

KOMERCIJALNA BANKA AD SKOPJE

COMMUNICATION ON PROGRESS

2012



komercijalna banka
ad skopje



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.

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About Us

Komercijalna Banka AD Skopje is one of the leading banks in the Republic of Macedonia.

Our mission is to be a highly profitable institution, recognized as leading independent, privately-owned Macedonian bank, offering a universal range of services and having strong international reputation, supported by a strongly market-oriented, well trained management and staff of the highest expertise and integrity.

Founded in 1955 as Komunalna Banka of the city of Skopje, the Bank began its journey as a reliable and responsible financial institution with very important role in society. Today, after almost 60 years from its establishment, we can proudly say that Komercijalna Banka AD Skopje firmly stands and grows on the same ideals it was founded upon – uncompromised stability, ethics, cooperation and utmost efficiency.

Komercijalna Banka AD Skopje offers a wide range of banking products and services. The offering includes collecting deposits, loaning to legal entities and citizens, services in international and domestic payment operations, forfeiting, mediation in purchase of foreign currency, stock exchange services etc.

Our objective is to make our Bank and its services close and relevant to our valued customers, both in Macedonia and worldwide. The Bank has a widespread network throughout the country, consisted of city branches, branches, ATMs and POS terminals. For the purpose of performing fast and efficient international services for its clients, the Bank has established banking relations with over 600 banks in over 117 countries and correspondent relations with 41 banks.

Komercijalna Banka AD Skopje is one of the founding members of the Macedonian Global Compact Network and actively participates in its activities. Together with the rest of the members and the network Secretariat, we continue to work on promoting the ten principles of the Global Compact and building a growing base of socially responsible companies.

The Bank has been recognized as one of the domestic leaders in CSR practices and has received several annual awards for integrated approach towards corporate social responsibility by government institutions and NGOs.



Statement of Continued Support by the Chief Executive Officer Mr. Hari Kostov

As one of the initial members of the Macedonian Global Compact Network, Komercijalna Banka AD Skopje is proud of its long-lasting and continuous devotion to corporate social responsibility. Being part of one of the oldest and most successful companies in our country, we as employees can certainly look back with dignity and contempt at the role our Bank had in society in the past, but at the same time we find ourselves bound to continue this great heritage as an aware and deeply involved company.

Komercijalna Banka has long since embedded the principles of social responsibility in its corporate governance, but in 2012 we took that commitment to an even higher level. Guided by the determination for compliance with the trends of social and business development, Komercijalna Banka carried a new CSR strategy which will guide the operation in the period from 2012 till 2016. The strategy was specifically modeled to address the Ten Principles of the UN Global Compact in light of the current and forecasted developments influencing our operation and the needs of the Bank's stakeholders. With this new systematic model we not only intend to approach the challenges of our society more thoroughly and proactively, but we also aim to inspire others to follow our commitment.

As part of the systematic reorganization of the activities around CSR, a new Coordination Body for Corporate Social Responsibility was introduced in our bank's organization. The main intent was to reinvigorate the actions related to social responsibility and to involve the whole organization in both planning and execution of activities. We can happily confirm that the initial results are excellent as we see deeper awareness and involvement throughout the company.

Unfortunately, these operational shifts and the drafting of the CSR strategy can be closely related to the reasons why our bank failed to issue its Reports on Progress in the past few years. On the other hand, these developments have caused us to revise and improve the organization and execution of the CSR policies, and more importantly, gave us a fresh perspective on the priorities ahead and the means necessary to address them.

In 2012 Komercijalna Banka continued its support of the many community projects it is traditionally involved in, most of them being aimed towards aiding marginalized social groups and promotion of our society's unique values. At the



same time, our bank stood behind some new projects that were initiated by both outside partners (NGOs, cultural institutions etc.) and by the Bank itself.

As we continue with these efforts in 2013, we hope our commitment will be a leading example and will duly promote the Principles of the UN Global Compact.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hari Kostov', with a stylized flourish at the end.

Hari Kostov

*Chief Executive Officer of
Komercijalna Bank AD Skopje*



The Ten Principles of the United Nations Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with the following ten universally accepted principles:

HUMAN RIGHTS

- Principle 1:* Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2:* make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4:* the elimination of all forms of forced and compulsory labour;
- Principle 5:* the effective abolition of child labour; and
- Principle 6:* the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7:* Businesses should support a precautionary approach to environmental challenges;
- Principle 8:* undertake initiatives to promote greater environmental responsibility; and
- Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10:* Businesses should work against corruption in all its forms, including extortion and bribery.



Human Rights

Assessment, Policy and Goals

Human rights are the fundament of civilized societies. Komercijalna Banka sees their protection as a priority and in spite of operating in a developing European country, we feel that this area requires more attention.

Careful analysis of the conditions in the community allows us to detect many areas that need to be improved and require immediate action. As active members of society, we have the obligation to point out and address the painful issues, to induce broad attention and fast resolving. We can safely say that most of the energy and resources Komercijalna Banka puts into CSR evolves around issues that concern neglected human rights and improvement of the living conditions of marginalized groups.

In 2012, same as previous years, priority in this area was given to women that are victims of domestic violence, children with developmental disabilities and children from the streets.

Implementation

The Bank's actions in this area were conducted through sponsorships, donations, voluntarism, education and internal operative processes. Most of the projects were jointly planned and executed with partner organizations, but some were independently realized by Komercijalna Banka.

One of the projects we are especially proud of is *"Women for women"*, an initiative led by Komercijalna Banka aimed at providing psychological support to women-victims of domestic violence and their social inclusion. Designed as a long-term action, this project is conducted with the help of the Macedonian Platform Against Poverty (MPPS) and its member organizations, and aims to provide the much needed professional help to traumatized women that are victims of psychological and physical violence in their homes, as well as to raise public awareness and to result with drafting of a professional handbook for psychological treatment of women that are victims of domestic violence. The Bank initiated the project by providing financial resources for the engaged psychotherapists, and continued it with donations of office equipment for the shelter centers, gifts and personal attention for the victims for the International Women's Day (March 8th), occasional visits and socialization with the victims and the shelters personnel, and perhaps most importantly, promoting this painful subject through public appearances and lobbying for broader action.



The realization of the project *"Women for women"* in 2012 resulted in treatment of 16 women-victims of domestic violence during 37 sessions of professional therapy. The initiative was covered by the media through news articles and television interviews of the Bank's representatives. The treatment of the same group of patients will carry on in 2013 and will continue to address their severe psychological trauma.

Komercijalna Banka for three years in a row actively participates in the project of the Red Cross of the Republic of Macedonia *"Better Socialization of Children and Youth with Special Needs"* as General Sponsor, and brings holiday happiness to the children from Center for Fostering Children from the Streets located in Shuto Orizari with the project *"New Year Hope"* through gifts and donated clothes.



"New Year Hope" – the Bank's employees and management with the children from the Center for Fostering Children from the Streets

Apart from the efforts targeted at specific vulnerable groups, the Bank continued implementing its policies and procedures that concern rightful and respectful treatment of clients.

The Bank has established policy of handling clients' complaints, which defines the basic principles and general rules for establishment of an appropriate framework that enables receiving feedback from clients and other stakeholders (opinions and suggestions, including complaints) as well to organize, establish and implement the process of handling received complaints and other opinions. Continuous client feedback is ensured through various channels (call center, e-mail, complaints and suggestions box etc.) and adequate behavior of employees

is guided and monitored through the implementation of the Code of Conduct and the programs for continuous training.

The Bank's Supervisory Board and the Board of Directors, the management and all employees are committed to implement concepts and ideas of quality complaints handling.

Measurement of outcomes

In 2012 Komercijalna Banka participated in more than 20 different projects directly concerned with improvement of living conditions of marginalized social groups. The projects were subjected to internal procedures for feasibility and outcome evaluation.

Having in mind the specifics of the area, outcomes from many of the projects are difficult to be quantified, but are continuously monitored and evaluated in cooperation with partner institutions.

In 2012 a total of 136 complaints and suggestions from customers were noted and accordingly resolved.



"Better Socialization of Children and Youth with Special Needs"

Goals for 2013

- To apply and impose business practices which unconditionally and permanently require fair, moral and honest relation and human rights respect of its existing and potential clients, as well as of those which are not and do not have potential to be its clients.
- To initiate and support projects and activities that would be of benefit for the society.
- To practice and support volunteering activities of the Bank's employees aimed towards improved welfare in the society.
- To inspire clients, suppliers and competition to follow and apply the social responsibility principles.



Labour

Assessment, Policy and Goals

Komercijalna Banka considers its employees to be the most valuable resource in creating superior value for the rest of the stakeholders.

The Bank's Labour Policy strives on continuous improvement of employees' capabilities through life-long learning, while insisting on protection of employee rights and ensuring high motivation.

Implementation

All of the Bank's formal procedures related to labour fully respect the domestic legislation and follow the international trends on security and protection of workers.

The education process includes internal and external trainings and various forms of professional qualification (seminars, conferences, workshops etc.), conducted both in our country and abroad. The process is designed to fit the specific areas of expertise needed for operational improvements and keeping pace with the latest trends of different areas of banking operation. The Bank maintains constant relations with multiple education institutions and participates in education programs for students and potential employees.

In 2012 the Bank maintained the excellent relations with the employees' Union.

Employee motivation was ensured through various means, including socialization and participation in charity events. Employees were included in the planning and execution of CSR activities, such as the projects *"Women for women"*, *"New Year Hope"* and the annual humanitarian ski tournament at Ski Center "Zare Lazarevski" in Mavrovo.

Additionally, often children of Bank employees that apply for employment, and fulfill the criteria of the testing process for employment, become part of our team. This practice, as a form of care of the Bank's employees, has been implemented for several years.



Employees at the humanitarian ski tournament at Ski Center "Zare Lazarevski" in Mavrovo

Measurement of outcomes

In 2012 183 employees participated in various seminars and courses in the country and abroad, which is 15% percent of the total number of employees.

At the same time, 447 students conducted short-term internships with the Bank as part of their education process at universities.

The employee structure in 2012 reflected the policy for diversified workforce with equal rights and zero discrimination:

<i>Number of employees</i>	1,217
<i>Gender structure</i>	Female 73%; Male 27%
<i>Age structure</i>	<ul style="list-style-type: none"> • up to 35: 27% • 36 to 45: 19% • 46 or above: 54%
<i>Education structure</i>	<ul style="list-style-type: none"> • High school degree: 46% • Advance school degree : 5% • Bachelor degree: 43% • Master degree: 5.6% • Doctoral degree: 0.4%

Goals for 2013

- To establish corporate culture based on honor, openness and prosperity.
- To inspire activism and active participation of the employees in CSR activities.
- To support personal education and advancement of employees.
- To motivate the employees to give their maximum and reward their best efforts.



Environment

Assessment, Policy and Goals

Environmental protection is a critical topic in today's world and companies must be prudent in this area. Komercijalna Banka finds itself concerned with environmental issues both directly, with its own operation and impact, and indirectly, through the distribution of financial resources towards projects that might be or might not be environmentally justified.

Considering the scale and scope of activities that are financed through the Bank's loan operation (mainly in form of loans to other companies), our policies are greatly concerned with compliance with environmental standards. Environment protection is incorporated in the Bank's Credit Policy, on the basis of which the Bank defines the level of the environmental risk in accordance with the Environmental and Social Policy passed by the European Bank for Reconstruction and Development.

Implementation

On that basis and in cooperation with the Macedonian Bank for Development Promotion (through the funds of the European Investment Bank, the Italian credit line as well as the funds from the World Bank with the Energy Agency of the Republic of Macedonia), our Bank participates in financing of projects in the field of energetic efficiency, renewable sources of energy, and loans granted directly for supplying the company with new equipment as well as replacing the old one, which meant eliminating the pollution and air emissions, as well as credit support to clients for improvement of the existing technologies and equipment.

At the same time, day-to-day operative decisions keep constant regard of rational consumption of resources, energy efficiency and use of eco-friendly materials. Considering our operational specifics, special attention is devoted to rational use of paper and recycling.

Measurement of outcomes

So far, regarding this kind of projects, Komercijalna Banka granted 8 loans through the abovementioned credit lines from the Macedonian Bank for Development Promotion and from the Bank's own funds, amounting approximately 2.5 million euros.



Approximately 5 tons of office paper was recycled, and all of the purchased electronic equipment was in compliance with current environmental standards.

Goals for 2013

- To apply environmentally friendly operative processes, pursuant to the law regulations, directives of the international organizations and the latest trends in the world.
- To ensure use and promotion of use of recycled materials.
- To support projects related to environmental protection and improvement of public consciousness.



Anti-Corruption

Assessment, Policy and Goals

The corporate governance of Komercijalna Banka AD Skopje is based on the rules for managing and management monitoring with the Bank defined by its Code of Corporate Governance.

Being a large financial institution with vast influence on the financial stability of our state and society, Komercijalna Banka is led by highest standards, with special regard on transparency, ethics and anti-corruption.

Implementation

The Code of Corporate Governance of the Bank represents a set of mutual relations between the Board of Directors, other persons with special rights and responsibilities who perform management function in the Bank, the Supervisory Board, shareholders of the Bank and other interested entities (stakeholders). In its regular operations the Bank shows strict adherence to the principles of corporate governance, which includes guaranteeing the rights and interests of the shareholders, transparency in the ownership structure, division of duties, regular and efficient control and audit, adherence to the laws, ethic standards and practices, independence and objectivity and all other principles defined.

Measurement of outcomes

No cases of corruption were reported in 2012.

We also consider the three prizes from Transparency – Zero Corruption awarded in the previous years as additional confirmation for the Bank's standards in the field of anti-corruption.

Goals for 2013

- Full adherence to the Bank's Code of Corporate Governance.
- Nurturing outmost transparency and ethics in all aspects of operation.

Please consider the environment and do not print this document unless necessary. Thank you.

