

Sample Statement of continued support

15/3/2012

To our stakeholders:

I am pleased to confirm that Ceskoslovenska obchodna banka (CSOB – Slovak banking legal entity and member of Belgian Financial Group KBC) reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Daniel Kollár,

CEO of Ceskoslovenská obchodná banka

Human Rights

- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2 - Make sure they are not complicit in human rights abuses

Assessment, policy and goals

Ceskoslovenska obchodna banka (CSOB) fully respects, supports and has implemented principles underlying universal human rights, including the right to equal opportunity and non-discrimination, the right to the security of persons, the right of employees (including opposition to any forms of compulsory of child labor, the right to a safe and healthy working place, the right to freedom of association and collective bargaining), respect for national sovereignty and obligations with regard to consumer protection and environmental protection. In this respect CSOB proclaims a spirit of the United Nations Universal Declaration of Human Rights, the Fundamental International Labor Organization Conventions, the European Convention for the Protection of Human Rights and Fundamental freedoms and other international and regional human rights treaties containing internationally recognizes standards that the business sector must respect, and complies with the law, rules and regulations of the Slovak Republic. The issue was adopted by the official KBC Group's statement on human rights. CSOB specifically defines its respect on human rights in written policies such as **KBC Group group – wide employee stakeholder policy** (policy applies on Slovak republic), **Code of Conduct** (generalized document) and **Collective Contract** (special document concluded between the company as an employer and Trade Union of the company).

Explicit statement on respecting human rights is included also in the **Code of Conduct**, generalized document adopted from KBC Group. The Group's managers monitor compliance

with the Code of Conduct and regularly evaluate the individual conduct of staff against group values. Failure to comply with the Code of Conduct can lead to the imposition of sanctions foreseen in the applicable rules, on the basis of which the local working relationship is regulated and will be applied after impartial, sensitive and fair examination. Code of Conduct is based on the group values, and forms the basis for the development of specific codes for specific target groups, Group Compliance Rules, Group Standards, etc.

Other important document defying the elimination or interdiction of discrimination is the **Collective Contract**. CSOB is obliged to ensure equal treatment of all employees regarding their working conditions, including remuneration and other monetary transactions and monetary value, training and opportunity to achieve post or other promotion. The unequal treatment is not a distinction to be determined by the **Labor Code** or by special legislation or if it is the real reason inherent in the nature of work the employee performs and which is necessary for this exercise. Relating to the labor, prohibited is direct and indirect discrimination on ground of sex, sexual orientation, race or ethnic origin, nationality, national or social origin, gender, language, disability, age, religion or belief, property, marital and family status or responsibilities the family, political or other opinion, membership and activity in political parties or political movements, trade union or employer organizations; discrimination because of pregnancy or maternity is considered sex discrimination. Discrimination is also considered deal involving incitement, inducement or coercion leading to the induction of discrimination.

Concerning the rules of **recruitment and employment**, all CSOB's internal regulations respect or are based on the **Labor Code**, effective and valid in the Slovak Republic that covers respecting human rights and preventing potential abuses.

CSOB requires its **suppliers to respect human rights**. Connecting with the KBC rules, the company implemented in 2009 requirement to the **Request for Proposal rules (RFP)**. Since that all suppliers, who have been contacted with respect the RFP have to submit together with proposal also the declaration with such information.

Implementation

Description of concrete actions to implement Human Rights policies, address Human Rights risks and respond to Human Rights violations.

Ceskoslovenska obchodna banka (CSOB) fully respects written policies concerning human rights and provides **equal opportunities for employment**. Concerning rules of recruitment and employment, **all CSOB's internal regulations respect or are based on the Labor Code effective and valid in the Slovak Republic** that covers respecting human rights and preventing potential abuses. CSOB follows all these regulations in every communication with employees or candidates. CSOB communicate all open job positions publicly, in both genders (he/she manager) as well.

According to Slovak legislation, the company has a duty to employ certain percentage of **handicapped or disabled persons**. The high of percentage depends on the number of employees of a particular company. If company is not able to follow this condition based in law, it should either pay a penalty to the state or have a possibility to use services or buy goods from some sheltered workshops employing handicapped people. CSOB also uses this

possibility because CSOB hasn't been able to employ the exact number of handicapped people, but the company order central security services from the sheltered workshop.

CSOB demands to respect human rights also from its **suppliers**. Following the KBC rules, the company implemented it to the **Request for Proposal rules** (RFP). Since that all suppliers, who have been contracted with the respect to the RFP have to submit (to the CSOB's Procurement Unit), also the declaration with such information. If anyone of these suppliers does not provide us this declaration, he/she will be eliminated from the RFP. **Suppliers by their signature of the document confirm** non-acceptance of child and forced labor, respect to the Collective Contract, elimination of race and any discrimination, respect to an anti-corruption policy and reduction of negative environmental impacts.

All employees have a possibility to raise an objection or make a complaint about incidents of human rights violations towards any of their colleagues. Respecting special, delicate cases or non-specifies requests the company created a **separate mail box** my@csob.sk, where all the requests and questions can be addressed. The mail box is checked by the CSOB's Internal Communication and CSR Unit that afterwards deals with the requests or distributes them to the relevant units of the company.

CSOB is also aware of importance **of awareness raising or training of employees on human rights**. All the above mentioned documents are available on the **intranet** (accessed by all employees) and irregularly presented via other internal communication channels (weekly newsletter, quarterly magazine).

During the reporting period, CSOB implemented the topic of the protection of human rights in the special training, e.g. **introduction days** for new comers. This topic is covered in presentation of Human Resources Unit's representative and Trade Union's representative. Every new employee gets the short basic information on this topic signing the entrance contract and receiving all the entrance formalities. In 2011, 502 new employees completed introduction day trainings.

Respecting human rights in CSOB's activities has been also reflected in developing CSR approach of the company. Following social requirements and benefits of implementation of CSR principles CSOB has started intensifying its CSR strategy, applicable for its needs and priorities. Since May 2010 a CSR agenda has been managed under the Internal Communication and CSR Unit. With the respect to human rights and following equal opportunities, the company has been implementing **philanthropic projects** supporting education, community involvement, healthcare, environment and voluntarism of employees.

Measurement of outcomes

Description of how the company monitors and evaluates performance.

During the reporting period Ceskoslovenska obchodna banka (CSOB) did not have to treat any case of human rights violations. No lawsuit, with the participation of CSOB, regarding the violation of human rights was conducted during the reporting period.

As additional information, in 2011, CSOB's employees were involved in several volunteer activities. 170 employees volunteered during 1103 working hours. The most important activities concerning volunteering and community investment were:

- **Volunteer event Our City** – supported corporate and individual volunteering; organized by the Pontis Foundation and the Engage Group. During tTwo-days-event volunteers helped in different volunteer activities in various NGO's, schools, children homes. Every volunteer could choose the activity from the list of various volunteer activities. 35 employees from CSOB joined the event and helped to paint the outdoor wall of school, walked dogs from animal shelter of Freedom of animals. By participating at this activity, CSOB wanted to show that the company wants to be a good neighbor. The program was intensively communicated via internal media as well as the social media (Facebook).
- **Employees grant program** – Fifth year of the program organized in long-term cooperation with the Pontis Foundation. CSOB FS's employees, who were cooperating with the NGOs can recommend them to apply for a grant from the program. Received projects were from all regions of Slovakia and from areas of sport, support of education, support of the protection of health, support of the protection of environment. The realization of chosen projects is monitored and documented in the final report worked out by the Pontis Foundation. 17 out of 150 applications were chosen to be supported.
- **CSOB Head & Heel program** - for creative students and innovative ideas – implemented with NGO Junior Achievement Slovakia. Two competitions were realized. During each competition students solved the actual problem/ task designed by ČSOB. More than 40 employees actively participated at this program by working on designing the task for students and by personal active participation during the competition day as consultants and members of committee. Outcomes available for CSOB's own use. Competitions were organized in April 2011 in Banská Bystrica (central Slovakia) and in October 2011 in Košice (eastern Slovakia). More than 40 employees volunteered as consultants and members of jury during this program.

Protection on human rights, including the right for life, is in the spirit of CSOB donation activities:

- **Drop of Hope Foundation** – financial donation used for finishing the reconstruction of 2nd transplantation clinic of Children hospital Kramare in Bratislava. **Children's Cardio Center Foundation** – financial donation used for purchase of the specialized technical equipment.
- **Children Hospital in Košice** – financial donation used for purchase of specialized technical equipment necessary for Children's Hospital in Košice.

Further examples of CSR approach towards community respecting human rights and equal opportunities:

- Charity activities are part of CSOB sponsorship projects, e.g. in cooperation with the partner Be Cool agency more than 4000 EUR from ČSOB BRATISLAVA MARATHON 2010 was donated to oncology ward for children. Within the event, the company also paid the registration fee for participants from children's homes.

Labour

- Principle 3 - Businesses should uphold freedom of association & 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
- Principle 6 - Eliminate discrimination in respect of employment and occupation

Assessment, policy and goals

Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.

Ceskoslovenska obchodna banka (CSOB) fully respects, supports and has implemented the principles underlying universal labor rights, including opposition to any forms of compulsory of child labor, the right to a safe and healthy working place, the right to freedom of association and collective bargaining. In this respect CSOB proclaims a spirit of the Fundamental International Labor Organization Conventions, and other standards that the business sector must respect, and complies with the law, rules and regulations of the Slovak Republic.

Respect to labour rights is defined in the fundamental document **Collective Contract** concluded between CSOB and Trade Union. The company is obliged to ensure equal treatment of all employees regarding their working conditions, including remuneration and other monetary transactions and monetary value, training and opportunity to achieve post or other promotion. The unequal treatment is not a distinction to be determined by the **Labor Code** or by special legislation or if it is the real reason inherent in the nature of work the employee performs and which is necessary for this exercise. In the labor relation is prohibited direct and indirect discrimination on grounds of sex, sexual orientation, race or ethnic origin, nationality, national or social origin, gender, language, disability, age, religion or belief, property, marital and family status or responsibilities the family, political or other opinion, membership and activity in political parties or political movements, trade union or employer organizations; discrimination because of pregnancy or maternity is considered sex discrimination. Discrimination is also considered deal involving incitement, inducement or coercion leading to the induction of discrimination.

As far as rules of recruitment and employment are concerned, all CSOB's internal regulations respect and are based on the **Labor Code** effective and valid in the Slovak Republic.

Implementation

Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.

Ceskoslovenska obchodna banka (CSOB) is aware of a need of awareness raising or training for employees on labor rights and policies. The company has a plan of employment, training system, career development with transparent criteria communicated to every employee. The company has internal regulations **Work Order** defining working hours, breaks, etc. Cooperation with Trade Union is concluded in the **Collective Contract**. The relevant

information is available on the Trade Union's website, CSOB's intranet, irregularly in a weekly newsletter or a quarterly magazine.

Every new employee obtains the document defining his/her **social benefits**. Some of the benefits are **based on Labor Code**, some are benefits **provided by CSOB** itself, e.g. allowance for meal tickets; contribution to teambuilding; contributions within Cafeteria system; social support based on social situation of an employee; life insurance contribution based on employee's insurance premium; contribution for supplementary pensions or targeted saving based on employee's paid; health care program above standard health services; free working days beyond labor code; bank products with discount price.

CSOB defines **all its internal regulations** of recruitment and employment with **respect to the Labor Code effective and valid in the Slovak Republic** that covers respecting labor rights and preventing potential abuses. The company respects all this regulations in every communication with employees or candidates. CSOB communicate all new work positions publicly, in male and female gender as well on www.csob.sk and specialized portal www.profesia.sk.

All documents, plan of trainings and relevant policies are available on the intranet, with an access of all employees. Internal trainings for employees are communicated also in weekly newsletter and internal quarterly magazine. In 2011, CSOB continued in education project for managers Top Leadership that provided specialized soft skills training for mid-level and top management and started management development program for branch managers in retail chain Retail Academy. In 2011, CSOB realized Trainee program for university students. During this program, 7 students completed internship and rotation in CSOB. 4 out of 7 students started to work in CSOB after completing the internship.

Measurement of outcomes

Description of how the company monitors and evaluates performance.

All the employees have a possibility to raise an objection or make a complaint about incidents of human rights violations towards any of their colleagues. Respecting special, delicate cases or non-specifies requests the company created a **separate mail box** (my@csob.sk), where all the requests and questions can be addressed. The mail box is under the agenda of Internal Communication and CSR Unit that afterwards deals with the requests or distributes them to relevant units of the company. Concerning questions connecting with HR agenda (recruitment, remuneration, employee's benefits), employees can contact separate mail boxes hr@csob.sk, spytajtesahr@csob.sk, benefity@csob.sk. This mail boxes are under the agenda of HR Unit.

One of outcomes of respecting of the labor right in the reporting period was the realization of 360° feedback with the aim of analysis of management potential to help better target the development of managers.

Environment

- Principle 7 - Businesses should support a precautionary approach to environmental challenges
- Principle 8 - Undertake initiatives to promote greater environmental responsibility

- Principle 9 - Encourage the development and diffusion of environmentally friendly technologies

Assessment, policy and goals

Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.

Ceskoslovenska obchodna banka (CSOB) covers the area of environmental protection according to the environmental strategy of KBC Group, applicable for the CSOB's need and options. In 2011, CSOB joined KBC Group Climate change policy that covers the intention to contribute to the improvement of the situation in climate change.

Implementation

Description of concrete actions to implement environmental policies, address environmental risks and respond to environmental incidents.

The strategy in the area of environmental protection is managed by the Internal Communication and CSR Unit and Facilities Unit of CSOB.

In 2011, CSOB made several steps to minimize its negative impact on environment:

- Regularly monitoring its monthly energy consumption.
- Reduction of production of waste.
- Separation of dangerous waste/discharged batteries, fluorescent lamps, toners/.
- Renovation of boiler room in its own buildings.
- Replacement of air conditioning equipment for machines with lower fuel consumption without ozone depleting load.
- Implementation of green service for our clients = Introduction/implementation of electronic bank account statements.
- Reduction of the paper weight used for printing of flyers and posters.
- Reduction of the number of printed documents. Connection of printing of various kinds of documents into one phase – this step saves the paper and emissions in the transport of printed items to retail branches.
- E- procurement – the implementation of E- procurement (sending the purchase orders and invoices electronically) for suppliers with a huge volume of purchase orders and invoices.
- Implementation of the use of tablets by management –significant saving of paper consumption.
- Default setup of two – side, black & white printing is in process of setting for all PC's.

The company has implemented the environment protection activities also in cooperation with NGO partners. One of the most effective and long-term program is **Public Spaces**, that was launched in 2005 as a brand new concept in Slovakia. It is based on the US program – Project for Public Spaces that has been adjusted to Slovak conditions. Program was realized by Ekopolis Foundation with the support of CSOB. Program wants to reach two main goals. First to revitalize neglected public spaces and transform them into vital meeting places. Second to involve people living in the neighborhood, surrounding blocks of flats or streets in the planning of this reconstruction. In other words – people assist not just corporeally in reconstruction of the place itself, but also (and foremost) they come up with the idea of how the place should look, what kind of functions it should serve etc. Program methodology is subordinated to these two goals and strong planning and communication components (e.g. public meetings, planning weekends, campaigns, presentation of proposals etc.) have to be part of the supported projects. Through the active participation of local people in planning process and the revitalization of public spaces we motivate their interest in public affairs and help local leaders to activate other citizens in the community.

With the aim of the support of cultural heritage, CSOB continues in its participation at the support of the saving of cultural heritage and financially contributed to the **reconstruction of mine portals of mine Starovsechsvatych in Hodrusa Hamre region**. CSOB contributed financially to the reconstruction of lower and upper way to shaft Lill and to the revitalization of the surrounding of mine portal of lower way to shaft Lill. Top managers of CSOB spent several hours cleaning the surrounding of shaft Lill during their volunteer activity that was part of the program of regular management meeting. Reconstruction and revitalization works were finished in November 2011.

CSOB connects the protection of environment also with the volunteer events.

Measurement of outcomes

Description of how the company monitors and evaluates environmental performance.

Following the principle to encourage the development and diffusion of environmentally friendly technologies CSOB continued in the campaign for **electronic bank account statement** in 2011. The campaign was prepared for all clients including employees. 54% employees receive their bank account statements **electronically**.

During the reported period CSOB **Internal Competition Zlepšovák / The best Improvement idea** / with the aim to bring new progressive ideas for example to improve processes and procedures in CSOB FG, or to invent new product etc. Top 3 best ideas were chosen by the mid December 2011 and rewarded. One of the best ideas was the idea to send more account statements of one client in one envelope to save the sources and environment.

As mentioned above, the company realized the environment protection activities also in cooperation with NGO partners. One of the most effective and long-term cooperation is **Public Spaces Program**. CSOB has implemented it with Ekopolis Foundation. Since the beginning the company has supported seven years of the program by the amount of 270 200 EUR and helped to revitalize 28 various places in the whole Slovakia.

In cooperation with Ekopolis Foundation, CSOB also supported the reconstruction of mine portals of mine Starovsechsvatych in Hodrusa Hamre. Thank to the support of CSOB, upper and lower way to shaft Lill of mine Starovsechsvatych in Hodrusa Hamre were reconstructed.

Anti-Corruption

- Principle 10 - Businesses should work against all forms of corruption, including extortion and bribery.

Assessment, policy and goals

Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment). Description of policies, public commitments and company goals on anti-corruption.

Ceskoslovenska obchodna banka (CSOB) attaches a great importance to the transparency of relationship between staff, customers and third parties, in particular, to the integrity of its staff. Zero toleration to corruption is inevitable and is regularly reminded to all employees. Bribes are not be accepted of solicited or mediated for a third party. Save for exceptions set out in the company internal regulations in conformity with the **Group Standard for Gifts to Employees of KBC Group**, gifts may not be accepted or given in connection with the performance of work. With the **Anti-Corruption Policy**, adopted from KBC Group, CSOB rejects all forms of bribery and corruption.

Basic principles of this issue, anti-corruption risk-assessment, as well as, money laundering and terrorist financing, observance of tax laws and regulations and observance of delegated powers and mandates are included in the official written document: **KBC Group Anti-Corruption and Bribery Policy, Anti-Money Laundering Policy**, as well as the **Code of Conduct**.

Objectives of this policy are to affirm company's position in the fight against and the resolution to prevent corruption in its activities and operations and outline the actions taken and foreseen to implement such position. The integrity and ethics values of KBC Group are part of the KBC Code of Conduct, adopted by CSOB as well, as incorporated in the acronym of PRO stands for – Professional, Respectful and Open, three interdependent qualities which are exemplified in company's mission statement.

This Code of Conduct is the basis for the issue of specific instructions like **Group Compliance Rules** and **Group Standards** and other rules expressing the values of the group. The company's values revolve around the importance to maintain professionalism through good reputation, while abiding to competition rules, in the full respect of the working conditions. The direct or indirect offer, the payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflict of interest which might arise in the course of providing investment services or ancillary services, provided to a client, where there is a material risk of damage to the interest of one or more clients.

All business transactions must reflect the rules and regulation of the company and, as part of our policy, we forbid facilitation payments and we seek to ensure that our employees and suppliers do not make them either.

Further details regarding to policies within the framework of Anti-corruption and Bribery are contained in the Standards and Codes of reference detailed below:

- The KBC Code of Conduct
- Group Policy on Gifts, Entertainment, Donations & Sponsoring
- Policy for the Protection of Whistleblowers
- Group Compliance Rule on Conflicts of interest
- Group Compliance Rule on Mandates
- Group Policy on Suppliers
- Group Anti Corruption policy
- Tax fraud prevention policy

In accordance with the policy for the **protection of whistleblowers**, KBC group has created, and CSOB adopted, the opportunity for all employees to report potential fraud or other gross malpractice at the earliest possible stages without fear for any reprisal and where whistleblowers are assured that they will receive fair treatment and that their concerns will be investigated properly.

KBC Whistleblower policy applies to all types of fraud and gross malpractice relating to gross violations or gross infringements of internal rules as well as external rules, or rules on market abuse, insider dealing, breaches of bank secrecy or discretion with regard to insurance matters, money laundering, theft, fraud, corruption, bribery.

Implementation

Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.

CSOB creates and supports corporate culture, based on honesty and openness. All the above-mentioned anti-corruption policies are communicated to employees via standard internal communication tools.

In 2011, following the KBC Whistleblower policy, CSOB continued in motivating employees to report potential fraud or other gross malpractice at the company. The information and example of malpractice case uncovered by the Compliance Unit of CSOB were directly sent from CEO by e-mail to each employee as well as published in the weekly newsletter. Employees can report the potential non-ethical cases to the Compliance Unit of CSOB.

Employees are encouraged to use usual reporting lines in first place and only rely on this policy if usual channels cannot be used. Employees must refrain from abusing the reporting procedure and thereby deliberately harming another. If accusations would be made with malicious or slanderous intent, appropriate sanctions may apply. CSOB guarantees that whistleblowers who report fraud or gross malpractice concerns in good faith will suffer no adverse or negative consequences whatsoever of disclosing those concerns, in keeping with the policy. The Group and CSOB's Compliance Unit are responsible for monitoring the functioning of this policy in all entities of KBC group and reporting lines and guidelines are elaborated.

Measurement of outcomes

Description of how the company monitors and evaluates anti-corruption performance.

CSOB and its Compliance Unit have to prevent that the company incurs in a compliance risk or suffers damage, likely to derive from its non complying with applicable laws, regulations and internal rules falling under the scope of the Compliance function or under the domains assigned to it by the Executive Committee. The Board of Directors, as the case may be via the Audit, Risk and Compliance Committee, annually assesses on the basis of reports, the containment of the Compliance risk. The Executive Committee is responsible for ensuring the setting-up of the function, the development and the implementation of the Integrity Policy, to check the appropriateness of and obedience to relevant company policies.

KBC Group Compliance performs testing under the Compliance Monitoring Program (CMP). Compliance Unit of CSOB is equally mandated to perform CMP testing in the company under the functional steering of Group Compliance.

The development of the CMP was decided in order to better mitigate compliance risks by verifying the existence and soundness of internal controls (first line of defense) and to verify the reliability of assessments in its domains.

The set-up of the CMP consists of an overview of compliance requirements following from existing laws, regulations, policies and an inventory of related controls. Under a risk-based approach tests on the functioning of these controls are performed. The program then results in structural recommendations or concrete action plans. Follow-up and final reporting is also included.