

Non-financial  
report  
2018



BANQUE  
INTERNATIONALE  
À LUXEMBOURG



# Non-financial report 2018

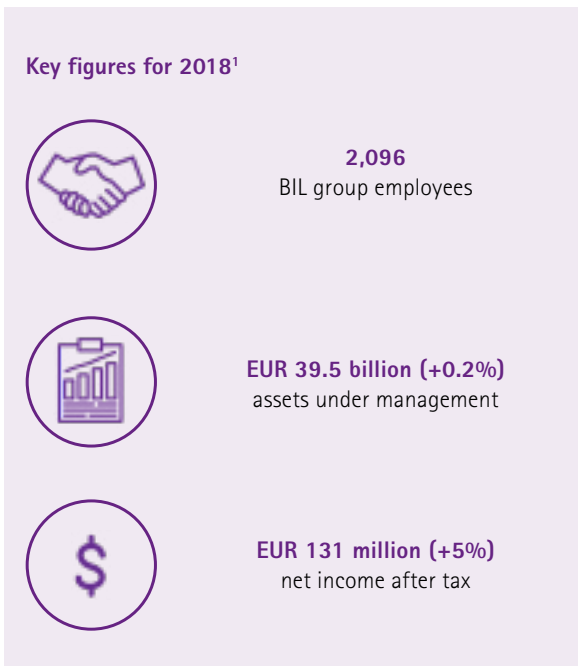
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**The BIL group –  
in Luxembourg and  
throughout the world**

Banque Internationale à Luxembourg (BIL) provides retail, private, corporate and institutional banking as well as treasury and financial market services. As the third largest of Luxembourg's big three banks in terms of market share, it is deemed a systemically important institution by the European Central Bank.

Based in Luxembourg, BIL has wealth management offices in Switzerland, Denmark and the Middle East, as well as trading rooms in Luxembourg and Zurich. In addition, the subsidiaries of BIL group in Luxembourg offer specialised services: Belair House (family office and investment management), BIL Manage Invest (fund management), BIL Lease (leasing solutions) and BIL fund and corporate services (financial structuring).

Thanks to this international network, BIL is able to offer innovative, customised financial services that contribute to growth in private and corporate wealth and that support financial professionals in the development of their activities.



<sup>1</sup> For more detailed financial information, the 2018 annual report is available at bil.com

# Creating sustainable growth

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In 2015, we set out our five-year strategic plan, BIL2020. The regulatory environment is becoming increasingly complex and technology is fundamentally changing our activities. New players are arriving on the scene and are competing with us across all or part of our value chain. Client behaviour is changing, prompting us to review our operations and the way we cater to them.

We focus on creating long-term value for all our stakeholders:

- our clients, by providing them with innovative, customised financial services;
- our employees, by giving them a stimulating, respectful working environment;
- our shareholders;
- our suppliers;
- society at large.

## Risk management and ethical requirements

The management of risk is essential for ensuring sustainable business development. We constantly monitor our exposure and ensure our activities comply with national and international banking industry regulations at all times.

We adhere to the strictest standards of transparency: we have been signatories to the ICMA (International Capital Market Association) charter since 2012.

All our employees are subject to a code of conduct regarding tax transparency, security, confidentiality as well as the fight against money laundering, discrimination and against the financing of terrorism. Our employees follow very strict procedures that are reviewed by our Compliance department on a regular basis. They are made aware of these procedures and trained to comply with them. We regularly conduct checks in order to ensure strict compliance with these rules at every level within the bank.

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### WHISTLEBLOWING

Any employee who has doubts about whether the law or BIL group's code of ethics is being complied with can report this to the Compliance department in total confidentiality.

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Finally, we serve our clients by applying the strictest standards in terms of professional ethics and individual integrity.

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### BIL'S CSR POLICY FOR SUPPLIERS

As part of our CSR (Corporate Social Responsibility) policy, we have produced a guide for our suppliers in which we explain our requirements and encourage them to adopt best practices in terms of respect for human rights, protecting the health and safety of their employees and respect for the environment.

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## Governance of BIL group

Thanks to a coherent corporate governance framework, BIL group manages its business operations efficiently in accordance with the strategic priorities of BIL2020.

Approved by our management bodies, these internal governance rules satisfy all applicable legal and prudential requirements. They are subject to the legal provisions applicable to our group. Implementation of robust policies and governance processes is in the best interests of all our stakeholders.

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### CHANGE OF SHAREHOLDERS

Since 2018, BIL is 90% owned by Legend Holdings and 10% by the Grand Duchy of Luxembourg.

Legend Holdings, founded in 1984, is a leading diversified investment group that is headquartered in Beijing, China, and listed on the Hong Kong Stock Exchange. Its strategic investments focus on major sectors including financial services, innovative consumer services, agriculture and food, and IT.

Legend Holdings and the Grand Duchy of Luxembourg are represented on the bank's Board of Directors.

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The management bodies of BIL SA are the Board of Directors and the Executive Committee.

The Board of Directors has 13 members, 2 of whom are representatives of Legend Holdings and 2 of whom represent the government of Luxembourg, plus the CEO, 4 independent directors and 4 elected employee representatives. Its mission is to define the bank's global strategy. To that end, it is assisted by committees tasked with advising on specific issues (strategy committee, audit and compliance committee, risk committee, remuneration and nomination committee).

The Executive Committee, which is headed by the CEO, manages and leads the bank and its entities on a day-to-day basis to ensure the strategy is delivered and the business objectives set by the Board of Directors are met.

For details of their composition, please consult the 2018 annual report available at [www.bil.com](http://www.bil.com).



# Governance of CSR (Corporate Social Responsibility)

Our CSR policy affects all our business lines and operations. Since 2015, an individual has been tasked with coordinating the initiatives, which are discussed and approved every quarter by the members of the CSR steering committee, who represent the main functions of the bank.

## AN ACCREDITED COMMITMENT

BIL is a signatory to the most demanding charters in terms of corporate social responsibility, equal opportunities and the fight against money laundering. Its corporate social responsibility is continually assessed by independent bodies.

- 
- Luxembourg Diversity Charter;
  - Charter promoting diversity and equal opportunities;
  - Charter against workplace and sexual harassment;
  - Entreprise Socialement Responsable (ESR, Socially Responsible Company) label awarded by the Institut National pour le Développement durable et la Responsabilité sociale des entreprises (INDR, National Institute for Sustainable Development and Corporate Social Responsibility). This label was renewed in October 2018 for three years;
  - "SuperDrecksKëscht Fir Betriber" (SDK) environmental management label.
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# Listening to our clients

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In order to strengthen client trust, we demonstrate integrity, responsibility, transparency and discretion in all circumstances. This commitment is at the heart of the bank's strategy.

## Our services

### RETAIL BANKING

Each of our clients is supported by our teams of Relationship Managers who understand their needs and advises them on day-to-day banking services, savings, property purchases, investments, their tax situation, retirement savings, as well as leasing and insurance products.

In addition to the products and services available in our branches, our online and mobile banking service, BILnet, is available 24/7.

### PRIVATE BANKING

We help our private banking clients to manage and structure their wealth and financial sector professionals to develop their activities. We provide wealth management services in Europe and the Middle East via dedicated centres of excellence located in Luxembourg, Switzerland, Denmark and Dubai.

Private banking clients are offered integrated solutions – whether financial or otherwise – such as asset structuring, life insurance, credit solutions, wealth management and succession management. Professional clients can benefit from services to support their client management and business development.

### CORPORATE AND INSTITUTIONAL BANKING

We are a reliable partner to companies of all sizes, financial institutions and the public sector, offering a full line-up of services and banking advice, mainly for entities based in Luxembourg.

### PRODUCTS AND MARKETS

We have our own trading rooms in Luxembourg and Zurich, handling transactions in all areas of the bank's financial market operations. In addition, we offer a full array of treasury and professional capital market products.

## Accessibility

Our services can be accessed online via our BILnet platform, by phone, and of course, at any of our 41 branches in Luxembourg. Our online banking tools are available in multiple languages, while our advisers are multilingual too – enabling us to provide our clients with a first-rate service.

We are also working to provide easier access for vulnerable sectors of the population. Most of our branches already offer access for persons with impaired mobility, while our online banking platform provides an alternative to visiting the branch. We organise regular demonstration and learning sessions for those clients who are less at ease with digital tools.

## Innovation

Innovation and listening to our clients enables us to develop and improve the services we offer.

We listen to our clients in a variety of ways, via our Relationship Managers, feedback we receive on social media and by polling them on their online experience. We also conduct regular satisfaction surveys to ensure our offer is tailored to their individual requirements.

BIL was one of the first banks to make it possible to withdraw cash without a bank card, introduce contactless payments and incorporate fingerprint recognition in its mobile services.

### DATA PROTECTION

The Bank processes personal data in accordance with Regulation 2016/679 of the European Parliament and of the Council (General Data Protection Regulation). A policy on the processing of Personal Data has been published as an annex of the Terms and Conditions.

While BIL collects personal data to better respond to evolving client needs and to tailor commercial offers, the Bank pledges never to communicate client data to third parties for commercial use without their consent and to ensure clients data protection rights are upheld.

Further information on data protection is available on bil.com, including how personal data is processed by BIL, how clients can exercise their rights as well as relevant contact details.

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## Fee policy

Our fee policy is based on striking the right balance between quality and the performance of our products and services. In terms of transparency, all fees for the bank's products and services with the exception of tailor-made products or transactions are published on our website.

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### INVESTOR PROTECTION IN LINE WITH MIFID II

In line with Directive 2014/65/EC on markets in financial instruments, we undertake to do all we can to provide our investment clients with a first-class service. This directive specifically aims to increase the efficiency and integrity of financial markets, in particular by improving transparency and strengthening the protection of retail investors.

We apply best-execution principles when executing orders or arranging for them to be executed in accordance with the instructions given by our clients. That means we are taking all reasonable measures to obtain the best possible result (optimum execution of an order) for our clients.

We ensure our clients fully understand our products and services, enabling them to invest on a fully informed basis.

Where we provide an investment advisory service (a personalised recommendation for a client concerning a transaction involving financial instruments), or a portfolio management service (discretionary, individual management of a portfolio of financial instruments as part of a mandate), we take into account the client's investment knowledge and experience, financial position including the ability to bear losses, and investment objectives including risk tolerance so that we can recommend them suitable investment services and instruments.

All documentation relating to regulatory obligations is available on our website [www.bil.com](http://www.bil.com).

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## Responsible finance

We are convinced that finance can have a major impact on economic development, people and environmental protection. How is this conviction translated?

We are stakeholders in initiatives that use finance as a channel for international development. For instance, we are one of the partners in the LMDF (Luxembourg Microfinance Development Fund), which was launched in 2009 on the initiative of the ADA (Appui au Développement Autonome) non-profit organisation and the Luxembourgish government. A representative of BIL sits on its Board of Directors. The fund was created with the aim of facilitating access to responsible finance by establishing sustainable links between investors, microfinance institutions and end beneficiaries.

Together with the government of Luxembourg, we are also one of the founding members of the FCCF (Forestry and Climate Change Fund), launched in 2017. The aim of the FCCF is to campaign against deforestation by supporting sustainable forest management models. The Fund will provide financial support to companies as well as communities and small-scale farmers that manage secondary and degraded forests in the tropical regions of Central America.

We are a member of the LuxFLAG (Luxembourg Finance Labelling Agency) non-profit organisation, whose mission is to promote sustainable investment. LuxFLAG awards a label to investment vehicles active in microfinance, the environment, climate finance, assets that comply with environmental, social and governance (ESG) criteria as well as green bonds. The aim is to reassure investors that assets managed by an approved investment vehicle are really invested in a responsible manner.

Finally, we can meet client requests for investment products that comply with the ESG criteria.

## Financing the economy

BIL plays a key role in the financing of the Luxembourgish economy via its corporate and institutional banking arm. It is a dependable partner for companies of all sizes, financial institutions and the public sector, offering a full line-up of services and banking advice, mainly for companies based in Luxembourg.

Startups have different needs depending on their growth stage. If the project is in its early stage and the entrepreneur still needs to test the concept, they can get support from business angels or seed funds such as the Digital Tech Fund, of which BIL is a founding member.

Once the concept has proven successful on the market and the startup is ready to grow, Corporate and Institutional Banking can step in by organising a loan with an InnovFin guarantee. The InnovFin guarantee programme was launched by the European Investment Fund (EIF) to increase financing for innovative SMEs. Until late 2018, BIL financed more than 70 innovative startups or SMEs, representing a total of 56 million euros in loans backed by InnovFin. The European Investment Fund guarantees 50% of the loan, which reduces the risks we take as a bank.

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### SUPPORT FOR THE LUXEMBOURGISH INNOVATION ECOSYSTEM

BIL is a partner of several Luxembourgish start-up support platforms including Technoport, Paul Wurth InCub and Innohub.

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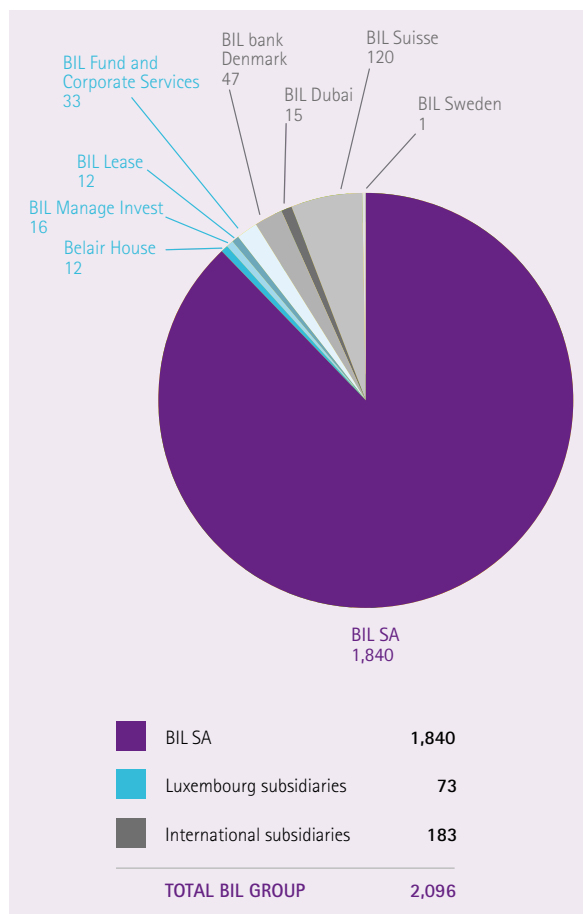
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# Our commitment to employee development

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The BIL group employs women and men with a diverse range of skills and expertise. In an environment that is constantly changing and where talent is highly sought after, promoting well-being in the workplace and team spirit as well as encouraging employee development are key elements of our success.

With a presence in five countries, the BIL group employs 2,096 people of 42 different nationalities.



## Development and skills

Employee training is at the heart of our human resources policy. We make a point of offering them training opportunities throughout their career.

More than 60.000 hours of training were provided in 2018, a rise of 18% compared with 2017.

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## Health and well-being at work

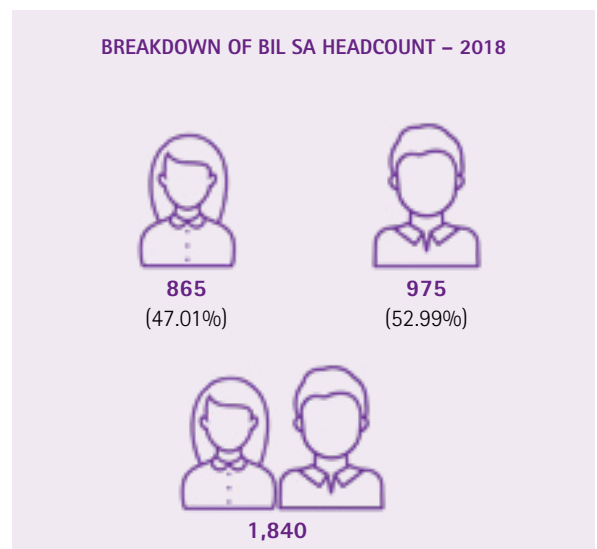
We pride ourselves on creating a working environment that is favourable to our employees and on preventing occupational risks to their health. A number of parties are collaborating on this topic within the bank: the People department, in consultation with designated workers, whose mission is to take care of occupational risk protection and prevention activities; security personnel; and the health and the safety in the workplace department (ASTF). A health and safety officer, appointed by the staff representatives, is responsible for these aspects at the workplace.

We regularly raise awareness of occupational risks among employees and inform them about best practices and the measures that exist within the bank. We have also set up a social fund that enables our employees to obtain a refund for certain healthcare costs. We offer our employees information and awareness sessions on health-related topics and on personal and professional fulfilment. Finally, the catering offer at BIL head office, where 70% of BIL SA employees are based, includes healthy meals and snacks.

- The social fund paid EUR 200,000 in healthcare costs on behalf of employees and their families in 2018. Created in 1956, the BIL social fund provides employees with special financial assistance with healthcare;

## Equal opportunities

Equal opportunities are a major commitment for BIL. Women accounted for 24% of the senior workforce in 2012. This percentage is gradually increasing, and stood at 29% in 2018. Furthermore, men and women are given equal pay for equal work.





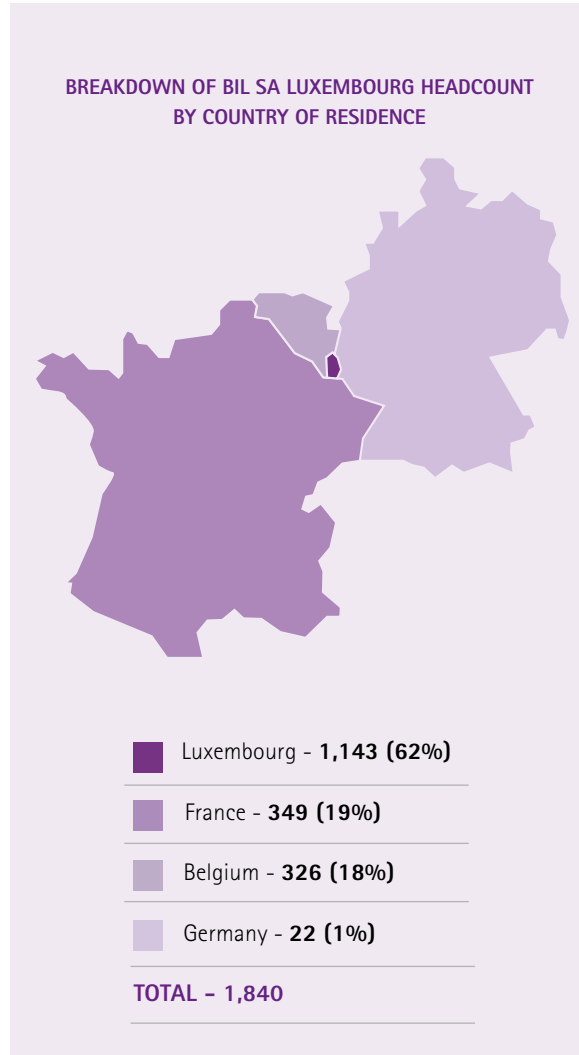
## Improving work/life balance for our employees

We have put in place a number of solutions to improve the work/life balance of our employees. The system of flexible working hours provides a degree of flexibility in terms of the organisation of daily working hours. In addition, for employees who want to devote more time to their private life, two part-time working options are possible:

- Part-time, with a predefined weekly work rate;
- Holiday purchase, which enables employees to increase their annual leave entitlement.

One third of BIL employees benefited from this in 2018.

We are also aware of the impact of transportation on the environment and quality of life, and therefore pay a portion of the costs incurred by our employees when using the Luxembourgish, German, Belgian and French public transport systems. 240 employees benefited from a subsidised M-Pass season ticket in 2018.



The bank offers employees services aimed at making their day-to-day lives easier. A dry cleaning and concierge service as well as a catering and a barber service are available for those working at head office.

## Corporate life at BIL

We encourage our employees to get involved in company life. Financed by the company and managed with the social partners, the Gestion Paritaire des Œuvres Sociales (GPOS, Joint Management of Charitable Works) organises staff nights, the FIT4BIL fitness room, and 30 sports and cultural associations. Each of these associations is managed by the employees themselves and financed by GPOS.

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# Our impact on our stakeholders

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## Environmental impact

We are aware of our responsibility and endeavour to reduce our impact on the environment by lowering our energy consumption and production of waste.

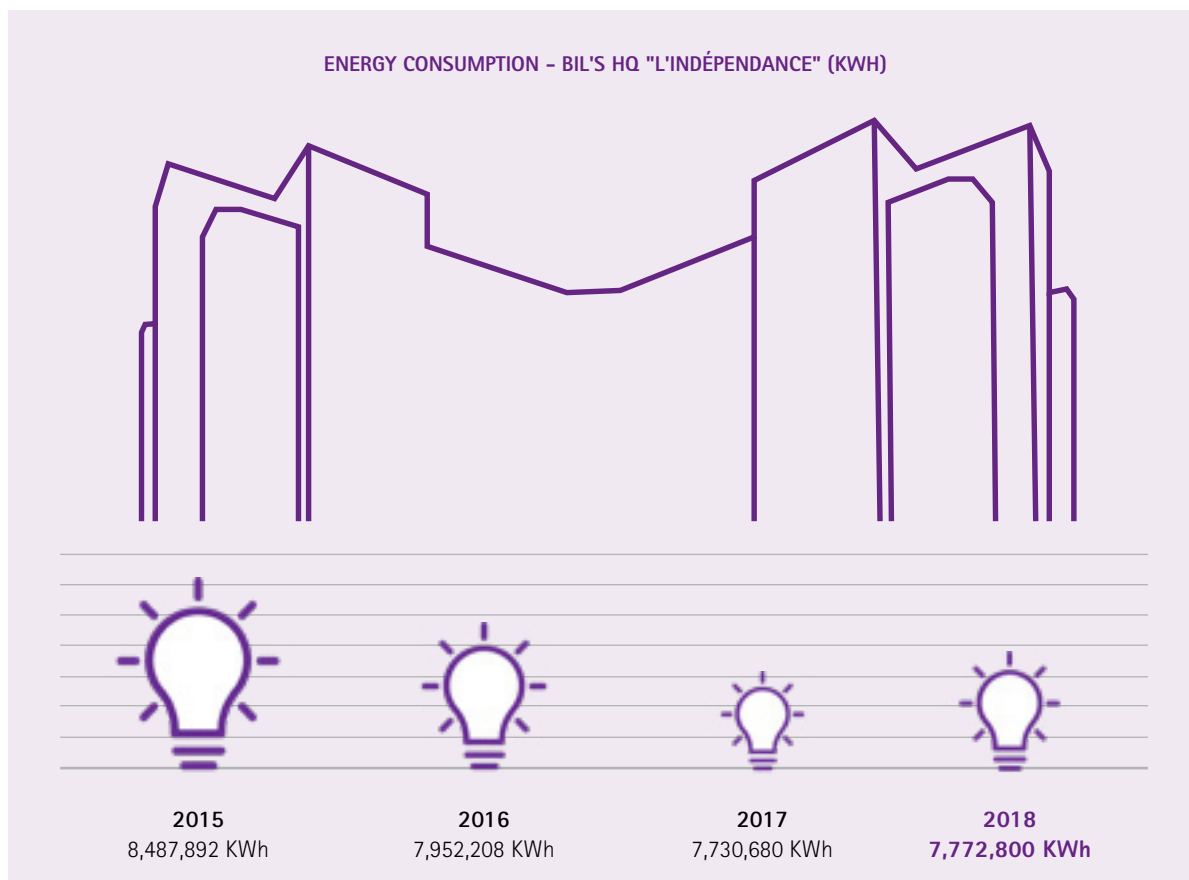
### ENERGY CONSUMPTION

Our direct energy consumption is primarily linked to our real estate portfolio (heating, lighting, etc.).

### "L'INDÉPENDANCE" – BIL'S HEADQUARTER

- Ongoing LED tube / halogen replacement;
- Replacement of the outdoor lighting (110 substations) with LED lighting;
- Stopping IP phones at night and on weekends;
- Replacement of standard motors with frequency-controlled motors;
- Replacement of the large dishwashing machine with new technology (reduction of 1200 m3 / year 5,100 €).

Our consumption of electricity totalled 10,191,000 KWh in 2008. In 2018 it came to 7,772,800.



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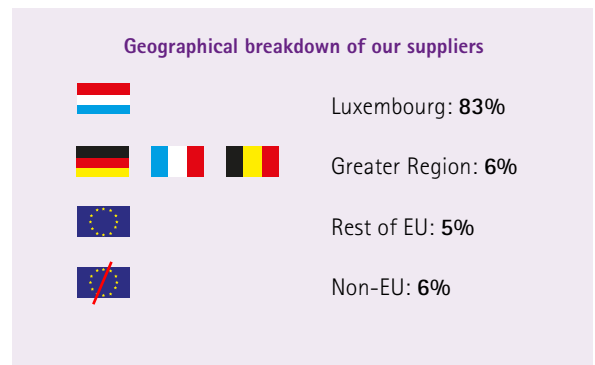
## WASTE MANAGEMENT

Since 2008, the bank has taken the "SuperDrecksKëscht Fir Betriber (SDK)" label approach to waste management. This accreditation requires prevention measures, the separate collection of all items, the storage of waste in a way that respects the environment and the processing of items via approved companies. These criteria are checked each year.

	Quantity 2017 (kg)	Quantity 2018 (kg)
 Paper and cardboard	91,203	<b>90,520</b>
 Household waste and similar	86,640	<b>85,580</b>
 Kitchen and food waste	29,922	<b>29,771</b>
 Glass	15,250	<b>13,360</b>
 Mixed packaging (Valorlux)	4,767	<b>4,549</b>

## Contribution to the economic fabric of Luxembourg and the Greater Region

As the third largest bank of Luxembourg in terms of market share, BIL makes an important contribution to the development of the local economy. It is also a major player in the corporate fabric of Luxembourg and the Greater Region. To manage our day-to-day activities, we deal with numerous suppliers for the purchase of goods and services. 88% of them are located in Luxembourg and the Greater Region.



## A lasting commitment

Our CSR commitment – both local and international – and our sponsorship activities are structured around art and culture, education, innovation and healthcare. This policy is put into practice through sustainable partnerships and support for numerous initiatives.

### INNOVATION

Sustaining innovation and being innovative constitutes one of our ambitions. We endeavour to design services that bring value and practicality to our private and business clients. A dedicated innovation team works in partnership with local incubators to support the country's entrepreneurs. We are thus contributing to the development of the Luxembourgish economy and promoting innovation at the same time. We also attend conferences and events to promote start-ups on a regular basis. Financing the economy remains the primary task of a bank, and BIL is proud to finance innovative projects.

### ART AND CULTURE

Financial backing from sponsors is essential to support creativity and contribute to cultural and artistic diversity. That is why we support Luxembourg cultural institutions and artists.

In 1999 we created the Fondation Indépendance, the aim of which is to promote contemporary design in all its forms. We also organise temporary exhibitions by Luxembourgish artists in the Galerie Indépendance. Free and open to the public, these exhibitions enable us to support creativity as well as make it accessible to the widest possible audience.

### EDUCATION

Education is a pillar of personal fulfilment and, more generally, a vital prerequisite for social, human and economic development.

We support non-governmental organisations whose activities are concentrated in Luxembourg as well as abroad. For example, BIL is one of the main donors to the SOS Village d'Enfants Monde NGO, and the funds enable the direct financing of one of its projects, the Dosso children's village in Niger.

BIL is also a partner in the Jonk Entrepreneuren association, whose objective is to promote entrepreneurship in Luxembourg's education system. Beyond contributing financially to educational projects, many of our employees also take part as volunteers in training and awareness initiatives for the public.

We participate in the "Woch vun de Suen" programme held on the initiative of the ABBL. Luxembourg's answer to European Money Week, "Woch vun de Suen" aims to make children aware of money management and the importance of saving.

### HEALTHCARE

*"Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity."* WHO constitution.

Much like education, health and well-being are pillars of personal fulfilment and fundamental to human progress. In parallel with measures taken by our employees, we support NGOs that work in this field, such as Médecins du Monde and Fondation Cancer.

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The methodology used for this report complies with the national framework laid down in the law of 23 July 2016. This report has been the subject of internal checks and approvals within Banque Internationale à Luxembourg SA (CSR steering committee). It is available to stakeholders on [www.bil.com](http://www.bil.com). For financial and operational information, the 2018 annual report is available on [www.bil.com](http://www.bil.com).



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