

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS 2016



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.

About us:

Komercijalna banka AD Beograd is a market leader with a history of successful operation in Serbia dating back 46 years. In addition to Komercijalna banka AD Beograd, the Group also includes 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 customers, supported by modern, innovative and personalised banking products.

Our vision:

We are a leading Serbian and regional bank and a major contributor to economic development, a higher standard of living, overall prosperity and fostering and acceptance of progressive values across all areas of business and creative work.

Our mission:

We are a sound and reliable financial institution, a recognised financial brand, positioned as a leader in key business segments.

We support our clients through modern, innovative and personalised banking products, with top-of-the-line service.

We provide financial products and services in strict adherence to the highest international standards and values.

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

Foreword by Alexander Picker, Chairperson of the Executive Board of Komercijalna banka AD Beograd, to the 2016 UN Global Compact Communication on Progress



Mr. Alexander Picker

Last year was challenging for the entire banking sector in Serbia, including Komercijalna banka. And yet, in the face of adversity, we have made a bold step forward in our operations by turning to innovative ideas and launching the digitalisation process. We have developed new services and enhanced our product portfolio, introducing services previously unheard of in the Serbian market.

We have engaged in open communication with our employees in order to find sound answers to the questions we ask ourselves and those that are raised by the market, our customers, our partners and the environment in which we operate. We firmly believe that a company's worth is measured not only by its business success, but also by its responsible treatment of its employees, customers, business partners and all community members.

In the coming period, the Bank will remain focused on continued stability of its operations, increasing its value and ensuring sustainable growth and profitability. Our desire is to strengthen our regional presence and seize new opportunities for continued development, with an unwavering commitment to adhere to the principles of the Global Compact. The Bank will continue developing its human rights, labour, environment and anti-corruption activities.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

The UN Global Compact aims to promote ten universally accepted principles of human rights, labour, environment and anti-corruption.

The protection of human rights, where business should:

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

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

Protection of labour rights, where the business should:

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

Principle 4: uphold the elimination of all forms of forced and compulsory labour,

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

Principle 6: uphold the elimination of discrimination in respect of employment and occupation.

Environmental protection, where the business should:

Principle 7: 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.

Borba protiv korupcije:

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

PROTECTION OF HUMAN RIGHTS

Komercijalna banka fully respects the principles of human rights protection, i.e. it supports and respects to the letter the protection of internationally proclaimed human rights (principle 1) and makes sure that it is not complicit in human rights abuses (principle 2).

In accordance with the Law on Occupational Safety and Health, in 2016 the Bank performed microclimate measurements and tests (temperature, relative air humidity, air circulation speed) and lighting measurements and tests in summer and winter conditions in all its offices. These measurements are performed periodically every three years.

The measurements were performed at times when workplaces operated at their full technological capacity, during working hours, as required by the Regulations on the Procedure for Inspection and Verification of Work Equipment and Testing of Working Environment.

Contact for Ethical Issues and Complaints

All questions raised by employees with regard to application and interpretation of provisions of the Labour Law, the Law on Gender Equality, the Law on Prohibition of Discrimination, the Law on Prevention of Harassment at the Workplace, the Law on Professional Rehabilitation and Employment of Persons with Disabilities..., as well as any grievances and complaints, received proper response from the Labour Law Department and the Human Resources Department of the Legal Division.

PROTECTION OF EMPLOYEES' LABOUR RIGHTS

Komercijalna banka fully upholds the freedom of association and the effective recognition of the right to collective bargaining (principle 3), the elimination of all forms of forced and compulsory labour (principle 4), effective abolishment of child labour (principle 5) and the elimination of discrimination in respect of employment and occupation (principle 6).

Komercijalna banka upholds labour rights as they are set out in the Labour Law of the Republic of Serbia. The Labour Law is harmonised with the conventions and recommendations of the International Labour Organisation ratified by Serbia and incorporates all standards and norms which provide for the rights, protection and working conditions of workers in accordance with those conventions and recommendations.

Furthermore, the Labour Law also transposes relevant EU Directives, thus enabling workers to exercise their rights in accordance with the international standards.

The Bank upholds its employees' freedom of association and the effective recognition of the right to collective bargaining through the operation of the Independent Trade Union of Komercijalna banka AD Beograd.

Employees' collective rights include freedom of association, the right to unionise, the right to collective bargaining, the right to sign a collective agreement and the right to information. They also include the right to express one's views on important labour matters, the right to consultation, the right to participate, the right to amicable settlement of collective and individual labour disputes and the right to take collective action.

Komercijalna banka remains fully committed to principle 4 and strictly avoids all forms of forced and compulsory labour. The Bank has never been sued, indicted or penalised for forced and compulsory labour.

In accordance with the Law on Prevention of Harassment at the Workplace, any harassment, sexual harassment or abuse of the right to protection from harassment is prohibited and punishable.

Every employee has been made fully aware of his/her rights, duties and responsibilities and those of the Bank. All required information is permanently accessible on the Bank's internal portal; in addition, each employee has received written notice of this.

Furthermore, Komercijalna banka fully supports effective abolishment of all forms of child labour and does not employ persons under 18 years of age (although the Labour Law permits the hiring of persons younger than 18 in certain specific cases) and has no commercial relations with any economic entities that hire persons under 18 years of age.

Age structure of employees of Komercijalna banka in 2016

Overview of employees of Komercijalna banka by age structure						
Age interval	Under 30	31 - 40	41 - 50	51 - 60	Over 60	Total
31.12.2016	95	1086	777	846	54	2.858

Komercijalna banka also combats discrimination in respect of employment and occupation by complying with the provisions of the Labour Law, the Law on Gender Equality and the Law on Prohibition of Discrimination.

Gender structure of employees of Komercijalna banka in 2016

Overview of employees of Komercijalna banka by gender					
Gender	Women		Men		Total
31.12.2016	2.077	72,67%	781	27,33%	2.858

Staff Professional Development

The Bank continually invests in the training and professional development of its employees, as its most valuable resource. The professional development activities undertaken in 2016 are indicative of a sustained qualitative and proactive approach to training, based primarily on:

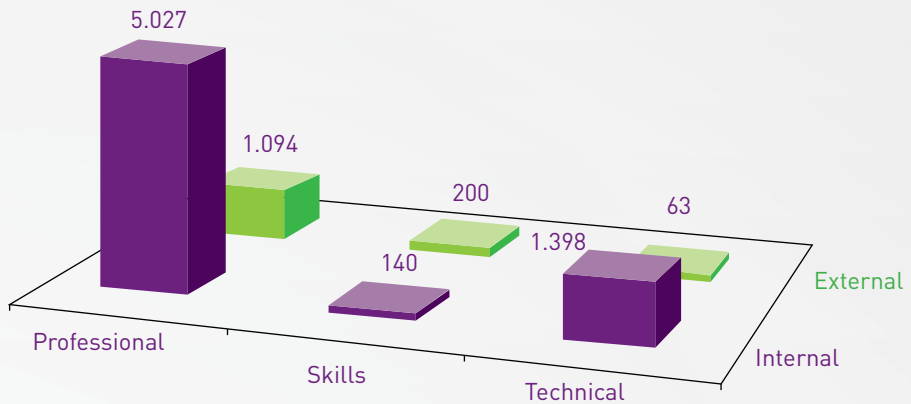
- Identification of training needs and adaptation of training content;
- Design and delivery of internal trainings;
- Organisation of internal and external trainings;
- Quality assessment of trainings and training processes;
- Improving the quality of trainings and training processes.

In total, 142 different training events attended by 7,922 trainees were held in 2016.

The trainings focused on qualitative improvement of the content and delivery, in line with the objectives of individual business functions. In this context, we directly collaborated with the relevant employees/managers when designing specific trainings (internal and external) to adapt the content, prepare specific examples and provide tailored training.

All trainings had an accurately specified organisational objective (the intended outcome of the training), linked with the Bank's strategic and business objectives:

- Professional trainings aimed at providing employees with new knowledge and upgrading their existing knowledge relating to the jobs they perform at their respective organisational units were attended by 6,121 participants, or 77.27% of the total number of those who attended trainings (7,922).
- Skills development trainings, aimed at improving specific skills required for proper performance of duties, were attended by 340 participants, or 4.29% of the total number of those who attended trainings.
- Technical trainings, aimed at improving employees' organisational skills, were attended by 1,461 employees, which accounts for 18.44% of the total number of those who attended trainings.



Number of training participants by providers and training types

With regard to training providers, internal trainings, i.e. those provided by employees of the Bank's organisational units in cooperation with the Human Resources Division, were attended by 6,565 participants, while the trainings delivered by external providers were attended by 1,357 participants.

In terms of relevance of topics and training coverage measured by the number of participants, the most important areas addressed by trainings in 2016 were the following:

- Sales skills,
- Knowledge of procedures and procedures in retail,
- Organisation of teller operations,
- Information security,
- Anti-money laundering and counter-financing of terrorism.

In 2016, the Bank presented its talent development programme titled Kombank Academy. This talent development programme was designed to recognise and develop employees' leadership potential.

The course of Kombank Academy will include 8 modules, each lasting 1 to 2 days, which will be thematically divided according to the division of work processes at the Bank. Through these modules, the selected candidates will be able to learn about banking operations in their entirety over a period of six months.

The course will provide participants with an opportunity to:

- Work with the lecturers and mentors employed at the Bank, including members of the Bank's management team,
- Learn from and share experiences with their colleagues from other organisational units of the Bank,
- Develop a team spirit, motivation and a sense of belonging to the Bank, and
- Improve their knowledge about the operations of the Bank and its subsidiaries.

The course is open to the employees of Komercijalna banka a.d. Beograd, Komercijalna banka a.d. Budva and Komercijalna banka a.d. Banja Luka.

Practical Training at Komercijalna banka

The Human Resources Division cooperates with universities and schools across Serbia to provide practical training to students and pupils at Komercijalna banka.

In 2016, practical training was attended by 259 trainees in Belgrade, Niš, Novi Sad, Subotica, Kragujevac, Užice and Požarevac. The Bank signed Practical Training Agreements with 6 university schools and 7 secondary schools.

Practical training lasts up to 10 business days. It is provided to smaller groups and results in excellent communication between the Bank's co-mentors and the trainees. Students and pupils leave with positive impressions after completing their practical training, because practical work provides them with an opportunity to hone their skills and successfully apply the technical knowledge and methods they learned to specific practical situations, which builds closer links between theory and practice. In return, their contact with the professional practice is expected to encourage them to master their profession and motivate them to work on similar jobs after graduation.

ENVIRONMENT PROTECTION

Komercijalna banka strives to responsibly support a precautionary approach to environmental challenges (principle 7), promote greater environmental responsibility (principle 8) and encourage the development and diffusion of environmentally friendly technologies (principle 9).

Komercijalna banka continues observing the highest international standards and values in offering financial products and services, developing environment protection activities and applying best practices in sustainable finance.

Recognising the importance of corporate social responsibility, Komercijalna banka adopted its Environment and Social Policies and Procedures and defined the standards for identifying and managing environment and social risks in the process of loan approval and monitoring. It also defined the procedure for resolving and responding to grievances/complaints arising from direct or indirect environmental and social impact of its operations. Complaints relating to environmental and social complaints can now be filed using a contact form available on the Bank's website.



The new Rule of Conduct and Professional Ethics of Komercijalna banka AD Beograd / Code of Conduct were adopted in 2016 to improve and regulate in detail the existing principles of business ethics and rules of conduct. A separate section deals with environment protection and states as follows:

- The Bank's commitment to operating in accordance with the principles of corporate social responsibility includes respect for environment protection principles.
- Managers and managing bodies are required, within their respective spheres of competence, to raise awareness of the importance of environment protection, to anticipate the environmental impact of the Bank's business activities, to promote the use and development of environmentally friendly technologies and undertaking of preventive measures and to contribute to improvement of the Bank's environment protection processes.
- Employees have a duty to apply and implement procedures and measures to improve operations through adherence to environment protection standards.
- Customers and business partners are also expected to comply with the requisite environment protection standards.

Komercijalna banka has continued promoting energy efficiency loans in 2016.



Social Responsibility

In 2016, Komercijalna banka once again demonstrated its corporate social responsibility by supporting institutions, organisations and associations across the country, including:

- Through the project “Together for Babies”, an initiative to renovate maternity clinics in Serbia. it provided equipment for the Medical Centre in Čačak, the maternity clinics in Valjevo, Negotin and Kladovo and the two maternity clinics in Belgrade (Obstetrics and Gynaecology Clinic “Clinical Hospital Centre of Serbia” and Obstetrics and Gynaecology Clinic “Narodni front”);
- Komercijalna banka joined the project helping self-employment of socially vulnerable women, single mothers and women placed in the Women’s Shelter in Vranje implemented by the NGO “Životna pomoć” (“Life Assistance”). After the opening of the pupils’ canteen at the Vocational Secondary School of Medicine in 2010, which provided full time-employment to ten women, most of them single mothers and women living in difficult circumstances, this year the Bank supported the expansion of retail stores which employ socially vulnerable population thanks to the efforts of the NGO “Životna pomoć”;
- The gallery KomBank Art Hall, which is available to artists free of charge, hosted 18 exhibitions last year;
- To mark the World Savings Day, which is celebrated on the 31st of October, the Bank gifted “Cricket Savings” passbooks to all babies born on that day. Last year we acquired 127 new Cricket Savings clients;
- Komercijalna banka has made a donation for the reconstruction of Saint Sava’s Temple in Belgrade;
- The branches of Komercijalna banka are also involved in supporting the local communities in their respective towns/cities.

FIGHTING CORRUPTION

Komercijalna banka actively and successfully works against corruption in all its forms, i.e. it adheres to principle 10 of the UN Global Compact.

Komercijalna banka bases its anti-corruption activities on the Code of Conduct / Rules of Conduct and Professional Ethics recommended by the EBRD, which explicitly prohibit any corruption and fraud.

As part of its fight against corruption, it strictly controls all processes and carefully selects employees, suppliers, partners and clients.

The issue of corruption is also regulated by the Procedure on Handling of Fraud, as bribery is identified as a form of fraud. These provisions govern the Bank's internal control as it pertains to detection and prosecution of fraud. The procedure applies to all organisational forms and organisational units of the Bank and the subsidiaries in its banking group.

In 2016, the Security Division began holding training sessions on Preventing and Responding to Misappropriation, including corruption. The trainings were provided for the members of the Executive Board, the Directors of Divisions and their deputies, the Payment Card Division and the staff of two Branches. This year, the training course will be rolled out to the remaining employees in order to raise awareness of misappropriation and corruption.

In 2016, the Bank filed one criminal report against a former employee for abuse of authority, which the prosecutor subsequently converted to receiving a bribe.