

COMMUNICATION ON PROGRESS 2006



STOPANSKA BANKA AD - SKOPJE
member of NBG group



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Statement of continuing support for the Global Compact from the Chief Executive Officer

"Stopanska Banka AD - Skopje is a member of the United Nation's Global Compact since 2004, hereby committing itself to uphold its Ten Principles pertaining to human rights, labor and environmental standards and anti-corruption.

Corporate Social Responsibility is a definition of business that encompasses corporate aspirations, responsibilities and activities in realistic and contemporary terms that go beyond purely financially focused explanations. The purpose of a globally responsible business is to create economic and societal progress in a globally responsible and sustainable way.

In view of this, at Stopanska Banka AD-Skopje we are particularly conscious of our social responsibilities. We see good management of human, social and environmental issues, together with effective corporate governance and stakeholder dialogue, as fundamentally linked to achieving long-term stakeholder values, irrespective of the business benefits we gain from it.

Our commitment is enhanced even more from to the example set by our strategic investors (National Bank of Greece, EBRD and IFC), that have shown creativity and success in the filed of social responsibility for a number of years.

We view that in the Region there is lack of existing forums and networking to promote the importance of being and acting social responsible, thus in 2007, we shall try to raise the awareness among the business sector on the subject of social responsibility and the need for its integration into the everyday life.

Convinced that, in terms of Corporate Social Responsibility, only forward thinking institutions shall be positioned to benefit, Stopanska Banka AD - Skopje shall persist to be open to information sharing, dialogue, partnership projects and other initiatives, in order to advance responsible corporate citizenship and universal social and environmental principles to meet the challenges of globalization and promote more coherent approach."

Gligor Bishev PhD
Senior Executive Officer
Stopanska Banka AD - Skopje
Member of NBG Group

HUMAN RIGHTS

- Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- Principle 2.** Businesses should make sure they are not complicit in human rights abuse.

■ COMMITMENT AND SYSTEMS

- Stopanska Banka AD-Skopje (hereinafter: SB, Bank) is committed to support and respect internationally proclaimed human rights, through strict adherence to its policies and procedures of transparency in its operations, cooperation with suppliers that share the same responsible attitude not only on paper but in practice too, equal approach opportunities to the Bank's products, services, funding, donations and sponsorships of diverse initiatives and events, etc.
- The Business Plan of SB for 2007-2009, among other things, sets aside funds for community investments, expansion of SME lending, implementation of Basel II capital adequacy and transparency requirements and compliance with Chapter 404 of Sarbanes Oxley Act.

■ PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- Clear and precise rules & procedures and strict standards for doing business;
- Developed health and safety management system;
- Transparency in its operations (disclosure through annual, semi annual, quarter, monthly, daily reports, press releases, releases on the website, other official statements, etc.);
- Strictly implemented rules, procedures and mechanisms for assurance of information security, i.e. protecting the confidentiality, integrity and availability of information; In addition, in order to further raise the awareness of the employees on this subject, in 2006, SB initiated distribution of electronic *Information Security Newsletter* exclusively related to information security matters, issues and new developments;;
- Protection against Internet Abuse: In 2006 SB performed penetration testing, improving its solution for blocking of third party unauthorized access to SB system;
- Equal approach opportunities to the Bank's products and services;

- Donations and sponsorships: In 2006, SB approved EUR 138,000.00 for donations and sponsorships in cultural, educational, sport, environmental programs and events, youth programs, medicine, humanitarian, local community and civil society support. SB supported series of actions and events that made a fundamental contribution to the cultural landscape of the country;
- Grants and scholarships for students, financial awards for top class students;
- *Whistle Blowing Policy*: In 2005 the Bank formally adopted Whistle Blowing Policy that encourages employees and outsiders to feel confident in raising serious concerns, by providing ways to raise those concerns and get feedback on any action taken as a result. In 2006 SB actively promoted the Whistle Blowing Policy;
- *Customer Care Service*: Having forward looking strategy for full satisfaction of its clients, thus trying to improve the level and quality of the services provided, in 2006, SB introduced additional customer care service, which enables SB's clients to anonymously, freely and openly submit questions, comments, complaints or recommendations regarding the services and products provided by SB or its employees;
- In order to continue the process of evolution of customer satisfaction and to verify the effectiveness of different measures introduced by SB, in 2006 periodical surveys and mystery shopping were made;
- *Shareholder Benefits*:
 - SB has strengthened the composition of the Board of Directors in order to enhance its powers and independence. In addition, SB has increased the number of employees in the Secretariat, unit entrusted with shareholders support, corporate announcements services and competent authorities' communication;
 - As one of the means of communication with shareholders, analysts and investors in 2006 the Annual Report was printed in 200 copies and accordingly distributed;
 - In 2006, SB held 3 (three) Shareholder Assembly Meetings, where the quorum of the attendance represented approximately 90 % of the share capital.

■ PLANS FOR THE FUTURE

■ SB planes to:

- Continue providing grants, scholarships, donations and sponsorships, raising business awareness on the subject, thus creating a base for collective action;
- Develop fully functional call centre within Retail Division that will provide utmost service to clients; ;
- Continue the evaluation of customer satisfaction, as part of the process for continuous product refinement;
- nroduce client advisor position at the branch level;
- Enhance the skills and quality of services provided by the current employees, through tailor-made training courses;
- Attend even more to the specific financial needs of SMEs;
- To formally adopt Personal Data Protection Rule Book.

LABOR STANDARDS

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

■ COMMITMENT AND SYSTEMS

- SB treasures its employees as single greatest asset in maintaining a competitive advantage, thus has desire to uphold creative environment that will stimulate individuals to achieve their highest potential. SB is committed to fostering diversity within. It respects in full its employees rights, supports their needs, enables and financially supports their professional development, keeps them informed and involved.
- SB views that dialogue with its employees is one of the contributing factors for the Bank progress and performance. It incorporates a minimum: collective commitment to the working environment, understanding and respecting priorities and resolving problematic issues upon mutual contentment.

■ PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- Freedom of employees association:
 - Within SB there is Labor Union of SB that is openly & independently operated and recognized by the management and the shareholders. In 2006 there are 980 members of the Labor Union of SB;
 - Membership in the Labor Union is encouraged, hence there is no discrimination on grounds of membership in the Labor Union;
- Equal employment and career advancement opportunities, irrespective of the race, color, gender, religion, political opinion, nationality or social origin. In 2006, out of 19 Senior and Line Managers, 11 are Women;
- Sport and recreation programs at least twice per year;

- Annual medical examination for all SB employees. In 2006, almost all of SB employees used the right of annual medical examination, fully financed by the Bank;
- Health and Safety at the Workplace:
 - SB is constantly alert to the needs of its employees specially the health and safety regulations at working premises. In 2006, new firefighting equipment was installed or upgraded where necessary, and multiple controls were carried out regarding the adequacy of the existing safety measures. In addition, SB ensures that all equipment installed in the Bank premises is full tested and certified for the purpose of work place and environmental safety;
 - The health and hygiene standards are on high level;
 - SB ensures 48 hours working week, and a good working-life balance for its employees by considering flexible working hours (ex. Arrival at working place from 8 till 9 and leaving from 16 till 17 hours; part time);
- *Whistle Blowing Policy* that provides possibilities for the employees to report unethical practice anonymously and without fear of reprisal;
- *Open Day Practice*: The long tradition of open and honest communication with its employees, both formally and informally, was enhanced through introduction of monthly *Open Day Practice*, during which day, at any hour, each employee of the Bank may schedule an appointment with the CEOs, in order to present personal & work related issues, concerns and problems
- *Information Security Newsletter*: In 2006, SB initiated distribution of electronic newsletter exclusively related to information security matters, issues and new developments;
- Program for education and training of the employees in the country and abroad:
 - a) Internal Trainings:

Throughout 2006 *seminars and various trainings* were organized on current needs basis. In *the first half of 2006* training related to the newly implemented, or on-going phases of various projects in different divisions/branches, such as: *Payment Operations; Micro-lending; SAP; GLOBUS T24 migration; Retail Banking; System administration in e-banking, Sarbanes-Oxley Act 404; Seminar for New Employees (1st group) etc.*, were organized. Within the second half of 2006 the *Seminar for New Employees (2nd group); Customer Care for Officers; Customer Care for Managers/Unit Heads; Leadership and Management; Seminar for Loan Officers; Marketing and Sales; Train the Trainers; Bank Operations Trainings, such as Corporate Operations; Retail Banking; Foreign Checks; E-banking; Stock-broker's services; Travel Insurance, etc.*, were organized. The generic seminars were organized mainly on 3-5 days, however weekly and one-day seminars

were organized as well. Within the period of four months (September-December 2006) the number of employees attending the above-mentioned trainings reached 220. The organization of foreign languages (English, Greek) courses continues to be realized;

SB also offers paid training opportunities to people from the local community (interns) and free of charged for governmental officers;

b) External Trainings and Professional Education:

SB financially supports post-graduate studies (currently there are 10 post-graduate students in the country, and 9 post-graduate students abroad) and attendance of seminars for taking expert exams (Bar Exam, Chartered Auditor Exam, etc.); The trainings in the country and abroad were according to the interests and needs for improving the current performance of the employees, in cooperation with domestic and foreign institutions. Throughout 2006, 68 employees participated in various seminars organized by foreign and domestic institutions;

c) In 2006, SB spent EUR 60,200.00 on training and education of its employees.

■ PLANS FOR THE FUTURE

- SB shall continues to be committed to:
 - improving even more the working conditions,
 - assuring better balance between work, family and leisure,
 - investing in professional and personal development of its human capital.
- SB shall adopt Procedure for recruitment, motivation and retention of committed employees.

ENVIRONMENT

- **Principle 7.** Business 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 environmental friendly technologies.

■ COMMITMENT AND SYSTEMS

- As the ecological problems have become more serious because human activities inflict harsh and often irreversible damage on the environment and its critical resources, SB is committed to raising the awareness on the importance of energy savings and other environmentally sensitive issues, to supporting projects designed to clean, improve and preserve our surroundings, and to encouraging development and distribution of environmental friendly technologies.
- SB's commitment to helping environmentally sound and sustainable development is enhanced even more due to the great attention given by EBRD on the subject, through its Environmental Policy.

■ PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- Credit Policy forbidding approval of loans that are not consistent with the country environmental standards;
- Each year SB submits Annual Environmental Report to EBRD addressing the following: energy and resource efficiency, waste reduction, renewable resources and resource recovery, and the use of cleaner production in the projects it finances;
- Substitution of most of the internal paper communication with electronic communication;
- Use of recycling paper;
- Promotion of the use of E-banking;
- Numerous donations in environment friendly projects;
- In 2006, has supported, i.e. approved financial assistance in several environmentally important projects (Kozuv, Toplifikacija, etc.).

■ PLANS FOR THE FUTURE

■ SB shall:

- Continue raising the awareness among its employees and the general public on the importance of careful environmentally friendly behavior, and other environmentally sensitive issues;
- Improve its internal policies related to ecology and safe environment;
- Start circulating electronic Environment Protection Newsletter;
- Launch special "Environment Friendly Credit Line";
- Permanent measures for effective usage of all types of energy consumption (electricity, gas or fuel) by SB;
- Evaluate the possibilities of using other sustainable transport options.

FIGHT AGAINST CORRUPTION

Principle 10. Business should work against corruption in all forms, including extortion and bribery.

■ COMMITMENT AND SYSTEMS

- Being aware that corruption can corrode the souls of financially efficient businesses, distort the competition and have countless other negative implications, SB is committed to the fight against corruption in all forms, including extortion and bribery. Thus, recognizing that cooperative initiative between CSR practitioners and the business sector shall attain more effectively in turning the wording of the UN Convention Against Corruption into everyday life, SB is committed to raising the awareness and the ambitions of the private and public sectors to fight corruption jointly.

■ PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- In 2006, SB reviewed its Code of Ethics in order to enhance its quality and ensure that it is a “living” document which accommodates new developments and remains relevant to all the related parties;
- The organizational structure of SB is in line with the highest standards of corporate governance; In addition, the members of the decision-making bodies of SB are professionals that apart from being excellent experts are persons of high moral character, uprightness and integrity;
- The monthly remuneration of the members of the Board of Directors of SB in 2006 was EUR 200.00;
- SB has developed a number of procedures that standardize operations of the Bank and divide the decision-making power among different bodies, thus providing for additional “checks and balances”;
- SB has developed rules and procedures, ensuring more levels of checks and monitoring for the supply of goods and services; Supply decisions are always collectively adopted;

- *Money Laundering Combat:*
 - SB has established multilevel control system for money laundering combat on individual and NBG Group level;
 - SB has adopted the relevant internal policies and procedures (Internal Regulation on Money Laundering Prevention, Know Your Customer Policy, etc.);
 - SB has established advanced and more secure electronic channel for submitting daily reports to the Directorate for Money Laundering Prevention;
 - SB has increased the number of employees involved in money laundering detection and prevention;
 - SB employees are continually trained with respect on money laundering detection and prevention;
- SB gives the highest priority on strengthening the independent Internal Audit Function;
- SB continued to promote its policies and procedures that assure transparency in its operations, "checks and balances", equal approach opportunities to the Bank's products and services, and timely detection of violations and non-compliances with the Code of Ethics and other relevant internal acts;
- Through the Whistle Blowing Policy SB's employees and outsiders are free to report indications of violations related to possible corruption;
- Through the Customer Care Service SB's customs and are free to report indications of violations related to possible corruption.

■ PLANS FOR THE FUTURE

■ As attribute to the corruption combat SB shall:

- Continue to be committed to raising the awareness on the subject, leading by example and by putting corruption on the agenda of most the local governments and businesses;
- Keep on giving highest priority to detection and prevention of money laundering and other forms of financial crime.



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