

REPORT ON PROGRESS OF UNITED NATIONS GLOBAL COMPACT

2011



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.



KOMERCIJALNA BANKA

Meni najbliža

About us:

In 2011 Komercijalna banka AD Beograd continued with its successful operations in the Republic of Serbia and the region. Apart from Komercijalna banka AD Beograd, the Group comprises also Komercijalna banka AD Budva (Montenegro) and Komercijalna banka AD Banja Luka (Bosnia and Herzegovina).

Komercijalna banka offers a full range of banking products and services, to retail and corporate clients alike. It has more than 1.3 million active accounts and over 900,000 satisfied customers.

Our vision:

We are a leading bank in the country and the region and we are making a significant contribution to the development of the economy, increase in the quality of life of our citizens and general prosperity. We also contribute to the creation and acceptance of progressive values in all areas of work and creativity.

Our mission:

We are a powerful and reliable financial institution, a respectable financial brand that occupies a leading position in all the most important business segments.

We provide support for our clients by offering modern, innovative banking products that are adjusted to clients' needs, along with top quality service.

We observe the highest international standards and values in providing financial products and services.

We contribute to the economic development and economic prosperity of the Republic of Serbia and all the countries we operate in.



President EB
Ivica Smolić

A stylized, handwritten signature in black ink, consisting of a large 'I' and 'S' followed by a flourish.

Introductory statement by Ivica Smolić, President of the Executive Board of Komercijalna banka AD Beograd, in the Report on Global Compact for 2011

Komercijalna banka was one of the initial signatories to the UN Global Compact in Serbia. The Global Compact's ten principles were first recognized, then immediately supported by our bank and now we can say that we have gained extensive experience of consistent implementation of the Global Compact's ten principles.

Having recognized the great value of these principles, we continued to develop our activities in 2011 on protection of human and working rights and on corporate social responsibility and fight against corruption. We believe that this is the way for us to become an even better company and that other companies will increasingly follow in our footsteps and in the footsteps of other members of the Global Compact.

Through socially responsible projects that focus on the future and on younger population, both to those exceptionally gifted and the handicapped ones who wouldn't make it without outside assistance, we have best expressed our stance and understanding that all our clients and partners, as well as other participants in the social milieu with whom we get in contact, are part of the same family, the family of Komercijalna banka. This also an opportunity to thank everyone who contributed to the immensely strong brand of Komercijalna banka as the most trusted bank.

In 2012 we will continue to cherish, develop and promote the UN Global Compact Principles, along with all the values that are a priority in the value system of socially responsible citizens and companies.

UN Global Compact's Ten Principles

UN Global Compact strives to improve the ten universally accepted principles that relate to the protection of human rights and rights at work, environment protection and fight against corruption.

Protection of human rights where businesses should:

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

Principle 2: make sure they are not complicit in human rights abuses.

Protection of rights at work, where businesses should:

Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining,

Principle 4: eliminate all forms of forced and compulsory labour,

Principle 5: effectively abolish all forms of child labour, and

Principle 6: eliminate discrimination in respect of employment and occupation.

Environment protection, where businesses should:

Principle 7: responsibly 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.

Fight against corruption

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

Human rights protection

Apart from the general by-laws concerning work safety and healthy working conditions, Komercijalna banka also passed special by-laws, governing health and safety at work, Health and Safety Regulations and the Risk Assessment Document whose supplementation started in 2011.

In accordance with the collective agreement, a Safety Committee was formed in the Bank and will be in charge of all the issues arising from this matter.

Practical protective measures include:

- training of employees, conducted by the health and safety officer of the Bank, in accordance with the training program, and by licensed workers hired from an external partner whose main business activity is safety;
- checking working conditions and measuring the conditions of the working environment- conducted by an authorised company;
- reporting work-related injuries and cooperation with labour inspection;
- initiative to purchase protective equipment for employees, in accordance with the Risk Assessment Document.

The Risk Assessment Document did not identify any work positions in Komercijalna banka that carry increased risk.

Contact for ethical issues and complaints

Employees at the Human Resources Division respond to complaints, objections and questions received from employees regarding the implementation and interpretation of the provisions of Labour Law, Gender Equality Law, Law on Prohibition of Discrimination, Law on Prevention of Workplace Harassment, Law on Professional Rehabilitation and Employment of Disabled Persons...

Protection of employees' labor rights

The implementation of labour rights in Komercijalna banka is based on Labour Law of the Republic of Serbia. This law complies with the conventions and recommendations made by the International Labour Organisation, which have been ratified by our country, and incorporates all standards and norms that uphold the rights, protection and working conditions of employees set out in these conventions and recommendations. Additionally, EU directives have been incorporated into the Labour Law, which created conditions for workers to exercise their rights according to international standards.

Freedom of association and the effective recognition of the right to collective bargaining

The Bank supports the freedom of association and effective recognition of the right to collective bargaining (Principle 3) through the work of the trade union of Komercijalna banka AD Beograd (registered on 26/01/2010). Employees' collective rights include:

- right to association,
- right to unionise,
- right to collective bargaining,
- right to enter into collective agreement,
- right to information,
- right to express views on important work-related issues,
- right to consultation,
- right to participation,
- right to peaceful resolution of collective and individual labour disputes,
- right to collective action.

Elimination of all forms of forced and compulsory labour

Komercijalna banka remains committed to Principle 4 not to resort to any form of forced and compulsory labour. Legal action related to forced and compulsory labour has never been initiated against the Bank, nor has the Bank ever been punished for forced and compulsory labour.

As stated in the Law on Protection of Workplace Harassment it is forbidden and punishable to subject anyone to harassment, sexual harassment and to abuse the right to protection from harassment. Each employee is acquainted with their rights and responsibilities and with the responsibility of the Bank. All required data are constantly available on the Bank's portal and each employee has also received this notice in writing.

Effective abolition of all forms of child labour

Komercijalna banka fully supports effective abolition of all forms of child labour (Principle 5) and does not employ persons below 18 years of age (although, in certain cases, the Labour Law allows for persons below the age of 18 to work), nor does it do business with companies that employ persons below 18 years of age.

The table below shows the age structure of employees in Komercijalna banka in 2011:

Employee structure in Komercijalna banka by age						
Age range	under 30	31 - 40	41 - 50	51 - 60	over 60	Total
31.12.2011	432	1039	802	718	31	3022

Elimination of discrimination in respect of employment and occupation

Komercijalna banka fights discrimination in respect of employment and occupation (Principle 6) by complying with the provisions of:

- Labour Law, which forbids discrimination in the recruitment process or during employment. These provisions comply with the international standards that relate to the dignity at work and to the protection from discrimination in the recruitment process and during employment;

- Gender Equality Law (the Bank prepares an annual Plan of measures to eliminate or mitigate the unequal representation of sexes, in accordance with the Gender Equality Law, and reports to the Ministry of Labour and Social Policy - Gender Equality Administration, no later than March 31 of the current year for the previous year, on procedures and measures that have been implemented with the aim of eliminating or mitigating the unequal representation of sexes in the Bank);
- Law on Prohibition of Discrimination.

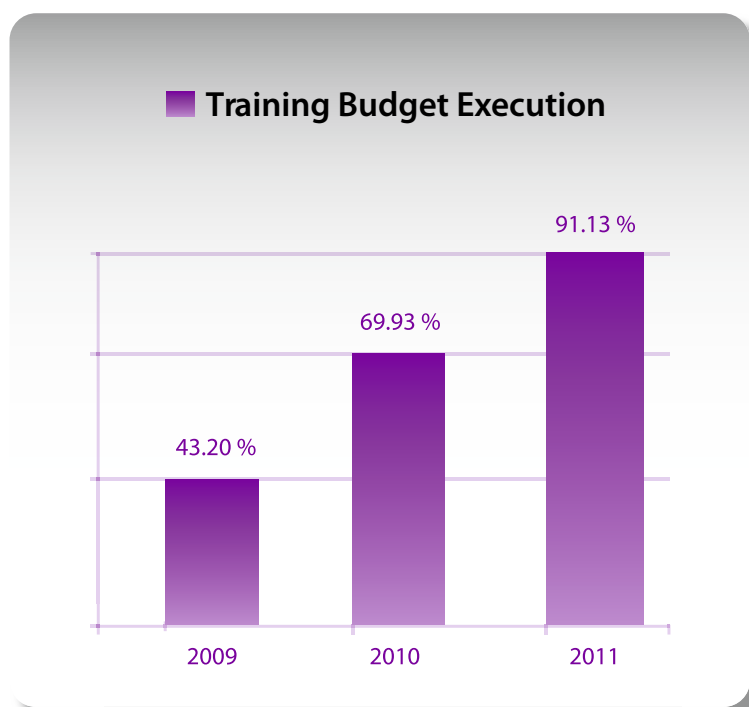
The table below shows the sex structure of employees in Komercijalna banka in 2011:

Sex structure of employees in Komercijalna banka					
Sex	Women		Men		Total
31.12.2011	2201	72.83%	821	27.17%	3022

Professional development of employees

Human Resources Division, in cooperation with the organisational units of the Bank, defines the annual training program and budget, taking into account the employees' needs and the needs of the Bank. It is with great pleasure that we can say that the execution of the training budget has shown an upward trend in the last three years, with the execution of the budget rising from 43.2% in 2009 to considerable 91.13% in 2011! This is an important indicator which shows how increasingly aware the employees are of the importance of professional development, both in the area of professional and technical knowledge, and in the skills necessary to successfully accomplish business tasks. The development of human resources through training ultimately results in meeting the ever growing client expectations by offering high-quality banking services.

The total number of employees who participated in training programs in 2011 was 3,325 of which 2,432 participated in on-the-job training and 893 in off-the-job training.



Internal training makes a great contribution to reduction of the Bank's costs. In 2011 the Human Resources Division trained a total of 956 trainees in the areas of sales communication, selling skills, presentation and management skills. In the Retail Division 238 employees attended the training sessions, whereas training organised by the Multi-Channel Distribution Division, on the topic of selling payment card products, was attended by 255 employees. The Credit Analysis Division trained 227 employees in credit analysis, whereas the Compliance Division trained 398 of their employees in prevention of money laundering and financing of terrorism. Internal training, which included a smaller number of employees, was organised by the Corporate Division (96 trainees), Accounting Division (47 trainees), Securities and Financial Market Division (49 trainees), Legal Affairs Division and Payment Operations Division (99 trainees), each covering their own respective field.

One of the noted training courses was "How to make your client a partner - advanced selling skills", organised for 92 employees from the Bank in the form of in-house training adjusted to the Bank's needs and targets. Training in technical skills was conducted in the same manner - computer skills in basic and advanced MS Office programs, Word and Excel, in Belgrade, Novi Sad and Niš. Off-the-job training was organised in the areas of retail, bankassurance, accounting and international accounting standards, new regulations, finance and financial analysis, information technology, risk management, etc.

In 2011 the Bank signed internship agreements with faculties and schools throughout Serbia. The table below lists these institutions, duration of internship and the number of students.

No.	Faculties and schools that have an internship agreement with the Bank for 2011	Duration of internship	Month of 2011	Total number of students
1	Singidunum University, Finance and Banking Department	15 working days	01,02,06 07,08,09	50
2	Professional Business College Blace	5 days	March, April, May	44
3	Belgrade Business School	10 days	March, April, May	40
4	School of Economics Subotica	10 days	March, May	12
5	School of Economics Kragujevac	5 days	April, May	10
6	School of Economics Užice	10 days	April, May	4
7	First Economic School in Belgrade	5 days	May	40
8	Second Economic School in Belgrade	5 days	May	6
9	School of Economics in Barajevo	5 days	May	1
10	School of Economics in Grocka	5 days	May	1
11	State University Novi Pazar - Faculty of Law and Economics	1 day	May	52
12	Professional Business College Valjevo	10 days	June	1
13	Belgrade Banking Academy	5 days	June, July	18
14	Electronics and IT College	21 days	July	1
15	Faculty of Economics Belgrade	10 days	July	1
16	Megatrend Business School	10 days	July	1
17	University EDUKONS - Sremska Kamenica	10 days	July, August, September	5
	Total			287

Corporate social responsibility

Customized website of the Bank

Komercijalna banka fully customized its web site to the blind and visually impaired people. All the contents of the website have been simplified and adjusted to the software that reads the texts on the Internet to the blind.

At the Internet address www.kombank.com/osi, on the main page, there is an option that allows the user to enlarge the letters in texts and to view the whole page in negative, so that the letters can be as visible as possible for the visually impaired. Information that can be obtain on such customized website is: basic information about the Bank, the organizational structure, annual reports, branch network, network of ATMs and POS terminals, services offered to retail and corporate customers, all information on loans and payment cards, news from the Bank, etc.

Result:

- Increased quality of life for disabled people.



Cooperation protocol

As part of the project of the Working Group for Corporate Social Responsibility in Banking and Finance under the auspices of the UN Global Compact, during March and April last year, blocks of lessons were taught to teachers and students in secondary schools of economics where future “banking officers” are trained. Trainers, who were enlisted from banks that operate in Serbia, spoke on such topics as investment banking, foreign payment operations, securities trading, project financing, etc. Both teachers and students showed great interest in these topics, judging by their active participation in the lessons.

The protocol on cooperation between the Association of Principles of Schools of Economics and the Global Compact, which formed the basis for these lessons, was signed on November 10th, 2010. The National Bank of Serbia and the Global Compact will continue with similar projects in the future.

Results:

- Teachers refreshed and expanded their knowledge in this field;
- Students were able to see how acquired theoretical knowledge is applied in practice, using a great number of examples;
- Active participation led to a greater interest in banking issues.

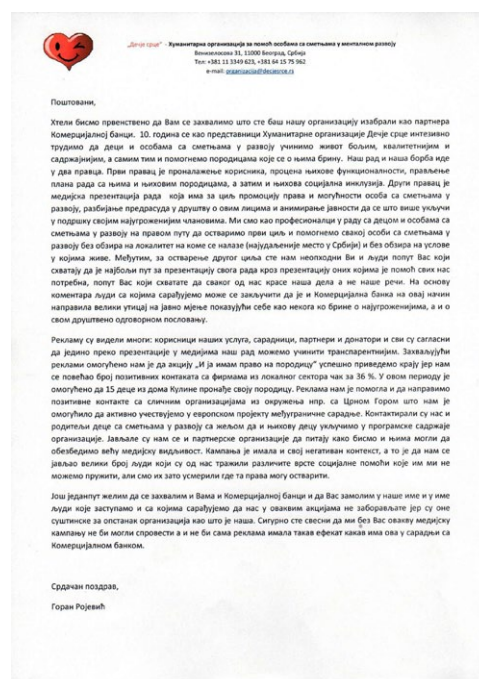


Donated advertising space

In the savings month Komercijalna banka decided to donate to charity its advertising space, originally intended for the savings campaign, and, by doing so, raise the general public's awareness of the important issues in our community. Advertising space on television, as well as on billboards was bought in order to be donated to charity groups involved in wider social issues, such as care for the new-born, the disabled, family violence and the issue of HIV. This was the first time that the most disadvantaged social groups had an opportunity to make their voice heard in prime time and get their message across to a great number of people. This transformed the campaign "Investing in the future", which put the needs of the people first, into a true movement.

Results:

- The charity organisation that helps mentally challenged people "Child's Heart" had an increased number of positive contacts with locally based companies by as much as 36%, and 15 children were placed in foster families;
- Campaign against human trafficking "Astra" recorded a 25% rise in received telephone calls made to the helpline that provides support to victims of human trafficking and their families;
- Campaign "Battle for the Babies" for the purchase of incubators for premature babies greatly increased the number of donors;
- Bloggers started to donate space on their sites.



Other notable projects of corporate social responsibility implemented last year include:

- Donation of three incubators for premature babies, as part of the drive “Battle for Babies”;



- Organisation of the seventh “Games without Frontiers” for children from special institutions and orphanages in Subotica, Petrovac, Sremčica, Veternik, Aleksinac, Bela Crkva;



- Komercijalna banka and UNICEF signed an agreement on cooperation which will allow businesses and the general public to become members of UNICEF friends club and support the activities aimed at allowing every child in Serbia to exercise their rights, by making regular monthly donations;



- Donation of equipment for early diagnosis of impaired hearing in babies;
- Donation of the funds necessary for four children suffering from Batten disease to go to China with their caregivers and undergo a treatment there;
- Providing assistance to disabled children and socializing with them;
- As part of the “40 good things” campaign, started in 2010, on the occasion of the Bank’s 40th birthday, when a student canteen was opened in secondary medical school in the south of Serbia which employed ten women (mostly single mothers), a new production and sales facility was opened in 2011, employing another three women from poverty-stricken families;
- Many other local cultural, artistic and sports activities were supported in the form of sponsorship and donation.



Fight against corruption

In its fight against corruption (Principle 10), Komercijalna banka relies on the new Code of Conduct - Rules of Conduct and Professional Ethics, recommended by EBRD (adopted in 2010) which expressly forbids corruption and fraud.

The issue of corruption is regulated also by the procedure on the course of action in case of fraudulent activities, as offer or acceptance of bribe has also been recognized as a form of fraud. In this manner the internal control of the Bank is regulated in the part that relates to the identification and legal processing of fraudulent activities and this procedure is implemented in all organisational forms and units of the Bank and its related entities, members of the banking group.

There were no reported cases of corruption in 2011.