



KOMERCIJALNA BANKA

Meni najbliža

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

2017.



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ABOUT US

Komercijalna banka AD Beograd is one of market leaders in the Republic of Serbia. 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 corpo rate 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 Slađana Jelić

Deputy Chief Executive Officer of Komercijalna banka AD Beograd,
to the 2017 UN Global Compact Communication on Progress

The previous year was marked by a continued process of digitalization and development of new products and services in order to meet the needs of our customers in the best possible manner. Product portfolio was enhanced and the customers were allowed simpler, faster and cheaper services.

Apart from the focus on products, the Bank also focused on its internal operation. To that end we prepared a Catalogue of Business Processes that lists all the business processes in the Bank, as well as all the business steps within each business process. For the upcoming period it is necessary to both enter the volume and measure the activities in each of these processes.

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.

The Bank will continue with its efforts to maintain stable operation, growth and profitability. Our wish is to 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.

Human rights

Businesses 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.

Labour

Businesses 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.

Environment

Businesses 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.

Anti-corruption

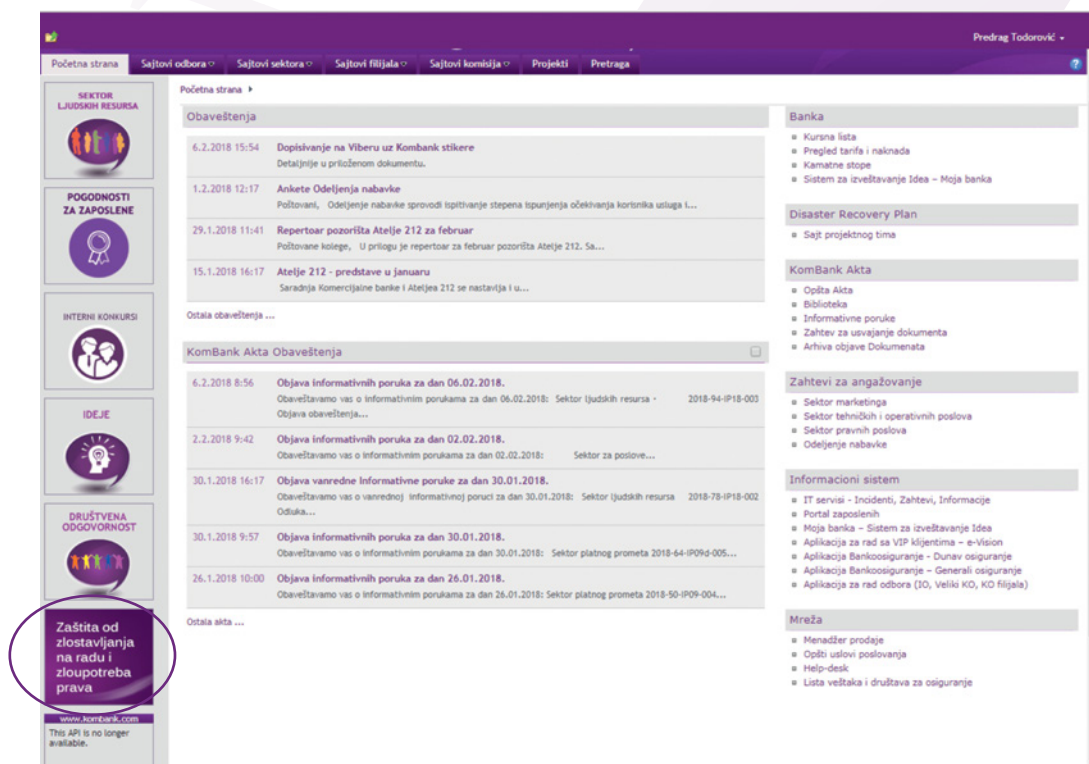
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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*).

With the aim of implementing the provisions of the Anti-Mobbing Law and the Rulebook on the code of conduct of the employer and employees regarding the prevention of and protection from mobbing, the Bank has published on its internal Portal:

- Person for support - a person who an employee who suspects that they are subjected to mobbing may address to in order to present the problem, provide advice and support with the aim of preventing and recognizing mobbing;
- Person authorised for initiating a process for protection from mobbing.



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 2017

Overview of employees of Komercijalna banka by age structure						
Age interval	Under 30	31 - 40	41 - 50	51 - 60	Above 60	Total
31 Dec 2017	87	1029	786	826	78	2806

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 2017

Overview of employees of Komercijalna banka by gender					
Gender	Women		Men		Total
31 Dec 2017	2,055	73.24%	751	26.76%	2,806

Staff Professional Development

The Bank continually invests in the training and professional development of its employees. The professional development activities undertaken in 2017 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 training;
- organisation of internal and external training;
- measurement and
- improvement of the quality of training and training processes.

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.

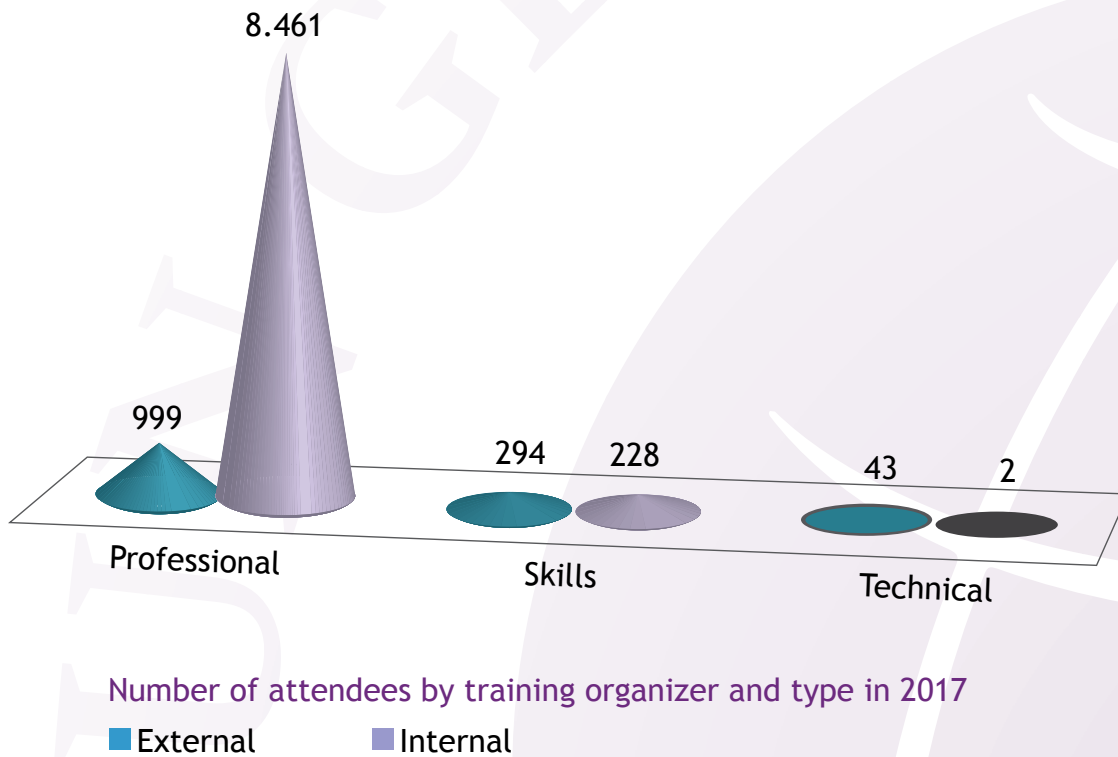
During 2017 a talent development program, KomBank Academy, was implemented, designed with an aim of recognizing and developing leader potential among employees. The program was divided into several segments: professional training (6 modules) and testing knowledge, creating and implementing individual development plans, skills training, time and stress management, solving a business case and selection of the trainees who stood out during the whole program, Project Management training.

Human Resources Management Department launched in 2017 an initiative for holding internal skills training - Efficient Management, Assertive Communication, Stress Management, Time Management - attended by a total of 228 employees, while 294 employees attended external skills training session, mostly on the topic of leader skills, How to become a partner with a client, Sales skills and sales coaching.

Six on-line training sessions were held in this year and 5,999 employees were tested on: OFAC sanctions, Deposit insurance, Establishing business cooperation with private individuals, Sets for micro clients, Lending to private individuals, Testing employees in the network of branches authorised for securities.

During 2017 a total of 384 training sessions were held, attended by 10,027 attendees.

Number of attendees by training organizer and type

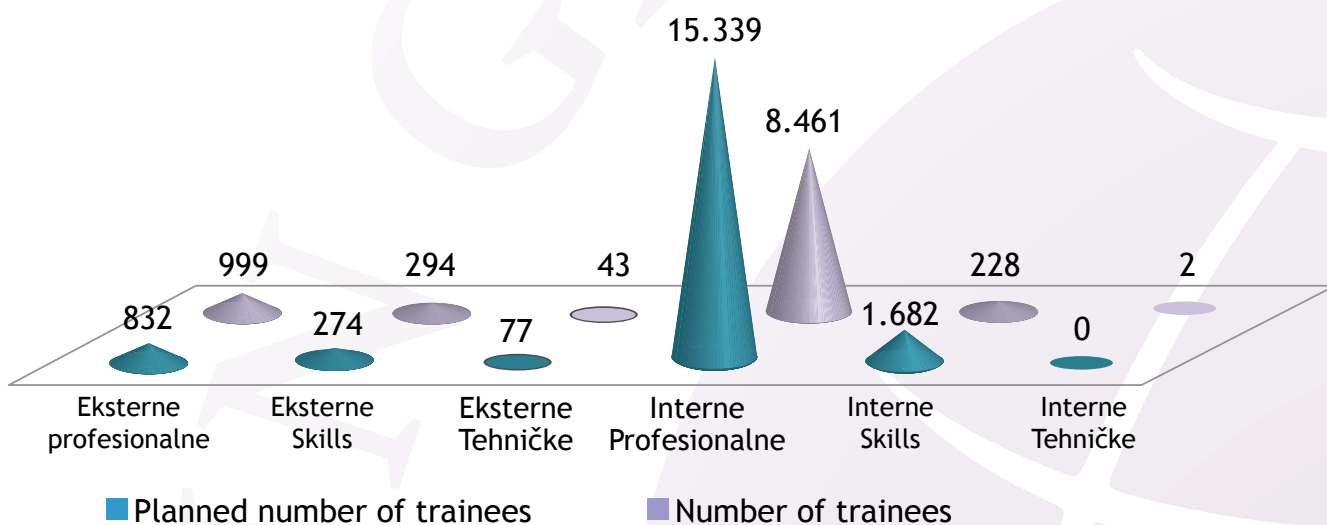


All trainings had an accurately specified organisational objective (the intended outcome of the training), linked with the Bank's strategic and business objectives:

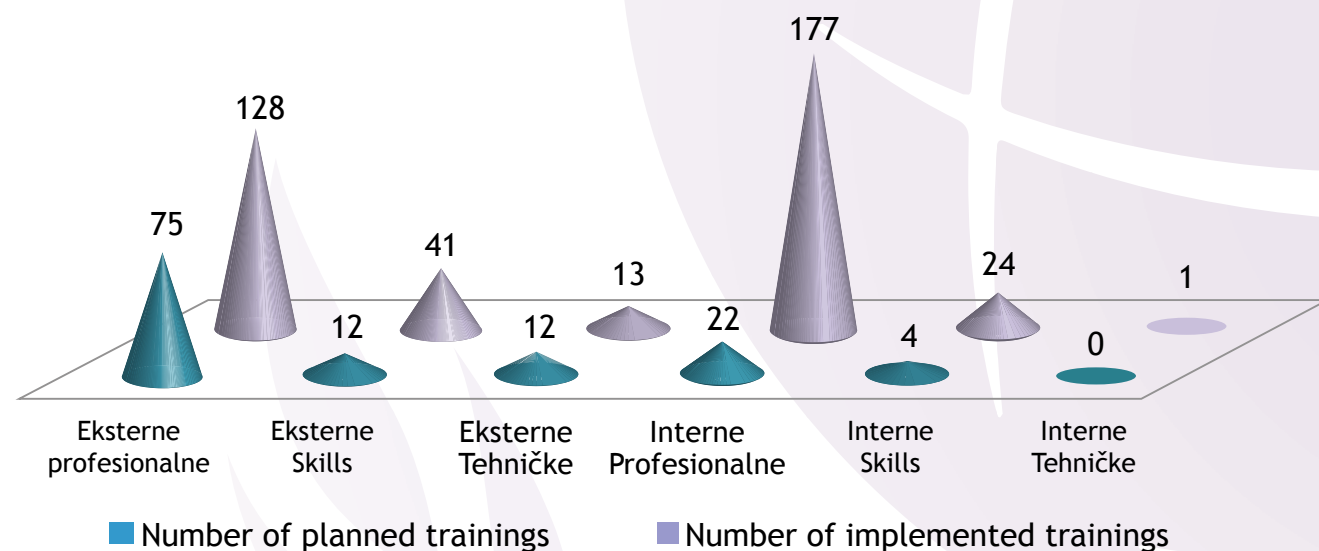
- Professional trainings aimed at providing employees with new knowledge and upgrading their existing knowledge relating to the jobs they perform at their respective organisational units were attended by 9,460 participants, or 94.35% of the total number of those who attended trainings (10,027).
- Skills development trainings, aimed at improving specific skills required for proper performance of duties, were attended by 522 participants, or 5.21% of the total number of those who attended trainings.
- Technical trainings, aimed at improving employees' organisational skills, were attended by 45 attendees, which accounts for 0.45% of the total number of those who attended trainings.

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 8,691 participants, while the trainings delivered by external providers were attended by 1,336 participants.

Planned and actual number of employees attending training



Number of planned and implemented training sessions



Practical Training

The Human Resources Division cooperates with universities and schools across Serbia to provide practical training to students and pupils at Komercijalna banka. In 2017, practical training was attended by 40 practitioners in Belgrade and Novi Sad.

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

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 contains a Code of Conduct to improve and regulate in detail the existing principles of business ethics and rules of conduct. A separate section within this Code deals with environmental protection and reads 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.

Social Responsibility

Special contribution to preservation and increase in the value of corporate image came from activities from socially responsible operation, which the Bank carefully selected and supported and where it actively cooperated with its partners.

In 2017 Komercijalna banka:

- continued its cooperation with the B92 Fund in the campaign for providing equipment to maternity hospitals in Serbia “Together for Babies”. Thanks to this campaign, maternity hospitals in Jagodina and Priboj were fully equipped and the health centre in Vrnjačka Banja received, together with the women’s association “Milica” and ultrasound machine that can be used for examining hips in children, apart from examining women.

We are a proud sponsor of the Athletics Federation of Serbia and the Taekwondo club Galeb, and we were also present at the International Festival of Chivalry “Despot Stefan Lazarevic - Manasija 2017” and the Comedy Days in Jagodina.

KOMBANK ART HALL, our gallery at the centre of Belgrade, attracted media and public attention during 2017 through 14 conceptually different exhibitions, organized in cooperation with the Faculty of Applied Arts of the University of Belgrade.

ANTI-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 2017 there were no reported cases qualified as corruption (bribe and extortion).