

Communication on Progress of
FUIB
for 2013-2014



Перший
Український
Міжнародний
банк

Перший Український

**to the Executive Director
of the United Nations Global Compact
Mr. George Kell
10017, New York
USA**

Dear Mr. Kell,

In April 2013, First Ukrainian International Bank (FUIB), a large universal bank, became one of the United Nations Global Compact participants, thereby declaring the commitment to 10 UN Global Compact principles in the field of human rights, labor relations, environmental protection and fighting corruption.

In 2013, the Bank started to implement the principles of social responsibility and sustainable development into our daily activities. In 2014 we revised our plan of action due to difficult political and economic situation in Ukraine. Now we are ready to present for your attention a Report on the progress of FUIB for 2013-2014.

For over 20 years we have been investing part of FUIB's profit not only in the modernization of financial institution, but also in social development of the territory of our operation. Thus, in 2013-2014 our investment in the modernization amounted to more than 241 million UAH. And social investment, namely in the increase of occupational safety of our employees and their development, provision of urban amenities where our bank operates, as well as in the development of business environment, amounted to more than 4.5 million UAH. You can read more about our concrete actions in the Report.

Despite the fact that 2014 was very difficult for Ukraine, we continued to invest in bank's continuous operation, preservation of existing jobs and creation of new ones, development and training of employees. Employees are our bank's most important asset, therefore part of FUIB investment in 2014 was channeled into support of employees working in the Donetsk and Lugansk regions. The Bank provided our colleagues from the east of Ukraine with jobs in safe regions, improved their children's health in summer camps.

The business, which continues to operate in an open and transparent manner, honestly pays taxes, preserves jobs, invests in the development of the territories of its operation, is responsible to the society today in Ukraine. We acknowledge our responsibility and we do everything in our power for social and economic growth of Ukraine.

Serhey Chernenko,
Chairman of the Management Board of PJSC FUIB



Перший
Український
Міжнародний
банк

Перший Український

About FUIB

First Ukrainian International Bank (FUIB) is a large and reliable private bank that has already been working in the Ukrainian financial markets for more than 20 years and strives to provide customers with high quality banking services, constantly improving service and individual approach.

FUIB is among the ten largest banks of Ukraine by key financial indicators.

The main bank's shareholder is LLC "SCM Finance" (92.24% of the capital stock) part of the SCM Group, one of the leading Ukrainian industrial holding companies, which plays a key role in the economy of Ukraine and Eastern Europe. Citizen of Ukraine Mr. R. L. Akhmetov exercises actual control over the bank.

FUIB is a universal bank, the activities of which are focused on commercial, retail and investment banking operations. FUIB strives to become a first choice bank both for individuals and for corporate clients: a financial advisor and an assistant that understands customers' needs and problems, foresees their expectations and offers effective solutions.

FUIB in numbers as at the end of 2014

Geographic coverage: entire Ukraine

Network: 153 branches

Staff: 3 493 employees

Clients: approximately 30 thousand corporate clients
1.5 million private clients

Investment: more than 106 million UAH in bank
development

Taxes paid: more than 374 million UAH



RESPONSIBILITY OF FUIB

First Ukrainian International Bank is a part of the SCM Group and works as a responsible business. FUIB's main corporate values reflect the following principles of doing business: honesty and decency, responsibility, efficiency and professionalism.

Through its activities, the First Ukrainian strives not only to provide sustainable financial results, but also to make a significant contribution to the social and economic growth of Ukraine.

In 2013, our bank developed and approved the Policy of corporate social responsibility. 2013 became the year FUIB joined the UN Global Compact. In May 2013 SCM Group, which includes the Bank, developed and approved Principles of business ethics "How We Work", on the basis of which in 2014 First Ukrainian adopted a new version of the Code of Corporate Ethics, where bank's ethical principles and values are set out. In addition, in 2014 FUIB developed a Policy of sustainable development, which will be adopted in the beginning of 2015 and will replace the Policy of corporate social responsibility.

People are in the center of FUIB's sustainable development strategy, namely our employees, customers, residents of the cities where the bank operates. Comfortable working conditions were created for the employees at the bank, and there are programs for professional and career development. FUIB is constantly working to improve the quality of services for customers. The Bank is actively involved in projects aimed at solving social problems of the Ukrainian society. First Ukrainian is working on more efficient consumption of energy and natural resources. We understand that all of this is an important contribution to the future of our children and our country.

More than **4.5 million UAH** –
FUIB's investment **in sustainable development**
for 2013-2014:

- development of employees, improvement of their health and security in the workplaces;
- improvement of life quality in the regions of FUIB's operation and development of business environment.



Перший
Український
Міжнародний
банк

Перший Український

FUIB'S POLICY OF SUSTAINABLE DEVELOPMENT

In 2014 FUIB developed a Policy of sustainable development, which will be adopted at the beginning of 2015 and will replace the Policy of corporate social responsibility, which has been in effect at FUIB since 2013.

FUIB's policy of sustainable development corresponds with the unified principles and approaches to the activities in the field of sustainable development for all companies of the SCM Group, which are declared in the Principles of business ethics of the SCM "How we work" and in the Policy of sustainable development of the SCM Group. All companies in the SCM Group are obliged to adhere to these approaches in all aspects of activities: in strategic planning, in project implementation and at all levels of management.

SCM GROUP SUSTAINABILITY POLICY





IMPLEMENTATION OF TEN PRINCIPLES OF THE UN GLOBAL COMPACT IN THE STRATEGY AND ACTIVITIES OF FUIB

PRINCIPLES OF HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should not be involved in human rights abuses.

Policy

First Ukrainian International Bank supports and respects the protection of internationally proclaimed human rights and the rights enshrined in the Universal Declaration of Human Rights, adopted by the UN General Assembly.

Human rights and freedoms are respected and observed in FUIB without any discrimination, regardless of gender, race, nationality, language, age, place of residence, religion and political beliefs.

In 2014 our bank adopted a new version of the [Code of Corporate Ethics of FUIB](#). Based on this document we build relationships with each other, with our partners, competitors, customers and with the Ukrainian society as a whole. The Code also contains provisions regarding respect for identity and human rights observance.

FUIB's principles of corporate ethics
1. Honesty and conscientiousness in relationships within the bank
2. Honesty and conscientiousness in relationships with colleagues
3. Honesty and conscientiousness in relationships with the proprietors (shareholders) and investors
4. Decency in relationships with customers, business partners and other interested persons
5. Decency in relationships with competitors
6. Respect for identity and human rights observance
7. Transparency and openness
8. Rejection of bribery and fighting corruption
9. Sustainable development and social responsibility
10. Legitimacy and supremacy of the law



Our principles and approaches to interaction with the society are also recorded in FUIB's Policy of sustainable development. Bank refrains from the implementation of any solutions and projects that may directly or indirectly lead to violation of the current legislation of Ukraine and violate the principles of public morality and ethics. The Bank is constantly working to ensure that local communities, in whose territory it operates, regard it as a partner who genuinely wants to make its contribution to social and economic development of the territory of operation. Corporate volunteering is actively developing in FUIB.

Implementation

FUIB's principles of corporate ethics are observed by all bank employees. In addition, we call upon our contractors, partners and customers to also adhere to the principles we proposed.

Since March 2014 FUIB joined the project "Trust" of the SCM Group. The aim of the project is to promote and strengthen regulations and standards of business ethics in the "SCM" Group companies. Trust line is a single direct feedback channel, through which every employee of the Group may report violations of the Code of Corporate Ethics of the SCM Group companies, including FUIB. In case of detecting corporate violations in our bank, employees may contact the Compliance Control Division of bank's Legal Department or call the Trust line of the SCM Group.

SCM Trust line:

0800-60-0777

(all calls are free within Ukraine)

trustline@scm.com.ua

Compliance Control Division of FUIB's Legal Department monitors compliance with the principles of integrity in customer service, bank secrecy, protection of a database, compliance of the offered product with customer's order. Compliance Control Division also controls the veracity, completeness, objectivity and timeliness of information provided by the bank in accordance with laws and regulations to public authorities, partners, clients and the public.

The Bank strives to provide the society with truthful information about their processes, products and services. FUIB, being a leader in terms of information transparency among banks, constantly improves business transparency. The Bank timely discloses complete and reliable information, including information about its financial position and economic indicators. Thus, shareholders and investors are able to make informed decisions and customers have the necessary information about their financial partner.



In 2013-2014 the First Ukrainian International Bank was actively implementing projects aimed at the development of business environment. Our experts were providing the necessary advisory support for representatives of small and medium-sized business and budding entrepreneurs and were carrying out training in the regions of operation.

FUIB pays great attention to educational communications in social networks. The Bank is implementing the program "FUIB – your financial guide online", which includes aspects of financial management, familiarizes Ukrainians with banking products, financial instruments, etc.

Quality service is one of the priorities of development for our bank. It includes promptness and accuracy of rendering services for customers, vocational counseling, transparency of service conditions, availability of loyalty programs, a wide range of products and services. It is important for us to constantly hear customer's voice, to know how he feels about what we do. We collect customers' opinions in different ways – through external studies, program "Mystery Shopping", internal specialized surveys, complaints and suggestions, which we receive through various channels: feedback on the website, social networks and requests to the call-center. Information that was collected and analyzed helps us to understand whether our standards are correct and whether they meet the needs of Ukrainian market and customers today. Standards of customer service were developed and implemented in FUIB.

Bank investment
in social projects
in 2013-2014 amounted to
235 thousand UAH

Corporate volunteering was actively developing in the First Ukrainian International Bank in 2013-2014. Our employees participated in environmental and social initiatives.

Every year in April, our employees come to the environmental voluntary clean-up, participating in the all-Ukrainian promotion "Let's Make Ukraine Clean!", which is held within the framework of the international social project "Let's Do It". They make the life of their cities better with their own hands and clean parks from garbage.

Every year in May or September, FUIB employees together with their families participate in a charitable "Chestnut Run", which takes place in the central streets of Kyiv. All funds collected within the framework of the project are transferred to the Research and Practical Medical Center for Pediatric Cardiology and Cardiac Surgery of the Ukrainian Ministry of Health.

Every autumn FUIB's football teams participate in the tournament "Cup of Hope", which is held by a club "Football For All" and a charitable foundation for assistance for children with cancer "Crab". The proceeds from the participating teams' charitable contributions are channeled to the purchase of surgical consumables and medicines for patients of pediatric oncology department of the National Cancer Institute.



Our bank has been supporting children from orphanages for five years. Traditionally in May and December we carry out charity promotions and auctions to collect essential supplies and cash donations for the children of 23 specialized child care centers in different regions of Ukraine.

PRINCIPLES OF LABOR RELATIONS

Principle 3: Businesses should support the freedom of association and real recognition of the right to conclude collective agreements.

Principle 4: Businesses should stand for the elimination of all forms of forced and compulsory labor.

Principle 5: Businesses should stand for the complete eradication of child labor.

Principle 6: Businesses should stand for the elimination of discrimination in the field of employment and occupation.

Policy

FUIB is one of the best employers in the banking market of Ukraine. At the end of 2014 3,493 people were employed in the bank. Those are employees who work in offices and departments: economists and financiers, workers and people of creative professions. A team of professionals is our bank's main asset, one of the main factors of success and sustainable development of the financial institution.

In the field of labor relations FUIB adheres to the Constitution of Ukraine, current legislation of Ukraine and supports the provisions of International Labor Organization Declaration on fundamental Principles and Rights at Work, adopted in 1998.

We focus on the highest standards in the provision of decent and safe working conditions for our employees and development of their professional skills.

FUIB carries out its activities, observing the principles of conscientious working practices and respect for human rights:

- Observance and respect for the rights of employees.
- Observance of the current employment legislation of Ukraine.
- Provision of decent working conditions, competitive wages and social protection of employees.
- Development of the intellectual potential of employees.

It is recorded in the Code of Corporate Ethics of FUIB that absolutely all bank employees shall observe and respect human rights and freedoms without any discrimination, regardless of gender,



race, nationality, language, age, place of residence, religion and political beliefs. FUIB does not use child labor.

Questions related to occupational health and hazard management are controlled by the management of the bank, appointed the Deputy Chairman of the Management Board supervising this area. Current activities are carried out by the special structural division of the Bank, that is, Sector of Occupational Safety of General Department of the Bank Activities Management.

The following are developed and implemented in FUIB: Procedure for search and selection of personnel, Staff training policy and other procedures, which define approaches to search, motivation and training of employees.

Implementation

FUIB respects the right of its employees to form labor unions and other associations representing their interests. Bank cooperates with these associations in an open and honest manner.

The Collective agreement is in effect in the bank, where provisions on working conditions and wages, social benefits and guarantees are formulated. The Collective agreement guarantees the protection of employees' rights and interests. All amendments to the collective agreement are discussed with employees and adopted at the staff meeting.

In 2013-2014 FUIB did not stop investing in the improvement of workplace safety, preservation of employees' life and health. Employees received health insurance and undergone regular medical examinations; the bank created safe and comfortable jobs, provided employees with up-to-date personal protective equipment. Responsible employees of the bank (for gas facilities, safe operation of boilers, occupational safety, electrotechnical personnel and others) underwent specialized training, and all other employees got through a regular briefing on occupational safety. Distance training course on occupational safety for new FUIB employees was developed and implemented in the bank.

In 2014, combat operations (ATO zone) took place in the eastern part of Ukraine and in the critical situation our bank did not leave its employees without support. We evacuated our colleagues' children for recuperation, transferred employees to safe regions, providing them with jobs.



In 2013-2014 FUIB investment
**in employees' occupational health and
safety**
amounted to more than
4.8 million UAH, including more than
1 million – expenses on the relocation of
employees and evacuation of employees'
children from the ATO zone.

Employees' development is one of the main directions of bank's strategy. FUIB constantly invests in employee training programs, perfects employees' professional skills. "The Institute of Internal Training" is successfully functioning in our bank. Educational trainings are regularly held for the personnel. "School of Management" for the development of management skills of executives is also functioning in the financial institution. In FUIB business is run by effective managers.

FUIB believes in the potential of modern Ukrainian youth. The bank cooperates with higher educational institutions of Ukraine: offers students practical training, employs the best students based on the practical training results. FUIB is an active participant of the exhibitions of vacancies.

FUIB's investment
in employees' development and training
in 2013-2014 amounted to
5.3 million UAH



ECOLOGICAL PRINCIPLES

Principle 7: Businesses should support the approach to environmental issues, which is based on the precautionary principle.

Principle 8: Businesses should undertake initiatives aimed at the increase of responsibility for the state of environment.

Principle 9: Businesses should promote the development and distribution of environmentally friendly technologies.

Policy

Efficient use of natural resources and reduction of environmental impact are important conditions for successful business development and decent life. Therefore, we strive to make rational use of natural resources, such as electricity, water, paper and minimize the environmental impact of our business.

FUIB complies with national legislation in the field of environmental protection.

The bank pays great attention to the development of ecological culture among bank employees, partners, customers and Ukrainian society as a whole.

Implementation

When implementing innovative technologies into business processes and customer service, FUIB supports "green" standards and makes its contribution to the preservation of the environment.

Self-service online systems not only are convenient for customers and profitable for business, but they are also beneficial to the environment. As at the end of 2014 "PUMB online" substituted the work of 40 regular bank branches with the average personnel of 7 employees each. This is a significant economy of natural resources and energy that would be required for the organization and operation of the branches.

Every day FUIB employees make efforts to preserve the environment:

- implement principles of a "Green Office": economize energy resources, spare paper, optimally use the equipment, implement procedures for electronic document management, collect waste paper;
- promote the formation of ecological culture by participating in various environmental initiatives.



ANTI-CORRUPTION

Principle 10. Businesses should stand against all forms of corruption, including extortion and bribery.

Policy

In 2014, our bank adopted a new version of the Code of Corporate Ethics of FUIB, where the best practices in the field of corporate culture and ethics are taken into account. The Code defines the fundamental principles of doing business. One of the declared principles is "the rejection of bribery and fighting corruption". All the principles, requirements and standards of the Code of Corporate Ethics are compulsory for all bank employees.

A transparent system of corporate management has been implemented in FUIB. In 2013-2014 FUIB did not make findings of the facts of prosecution of employees in connection with corruption.

Implementation

Following the recommendation of the UN Global Compact regarding the submission of reports about actions and initiatives that have been taken to fight corruption in accordance with the two levels of responsibility (basic reporting elements and desired reporting elements) FUIB has chosen to report by basic reporting elements (B1-B7).

Reporting Element B1: Public statements to fight corruption

"Rejection of bribery and fight against corruption" is one of the fundamental principles of doing business in FUIB, which is recorded in the Code of Corporate Ethics of the bank. FUIB opposes any attempt of bribery and corruption in order to get additional competitive advantages. The Bank rigorously observes the rules for the selection of suppliers without giving unreasoned preference to anyone of them.

Reporting Element B2: Commitment to be in compliance with relevant laws

One of the principles of the Code of Corporate Ethics of FUIB is the legitimacy and supremacy of the law. FUIB carries out its professional activities on the basis of rigorous observance of the Constitution of Ukraine, current legislation of Ukraine, international legal standards, regulations of the National Bank of Ukraine and internal bank documents.

Compliance function is in effect in our bank, that is, independent activities within the framework of the internal control system, providing risk management of regulatory sanctions, financial losses, reputational losses resulting from the non-compliance with legislative regulations, provisions of internal documents, standards of fair competition, conflicts of interest, non-compliance with the requirements of corporate ethics.



Reporting Element B3: Implementation of the commitment to anti-corruption

Regulatory document is in effect in FUIB, which is aimed at preventing conflicts of interest and violations related to the procurements from outside suppliers – a procedure was adopted for the selection of contractors, which provides transparency and openness of procurements. Conditions and results of tenders and competitions are published on the corporate portal.

Procedure for declaration of external activities of the personnel has been functioning in the bank since 2012. It is established there that employees shall necessarily inform the bank about their external activities (founders, owners, shareholders, top managers of other companies). This information is analyzed and it is determined whether or not conflict of interest exists between the employee, the bank, its customers and counterparties.

Procedure for delivery and receipt of gifts and invitations at "FUIB" has been in effect in the bank since 2012.

Anti-monopoly Compliance Policy, the main purpose of which is to prevent the occurrence of violations in the field of competition law on the part of responsible divisions of the bank, and the Procedure for the provision of control over the use of protected information, which promotes preservation of sensitive data, were approved in the bank in 2014.

Reporting Element B4: Support by the organization's leadership for anti-corruption

FUIB's leadership shares ethical principles and management approaches recorded in corporate documents and participates in the improvement of internal regulations.

The Committee on ethics and business conduct is created in FUIB; it includes the top managers of the bank. The main purpose of the Committee is to ensure implementation of the FUIB's common standards and principles of SCM in the field of corporate ethics and business conduct.

In the purview of the Committee:

- response to petitions about violations and monitor compliance with the requirements of the Code;
- develop recommendations to improve business ethics;
- monitoring the impact of business ethics on corporate culture FUIB.

An effective system of corporate management is in effect in FUIB. It is based on the balance of interests of all interested parties, relationships between the shareholders and third parties, openness of doing business and information transparency, equality and objectivity in decision making.

General Meeting of Shareholders is the supreme management body in FUIB. Bank's Supervisory Board, which is elected by the General Meeting of Shareholders and accountable to it, protects the



rights of FUIB's shareholders, controls and regulates the activities of bank's Management Board in accordance with the Charter and the current legislation of Ukraine.

Bank's Management Board is an executive body that is currently in charge of FUIB and implements the tasks set by the shareholders and the Supervisory Board. The Audit Commission shall audit financial and economic activities of the bank and monitor bank's compliance with the laws and regulations and legitimacy of operations performed.

An Internal Audit Department is in effect in the bank. It is subordinate to bank's Supervisory Board and assists governing bodies in ensuring FUIB's effective operation. An external auditor (audit firm), who is not bound with FUIB and its shareholders by property interests, is annually engaged for the purpose of audit and confirmation of bank's financial statements.

In accordance with the recommendations of the Basel Committee on Banking Supervision, a Compliance Control Division was formed in the bank in 2011, which ensures the performance of compliance function and report to the Management Board and the Supervisory Board of the bank, which provides a high degree of involvement of the management.

Reporting Element B5: Provision of information and training employees in anti-corruption principles and standards of conduct

In order to inform employees about the ethical principles and implemented instruments to fight corruption, FUIB uses a variety of communication instruments:

- Informing through internal publications, namely corporate magazine and intranet portal;
- Placement of documents for public access in the electronic document management system.

All bank employees undergo training "Compliance and compliance function in the PJSC "FUIB". This training course contains detailed information concerning the current procedures in the field of compliance control, including with regard to fighting corruption.

Reporting Element B6: Internal processes providing the sequence of actions to fight corruption

The following internal processes are implemented in FUIB to provide the compliance with corporate ethics and prevention of corruption:

- **Trust Line.** A single Trust Line has been working in FUIB and in all other companies of the SCM Group since 2013. It helps to react promptly and efficiently to violations of corporate ethics principles, abuses, machinations and corruption. Employees, suppliers and partners can call the SCM Trust Line and report violations they come across when working with the Group companies.
- **Compliance function.** Compliance Control Division which is responsible for ensuring the performance of the compliance function was created in the bank.



- **Financial and economic security.** A special division, which is involved, among other things, in detecting corruption and counteracting it, operates within the framework of bank's Security Department.
- **Operational risk management system.** Operational risk management system is in effect in the bank. Within the framework of this system, risk officers record information about the operational risk factors on a regular basis. This information is used, among other things, to identify corruption.

Reporting Element B7: Monitoring and improvement processes

FUIB pays much attention to the monitoring and improvement of anti-corruption processes and programs.

Compliance Control Division, as well as other divisions of the bank involved in the process of fighting the manifestations of corruption, regularly report to the Management Board and the Supervisory Board of the bank on the results of work.

Effectiveness of anti-corruption processes is monitored by analyzing the statistics of messages received by the bank from various sources.

Bank employees involved in the anti-corruption process regularly improve their professional skills by participating in training events and specialist conferences.