



JUBMES BANKA AD BEOGRAD

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS

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JUBMES BANKA AD BEOGRAD
Executive Board
Belgrade, March 5, 2012

STATEMENT OF CONTINUOUS SUPPORT

Upon joining the UN Global Compact JUBMES banka a.d. Beograd took the obligation to permanently improve its corporative social responsibility activities and achieve its business and development targets through implementation of the corporative social responsibility principles.

Although the global economic crisis has aggravated strategic targets achievement of many entities active in the national, regional and global financial community, JUBMES banka decided to keep on with an active promotion of the fundamental principles of corporative social responsibility, sustainable development and healthy business executed through cooperation with the employees, local and wider social communities. In our opinion, each anti-crisis strategy should promote responsible business as the fundamental element of the healthy and open economy, being an important impetus for the crisis overcoming as well as for the EU integration processes, both present and future.

Pro-active relation towards this new business concept is reflected in Bank's dedication to incorporate Global Compact principles into its business policies and rules, especially the segments of human rights protection, environmental protection and anti-corruption combat. Synthesis of economic and social aims is a presumptio for profiling new concept of competitiveness for business entities, which includes creation of new products and services generated by implementation of corporative social responsibility principles.

Membership in the UN Global Compact gave especial impetus to JUBMES banka for a more creative and active access to the community's economic and development goals which are harmonized with the agenda for EU accession, as well as to regional and global projects for the sustainable development support. In this sense we carry on with giving active support to initiatives and activities of the national, regional and global UN Global Compact networks, which promote universal values as human rights and liberties, democracy, peace and sustainable development.

With this respect we also continue with giving active support to the UN Global Compact Foundation and its activities. This non-profit organisation is currently engaged in creation of the wide Global Compact platform, to be adopted at the forthcoming Rio+20 Conference, which will consider the results of the corporative sector's support to promotion of the sustainable development.

Human rights (including social and politic rights) threats risk management, environmental risk management, as well as the corruption risk management should support the development of correlative relations between corporate business targets and the sustainable development concept. Since sustainable development is conditioned not only by social and ecological, but also by economic factors, not only governments and civil sector are responsible for giving support to the sustainable development, but also the business community.

Sustainable development concept requests responsible relation towards local community needs, especially in case of natural and other disasters. In 2011 JUBMES banka continued to give aid to non-profit institutions in the region of the Kraljevo town and vicinity, hit by catastrophic earthquake in November 2010. We have established close cooperation with the Town Library, to which we donated computer equipment. Upon the Library initiative we took participation in collecting books action to meet the needs of local libraries.

Since sustainable development concept also requires solidaire and human relation towards socially jeopardized persons, JUBMES banka permanently gives its support to various initiatives and projects on non-governmental organisations, especially to "Naša Srbija" (Our Serbia), which is engaged in rendering assistance to displaced persons and refugees from the territory of the former SFR Yugoslavia and Autonomous Province of Kosovo and Metohija. In 2011 we kept on with giving support to "Child's Heart" Foundation (in 1992 the Bank was its founder and the major donor) in belief that only healthy population my give its full contribution to the sustainable growth.

In 2011 we continued to support various projects of the local community, scientific and educational, cultural, health and sport institutions, especially Water-polo Federation of Serbia, with the activity and results reflecting our endeavours for promotion of the sustainable growth and UN Global Compact fundamental principles.

Within the Global Compact national network JUBMES banka has been actively supporting initiatives and activities under various task groups, especially groups for corporative social responsibility in banking and finance, for giving support in extraordinary situations and for the anti-corruption combat.

In the forthcoming period JUBMES banka shall take active participation in preparations for the European meeting of the Global Compact local networks to be held in Belgrade in October 2012, giving the opportunity for the exchange of experiences and ideas related to the socially responsible business concept.

In the year passed, we continued to develop pro-active cooperation with internal and external stakeholders, to improve the practice of regularly providing the relevant information to all interested groups as well as to initiate the dialogue with employees on various issues related to corporative social responsibility principles.

As in previous years, in 2011 the Bank provided permanent education to its employees, related to modern banking operations and responsible business principles, especially in the segments of environmental protection (preparations for adoption of ISO standards 14001), anti-corruption combat and human rights protection. The Bank has also paid a lot of attention to improve the safety culture of its employees and to introduce the most modern technical and safe working conditions.

As we have already pointed out, the Bank is focused at further promotion of the Global Compact's first and the second principle, especially at the inclusion of the minority groups and socially jeopardized groups in the community. Giving such significance to this inclusion, as one of the most important pre-conditions for the sustainable development, JUBMES banka in 2011 maintained its cooperation with the referent national institution for accommodation of autistic children, youth and elderly persons in Belgrade. Inclusion of these categories of people in the community should be considered as one of prerequisites of sustainable growth.

With respect to environmental protection we have continued our support to "Uvac" Special Nature Reserve, Nova Varoš and "Beloglavi Sup" Birds of Prey Protection Fund, as well as to "Očistimo Srbiju" (Let's Clean Serbia) national project.

In respect with the anti-corruption combat issue, at the end of 2010 JUBMES banka, as the first member of the UN Global Compact in Serbia, signed the Declaration on Anti-Corruption Combat, prepared by the Global Compact Serbian network, requiring timely reporting related to Global Compact's 10th principle. Let it be emphasized that JUBMES banka was among first institutions within the UN Global Compact Serbia to adopt the set of documents which regulate implementation of its anti-corruption policy, thus enabling the Bank to fulfil the undertaken obligations.

Summarizing all mentioned, I would like to underline that JUBMES banka a.d. Beograd is addicted to observation of the Global Compact principles and to the sustainable development, as our strategic business orientation. We believe that the external and internal support to these principles lay a foundation of the business culture and philosophy. Only by taking developmental and evolutive attitude towards implementation of the Global Compact principles as well as by expending the range of activities aimed at the principles promotions, the Bank creates necessary pre-conditions for achieving the targeted competitive position within the local and regional financial sectors, as well as for more efficient and active engagement in all forthcoming phases of the EU accession process.

Yours faithfully,



Milan Stefanović
P r e s i d e n t

IMPLEMENTATION OF UN GLOBAL COMPACT MAIN PRINCIPLES, IN JUBMES BANKA A.D. BEOGRAD, INCLUDING RESULTS EVALUATION AND PLAN FOR FURTHER ACTIVITIES

I Introduction

By our third Communication on Progress we would like to present our advancement in profiling JUBMES banka a.d. Beograd as a responsible business entity, contributing to sustainable development concept both externally and internally, the advancement developed not only through improvement of regulations and taking obligations, but also through undertaking concrete activities.

Sustainable development, as a long-term and synergy process, includes economic, social and ecological aspects of life. Three sustainable development pillars – economic sustainability, social cohesion and environment protection have to be balanced, which requires long-term inter-sector cooperation. By becoming member in the UN Global Compact, JUBMES banka has undertaken obligations primarily focused at promotion and further implementation of its principles, while simultaneously striving to maintain balance among the mentioned pillars.

In fight against negative effects of the global economic crisis, new business model emerged, based on the corporative social responsibility (CSR) principles. It became a significant segment of the new anti-crisis and development strategies on national, regional and global levels.

In this CoP, the Bank would like to present the said activities, primarily those aimed at implementation of the human rights and labor rights protection, environment protection and combat against corruption. JUBMES banka is not engaged only in execution of Global Compact's initiatives and activities within the sector or on inter-sectors level, but it also takes an innovative and autonomous attitude towards the promotion of the mentioned values and principles, being the foundation of the sustainable development concept.

At the beginning of 2012, with aim to implement ISO standards applicable in financial sector, Bank's managing team adopted three principal policies: Quality Policy, Information Safety Policy and Environment Protection Policy. Bank's synthetic attitude towards implementation of these policies and an active promotion of UN Global Compact contribute to further advance of the socially responsible business concept.

The principal goal of the Quality Policy is continuous maintenance of the quality system as a principal attitude of the both Bank's management and employees, aimed at long-term maintaining of high quality products and services, as well as at capital and deposits growth. The adopted Quality Policy defines Bank's priority activities which are expected to help establishing the management quality system in conformity

with the ISO Standard 9001:2008 and current legislation, meeting the employees' needs, development of partnership through mutual exchange of knowledge and experiences as well as through amicable disputes settling, high level of business relations with suppliers and external services providers, permanent improvement of knowledge and skills, equipment and resources management in conformity with ISO Standard 9001:2008, timely and adequate planning of all activities and of all improvements in products, services and operating process, rules and other documents which follow all business procedures, permanent identification of the coordination failures and their resolving with participation of all employees, establishment of good internal and external communication necessary for the transfer of values, knowledge and information.

Bank's Information safety policy regulates management of information and information property necessary for providing the quality products and services to clients. Information and information property management safety and security are responsibility of both all employees and external services providers for providing confidentiality, inviolability and availability of information. In this way, information and information property are secured against all threats, external and internal, intentional and accidental, through establishment, implementation, exploitation, supervision, inspection, maintenance and development of the Information Safety Management System (ISMS). This policy sets the framework for concrete information safety targets, binding both Bank's managing team and employees to put all their efforts in order to provide for regular application and observation of safety rules and regulations.

Through adoption of the Environment protection policy the Bank shows its concern for the environmental impact of its operations. For this reason the Bank permanently develops the Environment protection management system, in conformity with ISO 14001:2004 standard.

The adopted policies enabled opening of the new phase in Bank's positioning in the field of CSR as well as in maintaining of a strategic, long-term sustainable development concept. We build this concept with the developmental and dynamic attitude, through cooperation with internal and external interest groups. Through synergy relations established with various interest groups from the both public and non-governmental sector, the Bank implements the National Strategy for Sustainable Development, which is harmonized with the principal aims of the European integration process, being creation of a competitive and knowledge based economy and the social cohesion society.

Institutional and normative transition forms an integral part of this process, while the business sector is responsible for promotion of the new business model which requires the following: legal obligations observation, mitigation of the negative impact of business operations against the society, risk management in the case of human rights abuse, threats to the environment etc. as well as positive operation effects

through creation of new values generated owing to the implementation of the Global Compact principles and addition to social development issues.

In our third Communication on Progress we shall present activities related to observation of the first UN global compact's principle – human rights support and protection and second principle – making sure that Bank's activities are not complicit in human rights abuses. Then we shall present our activities focused at promotion of the Global Compact principles related to labor standards. We shall further present activities related to protection of environment i.e. to introduction of ecological principles in corporative activities. Those activities are related to the seventh principle under which companies should undertake precaution measures related to the environment and to the eighth principle, under which companies should take measures in order to promote environmental responsibilities, as well as the ninth principle – encouraging the development and diffusion of environmentally friendly technologies. We also point out our activities related to combat against corruption in all its forms including extortion and bribery.

All Bank's activities for the promotion of CSR principles are tied to the active participation in the operations of the Global Compact in Serbia coordinated by the Serbian Chamber of Commerce, which encourages the exchange of good practice and ideas, inter-sector dialogue, attracts various business entities and other organizations to join the network. We give the special importance to the forthcoming European Global Compact Local Networks Meeting, planned to be held in Belgrade in October 2012.

II Implementation of the UN Global Compact principles

Human Rights

a) Global Compact Principle I – Companies should support and respect the protection of internationally proclaimed human rights

Universal character of human rights is not guaranteed only by states, as principal subjects of the international law. Countries, UN members are bound to respect, protect and implement human rights. This includes human rights protection against violation committed by the public sector entities as well as by those belonging to the business community. This obligation of human rights protection is regulated by the Convention on the Elimination of all Forms of Discrimination Against Women and Convention on the Elimination of all Forms of Racial Discrimination. Countries bound by this Convention are responsible for taking legal steps against corporations committing human rights violation.

Although we are aware that setting legal normative in this field (on national and international level) is a long lasting process, we attach much significance to the voluntary initiatives targeted at the social responsibility of the business community.

According to Global Compact principles, human rights must be integral part of each socially responsible behavior in the business community, meaning prevention of every form of non-ethical competition resulting from the fact that some of the business entities are not engaged in human rights protection. Companies addicted to human rights observation gradually become main subjects creating a healthy and competitive business environment. Adoption of the new strategic and long-term management concept – socially responsible business, enables socially responsible companies to promptly react at social and ecological problems and participate in the “sustainable development”. Thereby, business community’s responsibility for human rights protection has become widely recognized, in spite of the initiative’s voluntary character.

Today it is obvious that, with aim to overcome global crises and achieve global economic stability, any recovery scenario must require the business conducted in an ethical manner, through observation of all human, especially economic and social rights. In the place of an old paradigm “Human rights is not of concern to business” comes new human rights universality paradigm and all segments of the society, including business community, are responsible for its implementation.

The aforesaid remarks and directives are incorporated as targets in Bank’s strategies and policies. At the same time, the success of the new business model (incorporating the segment of human rights protection), requires cooperation developed with external and internal interest groups, participating in new values creation, being the base of the modern corporative culture.



„Stefan Prvovenčani“ Public Library, Kraljevo

Having this in mind, as in previous years, JUBMES banka actively participated in overcoming the damages jeopardizing people, property and human rights caused by natural disasters and other extraordinary events. Being actively engaged within the Working group for the extraordinary events support with the Global Compact in Serbia network, we continued to render our assistance to the region of Kraljevo town, hit by the earthquake at the end of 2010. Upon the request of “Stefan Prvovenčani” public library in Kraljevo, we donated the computer equipment and participated in the Network’s action of collecting books for this library and its regional branches.

In conformity with our strategic attitude, we continued with the education of our employees through presentations on various forms of socially responsible business, including human rights and freedoms protection aspects. Special attention was paid again to the gender equality and inclusion of disabled persons in the community’s social life on every level.

Also, special attention was also paid to the cultural heritage protection and its relations with sustainable development.

With aim of gaining new knowledge and good practices exchange in the field of CSR, JUBMES banka in the previous year started to encourage its employees in charge for affirmation of the concept to attend international courses organized by respected institutions.

New responsible business model, which respects human rights principles, introduces the adequate the CSR segment management, i.e. optimal risk management in the social (including human rights risk) and ecological field.

In conformity with business quality, information safety and environment protection, the Bank identified aspects and adopted rules and programs for policy implementation. This documentation is a base for the independent certified entity which will appraise the conditions created in the Bank for introduction of ISO standards 9001, 27001 and 14001. Application of these ISO standards shall generate necessary pre-conditions for the quality improvement of integral management, including the CSR segment. Since we are convinced that JUBMES banka meets the required conditions, we expect the Standards’ certification soon.

Apart from this, JUBMES banka has continued to improve the human rights support system, especially system of health protection and employees safety, through regular courses for professional improvement of employees in domain of labour health and fire protection, as well as through employees' knowledge evaluation. JUBMES banka has continued to improve its internal enactments on appraising risk at labour location and environment together with the company specialized for labour safety and health and environment protection.

On regular basis the Bank engages specialized companies to assess the working environment and equipment on safety and health grounds.

By the risk assessment enactment the Bank regulates organisation of the security and health at work operations, employee's training for performing safe and healthy work, providing the personal protective equipment as well as the first aid in case of employees's injury or illness.

In 2011 the By-Law on rights, obligations and responsibilities related to safety and health at work was adopted. This document establishes working conditions standards mostly focused at diminishing risk of injury at work or professional illnesses and diseases, establishes technical, ergonomic, health, educational, social, organisational and other measures and means for prevention or elimination of the risk of injury and employee's health damage.

JUBMES banka has also provided the free systematic medical examination and medical experts service under preferable conditions for all Bank's employees and their family members. Having in mind importance of economic and social rights protection, in conformity with the financial potentials the Bank takes care of retired employees, as well as of needs of employees and their family members, especially in case of illnesses or other irregular events.

In the reporting period JUBMES banka has improved its employment policy and encouraged the process permanent education of employees, contributing to the fulfilment of the Bank's strategic targets. The Bank evaluates the working results of employees in conformity with modern standards and policy of human resources management. The Bank is striving to improve the employee's qualification structure, by employing young, highly educated persons, capable to apply new skills and offer innovative solutions in banking operations.

The Bank in 2011 continued to improve the policy of enabling the employees to attend various types of post graduate studies and courses related to modern banking operations, including participation in local and international financial meetings and forums dedicated to banking products and services development issues, implementation of the Basel III new agreement on capital requirements, deposit insurance models etc.

Furthermore, special attention is paid to education of experts in the information technology field, focused at E-banking and information technology safety.

Due to taking participation in realisation of the credit lines extended by international development institutions, the Bank is bound to observe CSR principles, especially those related to human rights protection.

In conformity with the Bank's human rights policy, employees are encouraged to take additional education and professional training related to prevention of money laundering and anti-corruption combat, aimed at upgrading the employees' consciousness of the importance of ethical principles in conduction of business operations, which promotes zero tolerance against breaching the guaranteed economic, social, civil and other rights related to Bank's business operations.

Considering the policies adopted and activities undertaken, we are convinced that the progress has been made in implementation of the Global Compact First Principle. Thereby a satisfactory framework is established for prevention of various forms of human rights abuses.

Affirmation and protection of cultural heritage as determinant of national cultural identity

JUBMES banka is fully aware that preservation of the diversity on institutional and culture level is an important contemporary civilization standard. Therefore affirmation of cultural diversity together with observing universal values, are also important pre-conditions for the sustainable development.

We also find the affirmation of non-material and material heritage being a significant pre-condition for preservation and promotion of the national cultural identity i.e. national culture open for dialogue and interaction with other cultures. On these premises, the Bank has continued to support various projects organized by local authorities, as well as the projects executed by a number of humanitarian, religious, scientific, educational, cultural and sport institutions.

To a number of schools in the AP of Kosovo and Metohija the Bank donated valuable three-volume sets of books about major scientist, artists and other famous historical persons important for affirmation of the Serbian nation and country statehood, as the additional literature necessary for the mother language lectures, history, art etc.

In 2011 the Bank carried on to support "Ćirilica" citizen's association, dedicated to prevention of ćirilica – an authentic Serbian alphabet, which has been in use for ten centuries.

The Bank made the contribution to the Holy Žiča Monastery, which was damaged by the earthquake in 2010. It was built in 13th century together with the Church of the Holy Resurrection, by Stefan Prvovenčani, the first king of Serbia. Owing to its representative old fresco paintings, the Monastery is placed under special protection of the Republic of Serbia, being categorized as a cultural monument of an extraordinary significance.

In the course of the last year the Bank continued to develop cooperation with representatives of the Serbian community in Australia, supporting finalization of the project of construction of Serbian Orthodox Church College "St Sava" in Sydney, which will be the first Serbian official educational institution in Australia and the first such institution abroad.

Support to protection of rights of refugees and internally dislocated persons from the territory of AP Kosovo and Metohija

As a permanent donor, JUBMES banka continued to support various activities of "Naša Srbija" humanitarian organization. Principal mission of this organization is to enable improvement of living conditions and education, social and health protection of children suffering loss of one or both parents in wars during last decade of the previous century, ill children, of children coming from socially endangered families, as well as of gifted children and youth – by providing material and psycho-social aid. The Bank has supported the project "School of Friendship" summer program, (project for psycho-social support with a large number of participants), and "Parks of Friendship" activity (building school playgrounds in less developed regions of Serbia). In the few previous years the Foundation issued the New Year / Christmas greeting cards designed by children, which JUBMES banka bought-up in order to congratulate the holidays to its business partners. Funds collected thereby shall be spent for the support of humanitarian projects to come. Upon Foundation's initiative the Bank awarded one year scholarship to a gifted student coming from Priština, Kosovo and Metohija. The Bank provided number of personal computers, which shall enable more efficient acting of the Foundation throughout the territory of Serbia.

b) Global Compact Principle II – Companies should make sure that they are not complicit in human rights abuses

Business world has the responsibility not only to protect human rights, established by international universal and regional documents and adopted standards, but also to provide conditions within their business operations that would prevent any complicity in these rights abuse. In this way business entities can significantly contribute to creation of healthy business environment on national and international levels. Thus, CSR concept encourages development of the process defined not only by the necessity for observation of human rights regulations, but also to promote Global Compact principles through creation and implementation of new business ethical values.

Socially acceptable business includes preventive actions purposed to eliminate human rights abuse. Therefore, each business entity, according to its operation profile, should take adequate preventive measures to ensure human rights observation in its business operations performance.

With this respect, the Bank, as a socially responsible subject, considers not only economic parameters of project justifiability, but also their impact on social environment. In this manner the Bank also develops active cooperation relationship among all interested groups.

When giving support to projects execution in various regions of the world, it is important to pay attention to projects' impact on social environment, preservation of specific cultural characteristics of the country of project execution, human rights protection, taking preventive actions against guaranteed rights and freedom abuse in

conformity with local and international regulations. Only through close cooperation with our clients – exporters, engaged specially on infrastructural projects, preconditions for prevention of human rights abuse can be assured. In this sense, special attention should be focused at conditions for hiring workers in the country of project execution (healthy and safe working conditions, labour rights protection, children labour prevention, prevention of discrimination in any form etc). Thus, in cooperation with our clients, we actively participate to affirmation of sustainable development in regions of our business exposure.

In 2011, JUBMES banka continued to intensively support various projects which affirm healthy society, human rights, solidarity, corporate citizenship, inclusion of disabled person in society, sporting spirit, etc.

In order to meet the needs of sole Serbian centre for accommodation of autistic children, youth and grown-ups - the Autistic Children Institute, as in previous years, JUBMES banka continued to make donations in necessary equipment (furniture and computer equipment) necessary for implementation of work therapy to this category of young disabled persons.



Autistic Children and Youth Institute, Zemun - Beograd

With purpose to promote the inclusion society, we have supported the action of the Blind People Association and Faculty of Technological Sciences, Novi Sad, for the development of the automatic text to speech transformation software, being an important facility for blind and weak-eyed persons. The advanced software's version, providing readability of any text in Serbian language, is compatible with all new versions of the MS Windows operative systems.

The Bank also joined the “Battle for Babies”, a nationwide action initiated by B92 Foundation, which is focused at raising funds for several incubators for prematurely born babies.

JUBMES banka accepted the invitation addressed to Serbian financial institutions and took participation in supporting organisation of the “Goodwill Forehand”, humanitarian tournament organized by Partizan Tennis Club from Belgrade, with aim to raise funds for the Institute for Neonatology, Belgrade.

The Bank also provided funds to JAZAS – Association Against AIDS, non-government organisation, for medicaments needed for treatment of a patient infected by Hepatitis C.

JUBMES banka is one of the major donors of the Water-Polo Federation of Serbia national teams which permanently achieve the highest results on regional and world events, thus aligning our country among leading nations in the sport. Thereby the Bank encourages sport propagation, sporting competitive spirit, healthy life, especially among young persons who should focus at affirmation values of the healthy, open and inclusive society, liberated from stereotypes and preconceptions. After the A Selection won gold medal at European Water-Polo Championship held in Netherlands, the Bank agreed with the representatives of the Federation to support the preparations for the Summer Olympic Games 2012 to be held in London. The Bank is the organizer of the Cadet Memorial Cup, in memory of Darko Čukić, the late president of the JUBMES banka, water-polo fan and former player. This Cup is listed in the official calendar of International Water-Polo Association and it takes place once a year, every year in a another town in Serbia. It is meant to give a wide popularization to this sport among the youth in Serbia, especially in small towns.

The Bank finds it of great importance to support the amateur sport, as one of the significant factors for improvement of the nation’s health in general. For this reason in 2011 we continued to support “Ekonomac” the small-football club from Kragujevac, which suffers difficulties due to lack of funds.

Since paying respect to secondary educational institutions, especially to the schools preparing pupils for the university education, we rendered our support to one of the leading high schools, placed in the New Belgrade municipality, nearby the head-office of the JUBMES banka a.d. Beograd.

Many of Bank’s socially responsible activities are focused at the local community, especially educational and health institutions.

By implementation of the Global Compact Second Principle , the Bank pays contribution to development of the inclusive society, rich in social cohesion, with the business sector becoming an active promoter of human rights and liberties, preventing guaranteed rights and liberties abuse. The role of the corporative sector in transitional processes is to promote creation of new values of the open democracy society, with the business sector actively fostering community’s social and cultural development.

Labour Standards

The fundamentals of the Bank's CSR concept are laid on observing of the labour standards and the related laws and regulations as well as ratified international documents, including the International Labour Organisation Declaration on fundamental principles and rights at work.

By observing the labour right, having the most significant economic-social character, the Bank supports the social cohesion, as an important pillar of the sustainable development concept. Social cohesion is the precondition for development of the democratic, prosperous, stable society and the labour right implementation makes realisation of the social justice possible, as an important peace and safety factor on national, regional and global level. Economic recovery is not possible without social justice i.e. social cohesion implementation. By providing labour rights, we make possible the following important Global Compact principles.

c) Global Compact Principle III - Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining

JUBMES banka fully recognizes the freedom of association and the right to collective bargaining. Constitutional and legal regulations related to freedom of association are being observed and the Union of Financial Organizations of Serbia acts as autonomous, democratic and independent employee's voluntary association, with aim to represent, improve and protect professional, economic and other rights of employees.

Almost every Bank's employee is also the member of the Bank's Union, which is associated into the Union of Financial Organizations of Serbia. This Union holds a representative status within the plural structure of the union organizations of Serbia. President of the Bank's Union is also the member of the National Committee of the Union of Financial Organizations. Union members take regular participation in seminars related to labour right and union issues.

Bank's Union actively participates in humanitarian actions created independently or organized by the Union of Financial Organizations. For example, upon the Republic Committee initiative, the Bank's Union donated the copy machine to the Clinical Centre of Serbia. The Bank's Union permanently expresses its solidarity to Union members needing help (for medical treatment or for similar necessities).

The Bank's Union participates in preparation of the Collective Bargaining Agreement, regulating the rights, obligations and responsibilities arising from the labour relations as well as mutual relations of the Collective Agreement parties. During the negotiations with Bank's Managing Team, the Union representatives present their proposals and suggestions. Union's operations are transparent and include each member's activities.

**d) Global Compact Principle IV: Elimination of all forms of forced and compulsory labour, and
Global Compact Principle V: Effective abolition of child's labour**

Fundamental precondition for effective realization of the labour right is elimination of compulsory labour and abolition of child's labour. By paying respect to the legal regulations in force and internal enactments which implement the mentioned Global Compact principles, JUBMES banka confirms its attitude towards the social justice and social cohesion values. With this aim the bank's employees are regularly informed on the ratified international legal documents, in concern with compulsory labour and child's labour prevention.

In this manner the Bank applies the management model which includes the responsible attitude and cooperation with various social partners and civil society, affirming thereby international standards which prevent the child's labour (Declaration of the rights of the child passed in 1959, ILO Convention No. 182 passed 1996 – in force from the year 2000) and prevent various forms of compulsory labour and slavery (Universal Declaration on Human Rights, European Convention for human rights and fundamental freedoms etc).

e) Global Compact Principle VI: Elimination of discrimination in respect of employment and occupation

By observing legal regulations in force and its enactments, JUBMES banka implements this Principle in practice. Direct or indirect discrimination of the persons seeking employment is prohibited, in concern with the gender, race, skin colour, age, health condition i.e. disability, nationality, religion, matrimonial status, political or other beliefs, social origin etc. Discrimination is also prohibited in respect of employment conditions and candidate choice, working conditions and all rights arising from the labour relationship, education, professional training etc. Special attention is paid when rendering services to our clients engaged in international transactions.

Through its enactments and strategies JUBMES banka is affirming its positive relation to employment of disabled persons and takes participation in actions supporting their employment in various industries.

Environment

Bank's second priority field of action is related to the issue of environment protection i.e. integration of ecological principles into corporative activities. According to these principles of the UN Global Compact, companies should responsibly support precautionary approach to environmental challenges and to promote responsibility for the environment.

f) Global Compact Principle VII – Companies should take precaution measures related to preservation of environment, and Global Compact Principle IX – Encouraging the development and diffusion of environmentally friendly technologies

Within process of creation of the necessary normative ambiance for introduction of ISO 14001:2008 standard, the Bank adopted the Environment Protection Policy, taking thereby responsibility to apply the reasonable measures for:

- Monitoring and application of laws, regulations and good practice requirements related to the environment protection;
- Identification of all environment issues, especially the pollution prevention;
- Resources and energy savings through using renewable and recycled resources;
- Consciousness developed with all employees, suppliers and external services providers on environment impact and correct treatment of dangerous materials;
- Preventive actions for prevention of ecological accidents and organized actions in case of extraordinary events;
- Keeping all stakeholders permanently informed on protection environment system effects.

Bank's environment protection policy shall be applied in order to achieve the following general goals:

- Application of modern and environmentally clean technologies in maintenance operations;
- Resources and energy savings through reduction of harmful materials use and volume of harmful waste;
- Waste management through proper collection, storage and treatment of all kinds of waste;
- Permanent training related to application of dangerous materials and timely reaction to environment disasters;
- Impacts on environment measuring and monitoring;
- Pleasure of stakeholders arising from conducting socially responsible business and their communication.

The precondition for sustainable development is rational and responsible utilisation of non-renewable natural resources and goods. In conformity with the National Sustainable Development Strategy, environment protection policy beam integral part of sector policies and includes business entities from real and financial sector.

In accordance with its capacities, the Bank promotes sustainable utilisation of natural resources and cooperates with the Ministry of Environment and Spatial Planning, Agency for environment protection and other institutions from government and non-government sectors, which are relevant for protection of the environment under the implementation of projects focused at sustainable utilisation of natural resources.

Pursuant to the National Sustainable Development Strategy and the Waste Management Strategy, in 2009 the Ministry of Environment and Spatial Planning launched the action entitled "Clean the Serbia". One of its main targets is separation of paper from the waste for the recycling purposes. Within this initiative, in previous years, JUBMES banka in cooperation with the authorized company has been buying cardboard boxes for collection of office paper waste and distributing them to its clients, partners and institutions from non-profit sector in the Belgrade municipality. This action has been continued in 2011 and 2012 in the entire country. It has been included in Bank's Environment Protection Program as a permanent activity.

In this area JUBMES banka performs the following plans and programs related to the environment protection, as the operative actions directly contributing to environmental protection:

- Defining climate conditioning regime and the use of Freon gas;
- Recycling of used batteries;
- Usage of facsimile machines, copy machines and printers, toners and cartridges;
- Reduction in consumption of office paper and waste office paper management;
- Altering technologically outdated and damaged electronic equipment and electric and electronic waste management;
- Glass package, PET package and cans management and recycling;
- Reducing consumption of drinking water;
- Reducing electricity consumption as well as maintenance of lights and diesel aggregates;
- Dangerous materials storing, transformer station maintenance and prevention of transformer station oil leaking;
- Vehicles use for official purposes, vehicle maintenance and waste tyres management.
- Fire prevention, protection plan in case of fire, earthquakes etc.

g) Global Compact Principle VIII – Companies should undertake initiatives to promote greater environmental responsibility

Upon recommendation of the Ministry of Environment and Spatial Planning, the Bank established cooperation with "Uvac" - Special Nature Reserve d.o.o. Nova Varoš and "Beloglavi Sup" Birds of Prey Protection Fund. The Reserve is situated in the area of untouched vegetation of extraordinary beauty, widely known for the wonderful landscape created by the Uvac river, by cutting the deep meanders into the limestone massives of the Zlatar and Javor mountains in west Serbia. The surrounding is rich in numerous examples of various karst formations including the longest cave system in Serbia.



The Uvac – River Meanders

Griffon Vulture (*Gyps Fulvus*) is a rare species of the vulture eagle. In the past this species inhabited wide areas in west Serbia, but in the middle of the 20th century it deserted all habitats due to industrialization process. However, owing to efforts of the “Uvac” - Special Nature Reserve and funds collected from local and foreign authorities and non-governmental organisations, reintroduction of the Griffon Vulture in this area became true. JUBMES banka took the responsibility to finance the fuel necessary for Reserve’s vehicles which carry the slaughter waste to the vulture’s feeding places.



Grifon Vulture – (*Gyps Fulvus*)

Due to still insufficient animal population and lack of dead animals in this area this is the only possible way of providing food to vultures.

Apart from the Griffon Vulture this area is also known for the only goosander (*Mergus Merganser*) nesting site in Serbia, as well as for around 100 various bird species, 11 fish species and over 200 plant species (flora taxa) proving the very rich area biodiversity. In long-term the Reserve plans to reintroduce other species, which deserted the surrounding (lynx and other eagle species). However, for this action huge support is needed, significantly exceeding presently disposable funds as well as cooperation with governments willing to export these rare species to Serbia.

Anti-corruption combat

h) Global Compact Principle X – Companies should work against corruption in all its forms, at all levels, including extortion and bribery

JUBMES banka, being an active member of the Global Compact Serbia, is engaged to render maximum contribution to elimination i.e. minimizing of corruption and its extremely negative impact both on politic and economic aspects.

Implementation of the concept of healthy and open business, which includes business ethics and prevents corruption and bribery in any form, is one of the important conditions for the Republic of Serbia to obtain candidate status and membership in EU. Being aware of this, members of the Global Compact Serbia have prepared the Anti Corruption Combat Declaration and JUBMES banka has been the first member to sign this document.

Declaration establishes the duty of observing the highest standards and undertaking activities in anti-corruption combat, as well as the duty of preparing reports with description of adopted enactments and taken measures related to anti-corruption combat, in conformity with recommendation for implementation the Global Compact directives on reporting, with respect to the CSR's 10th principle (anti-corruption combat, including extortion and bribery).

With aim to implement the said document in most efficient manner the Bank in December 2011 adopted the Anti-Corruption Combat and Conflict of Interest Code, as an integral document relied on the basic enactments preventing employees' corruptive behaviour and defining indicators showing corruptive activities and the measures required for most efficient application of this document.

The code elaborates the set of the following documents adopted by the Bank, drawing attention to the possible abuses of authority:

- Code of Bank's business ethics;
- Code of Professional Banking Conduct;
- Rule for reputation risk identification, measuring, mitigation and monitoring.

Code of Bank's business ethics underlines close relations between the profession and ethical business conduction – each profession must include ethics, meaning that ethics does not exist without professional business conducting

The Code of Professional Banking Conduct is the key document promoting general ethical principles and norms of professional business conducting. It is a

comprehensive document which integrates general ethical principles and norms of professional banking business conducting, related to bank employees and their relations with clients. This code regulates delicate and special situations that could provoke a corruptive behaviour (conflict of interests between Bank employee and the Bank, presents and other benefits, access to insider information etc).

The Code especially points out that Bank employees have the duty to protect client's property as well as Bank's property, meaning that they may not abuse their authority for their private interest's sake. This Code establishes the following indicators, drawing attention to various forms of corruption caused by Bank employees:

- Banking secrets disclosure,
- Privileged information disclosure,
- Conflict of interests,
- Private arrangements between clients and employees,
- Arranging supply and sale of goods and services.

Having in mind the experience and professional skills of employees as well as the control established on all levels of decision making, the level of risk of mentioned corruption forms moves in the range from very small to medium.

Furthermore, since the decisions are made collectively within the Credit Committee, Executive Board and the Managing Board, the risk of individual abuse of authority is minimized.

With aim of prevention of the corruption forms, as abuse of authority and disclosing information on Bank's employees or clients to third persons, the sanctions for the most serious violation of labour duty are prescribed.

The code also includes measures and activities for the most efficient application of the Anti Corruption Combat Declaration. In context of implementation of the Item 11 of the Declaration, we give significance to the existing set of documents, which together with the Declaration, lay foundation for the Bank's Program of anti corruption combat. The Bank as a responsible business entity, engaged under the said documents, has a duty to prepare the report on Global Compact 10th principle, with the remark that the first report of this kind should include the following items: Commitment and Policy, Implementation and Monitoring.

Within the implementation of acts and concrete measures item, the following measures (Global Compact will be regularly reported on their implementation) are indicated:

- Keeping employees regularly informed and professionally trained on the anti-corruption combat matter,
- Precise assignment of authorities and responsibilities with respect to anti-corruption program implementation, and
- Reporting on anti-corruption program implementation.

With respect to Monitoring item, it will be highly important to precise monitoring authorities related to application of the said documents, being an integral part of the Bank's anti-corruption combat program.

In the forthcoming period, by adoption of the new national strategy for the anti-corruption combat, which will clearly define the business entities' duties in respect of the integrity plans preparing, pre-conditions for further improvement in the reporting on 10th principle will be laid. With this aim, apart from the Code it is necessary to

prepare the Integrity Plan as a separate enactment, containing the system for the institutional self control, with aim to maintain and improve the integrity, transparency and professional ethics.

Equally important is permanent education of Bank's employees, carried out on internal basis or in cooperation with the Global Compact national network task group, then accentuation on moral and ethic standards, as well as consistent application of preventive standards, all aimed at detection and prevention of numerous forms of corruption.

The aim of all mentioned activities is developing the highest possible level of the anti-corruption culture and thereby meeting the standards required by the EU accession agenda.

III Results of corporative social responsibility activities:

- By adoption of quality policies, information safety policy and environment protection policy, being the precondition for awarding of the Certificate for implementation of ISO standards 9001, 27001 and 14001, the new phase in CSR development has been initiated for the Bank, as an integral part of the Bank's integrated quality management;
- In the last year JUBMES banka a.d. Beograd actively participated in realisation of various initiatives and projects launched by the UN Global Compact. Among other engagements, the Bank reacted to the invitation of UNGC Foundation by granting yearly donation;
- Having in mind Bank's strategic orientation related to corporative social responsibility, we continued to develop our activities related to human rights protection, environment preservation and fight against all forms of corruption, including adoption and development of the integral enactments – rules. In this sense, the Bank was engaged under financial execution of two credit lines, approved by the development institution of EU and one of the EU member-states, which included social and ecological criterion as one of the preconditions for the project's accepting.
- Solidarity with victims of elementary catastrophic events is our permanent attitude and our activities on this matter have become known on local, national and regional level. With this respect we continued to cooperate with non-profit institutions in the region of the town of Kraljevo, hit by the earthquake at the end of 2010. We donated to the "Stefan Prvovenčani" national library a computer equipment and number of books.
- Labor standards were promoted by providing internal and external educational courses to Bank's employees.
- Free systematic medical examination and medical experts service under preferable conditions were provided to all Bank's employees and their family members.
- The Bank actively promoted ideas and principles of social responsible business through providing donations to humanitarian organizations, sports organizations, educational and cultural institutions, institutions of public and civil society;
- With respect to relations with the local community, the Bank has supported projects of affirmation and protection of the national cultural heritage, healthy, open and inclusive society as well as continued the long term cooperation with non-profit institutions;
- As a founder and a major donor of the "Childs Heart" Humanitarian Foundation, the Bank has organized a number of donations for the account of this institution. In cooperation with the Cardiothoracic Surgery Department of

»Dr Vukan Čupić« Mother and Child Health Institute, Belgrade, we provided our support for the supply of the monitor needed by the intensive care department. The monitor is adaptable to the existing equipment and applicable to children of all ages. It is also adaptable to EKG, non-invasive blood pressure measuring etc.

- The Bank continued to support the Centre for rehabilitation of children, youth and the grown-ups suffering the autistic syndrome by donating the furniture and the computer equipment necessary for working therapy implementation;
- The Bank joined the action initiated by the Blind People Association and Faculty of Technical Sciences, Novi Sad, for the development of the automatic text to speech transformation software. This activity is aimed to help 12 000 blind persons in Serbia, facilitating their access to written texts and on-line communications. The advanced software's version, providing readability of any text in Serbian language, is compatible with all new versions of the MS Windows operative systems.
- As in previous years, the Bank has continued to provide funds to the "Uvac" - Special Nature Reserve, Nova Varoš for obtaining fuel for vehicles which carry the slaughter waste to the Griffon Vulture feeding places.
- As in previous years, the Bank has also continued to support the action entitled "Let's Clean Serbia" launched in conformity with the National Sustainable Development Strategy and the Waste Management Strategy. One of the main targets of this activity is separation of paper from the waste for the recycling purposes.
- In respect of activities related to promotion of the UN Global compact 10th principle, let it be specially stressed that JUBMES banka was the first member of the Global Compact in Serbia to sign the Anti Corruption Combat Declaration. With this aim the Bank adopted the Code on anti-corruption combat and conflict of interests establishing the set of measures for the most efficient implementation of the Declaration related to reporting on the 10th principle.

Progress and intensifying of the various activities related to observing the Global Compact principles are proving Bank's permanent addiction to social responsible business, as our business and strategic orientation. Competitive position on national and regional market with continuous development of the wide range of our products and services primarily aimed at corporate clients, CSR principles observing and promotion of the responsible business culture on internal and external level, more active role within the UN Global Compact network and implementation of the modern standards in banking operations are characteristics of the new, advanced phase in the UN Global Compact principles implementation.

IV Future orientation and plans with aim of further promotion of corporative social responsibility principles

Operating as a responsible business entity, which permanently improves its rules and practice in implementation of the UN Global Compact principles, and which does not develop its strategic targets separately from the social responsible business conducting, JUBMES banka has continued to promote sustainable development both on internal and external plan.

Mid-term and long-term sustainability of the Bank's competitive and respectable market position in local and regional banking/financial sector, affirmed through offering of a wide range of modern products and services, focused at corporate sector, shall be provided through development of the new concept of integrated management quality followed by the application of the ISO standards 9001, 14001 and 27001. By implementation of these standards, a new space is opened for management improvement in the CSR segment.

JUBMES banka shall continue to develop its activities in promotion of the responsible business principles, to improve standards, rules and values of the healthy and open business conducting, to develop relations with all interested groups and to respect the developmental targets on the local and national level, arising from the coming phases of the EU integration process agenda.

Having in mind the new concept of integrated management and its active membership in the Global Compact network, the Bank shall continue to develop the practice and rules for implementation of the general Network's principles, i.e. human rights and labor rights protection, environment protection and anti-corruption combat, including implementation of Directives for reporting under Global Compact 10th principle – improvement of the reporting system on (so called) non-financial indicators.

In the forthcoming period the Bank shall continue to maintain the representative position gained in implementation of the various activities, initiatives and projects initiated by the UN Global Compact national, regional and global networks and to permanently improve inter-sector cooperation, being an important component for the execution of the social responsible business and for the realisation of the aimed strategic concept – sustainable development.



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P r e s i d e n t



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