

KOMERCIJALNA BANKA AD SKOPJE

# COMMUNICATION ON PROGRESS 2015



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. 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 856 banks in 77 countries and maintains nostro and vostro accounts with 34 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

Societies, like people, are not perfect. And a company's report on its social responsibility activities can be a very effective tool in proving this, as it displays an array of problems that affect society and the everyday lives of its members.

Sometimes it can get rather disconcerting to read these reports. From protection of children's rights, through environmental issues, to humanitarian emergencies, responsible companies are getting involved in a host of serious issues that can be difficult to grasp. What is comforting, though, is the willingness displayed. The attitude that companies show by taking part in the solutions and not stand idle in the face of problems, even if they are not directly affected. This aspect is perhaps the cornerstone of CSR – utilizing one's ability to act, unconditioned by self-interest.

Komercijalna Banka AD Skopje is proud of its long-lasting and proactive approach to corporate social responsibility. It gives great pleasure to be able to note that high awareness and devotion towards improvement of our society are essential parts of our culture and among the prime associations of our Bank.

This report sums the most significant CSR actions taken by Komercijalna Banka in 2015. It is important to underline that these steps were taken as part of the long-term goals and priorities outlined in the Bank's CSR strategy for the period from 2012 to 2016, an approach that greatly contributed to the quality and appropriateness of the actions. As we reach the end of that planning cycle, we begin to sum up the valuable insights we gathered and start to prepare adequate continuation of our strategic framework for the next five years.

Last year we went on trying to make our impact on society as positive as possible, all while producing the exceptional value that our stakeholders expect. This report will show you examples of how Komercijalna Banka provided aid to important community projects, marginalized groups, cultural events, the employees, the youth, and many other steps we took in the effort to contribute for a better future.

We continued to take part in initiatives of the Macedonian Global Compact Network aimed at improvement of the climate for corporate and individual social responsibility, promotion of the Ten Principles and advancement of companies' role in society. We worked with many acclaimed NGOs on their projects, but also followed some sound internal initiatives.

On that note, one of the aspects that we are always keen to emphasize, and rightfully, is the tremendous involvement of the Bank's employees in the CSR activities, whenever the situation allows it. Although the Bank's Coordination Body for Corporate Social Responsibility played an important role in this, it would not be possible without the genuine will and altruism that our colleagues continue to show.

2016 provides us with many new chances to turn our values into actions and prove that we stand by our principles, as well as those of the Global Compact. Our work so far, and especially the vision that drives our CSR approach, give us the confidence that we will continue to set good example for a highly involved company and a responsible member of society.

Sincerely,



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

The subject of human rights protection takes center stage in our CSR activities. Improvement in this area is a crucial issue for any society, and our bank has always been ready to take concrete action towards helping marginalized groups.

Continuous and thorough analysis of the conditions in the community allows us to detect crucial pain points and prepare appropriate actions. The complex nature of this area has led us to combine our views with the insights of competent NGO partners, while following strict criteria and procedures to efficiently address the most vital issues. In addition, when we determine that certain topics are neglected and require broader attention, we tend to make our actions as vocal and public as possible in order to raise awareness and stir public debate.

The priorities in 2015 were once again divided in several areas that have had our attention for some years now – women that are victims of domestic violence, people with visual impairment, children with developmental disabilities, and children from the streets.

### 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 2015 were mostly jointly planned and executed with partner organizations, but in some cases were independently realized by Komercijalna Banka.

Most of the major activities that the Bank undertakes with regards to human rights are some form of mid- or long-term projects. Among the prime examples is the project “Better Socialization of Children and Youth with Special Needs”, which is realized six

years in a row in cooperation with the Red Cross of the Republic of Macedonia and where Komercijalna Banka appears as the General Sponsor, with the intent to help this particularly vulnerable and marginalized social group.

In another attempt to send a message of compassion and humanity, employees of Komercijalna Banka in 2015 again donated food for many socially disadvantaged families on the occasion of the World Food/End Hunger Day, and in cooperation with the Macedonian Platform Against Poverty (MPPS). The food donation carried out by the employees of Komercijalna Banka resulted in many collected food packages which were later delivered to 40 families living without appropriate conditions and possibility for a good meal. Similar activities were performed by the employees of the Bank's branches and city-branches throughout the country.

The Bank also continued to bring holiday happiness to the dear children from the Center for Fostering Children from the Streets located in Shuto Orizari with the project "New Year Hope", donating gifts and clothes and organizing a holiday party.

And as a compliment to our approaches, in 2015 we were honored with the special recognition for social responsibility that Komercijalna Banka received at the eighth national award for Best Corporate Social Responsibility Practices, supported and financed by the Ministry of Economics and co-financed by the European Union through the project Social Responsibility for All and the Business Confederation of Macedonia. Although the Bank has received many awards and recognitions in the past years, this time it was given the prestigious award for Best Creative Practice, which was awarded for the first time, in a competition of 50 projects. The awarded project named "For Equal Rights and Opportunities" was the adapted solution of e-banking that provides independent access and easier use of the Bank's services for the visually impaired people. The Bank held training for blind people in several cities in the country, and the project was realized in cooperation with the National Association of blind and visually impaired persons and the Helsinki Committee for human rights of the Republic of Macedonia. The same project also received the statuette in the category of Market Relations for large companies.

A second project was also awarded – the financial backing of the Center for Victims of Domestic Violence realized in cooperation with H.E.R.A. and the City of Skopje. Proposed in the category Investment in the Community, this project was awarded in competition of 21 projects of large companies, and is actually part of the Bank's project named "Women for women", which began in 2011 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.

Both awarded projects are development projects and are realized in cooperation with stakeholders and citizen associations, and are clear representation of the Bank's commitment towards CSR. Our biggest delight, however, comes from the level of enthusiasm and engagement that the Bank's employees have shown, proving that empathy and social responsibility are well established parts of our corporate culture.





“New Year Hope” – the children from the Center for Fostering Children from the Streets sang and danced to the songs performed by our colleague Ivan, before opening their New Year’s presents

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 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 maintain their commitment to implement concepts and ideas of quality complaints handling.

#### MEASUREMENT OF OUTCOMES

In 2015, 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 2015, a total of 371 opinions from customers were received, out of which 98 complaints, 71 statements of general character, 167 compliments and 35 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 2015 objectives related to human rights protection.



“Better Socialization of Children and Youth with Special Needs”

#### GOALS FOR 2016

- 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 2015 the Bank maintained the excellent relations with the employees' Union.

While the 2015 Skopje Marathon was unfortunately cancelled, our employees had excellent appearance at the 13th annual humanitarian ski tournament at Ski Center "Zare Lazarevski" in Mavrovo. 58 teams of many companies from the Republic of Macedonia took part in the humanitarian amateur giant slalom with over 170 contestants (direct participants). Komercijalna Banka was represented by 3 teams and 9 amateurs, and our employee Kire Soleski won the first place in the category of veterans, while our team of veterans was ranked among the three best ranked teams.

Financial assets collected from the paid participation fees for the event were intended for support to 26 athletes from the Special Olympics of Macedonia for qualitative preparations and participation in the Special Summer Olympics that were held in Los Angeles. By their participation in the humanitarian event in Mavrovo, the Bank's employees once again expressed their strong determination to give the needed support to certain organizations and individuals.



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

Employees also took part in the planning and execution of charities and other CSR activities, such as the projects "New Year Hope" and the food donation for socially disadvantaged families on the occasion of the World Food/End Hunger Day.

## MEASUREMENT OF OUTCOMES

In 2015, 181 employees participated in various seminars and courses in the country and abroad, which is 16.8 percent of the total number of employees.

At the same time, 258 students conducted short-term internships with the Bank as part of their education process at universities.

The employee structure in 2015, shown below, reflected the policy for diversified workforce with equal rights and zero discrimination:

NUMBER OF EMPLOYEES	1.080
GENDER STRUCTURE	Female 72%; Male 28%
AGE STRUCTURE	<ul style="list-style-type: none"> <li>• up to 35: 25.5%</li> <li>• 36 to 45: 27.6%</li> <li>• 46 or above: 46.9%</li> </ul>
EDUCATION STRUCTURE	<ul style="list-style-type: none"> <li>• High school degree: 36.5%</li> <li>• Advance school degree: 4.1%</li> <li>• Bachelor degree: 47.8%</li> <li>• Master degree: 11.1%</li> <li>• Doctoral degree: 0.5%</li> </ul>

The goals regarding labor rights set for 2015 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 2016.

## GOALS FOR 2016

- 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 topic in today's world. Companies must take significant role in addressing the environmental challenges as they become more evident with each passing year. We now know the level of severity of these issues and must act accordingly.

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 utmost commitment and vigilance.

With 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 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), 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.

## MEASUREMENT OF OUTCOMES

In 2015, 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 6.6 million euros.

Approximately 43 tons of office paper was recycled, and all of the purchased electronic equipment was in compliance with current environmental standards.

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

## GOALS FOR 2016

- 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, 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 2015.

The impeccable records in 2015, 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 2016

- 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.