

Sample Statement of continued support

17th February 2018



To our stakeholders:

I am proud to confirm that Československá obchodná banka (CSOB – Slovak banking legal entity and member of Belgian Financial Group KBC) reaffirms its support of Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress we provide detailed description of our actions and initiatives we took to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Daniel Kollár
CEO and Chairman of the Board of Directors
Československá obchodná banka, a. s.

Human Rights

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

Assessment, policy and goals

CSOB fully respects, supports and has implemented principles underlying universal human rights, including the right to equal opportunity and non-discrimination, the right to the security of persons, the right of employees (including opposition to any forms of compulsory child labour, the right to a safe and healthy working place, the right to freedom of association and collective bargaining), respect for national sovereignty and obligations with regard to consumer protection and environmental protection. In this respect, CSOB proclaims a spirit of the United Nations Universal Declaration of Human Rights, the Fundamental International Labour Organization Conventions, the European Convention for the Protection of Human Rights and Fundamental freedoms and other international and regional human rights treaties containing internationally recognizes standards that the business sector must respect, and complies with the law, rules and regulations of the Slovak Republic. The issue was adopted by the official KBC Group's statement on human rights. CSOB specifically defines its respect on human rights in written policies such as **KBC Group - wide employee stakeholder policy** (policy applies on Slovak republic), **Code of Conduct** (generalized document) and **Collective Contract** (special agreement concluded between the company as an employer and Trade Union of the company).

Explicit statement on respecting human rights is included also in the **Code of Conduct**, generalized document adopted from KBC Group. The Group's managers monitor compliance with the Code of Conduct and regularly evaluate the individual conduct of staff against group values. Failure to comply with the Code of Conduct can lead to the imposition of sanctions foreseen in the applicable rules, on the basis of which the local working relationship is regulated and will be applied after impartial, sensitive and fair examination. Code of Conduct is based on the group values, and forms the basis for the development of specific codes for specific target groups, Group Compliance Rules, Group Standards, etc.

Other important document defying the elimination or interdiction of discrimination is the **Collective Contract**. CSOB is obliged to ensure equal treatment of all employees regarding their working conditions, including remuneration and other monetary transactions and monetary value, training and opportunity to achieve post or other promotion. The unequal treatment is not a distinction to be determined by the **Labour Code** or by special legislation or if it is the real reason inherent in the nature of work the employee performs and which is necessary for this exercise. Relating to the labour, prohibited is direct and indirect discrimination on ground of sex, sexual orientation, race or ethnic origin, nationality, national or social origin, gender, language, disability, age, religion or belief, property, marital and family status or political or other opinion, membership and activity in political parties or political movements, trade union or employer organizations; discrimination because of pregnancy or maternity is considered sex discrimination. Discrimination is also considered deal involving incitement, inducement or coercion leading to the induction of discrimination.

Concerning the rules of **recruitment and employment**, all CSOB's internal regulations respect or are based on the **Labour Code**, effective and valid in the Slovak Republic that covers respecting human rights and preventing potential abuses.

CSOB requires its **suppliers to respect human rights**. Connecting with the KBC rules, the company implemented in 2009 requirement to the **Request for Proposal rules** (RFP). Since that all suppliers, who have been contacted with respect the RFP have to submit together with proposal also the declaration with such information.

Implementation

CSOB fully respects written policies concerning human rights and provides equal opportunities for employment. Concerning rules of recruitment and employment, all CSOB's internal regulations respect or are based on the **Labour Code** effective and valid in the Slovak Republic that covers respecting human rights and preventing potential abuses. CSOB follows all these regulations in every communication with employees or candidates. CSOB communicate all open job positions publicly, in both genders (he/she manager) as well.

According to Slovak legislation, the company has a duty to employ certain percentage of handicapped or disabled persons. The high of percentage depends on the number of employees of a particular company. If company is not able to comply with this condition based in law, it should either pay a penalty to the state organs or have a possibility to use services or purchase goods from sheltered workshops employing handicapped people. CSOB uses this possibility because CSOB hasn't been able to employ the exact number of handicapped people, but the company order central security services from the sheltered workshop employing handicapped people.

CSOB demands to respect human rights also from its suppliers. Following the KBC rules, the company implemented it to the **Request for Proposal rules** (RFP). Since that all suppliers, who have been contracted with the respect to the RFP have to submit (to the CSOB's Procurement Unit), also the declaration with such information. If anyone of these suppliers does not provide us this declaration, he/she will be eliminated from the RFP. Suppliers by their signature of the document confirm non-acceptance of child and forced labor, respect to the **Collective Contract**, elimination of race and any discrimination, respect to an anti-corruption policy and reduction of negative environmental impacts.

All employees have a possibility to raise an objection or make a complaint about incidents of human rights violations towards any of their colleagues. Respecting special, delicate cases or non specifics requests the company created a separate mail box **my@csob.sk**, where all the requests and questions can be addressed. The mail box is checked by the CSOB's Communication Unit that afterwards deals with the requests or distributes them to the relevant units of the company.

CSOB is also aware of importance of awareness raising or training of employees on human rights. All above mentioned documents are available on the intranet (accessed by all employees) and irregularly presented via other internal communication channels (weekly newsletter, bimonthly e-magazine).

During the reporting period, CSOB implemented the topic of the protection of human rights in the special training, e. g. **Introduction days** for new comers. This topic is covered in presentation of Human Resources Unit's representative and Trade Union's representative. Every new employee gets the short basic information on this topic signing the entrance contract and receiving all the entrance formalities. In 2017, 473 new employees completed introduction day trainings.

Respecting human rights in CSOB's activities has been also reflected in developing CSR approach of the company. Following social requirements and benefits of implementation of CSR principles CSOB has started intensifying its CSR strategy, applicable for its needs and priorities. Since January 2013 CSR agenda has been managed under the Communication department. With the respect to human rights and following equal opportunities, the company has been implementing philanthropic projects supporting education, healthy & active lifestyle, healthcare of children, volunteer activities of employees.

Measurement of outcomes

During the reporting period CSOB did not have to treat any case of human rights violations. No lawsuit, with the participation of CSOB, regarding the violation of human rights was conducted during the reporting period.

As additional information, in 2017, CSOB's employees participated in several volunteer activities. employees volunteered during working hours. The most important activities concerning volunteering were:

- volunteer event **Our City 2017** – with the aim to support corporate and individual volunteering; organized by the Pontis Foundation and the Engage Group. During two-days-event volunteers helped in different volunteer activities in various NGO's, schools, children homes. Every volunteer had the possibility to choose the activity from the list of various volunteer activities. **149** employees from CSOB during **683 working hours** participated at the event and helped to clean the windows, paint walls, etc. CSOB participates at this event to prove that the bank wants to be good neighbor.

Protection on human rights, including the right for life, is in the spirit of activities of CSOB Foundation (founded by CSOB in December 2010):

- support for Konto Bariéry / Barrier's account – financial support worth 12 000 € for disabled children to purchase special helpers / chairs / wheelchairs to improve their quality of life
- support to Children cardio center Foundation – financial support worth 20 000 € for purchase of special medical devices
- support to Children's hospital in Košice – financial support worth 20 000 € for purchase of special medical devices
- support to Economic University in Bratislava – financial support worth 10 000 € for the development of education
- support to Slovak Technical University, Faculty of information technology – financial support 40 000 € for development of education

Further examples of CSR approach towards community respecting human rights and equal opportunities:

- In 2017, CSOB continued in Family program with the aim to re-involve employees on parental leave into work process by providing the possibility to work several hours per week on chosen job position within CSOB. 14 employees on parental leave joined the Family program in

Labour

- Principle 3 - Businesses should uphold freedom of association & effective recognition of the right to collective bargaining
- Principle 4 - The elimination of all forms of forced and compulsory labor

- Principle 5 - The effective abolition of child labor
- Principle 6 - Eliminate discrimination in respect of employment and occupation

Assessment, policy and goals

CSOB fully respects, supports and has implemented the principles underlying universal labor rights, including opposition to any forms of compulsory of child labor, the right to a safe and healthy working place, the right to freedom of association and collective bargaining. In this respect CSOB proclaims a spirit of the **Fundamental International Labor Organization Conventions**, and other standards that the business sector must respect, and complies with the law, rules and regulations of the Slovak Republic.

Respect to labor rights is defined in the fundamental document **Collective Contract** concluded between CSOB and Trade Union. The company is obliged to ensure equal treatment of all employees regarding their working conditions, including remuneration and other monetary transactions and monetary value, training and opportunity to achieve post or other promotion. The unequal treatment is not a distinction to be determined by the **Labor Code** or by special legislation or if it is the real reason inherent in the nature of work the employee performs and which is necessary for this exercise. In the labor relation is prohibited direct and indirect discrimination on grounds of sex, sexual orientation, race or ethnic origin, nationality, national or social origin, gender, language, disability, age, religion or belief, property, marital and family status or responsibilities the family, political or other opinion, membership and activity in political parties or political movements, trade union or employer organizations; discrimination because of pregnancy or maternity is considered sex discrimination. Discrimination is also considered deal involving incitement, inducement or coercion leading to the induction of discrimination.

As far as rules of recruitment and employment are concerned, all CSOB's internal regulations respect and are based on the Labor Code effective and valid in the Slovak Republic.

Implementation

CSOB is aware of a need of awareness raising or training for employees on labor rights and policies. The company has a plan of employment, training system, career development with transparent criteria communicated to every employee. The company has internal regulations **Work Order** defining working hours, breaks, etc. Cooperation with Trade Union is concluded in the Collective Contract. The relevant information is available on the Trade Union's website, CSOB's intranet, irregularly in a weekly newsletter or a bimonthly magazine.

Every new employee obtains the document defining his/her social benefits. Some of the benefits are based on Labor Code, some are benefits provided by CSOB itself, e. g. allowance for meal tickets; contribution to teambuilding; contributions within Cafeteria system; social support based on social

situation of an employee; life insurance contribution based on employee's insurance premium; contribution for supplementary pensions or targeted saving based on employee's paid; health care program above standard health services; free working days beyond labor code; CSOB's products with discount price.

CSOB defines all its internal regulations of recruitment and employment with respect to the Labor Code effective and valid in the Slovak Republic that covers respecting labor rights and preventing potential abuses. The company respects all this regulations in every communication with employees or candidates. CSOB communicate all new work positions publicly, in male and female gender as well on www.csob.sk and specialized portal www.profesia.sk.

All documents, plan of trainings and relevant policies are available on the intranet, with an access of all employees. In 2017, CSOB continued in successful Trainee program for university students. During this program, 29 students completed internship and rotation in CSOB.

Measurement of outcomes

All employees have a possibility to raise an objection or make a complaint about incidents of human rights violations towards any of their colleagues. Respecting special, delicate cases or non-specifies requests the company created a separate mail box my@csob.sk, where all requests and questions can be addressed. The mail box is under the agenda of Communication department that afterwards deals with the requests or distributes them to relevant units of the company. Concerning questions connecting with HR agenda (recruitment, remuneration, employee's benefits), employees can contact separate mail boxes_hr@csob.sk, spytajtesahr@csob.sk and benefity@csob.sk. This mail boxes are under the agenda of HR Unit.

Environment

- Principle 7 - Businesses should support a precautionary approach to environmental challenges
- Principle 8 - Undertake initiatives to promote greater environmental responsibility
- Principle 9 - Encourage the development and diffusion of environmentally friendly technologies

Assessment, policy and goals

CSOB covers the area of environmental protection according to the environmental strategy of KBC Group, applicable for the CSOB's need and options.

Implementation

The strategy in the area of environmental protection is managed by **Facilities Unit** of CSOB.

In 2017, CSOB took following steps to minimize its negative impact on environment:

- to ensure and realise the re-certification of integrated management system according to the international norms ISS 14001 & ISO 50001 audit by external certification authority
- realisation of e-learning education for employees with the aim to improve the state of information and motivation in the area of environment protection and engagement of the impact of human action on the environment and effective use of energy
- realisation of internal employee survey concerning the question how employees commute to work
- build charge station for electromobil in CSOB branch in Trenčín.

Measurement of outcomes

CSOB regularly monitors its energy consumption, waste production and water consumption with the aim to monitor its impact on the use of energy and natural sources.

In Table 1, direct energy consumption by primary source is monitored in GJ, monitoring period 01/10/2016 - 30/09/2017.

In Table 2, water consumption is monitored during period 01/10/2016 - 30/09/2017.

In Table 3, amount of waste produced is monitored during period 01/10/2016 - 30/09/2017.

Table 1

Direct energy consumption by primary source	in GJ
Coal consumption	0
Natural gas consumption	32 373,00
Heating oil consumption	0
Biofuels consumption	0
Ethanol consumption	0
Hydrogen consumption	0
Heat consumption	0
Steam consumption	0
Cooling consumption	0

Table 2

Natural water consumption	750 m ³
Drinking water consumption	25 229 m ³

Table 3

Amount of recycled waste	71,50 t
Amount of incinerated waste	235,60 t
Amount of landfilled waste	107,30 t

Training and increasing of awareness of employees was an inevitable part of the maintaining of integrated management system of environmental management and effective use of energy. 2166 employees completed e-learning concerning Integrated management system of environment protection and effective use of energy.

Anti-Corruption

- Principle 10 - Businesses should work against all forms of corruption, including extortion and bribery

Assessment, policy and goals

CSOB attaches a great importance to the transparency of relationship between staff, customers and third parties, in particular, to the integrity of its staff. Zero toleration to corruption is inevitable and is regularly reminded to all employees. Bribes are not accepted or solicited or mediated for a third party. Save for exceptions set out in the company internal regulations in conformity with the **Group Standard on Gifts to Employees of KBC Group**, gifts may not be accepted or given in connection with the performance of work. With the **Anti-Corruption Policy**, adopted from KBC Group, CSOB rejects all forms of bribery and corruption.

Basic principles of this issue, anti-corruption risk-assessment, as well as, money laundering and terrorist financing, observance of tax laws and regulations and observance of delegated powers and mandates are included in the official written document: **KBC Group Anti-Corruption and Bribery Policy, Anti-Money Laundering Policy**, as well as the **Code of Conduct**.

Objectives of this policy are to affirm company's position in the fight against and the resolution to prevent corruption in its activities and operations and outline the actions taken and foreseen to implement such position. The integrity and ethical values of KBC Group are adopted by CSOB: respectful, responsive, result driven - three interdependent qualities which are exemplified in company's mission statement.

This Code of Conduct is the basis for the issue of specific instructions like **Group Compliance Rules** and **Group Standards** and other rules expressing the values of the group.

The company's values revolve around the importance to maintain professionalism through good reputation, while abiding to competition rules, in the full respect of the working conditions. The direct or indirect offer, the payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflict of interest which might arise in the course of providing investment services or ancillary services, provided to a client, where there is a material risk of damage to the interest of one or more clients.

All business transactions must reflect the rules and regulation of the company and, as part of our policy, we forbid facilitation payments and we seek to ensure that our employees and suppliers do not make them either.

Further details regarding to policies within the framework of Anti-corruption and Bribery are contained in the Standards and Codes of reference detailed below:

- The KBC Code of Conduct
- Group Policy on Gifts, Entertainment, Donations & Sponsoring
- Policy for the protection of whistleblowers
- Group Compliance Rule on Conflicts of interest
- Group Compliance Rule on Mandates
- Group Policy on Suppliers
- Group Anti Corruption policy
- Tax fraud prevention policy

In accordance with the Policy for the protection of whistleblowers, KBC group has created, and CSOB adopted, the opportunity for all employees to report potential fraud or other gross malpractice at the earliest possible stages without fear for any reprisal and where whistleblowers are assured that they will receive fair treatment and that their concerns will be investigated properly.

KBC Whistleblower policy applies to all types of fraud and gross malpractice relating to gross violations or gross infringements of internal rules as well as external rules, or rules on market abuse, insider dealing, breaches of bank secrecy or discretion with regard to insurance matters, money laundering, theft, fraud, corruption, bribery.

Implementation

CSOB creates and supports corporate culture, based on honesty and openness. All the above-mentioned anti-corruption policies are communicated to employees via standard internal communication tools.

In 2017, following the KBC Whistleblower policy, CSOB continued in motivating employees to report potential fraud or other gross malpractice at the company. The information and example of malpractice cases detected by the **Compliance Unit** of CSOB were directly sent from CEO by mail

to each employee. Employees can report the potential non-ethical cases to the Compliance Unit of CSOB.

In 2017, 2173 CSOB employees completed Compliance e-learning course.

Employees are encouraged to use usual reporting lines in first place and only rely on this policy if usual channels cannot be used. Employees must refrain from abusing the reporting procedure and thereby deliberately harming another. If accusations would be made with malicious or slanderous intent, appropriate sanctions may apply. CSOB guarantees that whistleblowers who report fraud or gross malpractice concerns in good faith will suffer no adverse or negative consequences whatsoever of disclosing those concerns, in keeping with the policy. The Group and CSOB's Compliance Unit are responsible for monitoring the functioning of this policy in all entities of KBC group and reporting lines and guidelines are elaborated.

Measurement of outcomes

CSOB and its Compliance Unit have to prevent that the company incurs in a compliance risk or suffers damage, likely to derive from its noncomplying with applicable laws, regulations and internal rules falling under the scope of the Compliance function or under the domains assigned to it by the board of directors. The Board of Directors, as the case may be via the Audit, Risk and Compliance Committee, annually assesses on the basis of reports, the containment of the Compliance risk. The Board of Directors is responsible for ensuring the setting-up of the function, the development and the implementation of the Integrity Policy, to check the appropriateness of and obedience to relevant company policies.

Compliance Unit of CSOB is equally mandated to perform Compliance Monitoring Program (CMP) testing in the company under the functional steering of Group Compliance.

The development of the CMP was decided in order to better mitigate compliance risks by verifying the existence and soundness of internal controls (first line of defence) and to verify the reliability of assessments in its domains.

The set-up of the CMP consists of an overview of compliance requirements following from existing laws, regulations, policies and an inventory of related controls. Under a risk-based approach tests on the functioning of these controls are performed. The program then results in structural recommendations or concrete action plans. Follow-up and final reporting is also ensured.