

# COMMUNICATION ON PROGRESS FOR THE UN GLOBAL COMPACT

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REPORTING PERIOD:  
DECEMBER 2015 – DECEMBER 2016

## ABOUT BLOM BANK

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

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

For further information:

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

## ABOUT THIS REPORT

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

In our second Communication on Progress, we aim at describing the progress achieved based on our past commitments with respect to the ten UN Global Compact principles. The following report will also be complemented with well-defined future goals and the various approaches and systems needed to attain them.



## OUR CHAIRMAN'S LETTER OF COMMITMENT



I am pleased yet again to reaffirm BLOM BANK's commitment and support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. We also commit to publically and transparently share this information with our stakeholders using our primary channels of communication.

The following Communication on Progress report underscores BLOM BANK's intent to integrate the UN Global Compact principles into our business, strategy, culture and day-to-day operations. In this framework, our Corporate Social Responsibility Committee has dedicated its full efforts to evaluate and develop the Bank's responsible activities in order to advance its corporate citizenship practices across the social, environmental and economic fronts. This includes increasing, above all, the valuable human benefits both internally and externally to offer everlasting Peace of Mind.

Our initial reporting period relied heavily on our activities and achievements around the UNGC's ten principles. Although we are particularly thrilled by our progress since then, we recognize that we are just beginning our journey and still have more to do. With that, we remain fully committed to extend our efforts and work towards positively impacting all our communities while deeply reflecting our core values of Prudence, Professionalism, Integrity, Improvement, Performance and Stewardship.

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 translated in 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***

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

### ***Working Hours & Wages***

At BLOM BANK, we recognize that our employees are our most valuable asset and are keen on investing in their comfort. To that effect, we introduced a new working schedule in some business units for a trial period, and if successful, this schedule will be implemented across the board.

### ***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 cleaning services in order to define the rights and obligations of the foreign domestic workers including detailed job descriptions, daily checklists and on-site supervisions. This includes their rights to have two breaks per day along with a special room for having their breakfast and lunch.

### ***Healthy & Safe Environment***

Our Bank's workplace health and safety policies are now being well-implemented and controlled by an assigned Safety and Security Committee. The policies address first-aid trainings, emergency situation handlings as well as bullying and harassment situation controls. The policies have also been supplemented with a detailed procedures document, signages across all floors and explanatory safety posters in all departments in order to identify first aid facilities, names of the first aid officers and their corresponding emergency telephone numbers. Additionally, a first aid room was built in the Headquarters to allow provision of basic first aid care and treatment.

In parallel, BLOM BANK partnered with the Civil Defense and Red Cross to provide repeated fire drills and emergency trainings to two or three employees from each branch, department and division.

## GOALS

In our previous Communication on Progress, we set some objectives for human rights protection and still continuously strive to improve when needed in order to ensure that our actions comply with the basic standards of human rights.

<b>GOAL</b>	<b>COMMENT</b>
Assess the current implementation of human right practices across our premises	The above mentioned actions have been a result of carrying out the assessment
Devise mechanisms that will ensure respect for human rights	We administered health and safety policies and assigned a Safety and Security Committee

### ***Goals for the future:***

- Deliver additional first aid and emergency training sessions in 2017 for a larger number of employees
- Improve the overall health and safety measures applied across the Bank periodically

# LABOUR STANDARDS

- PRINCIPLE 3** BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING;
- PRINCIPLE 4** THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR;
- PRINCIPLE 5** THE EFFECTIVE ABOLITION OF CHILD LABOUR; AND
- PRINCIPLE 6** THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

## OUR COMMITMENT

BLOM BANK recognizes its human capital as the most valuable asset for being the driving force behind its continued success which 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 & Code of Conduct.

## CURRENT STATUS OF IMPLEMENTATION

### **Recruitment & Selection**

Providing the Bank with the required human capital to meet its operational and strategic goals is a challenging task that we continuously strive to accomplish. In 2015, BLOM BANK Group recruited a total of 668 employees with a ratio of 60% males and 40% females. Equal gender progression has also been endorsed with 50.5% women being in management positions. Furthermore, the Group continues to pride itself on its 4,818 employees with the average age of employment being 34.62.

In terms of recruitment and selection, it is essential to state that child and forced and compulsory labor do not apply as all our employees work for us of their own volition and are of legal age.

### **Career Development & Promotion**

BLOM BANK's strategy of recruiting fresh graduates and promoting from within means that Career Development is one of the Bank's key success factors. 967 employees were promoted internally during 2016.

### **Training & Development Programs**

Training and development programs are essential to ensure the development of a competent workforce able to adapt to the evolving business environment. For that reason, a section dedicated to the individual's personal development plan for the following year has been introduced to the Annual Performance Appraisal. As for actual training programs, almost 140,000 training hours were provided in 2015.

BLOM BANK recognizes the importance of higher education, particularly in career development. In 2016 alone, 95 employee higher education tuitions were sponsored by the Bank to ensure they all get the opportunity to fully reach their aspirations. Similarly, the children of 43 employees were honored in recognition of their high academic achievements in the official Brevet and Baccalaureate exams.

### **Internal Shared Network**

In order to foster an internal culture of transparency and improve the internal flow of communication across employees, a decision was taken to initiate an internal newsletter to keep them informed on all corporate updates in a timely manner.

## GOALS

As expressed in our previous COP report, we aimed to ensure that our hiring, advancement, compensation, training, development and other privileges of employment are handled according to set international labor standards through the following goals.

GOAL	COMMENT
Administer a questionnaire across all employees to evaluate the strength of the flow of internal communication	The questionnaire has not been administered yet
Assess the results of the Salary Benchmark Survey conducted by the Association of Banks in Lebanon (ABL)	We have completed the Salary Benchmark with Hay Group Salary Benchmark Survey to ensure that our employees are paid in accordance with the market

Towards the upcoming years, we remain committed to continue our efforts and further live up to these labor standards.

### **Goals for the Future:**

- Administer a questionnaire in order to assess the strength of internal flow of communication and take the necessary measures to improve when and if needed.

# ENVIRONMENTAL STANDARDS

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

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

**PRINCIPLE 9**      ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

## OUR COMMITMENT

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 energy consumption.

## CURRENT STATUS OF IMPLEMENTATION

### ***Paper Recycling & Reduction***

We are pleased to have achieved a zero net growth in paper consumption during 2016; an endeavor that could not have been possible without the firm dedication of our employees. Following our previous practices of decreasing the number of printers and setting double sided printing as a default option; we encouraged departments and branches to adopt a smaller font size in all their communications as well as send their internal requests and correspondences by email thereby inviting them to print the necessary documents only. In parallel, we delivered 78,360 kilograms of paper to a leading national recycling factory in 2016 and allocated the proceeds to associations that support physically and mentally challenged children.

### ***Waste Recycling***

As part of our environmental awareness, we worked on setting the adequate framework to launch a new interactive waste segregation campaign for 2017. This campaign will be mainly launched in BLOM BANK Headquarters and aims at raising more awareness across all employees on the importance of waste segregation and its integration into our daily lifestyles and routines. The segregated waste will be delivered to Association l'Ecoute where the proceeds will be used to provide earpieces to the hearing impaired as well as medical instruments (such as wheelchairs) to the people the association takes care of.

### ***Sustainable Procurement Policy***

Our efforts extended to cover the scope of sustainable procurement where we continuously work to ensure that all the products we purchase and consume internally such as air fresheners, liquid soaps, paper rolls and more, contain ecologically safe ingredients. Furthermore, we adopted the use of recycled (with virgin raw material) biodegradable trash bags at the Headquarters and across all branches.

### ***Energy Consumption***

The Bank is still working towards the additional reduction of energy consumption with the introduction of new practices. For example, during periods of moderate temperature, the air conditioners at the Headquarters are turned off at 6:00 PM instead of 11:00 PM. Furthermore, we are currently conducting a study that aims at reducing the number of generators that are turned on during hours of power failure to a minimum, thus reducing fuel consumption and ultimately air pollution.

## GOALS

Reflecting back on our progress over the past year, we recognize that we are committed more than ever to continue working to save our planet's resources and make it a cleaner and greener place to live in today and for future generations. With this commitment, we evaluated our previous goals and set some new future goals to help us come closer to our aspirations:

GOAL	COMMENT
Assess energy usage and efficiency in Bank Headquarters	So far, we have not yet assessed the energy usage and efficiency of our Headquarters
Establish a zero growth in paper consumption by 2016	We have achieved a zero net growth in paper consumption during 2016
Raise more awareness on recycling and waste segregation	An internal interactive campaign is being developed for 2017 in order to raise awareness on recycling and waste segregation
Establish a Sustainable Procurement Policy and develop a Supplier Code of Conduct	The Sustainable Procurement Policy and Supplier Code of Conduct have been established

### ***Goals for the Future:***

- Define, calculate and assess BLOM BANK's carbon footprint, mainly in the Headquarters
- Reduce energy usage levels to a minimum
- Review all Bank forms and introduce new innovative means to further decrease paper consumption
- Educate and inspire employees to further conserve and preserve resources

# 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

### ***Fraud Policy & Code of Conduct***

Our Fraud Policy and Code of Conduct conveys the basic policies that every employee should adhere to and identifies the measures to be taken for any breach such as immediate termination and prosecution to the fullest extent of the law. The Fraud Policy and Code of Conduct is made readily available to all employees through the internal shared network and is also published on the website in order to ensure that all employees act professionally, ethically and with utmost integrity.

A procedure for compliance with these standards has been drawn up by the Human Resources Division. This includes attending organized trainings on an annual basis and presentations to facilitate understanding and raise awareness on good corporate governance at least every two years. In 2016, all branch and assistant branch managers attended the Fraud Policy and Code of Conduct training session as well as the operational risk training to raise even more awareness on this topic.

### ***Reporting Noncompliant Behavior***

The Bank's culture of honesty and integrity is fostered by a "zero tolerance" attitude towards fraudulent and unethical business dealings including any payments for illegal acts, indirect contributions, rebates and bribery. Employees therefore have the ethical duty to report their concerns internally and to an independent authority from their immediate supervisors in an anonymous manner through the "Hotline". Failure to report incidents and misconducts can result in the loss of profits, promotions, bonuses and even their jobs.

BLOM BANK established a committee made up of the Human Resources Division, Group Internal Audit Division and the Group Compliance Division to handle the "Hotline" reports and ensure they are operated by trained professionals in order to maintain the integrity and confidentiality that the "Hotline" promises to whistle blowers. Seven cases were reported in 2016.

## GOALS

In our previous Communication on Progress, we defined some goals to continuously develop our corporate governance practices, uphold our culture of honesty and high integrity and further strengthen our governance structure.

<b>GOAL</b>	<b>COMMENT</b>
Submit a report to the HR department with recorded data, statistics of recurring violations and measures taken in order to lessen the risks and incidents	The report will be submitted to the HR committee in January 2017
Make available a "Complaint Log" on the internal shared network in order to widen incident reporting platforms for employees	A "Complaint Log" has been circulated internally to all employees encouraging them to anonymously report any incident
Reinforce the Bank's "Tone at Top" culture by sending a periodic newsletter to all employees	A newsletter is being sent twice per year to all employees to remind them of the importance of adhering to the Fraud Policy and Code of Conduct
Evaluate the adequacy of existing policies and procedures along with their application through a survey circulated once every two years	So far, we have not yet administered the survey for evaluating the adequacy of existing policies and procedures

In the future, we remain committed to capitalize on our existing goals as well as reach the following future goals:

### ***Goals for the Future:***

- Deliver an awareness presentation on Information Security to one supervisor from each branch and department during the first quarter of 2017
- Administer a survey to evaluate the adequacy of existing policies and procedures as well as apply the necessary measures and controls to assess awareness and improve when needed

