

**GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS 2013**
**”MAKPETROL” AD SKOPJE**
**MACEDONIA**

<b>Company name</b>	<b>”Makpetrol AD” Skopje</b>	<b>Date</b>	<b>2013</b>
<b>Address</b>	4, Sv. Kiril i Metodij Street 1000 Skopje	Member since	2004
<b>Country</b>	Macedonia	Employees	Cca. 1800
<b>Chief Executive Officer</b>	Andreja Josifovski	e-mail:	board@makpetrol.com.mk
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## Short description of the business

Makpetrol is the largest company for trading with oil products in Macedonia with over 60 years of experience and a powerful infrastructure of distribution that covers all major and secondary cities and services the main transport corridors in the country. The Company invested in the development of the gas system in the country. Through a joint venture with the Macedonian government, Makpetrol operates and manages with the transmission system of natural gas in the country. The Company has seized the opportunity offered by new regulation which sets shares of biofuels to be introduced on the Macedonian fuel market (it expected a new decision of the Government for setting the mandatory annual share of biofuels to be attained in the total fuels for transport quantities in the country") by entering the business of production of sustainable biofuels. It launched the first and so far the only factory for production of biodiesel in the country whose fuel has been sold only at its own petrol stations as biodiesel B8. In line with its policy of acting ahead of regulatory requirements, the Company is constantly renovating the product mix. Thereby, Makpetrol continues to provide superior quality and fosters highly ethical, environmentally sustainable and socially responsible business practices. Makpetrol has its own laboratory with qualified and trained personnel and has on its disposal the latest equipment to test and to control the quality of oil products and biodiesel. The laboratory performs in accordance with the standard international, European and national methods and it is the only laboratory in the region accredited by the domestic and foreign accreditation houses whose testing results are internationally recognized. Makpetrol is recognized as a Company fostering good environmental practices of the responsible behavior based on usual industrial standards, environmental protection and protection of the human rights. Its business principles are based on professionalism, teamwork, transparency and responsible participation in social events and activities. Makpetrol AD is actively engaged to increase the quality of the social living. The health and the safety of its employees, as well as of the customers and overall citizens are included in the regular activities within the frames of a corporative management of exceptional quality. Makpetrol is committed to convey further its principals to its employees, partners, clients and the public and to remain the leading energy company on the Macedonian market.

Our business in section:

- 65 years functioning, founded in 1947
- Over 400 million euros total annual turnover
- Largest private company for oil products distribution and trading listed in the official market of the Macedonian Stock Exchange
- 1,800 employees with various professional qualifications

- 20.000 tons annual biodiesel production capacity in own biodiesel plant
- ISO 9001 : 2008; ISO 14001: 2004; ISO 17020:2006; ISO 22000
- 122 gas stations on the territory of Republic of Macedonia
- 300 millions liters gasoline and diesel fuels consumed annually
- Over 700 vehicles able to simultaneously service all Makpetrol's gas stations
- Over 3.000 clients visit the gas stations of Makpetrol each hour
- 150.000 m3 total available capacity in 13 warehouses, located on the territory of the Republic of Macedonia
- Over 7000 tons sale of jet fuel GM-1 ( Jet A-1)
- Biodiesel B8 is a blend of 8% biodiesel with 92 % of eurodiesel
- 1.000.000.000 m3 so far delivered natural gas
- 2004 year Makpetrol built its own Laboratory in cooperation with SGS- international quality control institution
- 600.000 liters sold annually of high quality oil and liquids for motorcycles and motor vehicles.
- 30.000 issued Verna cards with multipurpose, that is loyalty, pre-pay and post- pay

## STATEMENT OF SUPPORT

Makpetrol AD bases its sustainable development approach on principle of transparency and progress. In 2004, it committed itself through the United Nations Global Compact to support and translate into acts the ten principles on human rights, labor rights, the environment and the fight against corruption.

With this communication we express our intent to support and advance those principles within our sphere of influence. We commit to making Global Compact and its principles part of the strategy, culture and day-to-day operations of our company and undertake to make a clear statement of this commitment-both to our employees, partners, clients, and to the public. We support public accountability and transparency and will report on progress made in a public manner.

Makpetrol AD is a signatory to the United Nations Global Compact, a platform for encouraging and promoting good corporate principles and learning experiences in the areas of human rights, labor, environment and anti-corruption. This Communication on Progress provides an overview of recent activities in support of the Global Compact's objectives.

President of the Board of Directors of

”Makpetrol” A.D.

Andreja Josifovski

## HUMAN RIGHTS

### PRINCIPLE 1

#### **BUSINESSES SHOULD SUPPORT AND RESPECT PROTECTION OF THE INTERNATIONALLY ACKNOWLEDGED HUMAN RIGHTS**

##### **Our commitment and policy**

In Makpetrol AD one of the most important duties is to offer its employees satisfactory working conditions and to insure their safety.

We abide by the laws of the countries where we operate, and we strive to uphold the principles of the Universal Declaration of Human Rights. The internationally acknowledged human rights are a universal value and we constantly strive for them to be respected and protected.

Makpetrol AD strives to work not only in accordance with the appropriate legal legislative, but also our behavior is in accordance with the basic values of Makpetrol AD- sincerity, integrity, as well as, respect towards people.

Our Human Rights Policy and Human Rights Statement reflect internationally recognized principles- including the United Nations Global Compact and the Universal Declaration's of Human Rights. We are against human right abuses and child labor and have a "zero tolerance" attitude to these issues.

##### **Measurable Results or Outcomes**

Makpetrol AD has implemented human rights protection policy. Our company is providing good working environment. We create safe and healthy working conditions. The company has its own human rights management system, health and safety management system and monitoring system.

The professional health and safety management of Makpetrol AD is based on the principles of prevention, ensuring our employees healthy and safe working environment in accordance with the industrial standards and the appropriate applicable laws and regulations. The senior management of Makpetrol AD entrusts the responsibility to its local affiliates or subsidiaries to implement this policy and to guarantee observance of the applicable laws and regulations for health protection and safety at work. Makpetrol AD provides its employees appropriate training in all health and safety relevant areas.

Makpetrol AD recognize that Health & Safety is of paramount importance to us and is taken into account in every management decision is made and every process it's carry out.

Health and safety is paramount in our thinking and decision making.

Transparent in its operations, Makpetrol AD cooperates with suppliers that share the same responsible attitude; equal approach opportunities to the products, services, funding, donations and sponsorships etc.

Makpetrol AD guaranteed freedom of association and the company does not use forced work force.

The Makpetrol Human Rights Policy Statement is based upon the Code of Conduct to determine in principles our understanding and responsibility regarding Human Rights within our business environment.

As a signatory to the UN Global Compact, Makpetrol regards human rights as universal values which guide our conduct in all spheres of our activities. Makpetrol respects, fulfils and supports the fulfillment of human rights as contained in the Universal Declaration of Human Rights and in internationally recognized treaties, including those of the International Labor Organization. We consider human rights as an essential expression of the social pillar of Corporate Social Responsibility to which Makpetrol adheres.

While governments have the primary responsibility for realizing human rights, Makpetrol has accepted responsibilities to respect, fulfill and support the fulfillment of human rights within its sphere of influence and not to become complicit in human rights violation, as understood under current international law.

Makpetrol's sphere of influence includes individuals and groups to whom we have a certain political, contractual, economic or geographic proximity. The concrete responsibilities depend on the business context, the human rights issues at stake as well as the available alternative options.

Furthermore, Makpetrol uses its influence so that business partners in consortia as well as its suppliers and contractors comply with human rights standards. Lastly, Makpetrol is aware of its responsibilities to support the fulfillment of human rights in the wider society.

## PRINCIPLE 2

### BUSINESSES SHOULD PROVIDE GUARANTEE THAT THEY SHALL NOT PARTICIPATE IN THE ABUSE OF THE HUMAN RIGHTS

#### **Our commitment and policy**

Makpetrol AD respect and have implemented the human rights protection and development system. We do not participate in any form of human rights abuse. We see as our main responsibility to protect our employees of any kind of abuse. Makpetrol AD respect the human rights of our employees and obtaining good and safe working conditions. We create satisfactory and safe working conditions, take steps to prevent injuries; regular health and safety worker training system to detect threats to health and safety; access to bathroom and potable water

Makpetrol AD have clear and strict standards for doing business. We protect and respect our employees during work of any kind of human abuse.

We do not cooperate with partners which take part of all the forms of human abuse. Creating business relations that will result with mutual benefit for Makpetrol AD, as well as for the business partners.

#### **Measurable Results or Outcomes**

Code of professional conduct is implemented as a strategic policy in Makpetrol AD.

We strengthen the rights of equality, safety, personal, economic, social and cultural freedom.

We constantly provide full and transparent information to all our employees, customers and our partners.

Makpetrol AD as a company has defined several areas of responsibility towards: shareholders, buyers, employees, business partners and society. The Management has a task to continuously define the priorities and to change them, when it is necessary.

Makpetrol AD continuously makes efforts to provide safe conditions of work wherein occurrence of possible risk of any kind is being eliminated.

We are aware that safe operation does not depend only on technically operative equipment, but also on the competent people and on the appropriate behavior towards safety.

Makpetrol believes that our people are our most valuable asset and encourages a health work-life balance that ensures that the workplace is clean, safe and healthy at all time.

Human rights cover a wide range of aspects of social, economic and political life and are comprehensive in nature. They protect human dignity on an equal basis and serve to meet the needs of human beings. As interests and needs of different groups and actors are different, Makpetrol considers and applies human rights as a way of balancing the interests and needs of all relevant stakeholders in a practical and culturally sensitive way.

They are strongest with our employees whose human rights we respect and fulfill through adequate policies and programs. Where Makpetrol has an asset equity share of 50% or greater or has a controlling interest, Makpetrol has a direct responsibility to respect the human rights of the people in the surrounding communities as well as, in agreement with its partners, to support the fulfillment of their rights.

Makpetrol monitors implementation of its human rights policy and reports on it in line with international reporting guidelines.



## LABOR STANDARDS

### PRINCIPLE 3

#### **BUSSINESSES SHOULD SUPPORT FREEDOM OF ASSOCIATION AND EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE AGREEMENT**

##### **Our commitment and policy**

Makpetrol AD regulates the labor contracts with employees in accordance with the collective agreement and it fully in compliance with the Law on Labor Rights of the Republic of Macedonia, as well as the European Union's standards on Labor Rights.

Makeptrol AD within its scope of work tends to create working area that is safe, composed of professionals who within their working rely on team work and confidence.

Makpetrol AD is committed to enable and support professional development of its employees; we are keeping our employees informed and involved.

##### **Measurable Results or Outcomes**

Within our company there is a representative Syndicate organization.

Due to the need of the employees and their rights, our company supports and participates to the collective agreement ensuring to the employees freedom of association.

Makpetrol AD respects the right of all employees to form or to join trade unions according to their choice and it shall monitor the results of the individual corporate agreements in accordance with the local laws and regulations.

### PRINCIPLE 4

#### **BUSINESSES SHOULD SUPPORT ELIMINATION OF ALL TYPES OF FORCED WORK AND WORK UNDER THREAT BY FORCE**

##### **Our commitment and policy**

Our business policy excludes any form of forced work and work under threat by force.

We do not use forced labor of any form.

## **A brief description of our Processes or Systems**

Employment is on a voluntary basis, and each employee may leave its work post under clearly defined rules. All our employees have freedom of making decisions. The working hours are determined, according to the law, and each employee is pension, health and socially insured.

We comply with the laws on working hours and employment rights in the country we operate.

We are respectful of our employee's right to join and form independent trade unions and freedom of association.

## **Measurable Results or Outcomes**

Makpetrol AD has established Code of Conduct, and as a document clearly defines the elimination of all types of forced work and work under threat by force.

### **PRINCIPLE 5**

#### **BUSINESSES SHULD SUPPORT EFFECTIVE ABOLITION OF CHILD LABOR**

##### **Our commitment and policy**

In Makpetrol AD exists clear written rules not to use child labor especially working at phases related with operations with dangerous liquid and gases.

It does not employ engage or otherwise use any child labor in circumstances such that the tasks performed by any such child labor could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;

## **A brief description of our Processes or Systems**

Child labor is not policy and practice of our company. Our policy of employment does not allow the engagement of child labor in any segments of our business especially in the hazardous areas where Makeptrol AD is doing its core business (exp. Dangerous liquid and gases).

### **PRINCIPLE 6**

#### **BUSINESSES SHOULD SUPPORT ELIMINATION OF DISCRIMINATION IN RELATION TO EMPLOYMENT AND PROFESSION**

##### **Our commitment and policy**

Makpetrol will recruited and retain employees on the basis of the necessary qualifications and working capabilities without any discrimination.

The company shall not support or be involved in any discrimination in hiring practices, payments and promotions, trainings or termination of employment. The Company shall not discriminate in reference to the age, race, ethnicity, religion, nation of origin, class, disability or gender, gender identification or sexual orientation, trade union membership, political orientation.

Makpetrol shall not allow or tolerate any in adequate behavior, including gestures, verbal and physical contact considered as sexual harassment, threats, abuse and exploitation and it is determined to protect its employees in the activities against this kind of behavior.

Each employee who works for Makpetrol contributes to our success and to the creation of respectable company. By working together, we create new possibilities for our business.

### **Measurable Results or Outcomes**

We are obliged to create working environment based on mutual confidence, whereby each individual who works for Makpetrol will be treated with respect and dignity.

Makpetrol obtains equal possibilities for all employees through strictly defined and consistently applicable standards and with established management system.

Makpetrol AD makes efforts to provide fair treatment and respect towards all employees. No harassment, discrimination and degradation of any kind will be tolerated at the working position towards the employees, suppliers and others.

### **Actions implemented in the last year/planned for next year**

Several training activities were implemented. They were focused on safety, technical and environmental aspects, leadership and other skills development.

This training program is part of the Makpetrol's development strategy.

## ENVIRONMENTAL PROTECTION

### PRINCIPLE 7

**BUSINESSES SHOULD SUPPORT PREVENTIVE ACCESS TOWARDS THE CHALLENGES OF THE HUMAN ENVIRONMENT**

### PRINCIPLE 8

**BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY**

### PRINCIPLE 9

**BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES**

#### **Our commitment and policy**

The environmental protection, observing the legal requirements and the common industrial standards are at the top of the management agenda of Makpetrol AD. The objective of the company is to combine the factors for quality, environment and human aspects in one integrated management system which strives towards sustainable economic success.

Maintaining business within the frames of good corporate management, in accordance with the appropriate laws and regulations (the internal acts of the Company) thereby taking in regard the basic human rights and environmental protection.

One of the fundamental business principles of Makpetrol is to achieve success in all business activities of its scope of work, thereby taking maximal concern for health, safety, as well as for environmental protection.

Protection of the human environment is the integral part of the policy and practice in Makpetrol.

We strive to make our products earth-friendly; our factory, offices, storages etc. environmentally caring.

The Company is accredited to the Environmental management System ISO 14001:2004.

Makpetrol was able to create the basic requirements for its own certification of the Quality Management System ISO 9001:2000.

Makpetrol possess A-integrated ecology license for the Installation for production of biodiesel.

Makpetrol laboratory was accredited according to ISO EN 17 025 by the International accrediting company UKAS as well as by Accreditation Office of the Republic of Macedonia.

### **A brief description of our Processes or Systems**

Makpetrol has divisions which are devoted to environmental protection.

Our company is implementing technical solutions and equipment which are decreasing the possibilities of environmental attack.

Commercial waste. The dealing with the commercial waste on Makpetrol facilities is performed by selecting the waste per type in special vessels, marked with appropriate colors. The quantity of the collected/ delivered waste is appropriately recorded in Logbooks for waste handling, stipulated with the regulation of the Republic of Macedonia. Containers for collecting and recycling old paper are positioned at the office blocks.

Waste from packages. Makpetrol pays compensation to the authorized company dealing with management of waste from packages for waste from packages of the products that Makpetrol releases on the market for sale.

Waste oils. Makpetrol meets the regulations of the Republic of Macedonia regarding the waste oils from the Honda Center, whereupon they are properly recorded and delivered to the authorized company.

Electronic waste. Makpetrol meets the regulations of the Republic of Macedonia regarding dealing of electronic waste, whereupon it is properly recorded and delivered to the authorized company.

According to the regulation of the Republic of Macedonia, Makpetrol prepares Evaluation of the Risk of Danger and Plan for Protection and Rescue from natural disaster, epidemics, epiphysis and other disasters.

The buildings and the facilities of Makpetrol are fully equipped from technical and functional point of view, taking into account the projected measures for environmental protection. They do not pollute the water, soil and underground water, which is accomplished as a result of the use of systems for collecting the technological, fecal and atmosphere waters.

Makpetrol is obliged to prepare elaborations for environmental protection. For the purpose of fulfilling this obligation, elaborations of this kind have been prepared for all storage

facilities and petrol stations and therefore Makpetrol received written approvals by the Ministry of Environment and Physical Planning.

Makpetrol invests in upgrading its technical systems for storages, transport and retails for fuels. This equipment reduces GHG emission and prevents accidents like spilling out fuels etc. This applied technology is in accordance with the latest accomplishments in this field (mass flow metering devices, wireless level meters etc.).

Additionally, other activities were implemented according to quality and environmental protection. For example calendars for 2014 as representative material as well as for internal use, were produce from recycled material.

### **Actions implemented**

Makpetrol develops and realizes projects which are improving employees' awareness of the importance of energy efficiency and other important resources.

Pursuant to the regulations of the Republic of Macedonia, Makpetrol is obliged to monitor the sources of the emission on the environment. The quality of the soil in all storage facilities of Makpetrol is monitored, recorded and analyzed by legal entity that fulfils the conditions for this activity. The taken samples from the storage facilities are within the limits of maximum allowed quantities.

Makpetrol organizes trainings which increase and improve the quality of the opportunities to participate in major events organized by the Governmental authorities devoted to Ecology and protection of the environment and the result is shown with several national esteemed awards.

Makpetrol is carrying out continuous trainings, exercises and periodical inspections of the employees knowledge regarding the protection against fire and explosion. It is establishing procedures for actions taken in the event of fire and during uncontrolled gas leakage. It is performing continuous functional work outs of the stable fire fighting systems and regular checks of the fire extinguisher.

Makpetrol strives to constantly protect the environment, specifically focuses on reduction of CO2 emissions.

There were placed recycling containers in Makpetrol building, its facilities and gas station.

In line with Makpetrol policy of acting ahead of regulatory requirements, with attitude of responsibility towards the environment, the community it operate, and its stakeholders, the Company is constantly renovating the product mix.

The development of the industry for production of fuel additives, as well as the increased number of new vehicles equipped with most advanced technology systems for fuels

injection and combustion, all of which is accompanied by more sophisticated consumers' demand for i.e. (high-performance) fuels, inevitably lead to developing and marketing more quality and more efficient high-performance fuels by the traders and producers of petrol and diesel fuels.

As a results of the above, Makpetrol has realized a Project for additional mixing of the fuels with new additive. New premium fuels were placed on the market under the new name ULTRA.

The use of these fuels will result with better economy, power and accelerating, better lubrication of the engine and lowered emission of harmful gasses and materials.

### **Measurable Results or Outcomes**

In practice, it is installing level meters in our underground tanks at petrol stations and storages and other sophisticated devices.

With the application of the new fuels in Makpetrol, the emission of harmful gases and particles in the air is significantly reduced.

Pursuant to the requirements of A-integrated ecology license for the Installation for production of biodiesel, the limit values of the emissions in the air from the kettle draining are measured. With such a project we are participating and increasing the protection of the environment and all over the climate changing.

## FIGHT AGAINST CORRUPTION

### PRINCIPLE 10

#### **BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBE**

Our Ethics Policy provides specific guidance on the behaviors that allows us to implement our beliefs globally, including governance.

Makpetrol AD developed an internal process to apply specific aspects of our Ethics Policy to suppliers.

#### **Our commitment and policy**

Makpetrol AD rejects bribery and corruption in all forms, whether public or private, active or passive. Makpetrol AD will not resort bribery and corruption in order to obtain or retain business or other improper advantage in the conduct of international business.

Makpetrol AD has clear stand in relation to bribery and corruption, that is, the employees must not offer or accept bribery. Direct or indirect offer, payment, asking for and accepting bribe in any form by the employees is unacceptable.

Makpetrol AD promotes its policy of non accepting bribe and corruption among its business partners.

The corruption is the enemy of the development and to the human progress; therefore Makpetrol AD bases its entire work on transparency.

Makpetrol AD works in accordance with the positive national and international legal regulation which deals with the given problems.

#### **Measurable Results or Outcomes**

Raising employee awareness of bribery and corruption risks is therefore a priority of Makpetrol AD. One way we do this is through a stance that is clearly spelled out in the corporate Code of Conduct. In addition, employees in position of responsibility or potentially more exposed, including purchasing agents, legal officers and senior managers, received dedicated training.



Makpetrol AD cooperate with the Government in a constructive manner and we do not participate in the activities of the political parties.

Makpetrol has a no tolerance policy towards bribery and corruption. This policy extends to all the company's business dealings and transactions. All employees are required to comply with this policy.

We have "Zero tolerance" policy towards bribery and corruption.

We endeavor to conduct our daily business in an ethical and responsible manner and select and engage business partners who share our good Corporate Social Responsibility values.

### **Makpetrol AD Donation program during the 2013 related to all 10 principles**

The Board of Directors of Makpetrol has made a decision for assignment financial assets to the militants from the Peoples Liberation Fight in the amount of 60,000.00 MKD.

The Board of Directors of Makpetrol has made a decision on assignment of laptop computer to Dejan Stojkov, member of the Association for dystrophy and other neuromuscular diseases, Dystrophy diseased – Strumica.

The Board of Directors of Makpetrol has made a decision on donating commercial goods for humanitarian purposes. The Board of Directors has approved funds for participation in realization of the project Ansambal Manjifiko Macedonian Myth- Legend and Reality (Culture and Art Division, Skopje) in the amount of 300.000,00 MKD.

The Board of Directors of Makpetrol has made a decision on assigning 3 Verna cards for fuel to the Tetovo- Gostivar Eparchy in the amount of 10.000,00 MKD each.

The Board of Directors of Makpetrol has made a decision for assignment of New Year's packets to children from foster families and to the Center for Disabled Children, in the total amount of 44,000.00 MKD.

The Board of Directors of Makpetrol has made a decision on approving financial assets to the Embassy of Germany in R. of Macedonia, in the amount of 30,000.00 MKD for the participation of Makpetrol in the issuance of the representative publication, on the occasion of the Day of the German Union and the 20th jubilee of the Macedonian- German diplomatic relations.

On the occasion of celebrating the Independence Day in USA, the Board of Directors has approved financial assets to the Embassy of USA in R, Macedonia, in the amount of 60.000 MKD.

The Board of Directors of Makpetrol has made a decision on assigning old computers to the Kindergarten 8-mi April Suto Orizari, Skopje and to the Center for Social Care Initiatives-Nadez Skopje.

## **Conclusion**

We continue our commitment to communication and partnership with all stakeholders in an open, systematic and transparent way.

We believe that the community began to recognize our efforts and pleased that during the year received a number of prestigious awards and it is from our stakeholders.

Shield our environment by supporting and contributing to the welfare of our employees, local communities and society in general.

Makpetrol continues its commitment to achieving safe and healthy environment for all our employees, suppliers and contractors.

Makpetrol continue its significant progress in implementing the environmental and social challenges and as the company remains fully committed to monitoring these goals with the involvement and partnership with our stakeholders.

To maintain their business goals and values creates an ethical and socially responsible manner, causing less damage and striving to contribute more.

To further improve our environmental performance, pay particular attention to the upgrading of knowledge, networking with other companies and stakeholders, and developing and integrating new policies, specialized tools and mechanisms.

“Makpetrol AD” Skopje

January 16<sup>th</sup> 2014