

GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS 2009

MAKPETROL AD SKOPJE

Date September 2011

Company name: **Makpetrol AD Skopje**

Address: Mito Hadzivasilev Jasmin n.4; 1000 Skopje

Country: **Macedonia**

Chief Executive Officer: Mr. Andreja Josifovski

Member in Global Compact since 2004

Employees: cca. 1800

Contact person for CSR: Nikolina Manova

Email: Nikolina.manova@makpetrol.com.mk

Position of the contact person: Assistant in Development Department

Telephone of the contact person: + 389 23 146 274

Short description of the business

"Makpetrol" is the largest company for trading with oil products in Macedonia with over 60 years of experience and a powerful infrastructure of distribution. The Company invested in the development of the gas system in the country and has built the only factory for production of biodiesel in the country. Thereby, Makpetrol continues to provide superior quality and fosters highly ethical, environmentally sustainable and socially responsible business practices. Makpetrol has its own laboratory with professional staff to control the quality of its products, accredited by the domestic and foreign accreditation houses. The company is constantly working on strengthening the responsibility towards its consumers and its business principles are based on professionalism, teamwork, transparency and responsible participation in social events and activities. The company stands for impeccable quality of products and services and continuously monitors the innovations in the energy sector, taking care of the regulations and principles of social responsibility, especially when it comes to protecting the environment. Makpetrol strives to remain the leading energy company on the Macedonian market, always ready to meet the energy needs of the society, and thus, as always, be a company driver of the economic sectors in Macedonia.

Statement of support

Makpetrol AD bases its sustainable development approach on principle of transparency and progress. In 2004, it committed itself through the United Nations Global Compact to support and translate into acts the ten principles on human rights, labor rights, the environment and the fight against corruption.

With this communication we express our intent to support and advance those principles within our sphere of influence. We commit to making Global Compact and its principles part of the strategy, culture and day-to-day operations of our company and undertake to make a clear statement of this commitment-both to our employees, partners, clients, and to the public. We support public accountability and transparency and will report on progress made in a public manner.

Makpetrol AD is a signatory to the United Nations Global Compact, a platform for encouraging and promoting good corporate principles and learning experiences in the areas of human rights, labor, environment and anti-corruption. This Communication on Progress provides an overview of recent activities in support of the Global Compact's objectives.

Andreja Josifovski

President of MAKPETROL AD

HUMAN RIGHTS

PRINCIPLE 1

BUSINESSES SHOULD SUPPORT AND RESPECT PROTECTION OF THE INTERNATIONALLY ACKNOWLEDGED HUMAN RIGHTS

Our commitment and policy

In Makpetrol AD one of the most important duties is to offer its employees satisfactory working conditions and to insure their safety.

We abide by the laws of the countries where we operate, and we strive to uphold the principles of the Universal Declaration of Human Rights. The internationally acknowledged human rights are a universal value and we constantly strive for them to be respected and protected.

Makpetrol AD strives to work not only in accordance with the appropriate legal legislative, but also our behavior is in accordance with the basic values of Makpetrol AD- sincerity, integrity, as well as, respect towards people.

Our Human Rights Policy and Human Rights Statement reflect internationally recognized principles- including the United Nations Global Compact and the Universal Declaration's of Human Rights. We are against human right abuses and child labor and have a "zero tolerance" attitude to these issues.

Measurable Results or Outcomes

Makpetrol AD has implemented human rights protection policy.

Our company is providing good working environment. We create safe and healthy working conditions. The company has its own human rights management system, health and safety management system and monitoring system.

The professional health and safety management of Makpetrol AD is based on the principles of prevention, ensuring our employees healthy and safe working environment in accordance with the industrial standards and the appropriate applicable laws and regulations. The senior management of Makpetrol AD entrusts the responsibility to its local affiliates or subsidiaries to implement this policy and to guarantee observance of the applicable laws

and regulations for health protection and safety at work. Makpetrol AD provides its employees appropriate training in all health and safety relevant areas.

Makpetrol AD recognize that Health & Safety is of paramount importance to us and is taken into account in every management decision is made and every process it's carry out.

Health and safety is paramount in our thinking and decision making.

Transparent in its operations, Makpetrol AD cooperates with suppliers that share the same responsible attitude; equal approach opportunities to the products, services, funding, donations and sponsorships etc.

Makpetrol AD guaranteed freedom of association and the company does not use forced work force.

The Makpetrol Human Rights Policy Statement is based upon the Code of Conduct to determine in principles our understanding and responsibility regarding Human Rights within our business environment.

As a signatory to the UN Global Compact, Makpetrol regards human rights as universal values which guide our conduct in all spheres of our activities. Makpetrol respects, fulfils and supports the fulfillment of human rights as contained in the Universal Declaration of Human Rights and in internationally recognized treaties, including those of the International Labor Organization. We consider human rights as an essential expression of the social pillar of Corporate Social Responsibility to which Makpetrol adheres.

While governments have the primary responsibility for realizing human rights, Makpetrol has accepted responsibilities to respect, fulfill and support the fulfillment of human rights within its sphere of influence and not to become complicit in human rights violation, as understood under current international law.

Makpetrol's sphere of influence includes individuals and groups to whom we have a certain political, contractual, economic or geographic proximity. The concrete responsibilities depend on the business context, the human rights issues at stake as well as the available alternative options.

Furthermore, Makpetrol uses its influence so that business partners in consortia as well as its suppliers and contractors comply with human rights standards. Lastly, Makpetrol is aware of its responsibilities to support the fulfillment of human rights in the wider society.

PRINCIPLE 2

BUSINESSES SHOULD PROVIDE GUARANTEE THAT THEY SHALL NOT PARTICIPATE IN THE ABUSE OF THE HUMAN RIGHTS

Our commitment and policy

Makpetrol AD respect and have implemented the human rights protection and development system. We do not participate in any form of human rights abuse. We see as our main responsibility to protect our employees of any kind of abuse. Makpetrol AD respect the human rights of our employees and obtaining good and safe working conditions. We create satisfactory and safe working conditions, take steps to prevent injuries; regular health and safety worker training system to detect threats to health and safety; access to bathroom and potable water

Makpetrol AD have clear and strict standards for doing business. We protect and respect our employees during work of any kind of human abuse.

We do not cooperate with partners which take part of all the forms of human abuse. Creating business relations that will result with mutual benefit for Makpetrol AD, as well as for the business partners.

Measurable Results or Outcomes

Code of professional conduct is implemented as a strategic policy in Makpetrol AD.

We strengthen the rights of equality, safety, personal, economic, social and cultural freedom.

We constantly provide full and transparent information to all our employees, customers and our partners.

Makpetrol AD as a company has defined several areas of responsibility towards: shareholders, buyers, employees, business partners and society. The Management has a task to continuously define the priorities and to change them, when it is necessary.

Makpetrol AD continuously makes efforts to provide safe conditions of work wherein occurrence of possible risk of any kind is being eliminated.

We are aware that safe operation does not depend only on technically operative equipment, but also on the competent people and on the appropriate behavior towards safety.

Makpetrol believes that our people are our most valuable asset and encourages a health work-life balance that ensures that the workplace is clean, safe and healthy at all time.

Human rights cover a wide range of aspects of social, economic and political life and are comprehensive in nature. They protect human dignity on an equal basis and serve to meet the needs of human beings. As interests and needs of different groups and actors are different, Makpetrol considers and applies human rights as a way of balancing the interests and needs of all relevant stakeholders in a practical and culturally sensitive way.

They are strongest with our employees whose human rights we respect and fulfill through adequate policies and programs. Where Makpetrol has an asset equity share of 50% or greater or has a controlling interest, Makpetrol has a direct responsibility to respect the human rights of the people in the surrounding communities as well as, in agreement with its partners, to support the fulfillment of their rights.

Makpetrol monitors implementation of its human rights policy and reports on it in line with international reporting guidelines.

Makpetrol's CEO participated in the Statement to commemorate the 60th anniversary of the Universal Declaration of Human Rights on 10 December 2008.

LABOR STANDARDS

PRINCIPLE 3

BUSSINESSES SHOULD SUPPORT FREEDOM OF ASSOCIATION AND EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE AGREEMENT

Our commitment and policy

Makpetrol AD regulates the labor contracts with employees in accordance with the collective agreement and it fully in compliance with the Law on Labor Rights of the Republic of Macedonia, as well as the European Union's standards on Labor Rights.

Makpetrol AD within its scope of work tends to create working area that is safe, composed of professionals who within their working rely on team work and confidence.

Makpetrol AD is committed to enable and support professional development of its employees; we are keeping our employees informed and involved.

Measurable Results or Outcomes

Within our company there is a representative Syndicate organization.

Due to the need of the employees and their rights, our company supports and participates to the collective agreement ensuring to the employees freedom of association.

Makpetrol AD respects the right of all employees to form or to join trade unions according to their choice and it shall monitor the results of the individual corporate agreements in accordance with the local laws and regulations.

PRINCIPLE 4

BUSINESSES SHOULD SUPPORT ELIMINATION OF ALL TYPES OF FORCED WORK AND WORK UNDER THREAT BY FORCE

Our commitment and policy

Our business policy excludes any form of forced work and work under threat by force.

We do not use forced labor of any form.

A brief description of our Processes or Systems

Employment is on a voluntary basis, and each employee may leave its work post under clearly defined rules. All our employees have freedom of making decisions. The working hours are determined, according to the law, and each employee is pension, health and socially insured.

We comply with the laws on working hours and employment rights in the country we operate.

We are respectful of our employee's right to join and form independent trade unions and freedom of association.

Measurable Results or Outcomes

Makpetrol AD has established Code of Conduct, and as a document clearly defines the elimination of all types of forced work and work under threat by force.

PRINCIPLE 5

BUSINESSES SHOULD SUPPORT EFFECTIVE ABOLITION OF CHILD LABOR

Our commitment and policy

In Makpetrol AD exists clear written rules not to use child labor especially working at phases related with operations with dangerous liquid and gases.

It does not employ engage or otherwise use any child labor in circumstances such that the tasks performed by any such child labor could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;

A brief description of our Processes or Systems

Child labor is not policy and practice of our company. Our policy of employment does not allow the engagement of child labor in any segments of our business especially in the hazardous areas where Makeptrol AD is doing its core business (exp. Dangerous liquid and gases).

In the past year, Makpetrol AD gave donations to Orphanage and to specialized hospital, as a part of hole donation program of Makpetrol AD shown at the end of this report.

PRINCIPLE 6

BUSINESSES SHOULD SUPPORT ELIMINATION OF DISCRIMINATION IN RELATION TO EMPLOYMENT AND PROFESSION

Our commitment and policy

The company shall not be involved in or support any discrimination upon employment, payment, training, and promotion, termination of employment or retirement based on race, class, nationality, religion, sex, disability, sexual orientation, trade union membership, political orientation and age.

Makpetrol AD will employ and promote the employees on the basis of the necessary qualifications and working capabilities without any discrimination in reference to the race, class religion, nationality, political orientation, skin color, gender, age and marital status.

Makpetrol AD shall not allow or tolerate any behavior, including gestures, verbal and physical contact considered as sexual harassment, threats, abuse and exploitation and it is determined to protect its employees in the activities against this kind of behavior.

Each employee who works for Makpetrol AD contributes to our success and to the creation respectable company. By working together, we create new possibilities for our business.

Measurable Results or Outcomes

We are obliged to create working environment based on mutual confidence, whereby each individual who works for Makpetrol AD will be treated with respect and dignity.

Makpetrol AD obtains equal possibilities for all employees through precisely defined and consistently applicable standards and with established management system.

Makpetrol AD makes efforts to provide fair treatment and respect towards all employees. No harassment, discrimination and degradation of any kind will be tolerated at the working position towards the employees, suppliers and others.

Training man-hours were implemented in various training activities. The most training hours were focused on safety but also included technical and environmental topics, leadership and other skills.

The training programme for 2009/2010 is still going on. It is implemented by outside partner, company which is specialized for training in this sphere of business.

Makpetrol's strategy related to this project, training and education for the employees on the gas station is to use its own resources including work force.

ENVIRONMENTAL PROTECTION

PRINCIPLE 7

BUSINESSES SHOULD SUPPORT PREVENTIVE ACCESS TOWARDS THE CHALLENGES OF THE HUMAN ENVIRONMENT

PRINCIPLE 8

BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

PRINCIPLE 9

BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Our commitment and policy

The environmental protection, observing the legal requirements and the common industrial standards are at the top of the management agenda of Makpetrol AD. The objective of the

company is to combine the factors for quality, environment and human aspects in one integrated management system which strives towards sustainable economic success.

Maintaining business within the frames of good corporative management, in accordance with the appropriate laws and regulations (the internal acts of the Company) thereby taking in regard the basic human rights and environmental protection.

One of the fundamental business principles of Makpetrol AD is to achieve success in all business activities of its scope of work, thereby taking maximal concern for health, safety, as well as for environmental protection.

Protection of the human environment is the integral part of the policy and practice in Makpetrol AD. Our company is implementing technical solutions and equipment which are decreasing the possibilities of environmental attack.

We strive to make our products earth-friendly; our factory, offices, storages etc. environmentally caring.

A brief description of our Processes or Systems

In Makpetrol AD we have divisions which are devoted to environmental protection.

Makpetrol AD invests in upgrading their technical systems for storages, transport and retails for fuels. This equipment reduces GHG emission and prevents accidents like spilling out fuels etc. This applied technology is in accordance with the latest accomplishments in this field (mass flow metering devices, wireless level meters etc.).

The Company is accredited to the Environmental management System ISO 14001:2004.

Makpetrol's laboratory was accredited according to ISO EN 17 025 by the International accrediting company UKAS as well as by Accreditation Office of the Republic of Macedonia, as the first laboratory of this kind in the country.

Makpetrol was able to create the basic requirements for its own certification of the Quality Management System ISO 9001:2000.

Makpetrol AD develops and realizes projects which are improving employees' awareness of the importance of energy efficiency and other important resources.

Makpetrol AD organizes training for our employees and we are taking participation in larger events organized by the Governmental authorities devoted to Ecology and protection of the environment.

Makpetrol strives to constantly protect the environment, specifically focuses on reduction of CO₂ emissions.

We constantly strive to act responsibly towards the environment, the community we operate, and society at large in order to appease our stakeholders.

One of the projects running continuously is putting recycling containers in the area of our gas stations.

Measurable Results or Outcomes

In practice, it is installing level meters in our underground tanks at petrol stations and storages and other sophisticated devices.

The company is investing in plants for producing bio fuels. The output, biodiesel is the fuel which has lower emission of green house gases (GHG) when it is burning in engine. With such a project we are participating and increasing the protection of the environment and all over the climate changing.

FIGHT AGAINST CORRUPTION

PRINCIPLE 10

BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBE

Our Ethics Policy provides specific guidance on the behaviors that allows us to implement our beliefs globally, including governance.

Makpetrol AD developed an internal process to apply specific aspects of our Ethics Policy to suppliers.

Our commitment and policy

Makpetrol AD rejects bribery and corruption in all forms, whether public or private, active or passive. Makpetrol AD will not resort bribery and corruption in order to obtain or retain business or other improper advantage in the conduct of international business.

Makpetrol AD has clear stand in relation to bribery and corruption, that is, the employees must not offer or accept bribery. Direct or indirect offer, payment, asking for and accepting bribe in any form by the employees is unacceptable.

Makpetrol AD promotes its policy of non accepting bribe and corruption among its business partners.

The corruption is the enemy of the development and to the human progress; therefore Makpetrol AD bases its entire work on transparency.

Makpetrol AD works in accordance with the positive national and international legal regulation which deals with the given problems.

Measurable Results or Outcomes

Raising employee awareness of bribery and corruption risks is therefore a priority of Makpetrol AD. One way we do this is through a stance that is clearly spelled out in the corporate Code of Conduct. In addition, employees in position of responsibility or potentially more exposed, including purchasing agents, legal officers and senior managers, received dedicated training.

Makpetrol AD cooperate with the Government in a constructive manner and we do not participate in the activities of the political parties.

Makpetrol has a no tolerance policy towards bribery and corruption. This policy extends to all the company's business dealings and transactions. All employees are required to comply with this policy.

We have "Zero tolerance" policy towards bribery and corruption.

We endeavor to conduct our daily business in an ethical and responsible manner and select and engage business partners who share our good Corporate Social Responsibility values.

Makpetrol AD activities program connected to the local society and environment

Makpetrol AD Donation programme during the 2009 relates to all 10 principles.

Makpetrol AD is participating in many different types of donations throughout the country in different municipalities.

In the year of 2009, which was very difficult year financially speaking, Makpetrol AD participated in donations of sports activities, children supports and random support of the local events.

Makpetrol supported the children of the Municipality of Tetovo with Christmas gifts.

Makpetrol apply this traditionally by changing the municipalities throughout Macedonia yearly. With this gesture and many others of this kind, we are always present in the assistance programs and progress of youth.

Also Makpetrol in 2009 supported the editing house of a newspaper called Prespa, which is in Macedonian but published and distributed in Albania. The support consisted of technical equipment, namely personal computers.

Promotion of Lubex oils and liquids for motorcycles and vehicles

MAKPETROL has started the production and sales of its own high quality oils and liquids for motorcycles and vehicles. The new brand "LUBEX" comprises of all mineral, semi-synthetic and fully synthetic engine oils for all types of engine vehicles, hypoid gear and differential oils, brake fluids, as well as lubricating greases. All these oils and liquids are manufactured according to the most advanced European technology and they meet the most stringent performance required by Volkswagen, Man, Volvo, Toyota, Fiat, Cat, Allison and etc. The permanent control that has been performing is a guarantee for the high quality of LUBEX products.

Visit of Minister of Economy in Makpetrol's biofuel plant

In 2009, Minister of Economy, Fatmir Besimi visited one of the factories of Makpetrol, for the production of biofuels and other renewable fuels for transport. Production and use of biofuels is a global trend to replace the consumption of liquid fossil fuels.

This trend is growing fast, because it reduces dependence on fossil fuels, reduce greenhouse gases and make the rural areas that produce raw materials (rape, wheat, etc.) more useful.

This is of great and strategic importance for our country, especially the fact that Macedonia doesn't have its own source of crude oil and natural gas, but there are unexploited opportunities in agriculture.

Following the European Directive 2003/30, to promote use of biofuels or other renewable fuels for transport, "Makpetrol" AD Skopje is positioned as the first manufacturer and distributor of biodiesel mixture of biodiesel and fossil diesel in Macedonia.

The first bioplant was built with production capacity of 30,000 tones of biodiesel per year. Biodiesel with which was done the only possible vertical integration in the core activity of

raw material to fuels.

With investment from own sources for realization of the plant to produce biodiesel "Makpetrol" AD enters the field and other biofuels, while in the area directed towards wider application of renewable energy sources.

These business efforts to "Makpetrol" are twofold in terms of encouraging domestic production of agricultural raw materials, and simultaneously export the same. Thus is set the basis for engagement in the next decade.

Conclusion

We continue our commitment to communication and partnership with all stakeholders in an open, systematic and transparent way.

We believe that the community began to recognize our efforts and pleased that during the year received a number of prestigious awards and it is from our stakeholders.

Shield our environment by supporting and contributing to the welfare of our employees, local communities and society in general.

Makpetrol continues its commitment to achieving safe and healthy environment for all our employees, suppliers and contractors.

Makpetrol continue its significant progress in implementing the environmental and social challenges and as the company remains fully committed to monitoring these goals with the involvement and partnership with our stakeholders.

To maintain their business goals and values creates an ethical and socially responsible manner, causing less damage and striving to contribute more.

To further improve our environmental performance, pay particular attention to the

upgrading of knowledge, networking with other companies and stakeholders, and developing and integrating new policies, specialized tools and mechanisms.

Makpetrol AD Skopje

October 2011