in engaging with people with Disabilities. While the law requires institutions to allocate 5% of their staff from people with disabilities, the bank has allocated the percentage to be 6% and hence showing the upmost respect and care for this essential segment of society. Moreover, the bank has continued to implement specialized training programs, mostly in sign language, so as to facilitate communication with customers who have impairments.

As Palestine reported officially, its first cases of coronavirus (COVID-19) Bank of Palestine initiated its Business Continuity Protocols and risk mitigation measures to ensure first the safety of our employees and the continued service of our customers. These measures were also supported and guided by the Board of Directors. In 2021 the bank continued to take care of its staff by encouraging vaccination and also donating USD 300,000 to the ministry of health to purchase 15 cars to help it in medical care and vaccination for elderly people in their homes.

Environmental Principles

Social and environmental responsibility has been an integral part of the way Bank of Palestine (BOP) operates since the establishment of the bank in 1960. BOP has been implementing a comprehensive sustainability strategy, as we believe that out of strong, stable communities will grow sustainable businesses that will help strengthen the wider economy of Palestine. This 2021 year marked the creation of a sustainability board committee and renaming the CSR department into sustainability department with a focus on ESG policies and SDGs. The department implement a paper recycling project in head offices and will implement a plastic free environment. BOP has a Social and Environmental Aspects Screening Checklist, which includes compliance with all applicable requirements such as the national regulatory requirements and the International Finance Corporation's exclusion list.

Bank of Palestine is committed to environmental protection on different levels. First, Bank of Palestine advances its policy on bringing about social and environmental improvements through its green loans program. As its name suggests, these are loans to individuals, families, and MSMEs for projects that lead to greater water or energy efficiency, waste water treatment, and the production of renewable energy. In addition, Bank of Palestine declines any loans seen hazardous to the environment, or judged harmful in any means

to the environment. Moreover, the Bank still tries to ensure that its own operations are as sustainable as possible through the way buildings are constructed and through the types of products and services offered and by doing green initiative internally and externally.

Taking care of the environment is a responsibility that we consider in the design and in the selection of the systems to help reduce carbon emissions, some of these systems are as below:

- **LED Lighting System:**

Since the last 7 years, all the lighting fixtures used in the Bank new facilities, including branches, offices, ATMs, headquarter buildings are LED instead of traditional lighting systems. LED lights are up to 80% more efficient than traditional lighting such as fluorescent and incandescent lights. 95% of the energy in LEDs is converted into light and only 5% is wasted as heat. This is compared to fluorescent lights which convert 95% of energy to heat and only 5% into light! LED lights also draw much less power than traditional lighting; a typical 84 watt fluorescent can be replaced by a 36 watt LED to give the same level of light. Less energy use reduces the demand from power plants and decreases greenhouse gas emissions.

- **Smart Building Control System – KNX:**

Since 4 years ago, a smart building control system – KNX, is used to control the lighting and the mechanical loads in the new bank facilities.

As Climate change and ever depleting energy resources mean that efficient energy use is a key social issue. KNX meets the requirements of the top Energy Performance Class for building automation as per EN 15232. This means that KNX is ideally suited to fulfilling the tightened energy consumption requirements for buildings. KNX allows up to 50 % energy savings and decreases greenhouse gas emissions.

- **Efficient Mechanical Systems:**

The selection of the efficient mechanical system including HVAC system such as VRF is a key factor during the design and implementation process of new facilities, in order to achieve maximum possible energy saving and maximum reduction of greenhouse gas emissions.

VRF variable refrigerant flow (VRF) technology allows 40 to 50 percent efficiency improvement over standard ASHRAE 90.1 standard RTU units.

- **Fire Suppression System:**

Clean agent fire extinguishing systems (NOVEC 1230) are some of the most advanced and efficient fire extinguishing solutions in the world. Incorporating non-toxic and non-corrosive gaseous agents to extinguish fires, these systems leave no residue, do no damage to sensitive equipment and are completely safe for discharge in human occupied areas.

In the interior architecture for the branches design, we were working on the designs taking in our consideration the environment to have a natural space for the employees, customers and energy.

Moreover, to have this issue in the bank, we take care about many points:

- **Isolating the building from the surrounding environment**

Wall insulation:

Which is done by spraying the inner walls with environmentally friendly insulation material (Randobaan) and then building cement bricks to increase the efficiency of insulation, and the mutual heat in this case is reduced to 70% between the inner and outer media.

Surface insulation:

It is using special materials that provide a reflective surface to direct sunlight in summer, and prevent water and moisture intrusion in the winter. This reduces the volume of heat exchange by 40%.

- **Using natural lighting**

Glass: A source natural light and well-being:

Daylighting glazing has a unique ability to provide daylight into buildings and visual connection to the outside world. As such, it fulfils many functions like no other construction materials and these translate into direct benefits for buildings' occupants:

- Improvement of comfort and well-being
- Increased visual quality of internal spaces and valorized building investment
- Provision of a healthier - and healing - environment
- Increased focus, learning and productivity.

- **Using plants and green areas**

Here are just a few of the benefits of using green plants in the branch:

- A. Reduced Stress
- B. Increase Productivity
- C. Cleaner Air to Breathe
- D. Increased Creativity
- E. Reduce Sickness & Absence
- F. Reduce Noise

- **White paintings for the branches**

The reasons for using white paint in the bank are:

1. It makes spaces look and feel bigger.
2. It is the perfect canvas for any type of decor.
3. It's a piece of cake to maintain.
4. It never goes out of style.
5. It optimizes natural light in a room.

As part of our corporate social responsibilities (CSR) initiatives, the bank has continued to implement Al Bayyara Project, the bank has implemented Al Bayyara Parks project in a number of cities within 11 Palestinian governorates, to provide a safe place for children that responds to their entertainment needs and physical health. Another major example is the solar system project implemented in the Gaza Strip. The project lightened 40 houses through generating electricity with solar energy. Another vital project the bank took part in, in partnership with Ramallah Municipality, was supporting the Healthy and Environmentally Schools program which contributed to amending students' behaviors through acquiring healthy skills that are implemented not only in schools but also at homes. The bank also launched an awareness campaign to promote healthy lifestyle in order to prevent diabetes.

Bank of Palestine also signed an MOU with the Palestinian Paralympics Committee to support its activities and encourage people with disabilities to do sports and participate in local and international sports events. In the same field, BOP supported the Palestinian sailing and rowing federation in Gaza Strip in order to promote and empower this kind of sports.

Focusing on entrepreneurship, Bank of Palestine supported the Global Entrepreneurship Week 2021 in Palestine, which aimed to help startups promote their ideas and grow their businesses.

The bank continued sponsoring the Wajd Program for the 7th year which was designed to provide assistance for orphaned children as a result of the 2014 aggression on the Gaza Strip.

Bank of Palestine is keen to support its organic growth strategy with enhanced digital banking channels in addition to physical branch channels in line with modern banking trends and customer demands for digital banking platforms. In 2016, the bank has launched the first Mobile application allowing customers to have a more enhanced experience with many banking transactions. This has helped the bank service more customers electronically increasing subscriptions in the bank e service.

Bank of Palestine Contributed to establish a “Qudra” company Renewable Energy Solutions Co.

Bank of Palestine contribute to Company “NAPCO” joint venture to set up “Qudra”; specialized in Renewable Energy Solutions serving Palestinian Territories in the West Bank and Gaza.

The new company stems from the bank’s keenness to encourage the use of solar energy to generate electricity. In order to enhance the community’s culture towards protecting the environment and making use of solar energy for the economic and social sectors.

The company will employ state of the art technology and international standards to provide turnkey solar assets in partnership with local Municipalities and Electricity Distribution Companies in addition to other partners.

“Qudra” has a strong position in the international and local supply chains of vendors and experienced contractors, giving it the ability to deliver cost-effective solar assets with market leading quality, with a target capacity of 100MW in the first phase of its short term plan. Future objectives include implementing modern power management systems as well as storage facilities for surplus solar energy.

Anti-Corruption Principles

Bop has an “Anti-bribery and Anti-corruption policy” aims to set out the responsibilities of all bank employees (full or Part time) and temporary workers (such as consultants or contractors) across the Bank group, no matter they are located or what they do.

Bank of Palestine and its subsidiaries adopt the Anti-Corruption Principles of the United Nations Global Compact and the Palestinian Anti – Corruption Law. In its Internal Employee by Law, Bank of Palestine makes it clear that it adheres to a zero-tolerance policy for bribery, corruption and extortion. In fact, the bank has a mechanism to deal with violators who are found guilty of corruption-related activities.

This policy acts as a source of information and guidance for all employees and temporary workers, to help them recognize and deal with bribery and corruption issues, as well as understand their Responsibilities.

According to this policy, Bop is committed to:

- Doing so lawfully, ethically and with integrity. As part of this commitment, all forms of bribery and corruption are unacceptable and will not be tolerated, we must not, and we must ensure that any third party acting on our behalf does not, act corruptly in our dealing with other persons.
- Conducting business in an ethical and honest manner and is committed to implementing and enforcing systems that ensure bribery is prevented. Has zero - tolerance for bribery and corrupt activities. We are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, wherever in the country we operate. Constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which we operate.
- Bound by the laws of the State of Palestine, including the Palestinian anti-corruption law.
- Recognizes that bribery and corruption are punishable by imprisonment and a fine.
- Employees (including full, Part time) and temporary workers (such as consultants or contractors) are prohibited of offering, giving, promising, asking, agreeing, receiving, accepting, or soliciting something of value or of an advantage so to induce or influence an action or decision or to gain commercial, contractual, regulatory, or personal advantage.

- Employees must not engage in any form of bribery, whether it be directly, passively (as described above), or through a third party (such as an agent or distributor). They must not bribe a foreign public official anywhere in the world. They must not accept bribes in any degree and if they are uncertain about whether something is a bribe or a gift or act of hospitality, they must seek further advice from the company's compliance manager.
- Bop does not make donations, whether in cash, kind, or by any other means, to support any political parties or candidates. We recognize this may be perceived as an attempt to gain an improper business advantage.

- Bop is careful to ensure that charitable contributions are not used to facilitate and conceal acts of bribery.
- The employment and promotion of staff in accordance with the terms of merit and efficiency
- Our employees must disclose their fears immediately to the compliance manager and MLRO if any employee is offered a bribe by anyone, or asked to make one, or suspects that he may be bribed or asked to make a bribe in the near future, or if he has a reason to believe that he is a victim of another corrupt activity.
- We familiarize all employees with whistle – blowing procedures, so employees can vocalize their concerns swiftly and confidentially.
- When cases of bribery or a corruption are discovered, investigations are held promptly, and correction measures are then adopted.
- Bop provides training on this policy as part of the induction process for all new employees. Employees also receive regular, relevant training on how to adhere to this policy, and asked annually to formally accept that they will comply with this policy.
- Anti-bribery and corruption policy and zero-tolerance attitude will be clearly communicated to all suppliers, contractors, business partners, and any third parties at the outset of business relations, and as appropriate thereafter.
- Compliance manager and MLRO is responsible for monitoring the effectiveness of this policy and will review the implementation of it on a regular basis. They will assess its suitability, adequacy, and effectiveness.
- Internal control systems and procedures designed to prevent bribery and corruption are subject to regular audits to ensure that they are effective in practice.