



Hrvatska banka za
obnovu i razvitak

*COMMUNICATION ON PROGRESS 2008
FOR UN GLOBAL COMPACT*

March 2009

INTRODUCTORY NOTE BY THE PRESIDENT OF THE MANAGING BOARD

Dear Sir or Madam,

We submit to you the Communication on Progress covering Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development) that has been prepared in accordance with the requirements of the UN Global Compact (UNGC). The Communication on Progress gives a breakdown of our corporate social responsibility practices, processes and systems in the field of human and labour rights, environmental protection and corruption combating in 2008.

Becoming a member of the Croatian network of the UNGC in 2007 encouraged us to consider a systematic approach to the corporate social responsibility issues. In other words, we immediately recognised the values represented by the Global Compact in the field of human and labour rights, environmental protection and anti-corruption measures as the fundamental values based on which HBOR has developed its own operations. However, the necessity to transparently incorporate the respective principles into our strategy, culture and day-to-day operations as well as to prepare reports on the progress in the implementation of the principles induced us to consider this issue in much a broader context of corporate responsibility and sustainable development.

Therefore, in 2007, we introduced the activities aimed at establishing a system of reporting on corporate social and environmental responsibility. We assessed the situation with regard to existing corporate social responsibility practices and established a team comprised of employees coming from our various organisational units. In 2008, through educational workshops, a broad circle of our managers and the team were informed about the basic concept, trends and significance of corporate social responsibility. Thereupon, the team started collecting and analysing of data.

Having in mind the fact that our intention has been not only to meet the obligations with regard to the preparation of the Communication on Progress but also to create additional space for the incorporation of 10 principles into our day-to-day operations, we prepared the Corporate Social Responsibility Programme for 2009 aimed at ensuring the continued implementation of corporate social responsibility practices in the coming period.

This Communication on Progress gives a breakdown of HBOR's key impacts, risks and opportunities relating to the issues of sustainability and corporate social responsibility, it contains a summary overview of our past corporate social responsibility practices, processes and systems with regard to the 10 principles of the UNGC as well as the plan of activities for 2009. In 2009, we shall publish HBOR's comprehensive Corporate Social Responsibility Report for the period 2007-2008.

We believe that, by joining this initiative and creating the opportunities for further development of sustainability and corporate social responsibility during the preparation of this Communication on Progress, we contributed to the strengthening of our role as the state development and export bank taking into account social development issues and the environmental impact of our development projects. Furthermore, we believe that we managed in strengthening the confidence of our employees in the impartiality of our policies as well as the commitment of our bank to the systematic care and development of human resources.

Anton Kovačev
President of the Managing Board

KEY IMPACTS, RISKS AND OPPORTUNITIES

Through its loan programmes intended for the reconstruction and development of business entities, reconstruction and development of infrastructure, export financing and loan programmes for small and medium enterprises, HBOR promotes systematic, sustainable and even economic and social development.

HBOR implements special programmes for the promotion of small and medium enterprises for the purpose of strengthening competitive capabilities of small and medium enterprises and craftsmen, even regional development and creating of new jobs. Being aware of its role and responsibility as development bank, HBOR pays special attention to risky groups of borrowers – business start-ups and innovators. The bank supports projects of development of communal and social infrastructure, particularly the projects of water supply, wastewater disposal, wastewater treatment, homes for elderly persons, kindergartens and sports facilities.

Although our bank takes account of even and sustainable social development and environment when creating its financing programmes and special loan terms and conditions, as well as on the occasion of selecting target groups, we are aware of multiple influences we have on our clients, partners and on wider community as a financial institution, and of expectations that all our stakeholders have from HBOR as a development and export bank. Besides implementing strategic targets and guidelines of the Government of the Republic of Croatia, compliance with laws, regulations and professional standards, and pursuant to actual tendencies that encourage companies to socially responsible initiatives, we voluntarily became a member of the Croatian network of UN Global Compact.

In the process of preparing this Communication on Progress, we have recognised the opportunities for further development of sustainability and corporate social responsibility. In other words, the integration of corporate social responsibility and sustainability in our management system will contribute to the realisation of our long-term goals, whereas the range of existing processes of corporate social responsibility and the sensitivity of our employees enable simple and efficient structuring of the existing activities. At the same time, HBOR's networking on the national and international level enables the exchange of good practices with partner financial and other institutions.

Our future corporate social responsibility Programmes have to address the following key challenges: how to envisage and prevent possible damage to the environment, how to encourage employees to socially responsible actions and which useful stakeholder dialogue models are to be used? Furthermore, how to transfer corporate social responsibility practices to our clients and partners? How to evaluate the impact of activities as opposed to set goals and how to provide capacities for regular check-ups and updating of practices?

In the text to follow, we give an overview of all our existing corporate socially responsible practices, processes and systems.

Businesses should support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses (UNGC, Principles 1-2)

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation (UNGC, Principles 3-6)



HBOR is in compliance with all the obligations in respect of labour and human rights prescribed by law and the Constitution and implements additional measures in order to ensure that the quality, education and satisfaction of employees are maintained, as well as the transparency and availability of information on our products and services.

BREAKDOWN OF EXISTING CORPORATE SOCIAL RESPONSIBILITY PRACTICES, PROCESSES AND SYSTEMS IN THE FIELD OF HUMAN AND LABOUR RIGHTS

➤ ***Selection procedure and employment***

The selection procedure promotes equality and equal opportunities for all (public vacancy announcements, internal announcements practice, permanently open questionnaire for the base of active offers, protected personal data of candidates).

➤ ***Certificate Employer - Partner for quality human resources management***

On a regular basis, HBOR goes through the process of scoring for the quality of its processes in the human resources field. The last certificate was given on 7th April 2008 for 2007.

➤ ***Structure of employees and management bodies***

Workers are employed full time, with permanent jobs in most cases. In 2008, only 2.13% of total workers were employees with temporary contracts. Of the total number of employees, 79.15% of workers are highly educated.

The average age of employees in 2008 was 40. 17.88% of workers are in the age group over 50. The majority of workers are women (75.32%).

The gender structure of management follows the gender structure of total number of employees. Women are in 64.29% of total managerial positions. Fluctuation on year level is 6.87%.

➤ ***Education and development of employees***

HBOR continuously takes care of and invests in every individual employee. Equal opportunities of professional development and education for all are promoted. In 2006, the bank started a systematic project of development of high quality employees – DNK (Donositelji Nove Kulture – new culture introducers).

➤ ***Evaluation of work results and individual development of employees – annual interviews***

On a regular basis, the bank organises interviews of employees and their managers for the purpose of evaluating, directing and enhancing the results of work and interpersonal communication.

➤ ***Questionnaire on organisational climate and satisfaction at work***

In 2008, we conducted a survey on organisational climate and satisfaction at work, after which an analysis was made and measures for improvement proposed. We also plan to implement such surveys in the future on a regular basis.

➤ ***Employees and trade unions***

HBOR neither makes any restrictions and prevents its employees from becoming members of trade unions nor collects data on memberships in trade unions or non governmental organizations.

➤ ***Benefits***

Benefits that employees may have right to or that may be possible for them are defined by HBOR's Rules of Conduct. In case of death or illness of a family member and in case of natural disasters, employees have right to allowances.

➤ ***Dignity of workers***

The dignity of workers is a term recognised in HBOR's Rules of Conduct. A person was appointed for receiving and resolving complaints regarding the violation of workers' dignity. In 2008, there were no complaints on this ground.

➤ ***Personal data protection***

All data and personal data given to HBOR are protected as strictly confidential data pursuant to the Banking Act, the Personal Data Protection Act and other relevant rules. The records of personal data and cooperation with the Croatian Personal Data Protection Agency (AZOP) have been established.

➤ ***Safety at work and workers' health***

HBOR organised safety at work by passing the Rules for Safety at Work and organising the Committee for Safety at Work. In 2008, 2 employees were injured at work. A report on accidents and illnesses at work is sent once a year to the Republic of Croatia State Inspectorate.

➤ ***HBOR SPORT***

The aim of HBOR sports association is to maintain and improve health, working capabilities and spiritual condition of its members – employees of HBOR. In 2008, the association had 101 members.

Businesses should support a precautionary approach to environmental challenges: undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. (UNGC, Principles 7-9).



HBOR supports responsible behaviour with respect to enhancement and preservation of environment quality and promotes the introduction of renewable energy resources and energy efficiency in compliance with the EU standards. We make efforts to manage the immediate energy consumption in our facilities in an energy efficient manner.

BREAKDOWN OF EXISTING CORPORATE SOCIAL RESPONSIBILITY PRACTICES, PROCESSES AND SYSTEMS IN THE FIELD OF ENVIRONMENTAL PROTECTION

➤ ***Special Loan Programmes***

For the financing of projects in the field of environmental protection, HBOR extends loans through the following programmes: the Loan Programme for the Preparation of Renewable Energy Resources Projects and the Loan Programme for the Financing of Projects of Environmental Protection, Energy Efficiency and Renewable Energy Resources (RER). HBOR has been developing the Programme for the Issuing of Bank Guarantees in support of local banks for the financing of investment in energy saving projects. In 2008, an amount of more than HRK 300 million was committed for investment projects in infrastructure, environmental protection, energy efficiency and RER.

➤ ***COAST Project (Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast through Greening Coastal Development)***

HBOR has been participating in this multi-partner project by assuming the tasks of incorporating the environment and sustainability issues into HBOR's general management system as well as establishing the system of reporting on corporate social and environmental responsibility for the purpose of indirectly influencing the development of the banking system with regard to environment and sustainability issues.

➤ ***UNEP FI (The United Nations Environment Programme Finance Initiative)***

HBOR has participated in the UNEP FI since 2001. In 2008, 3 employees of HBOR attended the e-learning course: "Climate Change: Risks and Opportunities for the Finance Sector", and 2 additional employees attended the e-learning course: "Environmental and Social Risks Analysis (ESRA)".

➤ ***Environmental Protection Questionnaire***

The environmental protection questionnaire is part of the obligatory documentation supporting loan applications by individual loan programmes and can be downloaded from HBOR's website.

➤ ***Consumption Management***

During 2008, energy efficiency measures were carried out in order to keep consumption at a reasonable level and save energy (classic light bulbs replaced by energy saving bulbs, centrally automated air conditioning system introduced, thermal regulation valves fitted on the heating bodies, central warm water supply system in one building reconstructed). In 2008, HBOR carried out preliminary energy evaluation of two buildings in Zagreb. Information on the consumption of energy was gathered before the evaluation. The review activities were comprised of the assessment of the situation, energy-using products were listed and possible saving spots were determined. The obtained feasibility studies for HBOR's energy efficiency project confirmed the justifiability of the measures already taken and gave suggestions for further measures aiming to improve energy efficiency in our buildings.

➤ ***Procurement of Recycled Office Paper***

In 2008, we continued to procure recycled paper.

➤ **Waste**

Waste paper and cardboard are sorted out and delivered to authorised waste collecting entities. In 2008, HBOR collected 4540 kg of waste paper. Electronic waste is collected, sorted out and delivered to authorised waste collecting entities, where it is destroyed and duly stored, or it is delivered to recycling yards. Waste edible oil is disposed of by the food providing entity. Construction and massive waste is disposed by the local utility company on demand.

➤ **Travelling to Work**

In September 2008, within the framework of the European Mobility Week, HBOR's employees were informed about the "Travelling to Work Together" carpooling initiative and a respective questionnaire was distributed.

Business should work against all forms of corruption, including extortion and bribery (UNGC, Principle 10).



HBOR supports the efforts of the Republic of Croatia aimed at combating corruption and is opposed to all forms of corruptive behaviour. HBOR understands the adverse effects of corruption on the economic development of the society.

BREAKDOWN OF EXISTING CORPORATE SOCIAL RESPONSIBILITY PRACTICES, PROCESSES AND SYSTEMS IN THE FIELD OF COMBATING CORRUPTION

➤ ***Corporate Governance***

HBOR systematically monitors best practice principles in the field of corporate governance, which are incorporated into HBOR's operations in accordance with the principles of good banking practice. The principles of corporate governance are implemented through the principle of publicly accessible operations, powers of the Managing Board and the Supervisory Board, internal control systems and co-operation between the Managing Board and the Supervisory Board.

➤ ***Disputes***

In 2008, no corruption cases were recorded and no proceedings were initiated against HBOR on the grounds of corruption. Simultaneously, there were no court proceedings settled either to the benefit or to the detriment of HBOR.

➤ ***Consumer Protection and Data Access Rights***

All information relating to the terms and conditions of lending and the general terms and conditions of business as well as the contact information are available on HBOR's website. Loan programmes and loan programme leaflets can be obtained at HBOR's headquarters and regional offices. Additional expert information relating to lending and insurance activities can be obtained from employees in charge of such activities. In 2005, in HBOR, a person for providing information was appointed and the information catalogue was prepared. Press releases are prepared concerning all relevant changes and news with regard to business operations. Annual financial statements are regularly published together with the independent auditors' reports. The Report on the Implementation of the data Access Rights Act is submitted to the Central State Administrative Office for Public Administration on an annual basis.

➤ ***Education for Business***

HBOR takes part in the financing of the project "Education for Business" implemented by the Ministry of the Economy, Labour and Entrepreneurship. Attendance at and successful completion of this course is a precondition for the submitting of a loan application under the start-up programme (direct lending).

➤ ***Anti-Money Laundering***

Pursuant to the Anti-Money Laundering Act and the provisions of HBOR's Ordinance on the Prevention of Money Laundering, HBOR implements due diligence measures and monitors transactions for the purpose of preventing and discovering money laundering.

➤ ***Public Procurement***

HBOR is obliged to apply the Public Procurement Act. Therefore, goods, works and services needed for operations are procured exclusively in accordance with the provisions of the Public Procurement Act. A report on public procurement is annually submitted to the entity in charge of the public procurement system.

HBOR's CORPORATE SOCIAL RESPONSIBILITY PROGRAMME FOR 2009

GOALS OF THE PROGRAMME

1. further systematisation of existing corporate social responsibility practices and internalisation of 10 UNGC principles
2. preparation of the Communication on Progress in 2009
3. improvement of understanding and increasing the recognisability level of corporate social responsibility initiatives carried out by HBOR

In accordance with the goals set, HBOR shall continue developing the system of reporting on corporate socially and environmentally responsible behaviour. Corporate social responsibility team will monitor and document the implementation of the programme on a quarterly basis and, depending on the programme implementation on an annual level, prepare suggestions. HBOR plans to establish internal and external communication channels on HBOR's corporate social responsibility issues.

HBOR shall also continue improving human resources management processes as follows: further implementation of the measures for the upgrading of the organisational climate and satisfaction at work, additional upgrading of annual interviews with the employees and improvement of the system of monitoring the process of investing in employees.

For the purpose of promoting honest and ethical practices as well as ensuring harmonisation with the laws, regulations, rules and professional standards, we plan to adopt the Compliance Monitoring Policies in 2009 that will identify the risks in the field of compliance and establish the process of compliance monitoring.

In addition, a challenging task of integrating environment and sustainability issues into HBOR's general management system will have to be addressed in the coming long-term period. Topics to be covered include the development of environmental policy and the integration of environmental risks into the credit risk management appraisal procedures as well as the assessment of the possibility for the development of new and innovative financial products with regard to environmental protection, energy efficiency and renewable energy resources.

This Communication on Progress in 2008 was prepared for UN Global Compact by the multidisciplinary corporate social responsibility team comprised of HBOR's employees.

Contact information for HBOR's employees in charge of the Communication on Progress and its contents:

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