

Non-financial report 2019



BANQUE
INTERNATIONALE
À LUXEMBOURG



Non-financial report 2019

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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 Luxembourg's third largest bank 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, specialised services are provided by BIL group subsidiaries in Luxembourg: Belair House (family office and investment management), BIL Manage Invest (fund management), BIL Lease (leasing solutions) and BIL Fund & 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 support financial professionals with the development of their activities.

Key figures for 2019¹



2,059
BIL group employees



EUR 43.5 billion (+10.9%)
assets under management



EUR 136 million (+20%)
net income before tax

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¹⁾ For more detailed financial information, the 2019 annual report is available at www.bil.com

Creating sustainable growth

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In 2019, we set out our five-year strategic plan, BIL2025. The regulatory environment is becoming increasingly complex and technology is fundamentally changing our activities. New players are arriving on the scene and 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 service clients.

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

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

Risk management and ethical requirements

The management of risk is essential to ensuring sustainable business development. We constantly monitor our exposure, and ensure that 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, and combating money laundering, discrimination and 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 receive training on how to comply with them. We regularly conduct checks in order to ensure strict compliance with these rules at every level within the bank.

WHISTLEBLOWING

Any employee who has doubts regarding compliance with the law or BIL group's code of ethics can report this to the Compliance department in total confidentiality.

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

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 on respect for human rights and the environment, and protecting the health and safety of their employees.

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 BIL2025.

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. The implementation of robust policies and governance processes is in the best interests of all of our stakeholders.

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

Legend Holdings was founded in 1984 and 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.

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

The Board of Directors has 13 members: 2 representatives of Legend Holdings; 2 representatives of the government of Luxembourg; 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 (the strategy committee, the audit and compliance committee, the risk committee, and the remuneration and nomination committee).

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

For details of the composition of the management bodies, please consult the 2019 annual report available at www.bil.com.

Governance of CSR (Corporate Social Responsibility)

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

ACCREDITATION FOR OUR COMMITMENT

BIL is a signatory to the most demanding charters regarding corporate social responsibility, equal opportunities and combating money laundering. Its corporate social responsibility is under continual assessment by independent bodies.

-
- Signatory of the charter for the promotion of diversity and equal opportunities
 - Signatory of the charter against workplace and sexual harassment
 - Awarded the ESR label (Entreprise Socialement Responsable, Socially Responsible Company) by Luxembourg's INDR (Institut National pour le Développement durable et la Responsabilité sociale des entreprises, National Institute for Sustainable Development and Corporate Social Responsibility). This was renewed in October 2018 for three years
 - Awarded the SuperDrecksKëscht Fir Betriber® (SDK) environmental management label;
 - BIL is a founding member of IMS Luxembourg (Inspiring More Sustainability).
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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 advise them on day-to-day banking services, savings, property purchases, investments, their tax situation, retirement savings, and 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 planning. Professional clients can benefit from support services for client management and business development.

CORPORATE AND INSTITUTIONAL BANKING

We are a reliable partner for companies of all sizes, financial institutions and the public sector. We offer a full range 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 demonstrations and training sessions for those clients who are less at ease with digital tools.

Innovation

We have reinforced our partnership with fintech companies and startups. Thanks to them, we have introduced new budgeting capabilities on our mobile application and Customer Experience (CX) and User Experience (UX) measurement capabilities.

We have also developed some new features on BILnet using a new development framework, microservices and even some machine learning capabilities: real-time card transactions, card blocking, notifications, the validation of credit card limits, investor profiles, funds displays, and an investment simulator. We used this opportunity to start to create a common experience in new features shared between human and digital channels, such as investor profiles, investment and card management.

For the first time, we have also run a regulatory project (PSD2) in Agile, enabling us to build our API (application program interface) platform. This will help us to make a start towards open banking.

Finally, in parallel, we continue to work on the renewal of our core banking system as our data ecosystem, with a new risk and finance data warehouse delivered as the first stage in this process.

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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 to the Terms and Conditions.

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

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

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 are published on our website, with the exception of customised products or transactions.

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 instructions given by our clients. This means that we take all reasonable measures to obtain the best possible result (optimum execution of an order) for our clients.

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

When providing 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 suitable investment services and instruments.

All documentation relating to regulatory obligations is available on our website: www.bil.com.

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 non-profit organisation ADA (Appui au Développement Autonome) and the Luxembourg 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) that was 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 non-profit organisation LuxFLAG (Luxembourg Finance Labelling Agency), whose mission is to promote sustainable investment. LuxFLAG awards a label to investment vehicles focussing on microfinance, the environment, climate finance, ESG (environmental, social and governance) products and 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 ESG criteria.

BIL currently provides its clients with ESG solutions via some SRI label and thematic external funds as well as a limited number of customised discretionary mandates on a best-effort basis. In 2019, the BIL Investment Management team worked on a sustainable investment roadmap to define the ESG investment framework, including methodological choices and data provisions. In 2020, security selection processes will be adjusted for ESG integration. A selection of sub-funds in BIL Invest UCITs will start 2020 with an amended investment policy promoting the integration of ESG criteria and a thematic link to the UN SDGs (United Nations Social Development Goals).

Financing the economy

BIL plays a key role in financing the Luxembourg 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 range of services and banking advice, mainly for companies based in Luxembourg.

Startups have different needs, depending on their growth stage. If a project is in its early stage and the entrepreneur still needs to test the concept, support is available 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, our corporate and institutional banking arm can step in and organise a loan with an InnovFin guarantee. The InnovFin guarantee programme was launched by the European Investment Fund (EIF) to increase financing for innovative SMEs.

By late 2019, BIL had financed more than 90 innovative startups or SMEs, granting a total of EUR 67 million of loans backed by InnovFin. The European Investment Fund guarantees 50% of such loans, which reduces the risks we take as a bank.

SUPPORT FOR THE INNOVATION ECOSYSTEM IN LUXEMBOURG

BIL is a partner of several Luxembourg startup support platforms including Technoport, Paul Wurth InCub and Innohub.

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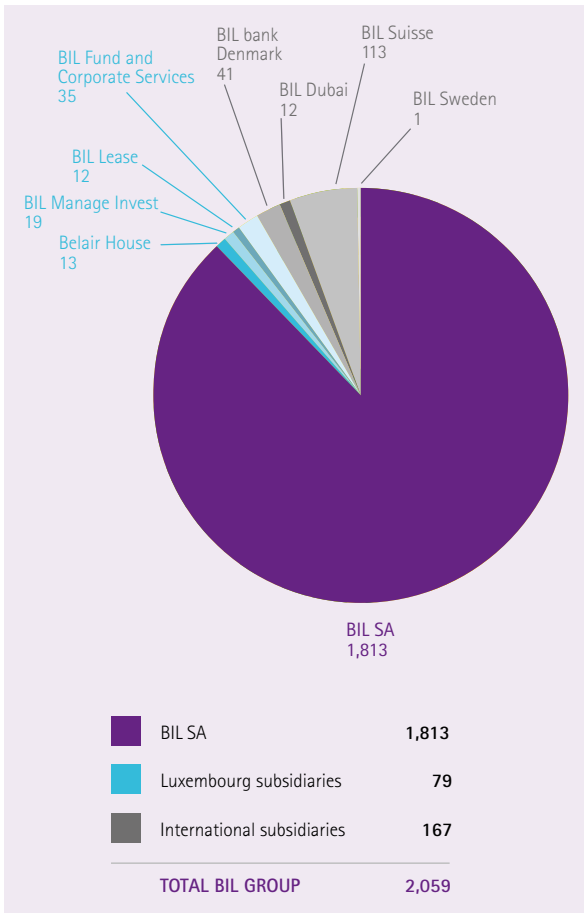
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The BIL group employs women and men with a diverse range of skills and expertise. In an environment that is constantly changing and where talent is highly sought after, promoting well-being and team spirit in the workplace whilst also encouraging employee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

With a presence in five countries, the BIL group employs 2,059 people of 43 different nationalities.



Development and skills

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

In March 2019, the new "BIL Academy" training platform, hosted via a Learning Management System at Cornerstone, was made available to all employees. In addition to being a training management tool, Cornerstone allowed us to expand our range of digital content (internal E-Learning tools, micro learning and videos offered by external providers). This platform helped to enhance the efficiency of our training programme. Participation on training courses was up to 16,737 places in 2019 against 15,837 the year before.

Health and well-being at work

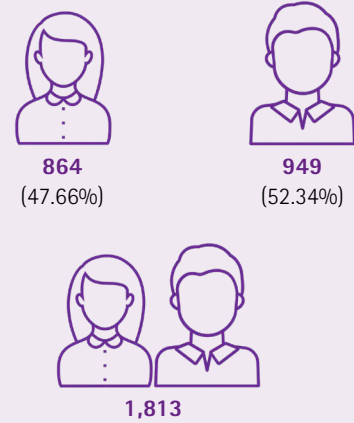
- We pride ourselves on creating a working environment that is favourable to our employees, and on preventing occupational risks to their health. A number of parties work together on this topic within the bank: the human resources department, in consultation with designated workers with responsibility for occupational risk protection and prevention activities; security personnel; and the health and safety in the workplace department (ASTF). A health and safety officer, appointed by staff representatives, is responsible for these issues in the workplace.
- We regularly raise awareness of occupational risks among employees, informing them of 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 provided at BIL's head office, where 70% of BIL SA employees are based, includes healthy meals and snacks.

- The social fund paid EUR 224,509 in healthcare costs on behalf of employees and their families in 2019. Created in 1956, the BIL social fund provides employees with special financial assistance with healthcare, in partnership with FOYER Insurance S.A.

Equal opportunities

BIL is strongly committed to equal opportunities. Women accounted for 24% of senior management in 2012. This percentage is gradually increasing, and stood at 29.78% in 2019. Furthermore, men and women are given equal pay for equal work.

BREAKDOWN OF BIL SA HEADCOUNT BY GENDER – 2019



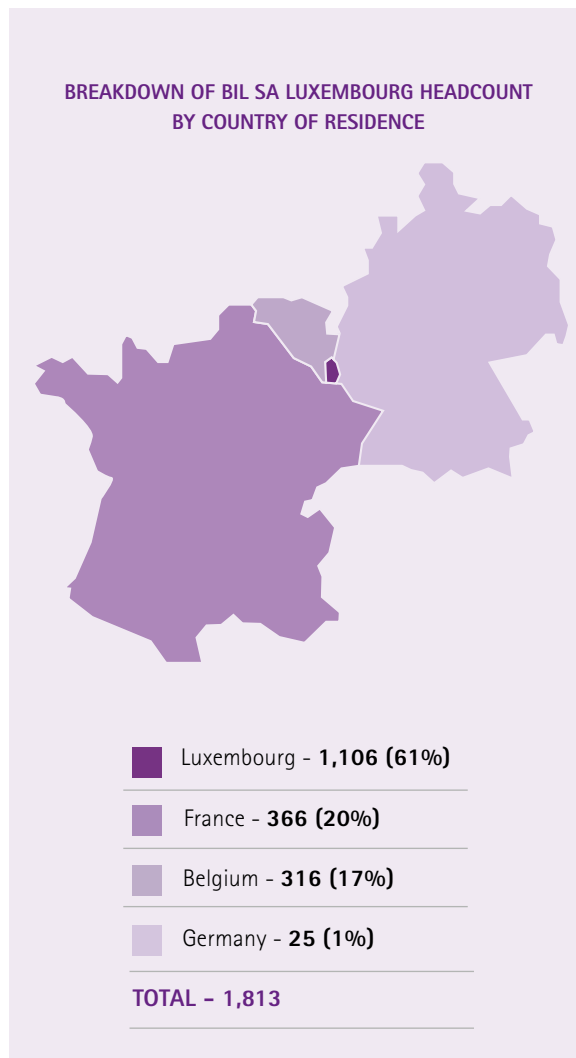
Improving work/life balance for our employees

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 the organisation of daily working hours. In addition, for employees wishing to devote more time to their private life, two part-time working options are available:

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

One third of BIL employees took advantage of these schemes in 2019.

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 Luxembourg, German, Belgian and French public transport systems. 240 employees benefited from a subsidised M-Pass season ticket in 2019.



The bank offers employees services aimed at making their day-to-day lives easier. For those working at the head office this includes a dry cleaning and concierge service, catering and a barber truck service.

Corporate life at BIL

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

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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 waste production.

ENERGY CONSUMPTION

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

"L'INDÉPENDANCE" – BIL'S HEADQUARTER

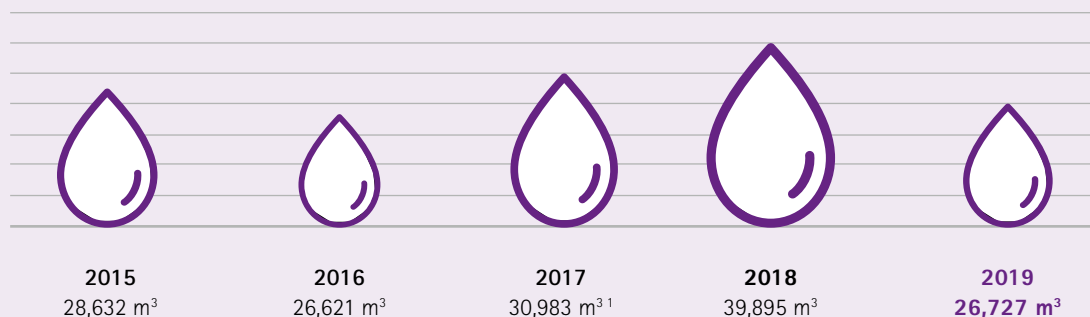
Removal of any single-use plastic at BIL's headquarters (cups, water bottles, trays) by replacement with porcelain mugs, water fountains and reusable trays.

Reduction of 40% (+/-50kg/week) in the mixed packaging collected at the offices of the headquarters from November 2019.

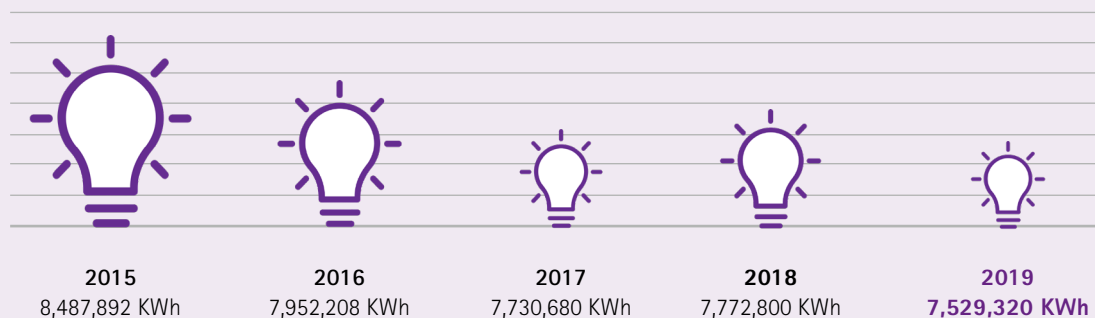
Replacement of the outdoor lighting system (110 items) by LED. Reduction of 38,000 KWh per year

Water: replacement of the sanitary water flushing system by two low-water consumption options in the headquarters building called "L'Indépendance".

NOVEMBER 2019. WATER CONSUMPTION – BIL'S HQ "L'INDÉPENDANCE"








ENERGY CONSUMPTION – BIL'S HQ "L'INDÉPENDANCE" (KWH)



¹ A long, hot summer, malfunction of a valve on an emergency unit

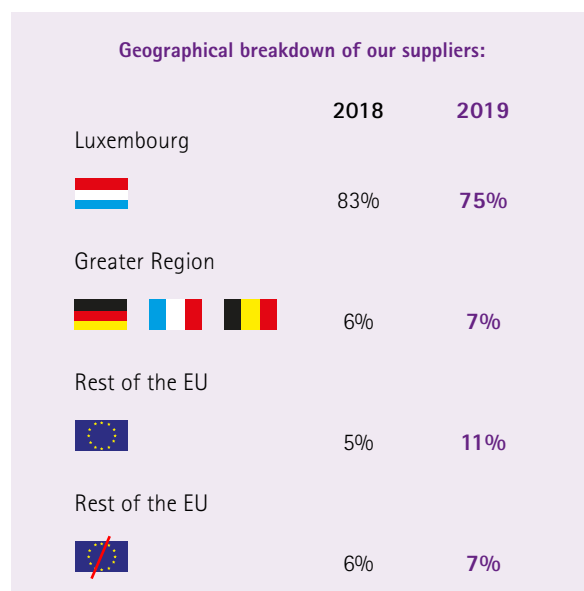
WASTE MANAGEMENT

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

	Quantity 2017 (kg)	Quantity 2018 (kg)	Quantity 2019 (kg)
 Paper and cardboard	91,203	90,520	92,718
 Household waste and similar	86,640	85,580	86,100
 Kitchen and food waste	29,922	29,771	28,293
 Glass	15,250	13,360	14,30
 Mixed packaging (Valorlux)	4,767	4,549	8,071

Contribution to the economic fabric of Luxembourg and the Greater Region

As the third largest bank in 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. 75% of these 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 innovation, art and culture, education 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 practical and value-added services for our private and business clients. A dedicated innovation team works in partnership with local incubators to support the country's entrepreneurs. We thus contribute to the development of the Luxembourg economy, whilst at the same time promoting innovation. We also attend conferences and events to promote startups 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 Luxembourg artists in the Galerie Indépendance. Free and open to the public, these exhibitions enable us to support creativity whilst making 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. In addition to making a financial contribution to educational projects, many of our employees also participate 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 Luxembourg Bankers Association (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 working 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 Luxembourg 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. For financial and operational information, the 2019 annual report is available on www.bil.com.



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