



STOPANSKA BANKA AD - SKOPJE
Member of NBG group

COMMUNICATION ON PROGRESS
2007

Skopje, September, 2008

CONTENTS:

Statement of continuing support for the Global Compact3

HUMAN RIGHTS.....4
Principle 1.....4
Principle 2.....4
COMMITMENT AND SYSTEM.....4
PRACTICAL ACTION AND MEASUREMENT OF OUTCOME4
COMMITMENT FOR THE FUTURE6

LABOR STANDARDS.....8
Principle 3.....8
Principle 4.....8
Principle 5.....8
Principle 6.....8
COMMITMENT AND SYSTEM8
PRACTICAL ACTION AND MEASUREMENT OF OUTCOME8
COMMITMENT FOR THE FUTURE11

ENVIRONMENT.....12
Principle 7.....12
Principle 8.....12
Principle 9.....12
COMMITMENT AND SYSTEM.....12
PRACTICAL ACTION AND MEASUREMENT OF OUTCOME12
COMMITMENT FOR THE FUTURE13

FIGHT AGAINST CORRUPTION.....14
Principle 10.....14
COMMITMENT AND SYSTEM14
PRACTICAL ACTION AND MEASUREMENT OF OUTCOME14
COMMITMENT FOR THE FUTURE.....15

**STATEMENT OF CONTINUING SUPPORT FOR THE GLOBAL COMPACT
FROM THE CHIEF EXECUTIVE OFFICER**

LEADING AHEAD IN CORPORATE SOCIAL RESPONSIBILITY

For the fourth consequent year Stopanska Banka AD – Skopje (SB or the Bank) is being part of the world’s leading voluntary corporate citizenship initiative. In 2007 the Bank lead the way in further reinforcing, developing and adhering the Ten Principles of Global Compact in the country, as a set of core values in the areas of human rights, labour standards, environmental sustainability and anti-corruption.

In SB we strongly believe that our Bank expansion will be optimal if achieved in a socially healthy environment. The main focus in 2007 was advocating the Ten Principles of corporate social responsibility to larger audiences enhance awareness and exchange good practices for CSR advancement, innovating in creation of responsible and sustainable solutions and participating with communities and organizations to enable the sharing of knowledge and technologies for positive social and environmental impact.

Putting in to a practice of corporate responsibility our knowledge and expertise of banking and financial, we by passing on our financial knowledge, are assisting our customers in making better financial decisions. Combination of our knowledge and our social responsible thinking is a good scheme for developing of sound market for responsible banking. Principally, we believe that our commitment to share our knowledge will raise the financial literacy in the society where we work.

Regarding our determination for the future I would like to stress the following:

In terms of corporate social responsibility, SB stands on the point that aligning company operations with the universal values is not only a good strategy for managing and minimizing the many risk that business face, but it can be a strong driver of value and success. SB shall uphold the transparency, exchange of experience, dialogue, partnerships and other initiatives, in order to advance corporate social responsibility and to send a message to other stakeholders that the company’s corporate citizen engagement is to be operational and strategic priority.

Although our actions speak louder than words, we remain committed to acting in accordance with the highest principles of business conduct and this is why we present to you this report which chronicles our performance and progress over the past year towards becoming an even more responsible corporate company.

**Gligor Bishev PhD
Chief 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

- In 2007, SB fostered the universally accepted human rights, especially by personal involvement of the top executive on the United Nations Global Compact Leaders Summit. The participation in this truly global assembly is a signal to employees, shareholders, clients, suppliers, community and competition, that the Bank is entering the enhanced stage of the corporate citizenship journey. Thus, the Bank will use all of its human capacities in: enhancing the local network and advocate awareness raising.
- Through its Policy for personal data protection, Stopanska Banka committed itself to provide protection of personal data to individuals – Bank clients as well as to all employees, received on any basis, which are automatically or manually processed in the Bank.
- During 2007 Stopanska Banka AD-Skopje (hereinafter: SB, Bank) enhanced the employees rights regulated with the Collective agreement and committed to full respect of internationally proclaimed human rights, by transparency and equal opportunities to all Bank's products, services, funding, donations and sponsorships of diverse initiatives and events, etc.
- The Business Plan of SB for 2008-2012, among other, sets aside funds for community investments, expansion of lending, and new tailor made and competitive products, implementation of Basel II capital adequacy and transparency requirements and compliance with Chapter 404 of Sarbanes Oxley Act.

PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- ✓ Implementation of new, advanced rules and procedures and strict operation standards;
- ✓ In the era of high technological and informational literacy Stopanska Banka AD – Skopje, put in place developed mechanism in order protection of one of the basic human right, the right on personal data privacy. In this manner SB formally adopted Personal data protection Policy, establishing principles for protection of personal data (such as: fairly and lawfully processed data, processed for limited purpose, adequate, relevant and not excessive, accurate

and up to date, not kept for longer than is necessary, secure, not transferred without adequate protection) guidelines and measures;

- ✓ In addition to the Ten Principles, the Bank engaged itself in support of broader UN goals, in particular the Millennium Development Goals. In this manner, the decreasing evolution of rates of SB products, provides our clients with higher purchasing power and has an anti-inflation impact on the society. Being the leading Bank in the financial market, SB assume its role as one of the driving force, behind the national economy by investing in education as one of the most important contribution that SB can make to develop the human capital, that supports the economic competitiveness and social progress of our society;
- ✓ In 2007 the Bank took active part in “Accelerating CSR practices in the new EU member states and candidate countries (Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovak Republic and Turkey) as a vehicle for harmonization, competitiveness and social cohesion in the EU” project. The Base Line Study on CSR practices differentiates Stopanska Banka as distinguished example for integration of sustainability principles in to the business strategy of the Bank;
- ✓ Acknowledging that protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction SB has adopted several policies and security practices which were necessary for deployment of a successful security process. These policies and practices includes: risk management, user issues, system and network management, authorization, monitoring and auditing, physical security, continuity planning and disaster recovery;
- ✓ In 2007 SB continued more frequent distribution of electronic Information Security Newsletter, which has been initiated in 2006 to in order to raise the awareness of the employees on information security;
- ✓ SB installed new software for blocking of third party unauthorized access, internal and external threats that could result in unauthorized disclosure, misuse, alteration or destruction of information or the information systems;
- ✓ Bank applied innovative workforce advancement schemes - internal selection for filling vacant posts in order to offer better advancement opportunities to our personnel, SB had several internal ads to fill vacant posts. Introduced with the new Recruitment procedure that was put in place;
- ✓ SB granted special budget for scholarships for students and financial awards for cum laude students;
- ✓ In 2007 SB signed cooperation contracts with several faculties (Faculty of economic, electronically communications etc.), initiating practical engagement of students in SB project, thus increasing their practical experience and establishing wider network for future employment;
- ✓ *Customer Care Service*: In 2007 the Bank actively promoted the customer care service introduced in 2006, which enabled clients anonymously, freely and openly to submit questions, comments, complaints or recommendations regarding the services and products provided by SB or its employees;

- ✓ Treasuring the customer as cornerstone of solid business in 2007 SB made several mystery shopping, customer satisfaction analysis and market research studies;
- ✓ Aiming to provide superior customer satisfaction SB strengthen the Call center with human capacities and technologically advanced equipment providing 24/7 tailor made customer support.
- ✓ *Shareholder Benefits:*
 - In 2007 SB again has reinforce the Supervisory Board composition enhancing the expertise and independence of Board members. In addition, SB has increased the number of employees in the Compliance and antimoney laundering unit ensuring full compliance with internal and external rules and procedure and higher transparency,
 - As one of the means of communication with shareholders, analysts/journalists and investors in 2007 the Annual Report was printed in 250 copies and distributed mainly to it shareholders, clients, competition etc. In addition to this, SB disseminate a booklet aiming to introduce to the general public all of its products and the most accessible approach in obtaining them, thus raising the financial literacy of our society;
 - Being part of NBG Group SB has access to local and regional knowledge and experience, thus it can provide our customers with professional advice that enables them to make better financial decisions,
 - In 2007, SB held 3 (three) Shareholder Assembly Meetings, where the quorum of the attendance represented approximately 90 % of the share capital.

COMMITMENT FOR THE FUTURE

One of the commitments that Stopanska Banka has made by joining the Global Compact is to produce a Communication on Progress on annual basis. This significant document in which we expressed leadership, facilitate learning, stimulate dialogue and promote action was declared as one of the Notable Communication on Progress, thus besides being communicated to shareholders, clients, suppliers, public authorities and competition in the country, this highest recognition of SB achievements was acknowledge throughout the largest voluntary network as well.

SB planes to:

- Develop challenging but realistic targets for improving accessibility of our products, develop tailor made products specific for the territory of the country ,thus increasing the financial literacy of our clients, suppliers and society as a hall;
- Continue providing grants, scholarships, donations and sponsorships and raising business awareness;
- Continue the evaluation of customer satisfaction, as part of the process for continuous product refinement;

- Introduce new IT software – T24 which is considered to be the most technically advanced banking system available today, with most powerfully flexible business functionality, which allows SB clients more sophisticated service delivery and less time consuming;
- Enhance internal social responsibility developed through a system of values, targets and actions.

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

- At Stopanska Banka we recognize that employees are our company's greatest asset. We foster a culture where the best people want to work, where people are promoted on their merits, where they treat each other with respect and where opportunities to develop are widely available to all regardless of differences. We invest in talent development and support our employees in gaining new skills, managing their work/life responsibilities and enjoying a satisfying career. We serve as mentors for each other, as well as for others in the society.
- We believe that the support of employees needs, their professional development and their right to be informed and involved are one of the contributing factors for the Bank progress and performance.

PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- ✓ Freedom of employees association:
 - The Labor Union of SB operates openly and independently and has membership of 990 employees. SB openly proclaims membership in the Labor Union, hence there is no discrimination on grounds of membership in the Labor Union. Thus at each new employment, SB human resource officers advocate all labor union rights to the new employees.
 - Sports and recreation activities undertaken by the SB Union are financially supported by the Bank.
 - SB offers equal employment and career advancement opportunities, irrespective of the race, color, gender, religion, political opinion, nationality or social origin. In 2007, out of 19 Senior and Line Managers, 12 are Women;
 - The academic level of the workforce is constantly improving thus, the number of employees with university and college degree increased for 5.56%. In 2007, 105 persons were recruited by the Bank. Indicatively, approximately 3,000 CVs were submitted via the Bank's website, or in hard copy by candidates, 80% of whom held university or post-graduate degrees.

- ✓ SB adopted Procedure for recruitment, motivation and retention of committed employees, which: appropriately rewards and recognize high performing employees, facilitate the recruitment of a new staff member in an area of demonstrated market demand and competition, ensure retention and/or remuneration of an existing employees and assist in the fair and transparent management performance. This Procedure will help SB to achieve and sustain excellence in all areas of banking and financial performance, by focusing on the need to recruit, retain, and reward staff of the highest caliber in all employment groups, and to foster the motivation, morale, and continued development of such employees.
- ✓ *Sport and recreation programs* have been enlarged at four times per year. In this manner SB encourages its employees to sport recreation with allowing reduced charges for football, aerobic, building, tennis, basketball, volleyball etc. to its employees each working day;
- ✓ *Voluntarism has develop in SB* as a result, a team of people that were motivated by the prospect of continuing and strengthening this initiative through environmental, cultural and sport-related activities. One of the activities that the Bank employees has volunteered and participated in is the Blood donation days;
- ✓ *Health and Safety at the Workplace:*
 - Annual medical examination for all SB employees, fully financed by the Bank which includes advanced examinations far more detailed and extensive than those required by law, specially for the categories of women and men employees above 40 years old;
 - Being alert to the health and safety employees needs in 2007 SB put in place new Plan for regular test of fire detection and firefighting systems, power generators which will ensure full effectiveness in every time,
 - In 2007 SB executed several trainings for handling emergencies intended for our employees,
 - The health and hygiene standards are on kept on highest level and maintained by outsourcing company owner of environmental friendly certificate;
 - In manner of supporting the healthy and pleasant working environment SB started an initiative for raising employees awareness of the dangerous consequences of smoking. During 2007 categorization of smoking and non – smoking of all SB buildings (head office and 63 branches and sub branches) was made, thus smoking is permitted in specially designated places/offices for this purpose. It is greatest pleasures to report that majority of SB offices are non – smokers.
- ✓ *Whistle Blowing Policy* that has been in place since 2005 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, which in 2006 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 and work related issues, concerns and problems continued successfully in 2007 as well;
- ✓ *Information Security Newsletter*: In 2006, SB initiated distribution of electronic newsletter exclusively related to information security matters, issues and new developments. This newsletter in 2007 was adequately updated with information and recommendations concerning issues that have been raised by SB employees, which daily face external information security treats.
- ✓ SB gives emphasis as well as to interactive inter-divisional communication and encourages employees to participate in social and cultural activities. Dissemination of information is made possible by the operation and continuous upgrades of the SB intranet which assists the rapid transfer and exchange of information and knowledge.
- ✓ *Donations and sponsorships*: In 2007, SB approved EUR 100,000.00 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.
- ✓ Training plays a major role in the Bank efforts to modernize, and introduce new business capabilities, by focusing on procedures, products, and sales and managerial skills. SB in 2007 has developed new Program for education and training of the employees in the country and abroad:

a) Internal Trainings:

Throughout 2007 seminars and various trainings were organized on current needs basis. In 2007 SB has undertaken several domestic and group project, thus appropriate trainings has been undertaken such as: IFRS; Payment Operations; Stock-brokers services; SAP; T24 migration project; Micro-lending business loans; e-banking; Money laundering prevention. Also, seminars for the new employees were organized such as: Customer Care and sales techniques; 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. Within the period of January – December 2007 the number of employees that attended in house seminars/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 and students (interns) and has established close cooperation with the Economic and IT faculty in Skopje;

b) External Trainings and Professional Education:

SB financially supports post-graduate studies (currently there are 7 post-graduate students in the country, and 3 post-graduate students abroad) and attendance of seminars for taking expert exams (Bar Exam, Chartered Auditor Exam, etc.);

Throughout 2007, 62 employees participated in various seminars organized by foreign and domestic institutions;

c) In 2007, SB allocated EUR 69,000.00 on training and education of its employees.

COMMITMENT FOR THE FUTURE

We envision Stopanska Banka AD – Skopje as a great place to build a career. To attract and retain the profession's best talent, we sustain a culture that supports the aspirations of our people – both at work and in their personal lives. We are proud of our initiatives that support professional development, volunteerism, diversity, and effective work/life balance. In this manner worth mentioning is the Bank philanthropic focus on youth and education helping future leaders and associates, including our employees and partners, clients, and civic and community leaders. The Bank aims to foster a work environment which promotes creativity, continuous development of its employees, leading to the attainment of high professional standards.

- SB plans to continue to be committed to:
 - improving the working conditions,
 - assuring better balance between work, family and leisure,
 - to establish framework ensuring greater and equal access to training and development tailored to the specific employees groups;
 - continuing of its activates toward maintaining and creating of larger non-smoking areas, in respect of our colleagues and our customers;

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

- With certainty we can say that the environment challenges of today have become harder and heavier, due to decades of environmental mismanagement which have created severe legacy issues. Climate change is the greatest issue facing the world at present. It's a global issue/challenge that demands a global response, and all countries must be part of the solution. It affects every society as a whole and each of us individually. In this manner in 2007 the Bank aimed to advance climate change solutions and took the opportunity to demonstrate climate leadership on both the individual and collective level by supporting "Caring for Climate" Statement and donating significantly in CO² reduction. Further on, SB made progress in reducing overall energy consumption by using of environmentally friendly materials and air-conditioning systems with low consumption of energy and clean technology in construction of its new branches. SB in 2007 further more strengthen its policy to restrain from supporting environmentally harmful projects.
- 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

- ✓ SB has made broad improvement in the efficiency of the cooling-heating system;
- ✓ In 2007 a general assessment of the power system was made and significant improvement of the same was put in place in SB Head office;
- ✓ Improvement of the lighting systems using saving energy lighting equipment and putting in effect the natural light;
- ✓ Reducing of paper, energy and water consumption;
- ✓ Enhancing the Annual Environmental Report which each year SB submit to EBRD addressing the issues like: renewable energy sources, energy and

- resource efficiency, waste reduction, maintaining biodiversity, safeguarding human health, and the use of cleaner production in the projects it finances,
- ✓ SB support in the protection of our country nature was expressed by financial help of projects and actions designed to protect ecosystems in danger, as well as informing and awareness-raising of the public,
 - ✓ Each year SB is continuously supporting internal use of recycling paper and advocating for substitution of the internal paper communication with electronic,

COMMITMENT FOR THE FUTURE

SB shall:

- Commit itself to safe and healthy work environment, economical operation, use of materials that are environmentally and human friendly and rational energy consumption;
- Re-define its Environmental Policy in a manner of support the motto that “energy resources are limited and should be carefully used”. Also the Bank shall commit itself to reducing environmental impact of its operation and will support the environmental awareness reassign in the community;
- Aim to use efficiently the construction materials and reduce electrical power consumption. In all new buildings, as well as when renovating old, the Bank shall continue to install systems that ensure rational use of the lighting, heating and air-conditioning installations and considerable energy conservation.

FIGHT AGAINST CORRUPTION

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

COMMITMENT AND SYSTEMS

- Having in mind that corruption erodes public confidence in institutions and leads to contempt for the rule of law, distorts the allocation of resources and undermines competition in the market place, it has a devastating effect on investment, growth and development SB strongly committed to the fight against corruption, no matter in which forms it appears (bribery, extortion, fraud, nepotism and cronyism). Thus, SB is committed to raising the awareness internally and externally in the community at large.

PRACTICAL ACTION & MEASUREMENT OF OUTCOME

- ✓ In 2007, SB reviewed its Procurement Procedure and enhanced composition of Collection and Evaluation Committee and put in place a new Operation procedure which is based on highest ethic standards: no corruption; no fraud; no conspiracy; no compulsion,
- ✓ SB is guided by its desire to strengthen its values and defend corporate interests by promoting internally and externally the highest standards of corporate governance. In 2007, SB has properly adjusted the composition of Supervisory Board in order to be compliant with the regulations for independent members and strengthen the Compliance unit. Contributing to the combat against money laundering, all forms of financial crime and terrorism financing, SB has implemented a tailor made toll for this purpose,
- ✓ The monthly remuneration of the members of the Supervisory Board of SB in 2007 was EUR 200.00, which information is transparent and widely communicated with SB shareholders, clients and appropriate institutions through its web page and Annual Report ;
- ✓ SB Compliance Unit, which institute and apply procedures and performing it also guarantees that the Bank and Group are compliant with the regulatory framework aimed at preventing the engagement of the banking system in legalizing funds that originate from illegal activities and combating terrorism;
- ✓ *Money Laundering Combat:*

- SB has upgraded the relevant internal policies and procedures (Internal Regulation on Money Laundering Prevention, Know Your Customer Policy, etc.);
- SB has increased the number of employees involved in money laundering detection and prevention;

COMMITMENT FOR THE FUTURE

As attribute to the corruption combat SB shall:

- Commit on the highest priority to detection and prevention of money laundering and other forms of financial crime.