

KOMERCIJALNA BANKA AD SKOPJE

COMMUNICATION ON PROGRESS

2013



komercijalna banka
ad skopje



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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About Us

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

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

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

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

Our objective is to make our Bank and its services close and relevant to our valued customers, both in Macedonia and worldwide. The Bank has a widespread network throughout the country, consisted of city branches, branches, ATMs and POS terminals. For the purpose of performing fast and efficient international services for its clients, the Bank has established banking relations with 868 banks in 77 countries and correspondent relations with 35 banks.

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

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



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



2013 was a notable year for our Bank's corporate social responsibility, as we went ahead with the implementation of the CSR strategy for the period from 2012 till 2016.

As always, we went on to find engaging solutions for the challenges in our ever-changing environment, while giving equal attention to the needs of all of our stakeholders. We initiated some important new projects and continued and upgraded the ones we can refer to as traditional.

As you will find out reading this report, Komercijalna Banka kept its ongoing practice of supporting community projects, marginalized groups, important cultural events, the employees, our youth and every other aspect we found crucial for further prosperity of our society. We continued the cooperation with acclaimed NGOs and their projects, but also supported fresh initiatives with promising ideas.

Komercijalna Banka is an active member of the Macedonian Global Compact Network. By taking part in various initiatives and debates, we vouched for improvement of the climate for corporate and individual social responsibility, promotion of the Ten Principles and advancement of companies' role in building a better future for our society. Komercijalna Banka is proud of its rich heritage as a responsible company deeply connected to its society, and is always ready to share and inspire others that are willing to join this cause.

The Bank's Coordination Body for Corporate Social Responsibility continued to be a key element in the organization and execution of CSR policies. It ensured goals and tactics are well communicated throughout the company and kept high levels of awareness and involvement by all organizational units. The inclusion of employees at all levels is important to us as we strive to make social responsibility an integral part of our culture.

We entered 2014 with the same enthusiasm and determination. Our day-to-day operation remains fully on-course with our CSR strategy, the Global Compact and its principles.

It is our firm intent to approach the challenges of our society systematically, timely and proactively.

Sincerely,

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

Hari Kostov

*Chief Executive Officer of
Komercijalna Bank AD Skopje*



The Ten Principles of the United Nations Global Compact

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

HUMAN RIGHTS

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

LABOUR

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

ENVIRONMENT

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

ANTI-CORRUPTION

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



Human Rights

Assessment, Policy and Goals

The subject of human rights protection takes center stage in our CSR activities. Improvement in this area is a crucial and constant battle, and Komercijalna Banka is always ready to take part in it.

We determine our fields of action via thorough analysis of the conditions in the community and constant cooperation with mainly NGO partners. Some of them are known issues that are, unfortunately, present in our society for years, and some are brought to our attention by concerned groups and patrons. In any case, we feel obliged to offer as much aid as we can, in both direct contribution as well as support by promoting and lobbying for change.

Last year, the priorities were split in several areas – women that are victims of domestic violence, people with visual impairment, children with developmental disabilities, and children from the streets. With few exceptions, these groups have already been supported by Komercijalna Banka constantly throughout the years.

Implementation

The Bank takes action in the area of human rights through sponsorships, donations, voluntarism, education and internal operative processes. Most of the projects were jointly planned and executed with partner organizations, but some were independently realized by Komercijalna Banka.

In 2013, we had a prime example of adapting operative processes to meet the needs of marginalized groups, as Komercijalna Banka was the first of the banks in Macedonia and among the first big companies in the country to provide easier access and use of bank services and products for the persons with total vision impairment.

Our IT Division and Retail Banking Division, in cooperation with concerned persons and representatives of the Association of the Blind of the Republic of Macedonia, have provided easier access and use of the Internet Bank for the persons with vision impairment, as well as facilitation of the procedures for opening a transaction account and exercising other transactions in the Bank. As for the electronic payment of bills, persons with total vision impairment can use the readers based on technologies with open code (such as the NVDA reader) for payment through the Internet Bank of Komercijalna Banka. Exercising of other



bank transactions for which the Bank requires personal appearance in the Bank, such as for opening an account of a person with vision impairment, presence of the proxy is not obligatory any more. Written consent may now be given by signing a statement by a facsimile. Thus, one of the initial problems which had violated the integrity and the human rights of the persons with vision impairment became past.

These changes allow the persons with vision impairment to use all bank services and provide conditions for their full social integration and productive life.

One of the projects we can now call traditional is *"Women for women"*, which began as a combined initiative of Komercijalna Banka and the Macedonian Platform Against Poverty (MPPS) aimed at providing psychological support to women-victims of domestic violence and their social inclusion. As planned, in 2013 we took this long-term action from its initial stage to a higher level. With the financial contribution from Komercijalna Banka and the Swiss Agency for Development and Cooperation, and the cooperation of MPPS, the Association for Health Education and Research HERA and the City of Skopje, the first Center for Victims of Domestic Violence was opened, which will protect the victims, the perpetrators, and the affected children as well. With this new step, not only we broaden the scope of professional help to the concerned families as a whole, but we raised public awareness even further and pushed this painful issue towards the focus of public discussion. The Bank previously initiated the project by providing financial resources for the engaged psychotherapists, and continued it with donations of office equipment for the shelter centers, gifts and personal attention to the victims for the International Women's Day (March 8th), occasional visits and socialization with the victims and the shelters personnel, and perhaps most importantly, promoting this painful subject through public appearances and lobbying for broader action. We are happy to see the results of those efforts rise to greater extent.

Fourth year in a row, Komercijalna Banka actively participates in the project of the Red Cross of the Republic of Macedonia *"Better Socialization of Children and Youth with Special Needs"* as General Sponsor, helping this particularly vulnerable and marginalized social group. The Bank also brings holiday happiness to the children from the Center for Fostering Children from the Streets located in Shuto Orizari with the project *"New Year Hope"*, donating gifts and clothes to these children we hold very dear.





"New Year Hope" – the children from the Center for Fostering Children from the Streets perform holiday songs to the Bank's employees

Apart from the efforts targeted at specific vulnerable groups, the Bank continued implementing its policies and procedures that concern rightful and respectful treatment of clients. The Bank has established policy of handling clients' complaints, which defines the basic principles and general rules for establishment of an appropriate framework that enables receiving feedback from clients and other stakeholders (opinions and suggestions, including complaints) as well to organize, establish and implement the process of handling received complaints and other opinions. Continuous client feedback is ensured through various channels (call center, e-mail, complaints and suggestions box etc.) and adequate behavior of employees is guided and monitored through the implementation of the Code of Conduct and the programs for continuous training.

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

Measurement of outcomes

In 2013, Komercijalna Banka participated in more than 15 different projects concerned with improvement of rights and living conditions of marginalized social groups. The projects were subjected to internal procedures for feasibility and outcome evaluation. Having in mind the specifics of the area, outcomes from

many of the projects are difficult to be quantified, but are continuously monitored and evaluated in cooperation with partner institutions.

In 2013, a total of 99 complaints and suggestions from customers were noted and accordingly resolved.



"Better Socialization of Children and Youth with Special Needs"

Goals for 2014

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

Labour

Assessment, Policy and Goals

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

The Bank's Labour Policy strives for continuous improvement of employees' capabilities through life-long learning, while insisting on protection of employee rights and ensuring high motivation. These are the main pillars around which the CSR activities aimed at our employees evolve.

Implementation

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

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



Employees at the 9th Skopje Marathon

In 2013 the Bank maintained the excellent relations with the employees' Union.

Employee motivation was ensured through various means, including socialization and participation in charity events. Employees were included in the planning and execution of CSR activities, such as the projects *"Women for women"* and *"New Year Hope"*.

The team spirit was also nurtured by continuing the participation of our employees in the annual humanitarian ski tournament at Ski Center "Zare Lazarevski" in Mavrovo and the Skopje Marathon, where our women colleagues made us especially proud with their 4-th place in team ranking in the 21 km half-marathon and 6-th place in the 5 km humanitarian race.



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

Measurement of outcomes

In 2013, 162 employees participated in various seminars and courses in the country and abroad, which is 13.64% percent of the total number of employees.

At the same time, 394 students conducted short-term internships with the Bank as part of their education process at universities.

The employee structure in 2013 reflected the policy for diversified workforce with equal rights and zero discrimination:

<i>Number of employees</i>	1,188
<i>Gender structure</i>	Female 72.98%; Male 27.02%
<i>Age structure</i>	<ul style="list-style-type: none"> • up to 35: 27.27% • 36 to 45: 24.58% • 46 or above: 48.15%
<i>Education structure</i>	<ul style="list-style-type: none"> • High school degree: 43.94% • Advance school degree: 4.80% • Bachelor degree: 43.77% • Master degree: 6.99% • Doctoral degree: 0.5%

Goals for 2014

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



Environment

Assessment, Policy and Goals

Komercijalna Banka finds itself concerned with environmental issues both directly, with its own operation and impact, and indirectly, through the distribution of financial resources towards projects that might be or might not be environmentally justified. This position bears great responsibility and requires our outmost commitment and vigilance.

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

Implementation

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

Day-to-day operative decisions keep constant regard of rational consumption of resources, energy efficiency and use of eco-friendly materials. Considering the nature of our operation, in 2013 we continued paying special attention to rational use of paper and recycling.

Measurement of outcomes

In 2013, regarding this kind of projects, Komercijalna Banka granted several loans through the abovementioned credit lines from the Macedonian Bank for Development Promotion and from the Bank's own funds, amounting approximately 12.5 million euros.



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

Goals for 2014

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



Anti-Corruption

Assessment, Policy and Goals

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

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

Implementation

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

Measurement of outcomes

No cases of corruption were reported in 2013.

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

Goals for 2014

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

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

