

KOMERCIJALNA BANKA AD SKOPJE

COMMUNICATION ON PROGRESS

2017



komercijalna banka
ad skopje



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. After more than 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 correspondent banking relations with 644 banks in 71 countries and maintains nostro and vostro accounts with 28 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



Komercijalna Banka AD Skopje is proud of its heritage of being an aware and socially responsible company. The commitment to work on improving the conditions in society is an important part of our corporate culture and is rightfully among the Bank's main values.

In 2017, Komercijalna Banka continued to find ways to improve itself and its impact on society. Our determination was to be as positive and productive as possible, all while producing exceptional value for the benefit of all stakeholders.

Working on implementation of the Bank's CSR strategy for the period from 2017 to 2021, we followed the main guiding principles and stayed within the defined priorities in the area of social responsibility. This report will show you examples of how Komercijalna Banka provided aid to important community projects, supported marginalized groups, cultural events and the employees, and many other forms of engagement we took in order to fulfil these priorities. I hope it will be read both as a statement of our will and an indicator for our future CSR involvement and activities.

With CSR being an integral part of our corporate culture, one of our main priorities is to maintain constant employee engagement in the Bank's CSR activities. We are happy to state that our employees were integral part of the planning or realization of most of the successful projects outlined in this year's report, a trend we intend to have in the future too. This development is a result of the work of the Bank's Coordination Body for Corporate Social Responsibility, which continued to be a key element in organizing the CSR actions, in communicating the goals and details of the projects throughout the company and maintaining a constant flow of ideas.

As an active member of the Macedonian Global Compact Network, in 2017, we continued to participate in various initiatives aimed to improvement of the climate for corporate and individual social responsibility, promotion of the Ten Principles and advancement of companies' role in society. We continued to cooperate with many acclaimed NGOs on their proven projects, but gave equal attention to new promising ideas with great potential.

As we continue to turn our commitment for a better society into actions, we stay determined to keep the Bank's tradition of being an aware and involved company, one that is always striving to help with the challenges that we all face together.

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 Banka 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

Human rights protection has the highest priority within the CSR activities of Komercijalna Banka. Improvement in this area is a crucial issue for any society, and our bank has always been ready to take immediate and concrete action to help marginalized groups.

Our activities are mainly determined through continuous and detailed analysis of the conditions in the community, which enables us to detect critical issues and prepare appropriate actions. Having in mind the complexities of these issues, especially in a developing society like ours, aside from our constant vigilance we also use the insights of NGO partners that are competent in respective areas. In certain cases, when we determine that some topics are neglected and require broader attention, we tend to make our actions as transparent and public as possible in order to raise awareness and initiate public debate.

As in previous years, the priorities in 2017 were once again divided in several areas that we are traditionally focused on – children with developmental disabilities, children from the streets, and women that are victims of domestic violence.

Implementation

The Bank takes action in the area of human rights through sponsorships, donations, voluntarism, education and internal operative processes. Projects and separate actions in 2017 were jointly planned and executed with partner organizations, and in some cases independently organized by employees of Komercijalna Banka.

Komercijalna Banka continued its traditional support to projects and organizations concerned with women's rights. In 2017, the Bank decided to support the association of single parents *"One can!"* from Skopje and apart from a monetary donation, allowed it to move to new premises, owned by Komercijalna Banka AD Skopje. Opening the premises for daily operation has enabled this new association to work on its mission to combat for the rights of single parents and make efforts for their economic recovery, equal treatment, and transparency of their problems in the society. In Macedonia, most of single parents are women, out of whom, most are victims of family violence who had decided to leave the marital union.



*Clothes made for the sale event
"Recycling, re-usage and creative
usage" by "One can!"*

The results from our support came shortly after. Within the project *„One made – handmade“*, the association of single parent families *“One can!”*, for the first time in Macedonia, organized the sale event *“Recycling, re-usage and creative usage”* for which the skilled hands of single mothers transformed donated pieces of clothes into modern creations. Thus, Komercijalna Banka and *„One can!”* promoted an inspirational idea that fashion can be environmentally friendly, ethical and affordable, while a vulnerable group from our society gets the chance to become economically independent.

The Bank also continued the General Sponsorship for the Red Cross project *“Better Socialization of Children and Youth with Special Needs”*, which has been realized for eight years in a row now with the intent to help this particularly vulnerable and marginalized social group. The project activities involve around 340 children with special needs.



*Red Cross' event part of the project
"Better Socialization of Children
and Youth with Special Needs"*

The Bank's humanity can also be seen in the humane deeds of its employees. As in many other cases, the employees of Komercijalna Banka are always quick to respond to the calls by the Red Cross for blood donation, and a perfect example is one of our dear colleagues, Ms. Nada Petkovska from Skopje, which in 2017 received recognition for her 50th blood donation. As Ms. Petkovska puts it in her own words, the opportunity to save someone's life is truly an honor and a privilege.

The employees and management of Komercijalna Banka showed their solidarity in several other occasions. With yet another donation of food, hygiene products and school supplies collected on the occasion of the International Day of Eradication of Poverty, we made an effort to help the social risk families which are overseen by the Macedonian Anti-Poverty Platform (MAPP) and the NGO Humanost.

Also, contributing to the *"Project Happiness"* initiative, over 400 neatly packed New Year's gifts were made out of employee donations for children from socially endangered families, in what was recognized as a new record of number of gifts collected by a single company.



"Project Happiness" - over 400 New Year's gifts prepared by the Bank's employees

One proof that true friendships last long is the friendship cherished by the employees of Komercijalna Banka and the Center for education of children from the street from Shuto Orizari. Same as the nine years before, the Bank's employees once again prepared gifts for the 120 children that visit the Center, prepared collective breakfast, and of course, spent time together by playing music, singing and dancing, all in the light of the New Year's festivities.



"New Year Hope" – gifts for the children from the Center for Fostering Children from the Streets

On the same occasion, employees from branches and city-branches of Komercijalna Banka visited the Daily Center for persons with cerebral paralysis and gave 35 New Year packets to all users of services of the Center wishing them good health and happy holidays.

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 as to organize, establish and implement the process of handling the 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 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 maintain their commitment to implement concepts and ideas of quality complaints handling.

Measurement of outcomes

In 2017, 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 2017, a total of 257 opinions from customers were received, out of which 121 complaints (of which 7 statements of general character), 117 compliments and 19 suggestions. All complains were recorded and handled in accordance with the Bank's Policy for handling complains and other opinions.

In spite of the specific, intangible nature of the goals and the issues they address, we assess that the Bank has met the 2017 objectives related to human rights protection.

Goals for 2018

- 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 remain to be the main pillars around which the CSR activities aimed at our employees are focused on.

Implementation

All of the Bank's formal procedures related to labour are fully complied with 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.

In 2017, the Bank maintained excellent relations with the employees' Union.



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

The Bank's ski team was yet again ready to participate in the Humanitarian Amateur Giant Slalom in Mavrovo organized by the Ski Center "Zare Lazarevski", which this year had its 15th edition, but unfortunately the lack of snow again didn't allow for the regular giant slalom competition to take place. The teams constituted from employees of companies from the Republic of Macedonia used the weekend for networking and relaxing, but most importantly, they still contributed to the humanitarian financial aid with the participation fees for the event.

Our employees also took part in the Skopje marathon, which this year had its 13th edition. Of all participants in the half-marathon, our colleague Marijan Shamoski (age 28), the youngest of all participants, achieved the best result and run 21km in 1 hour and 30 minutes, winning the 45th place out of 1,110 participants. The female relay of 25 teams won the 16th place.



Employees at the 13th Skopje Marathon

Our colleagues once again took part in the traditional sports games for bankers held in Ohrid and organized by the Union of Finance Organizations of Macedonia. Komercijalna Banka had competition teams in all categories, won the first place in two disciplines and marked the third place in general ranking.



Employees at the sports games for bankers in Ohrid

During the summer, our employees took part in the 10th sports tournament for business entities organized by the sport center “Forca” in Skopje, intended for development of the recreational sports and team building for the employees. Out of 20 Macedonian companies and financial institutions with over 500 participants that took part in the tournament, Komercijalna Banka took part in all 8 disciplines and won the second place.



Second place in the sports tournament for business entities organized by the sport center “Forca”

Representatives of the Blood Donor Association of Komercijalna Banka also participated in the Blood Donor Sports Games in Struga organized by the Red Cross of the city of Skopje. Our colleagues took part in all the disciplines and won the first place in three of them.



Representatives of the Blood Donor Association of Komercijalna Banka at the Blood Donor Sports Games in Struga

Employees also took part in the planning and execution of charities and other CSR activities, such as the project *"New Year Hope"*.

Measurement of outcomes

In 2017, 211 employees participated in various seminars and courses in the country and abroad, which is 20.26 percent of the total number of employees.

At the same time, 200 students conducted short-term internships with the Bank as part of their education process at universities.

The employee structure in 2017, shown below, reflected the policy for diversified workforce with equal rights and zero discrimination:

<i>Number of employees</i>	1,041
<i>Gender structure</i>	Female 71.74%; Male 28.26%
<i>Age structure</i>	<ul style="list-style-type: none"> • up to 35: 26.43% • 36 to 45: 29.88% • 46 or above: 43.69%
<i>Education structure</i>	<ul style="list-style-type: none"> • High school degree: 31.98% • Advance school degree: 3.17% • Bachelor degree: 49.68% • Master degree: 14.50% • Doctoral degree: 0.67%

The goals regarding labor rights set for 2017 were duly accomplished, and the ongoing commitments related to employee rights protection and ensuring high level of employee motivation are accordingly addressed with the goals for 2018.

Goals for 2018

- To establish corporate culture based on honour, 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

Environmental protection is a critical issue in today's world. As environment and climate challenges become more severe with each passing year, companies have no choice but to take an active role and work on improving their impact.

Due to the specifics of its area of business, Komercijalna Banka is concerned with environmental issues both directly, with its own operation and impact, and indirectly, through the distribution of financial resources on projects that might be or might not be environmentally justified. This position implies great responsibility and requires our outmost commitment and vigilance.

Having in mind the large 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 and social protection is incorporated in the Bank's Credit Policy and Procedures, on the basis of which the Bank defines the level of the environmental, social and overall 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), 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.

At the same time, daily operative decisions keep constant regard of rational consumption of resources, energy efficiency and use of eco-friendly materials. Considering our operational specifics, special attention is paid to rational use of paper and recycling.

Taking another step in the efforts to lower emissions and promote healthy lifestyles, the Bank acquired bicycles which the employees are now frequently using as a means of transport for official or private purposes.



Measurement of outcomes

In 2017, 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 12.1 million euros.

Approximately 40 tons of office paper was recycled, and all of the purchased electronic equipment was in compliance with current environmental standards.

The newly-acquired bicycles were ridden over 200 times by the Bank's employees in 2017.

Thus, all of the annual environment-related goals have been met and fulfilled accordingly.

Goals for 2018

- 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.

As a large financial institution with significant 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, segregation 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 2017.

The impeccable records in 2017, as well as the recognitions from Transparency–Zero Corruption awarded for transparency in the previous years, confirm the Bank's high standards in the field of anti-corruption and the fulfillment of the goals set in this area.

Goals for 2018

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

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

