

Reporting on Sparkasse Bank AD Skopje progress towards implementing the Principles for Responsible Banking - Self-Assessment

In 2021, Sparkasse Bank AD Skopje signed the UN Principles for Responsible Banking, together with 129 other international banks. The signatories, representing one-third of the total assets of all banks worldwide, agreed that they will align their business strategies with the UN Sustainable Development Goals and with the Paris Climate Agreement. In this publication, Sparkasse Bank AD Skopje reports on its progress towards implementing the Principles for Responsible Banking, using the self-assessment template provided by the UNEP FI.

This publication was published in April 2023 and reports on our progress realized during 2022

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Reporting and Self-Assessment Requirements

1.1 *Describe* (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

High-level summary of bank's response

Despite various challenges faced during the year related to war conflict in Ukraine, access to energy, increase of food prices, global inflation, increased interest rates environment, restrictive monetary policies, business delivered very solid evolution with registered two digits increases in loans (10.2%) and deposits activity (11.4%). The Bank in 2022 has expanded its client base and market share to 13.1% in retail segment and to 16.1% in corporate segment. The market share of Sparkasse Bank on the FX market reached 24.7% by the YE2022 (21.02% for whole 2022), being depository bank with 46.2% of the total assets and executing extraordinary 65.4% of the trading with securities on international markets. The integrated Sparkasse Bank now is serving 128.421 clients, through 35 branches and wide network of 94 ATMs across the country.

Reaching total assets of 1.36 billion, Sparkasse has positioned in the rank of big banks on the market as number one in the segment of depository banks, number two in corporate segment and number three in retail segment, offering its clients attractive products and services as well as expertise which comes from Erste Group and Sparkasse.

Sparkasse Bank offers a wide range of banking products and services through which it promotes stability, tradition and trust and strives to be a Bank for the whole family, satisfying the needs with innovative and modern banking solutions, adapted to the conditions of the domestic market.

The Bank offers a wide range of products and services for individual clients: local and foreign currency accounts, payment operations in the country and abroad; MKD and foreign currency deposits, including "progress deposit", loans (non-purpose and purpose (eco) loans, mortgage and housing loans, with option to transfer salary and fix the instalment, deposit covered loans and allowed overdrafts on transactional account; payment cards (debit and credit); mobile banking, e-banking, safety deposit boxes; fast money transfer via Western Union etc. The bank also has well-established business cooperation with insurance companies in offering competitive products in combination with life insurance. Digital signage is the latest upgrade of the applications, which was implemented for signing contracts by clients that the bank implemented in accordance with the development of new technologies.

The Bank supports legal entities in its operations in the country and abroad. For legal entities the Bank offers: loans (short-term and long-term loans, business overdrafts, credit lines in cooperation with other financial institutions like EBRD, EIB, EFSE, GGF etc.); business cooperation agreements; deposits (time and sight); payment operations in the country and abroad; payment cards (debit and credit); letters of credit; guarantees; documented payments, e-banking; fast money transfer and payments within the Sparkasse and Erste Group.

The bank has adopted intensive project development plan for improvement of internal processes as well as products and services for the next 5 years that is expected to significantly improve the bank operations in terms of efficiency, digitalization and quality which ultimately will improve our customer's journey, experience and satisfaction.

Reference(s)

www.sparkasse.mk
Annual report 2021 on the following [link](#)

Principle 1: Alignment

Reporting and Self-Assessment Requirements	High-level summary of bank’s response	Reference(s)
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Following the Steiermeaerkische Sparkasse Group’s standards Sparkasse Bank is working on implementation of environmental responsibility and implementation of group-wide environmental strategy that aims at minimizing both its direct and, more importantly, its indirect ecological footprint. The activities for implementation of this policy will be continued in 2023.</p>	<p>Environmental policy of STSP (link).</p>

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Reporting and Self-Assessment Requirements

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

High-level summary of bank's response

Sparkasse Bank as a subsidiary of Steiermaerkische Sparkasse AG Graz, Austria, operates on the local market and within the group network it provides banking products and services for all domestic and international companies.

Sparkasse Bank takes great care for the diversification of risks and the volume of financing in different industries. Of course, an appropriate part of the loan portfolio is for financing of energy projects, especially projects that affect the protection of the environment by reducing the emission of CO2 into the atmosphere as well as projects that support improvement of clients business and increasing competitiveness which in most of the cases involve modernizing of equipment, increase efficiency of processes, health and safety of workplace and products. Technologies that are supported are part of the EU acceptable environmentally safe technologies, which ultimately affects to increase protection of the environment and decrease pollution, as well as increase quality of the companies and products they offer. This part of the project financing, i.e. investing in projects for production of energy from renewable sources and increase of competitiveness, has a special significance for the Bank and in general for strengthening the capacities of the state and of course improving the environment.

ECO loans for Retail clients were introduced in the Bank's portfolio for the first time in 2018, as part of supporting GEFF program of EBRD. In 2021 new tranche has been acquired of total 5 mil.eur (together Ohridska and Sparkasse Bank) which confirms the long term cooperation of the Bank with EBRD and the interest to place this program to our clients and provide them with consultancy and funds as well as very important feature of possibility for grant up to 20% from the loan amount, financed by EU. Placing this credit line on the market has also impact on the client's awareness of benefits of using energy efficiency products for their households and increasing awareness of the need of using this kind of products to protect the environment. This tranche was used in 2022 as well.

In addition ECO-loans for energy efficiency promotion integrate the benefits for households, suppliers of energy-efficient technologies, as well as for environmental protection, which is the focus of the Bank's corporate social responsibility strategy.

With the EBRD's project aimed to support the investments made by micro, small and medium enterprises on the territory of the Republic of North Macedonia the Bank will help them to improve their ability to face competition by supporting the implementation of EU standards, providing financial resources, investment incentives and technical assistance at the level of SMEs in the field of environmental protection, health and safety of workplace and product quality and safety. We believe that this project will have a significant contribution to promoting the economic development of the country, improving the competitiveness of companies in the markets as a result of improving production technologies, increasing production capacity, and improving energy efficiency by installing technologies that will contribute to protection of the environment.

Reference(s)

www.sparkasse.mk
Annual reports on the following [link](#)

Principle 2: Impact and Target Setting

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> Identified and disclosed its areas of most significant (potential) positive and negative impact Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts 	<p>Through our analysis, we identified Project financing as one of the segments strongly associated with impacts that include climate change, care for water and air pollution, environment protection by developing new renewable sources of energy.</p> <p>Our bank is recognized as partner to various MFIs in many corporate and retail credit lines. Most of them had an integrated "green" component to its goals. One of the most successful stories was the support from the Green Economy Financial Fund (GEFF). The Green Economy Finance Fund (GEFF) supports businesses and homeowners who want to invest in green technologies. The GEFF program operates through a network of more than 140 local financial institutions in 26 countries, supported by more than €4 billion in EBRD financing. This has enabled more than 130,000 customers to collectively avoid almost 7 million tonnes of CO2 emissions per year.</p> <p>In the Retail segment we foresee great potential for wellbeing of Macedonian citizens and the Macedonian economy. The added benefit for our clients is expert consultancy that is accompanied with this credit line.</p>	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We will continue our support for financing our corporate clients in energy projects and increase of competitiveness as well as offer individual clients expertise and funds that will improve their household's energy savings. By developing different financing models the Bank will enable transformation of their businesses in order to improve their positive impact on the environment and climate change. Through our analysis we identified Project financing as strongly associated with impacts that include climate change, care for water and air pollution, environment protection by developing new renewable sources of energy.

Principle 2: Impact and Target Setting

Reporting and Self-Assessment Requirements

2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

High-level summary of bank’s response

According deep analyses of the Bank’s portfolio, two main targets were set to be achieved in the most significant areas according our mid-term business strategy.

The first target relating to the project financing and support of legal entities to implement energy efficiency and competitiveness projects is planned to increase their participation in the total loan portfolio of the Bank in the Corporate segment to 10% till the end of 2025.

In the Retail segment the participation of ECO loans for retail clients is planned to be increased to min 3% by 2025.

SME’s competitiveness program from EBRD in North Macedonia started since 2018, The funds are accompanied by a package of technical assistance and incentive grants, from the EU National Instrument for pre-Accession Assistance (IPA). SMEs were able to use the funds to improve their production capacities and strengthen the processes and quality of products by introducing EU standards for environmental protection, safe production, quality etc. The cooperation with EBRD is planned to be continued in the next years especially in providing funds for further improvement of the energy efficiency of the total corporate segment.

Sparkasse Bank is a pioneer and also a local leader in the field of project financing, providing this type of financing for more than 10 years. The two main segments in which we specialize are the financing of real estate (either objects intended for rent, or objects intended for sale), as well as the financing of energy properties (from renewable sources). In the area of financing renewable energy sources, the bank has financing of small hydro power plants, photovoltaic power plants, biogas plants and wind parks in its portfolio.

Sparkasse Bank completed 2022 participation of 65 million euros of exposure in RES investments or 9% of the total corporate exposure. The bank’s portfolio is in all conventional types of OV projects such as MHE, biogas, PV plants and wind. In 2022, the Bank started financing a new biomass plant of 3 megawatts in Gradsko (project of 12 million euros), as well as through 13 new investments in PV plants

In this way, the Bank will have a direct contribution to the preservation of the environment and participation in protocols and agreements (Kyoto Protocol and the Paris Agreement) for environmental protection through suppression or reduction, in the case of financing projects aimed at reducing emissions of CO₂, i.e. reduction of greenhouse gases (GHG) emissions.

Reference(s)

www.sparkasse.mk
Annual reports on the following [link](#).

Principle 2: Impact and Target Setting

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
	<p>From April 2018 Sparkasse Bank has introduced ECO loans in its portfolio loans to retail customers in order to improve energy efficiency of households in cooperation with the European Bank for Reconstruction and Development (EBRD) and GEF in North Macedonia. With the new range of ECO loans, Sparkasse Bank confirmed its commitment to the implementation of projects aimed at protecting the environment, improving the energy efficiency of households, and thus to reaffirm the commitment to socially responsible banking.</p> <p>Sparkasse Bank is the first bank in the Republic of North Macedonia which has become part of the EBRD and GEF program. During 2022 the Bank placed 340 loans in total amount of € 3.5 million intended for improvement of the energy efficiency in households. These funds were provided from the EBRD credit line, "Green Economy Financing Program" in North Macedonia.</p> <p>The second important target which will contribute to achievement of the Sustainable Development Goals is the Bank to provide gender equality in the organization, by ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making. In order to raise the share of women in executive positions, the company explicitly ensures that women are also identified as candidates for executive positions. In principle, however, qualifications are decisive when filling such vacancies. Our task in the next 5 years will be to adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels. Our banking group Erste and Steiermarkische Sparkasse advocates openness and fairness in the workplace, does not tolerate any discrimination, whether on the grounds of gender, sexual orientation, race, nationality, ethnic origin, age, religion or disability, irrespective of whether behaviour among employees is concerned or the placement of orders with third parties.</p> <p>In Sparkasse Bank, the Management Board has one female member, filling the target quota of 25% for women. On the executive management level the quota of women in the Supervisory Board is 33% as of 31 December 2022. In the total number of employees 72% are women and the share of women holding middle and upper management positions is 56% by 31 December 2022. Our target is to keep the equal gender participation in senior and middle management structure and to increase participation of women in the executive management positions till 2025.</p>	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

We will continue our support for financing our corporate clients in energy and competitiveness projects that affect the protection of the environment. By developing different financing models and acquiring new tranches and new green credit lines the Bank will enable transformation of their businesses in order to improve their positive impact on the environment and climate change. Through our analysis we identified Project financing as strongly associated with impacts that include climate change, care for water and air pollution, environment protection by developing new renewable sources of energy and this segment will surely continue to be developed. In retail segment the bank will also be active with funding and expertise to provide households with competitive energy efficiency credit lines.

In the Sparkasse Bank, the Management Board has one female member filling the target quota of 25% for women. Our target is to keep the equal gender participation in senior and middle management structure and to provide increase in the executive management positions till 2025.

Principle 2: Impact and Target Setting

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>2.3 Plans for Target Implementation and Monitoring <i>Show</i> that your bank has defined actions and milestones to meet the set targets.</p> <p><i>Show</i> that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>The loan portfolio in the part of financing projects from renewable sources is planned to be further increased in the next years. In parallel with the plans and their realization, the capacities of the Bank for financing new projects are strengthened, and the education of the employees and their recognition of the importance of this issue has been improved.</p> <p>As previously mentioned, the bank is also actively following the placement of acquired funds for supporting of environmental friendly projects as well as intensively reviewing offers from existing and new creditors to expand the offer of funding, especially after integration, having in mind the increased capital, stronger position and bigger client base can provide more possibilities for expansion of the business in the desired direction. The project financing and ECO loans will be provided with new funding and programs and also by internal sources from the Bank and Erste & Sparkasse Group.</p> <p>Goals set in providing gender equality and sustaining equal gender structure provide clear path of implementation of this principle in the next years and promote gender equality and the empowerment of all women and girls at all levels. It is in line with the Sparkasse Group policy to support openness and fairness in the workplace and zero tolerance of any type of discrimination.</p>	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The bank is actively following the placement of acquired funds for supporting of environmental friendly projects as well as intensively reviewing offers from other creditors to expand the offer of funding, especially after integration, having in mind the increased capital, stronger position and bigger client base can provide more possibilities for expansion of the business in the desired direction. The project financing funds and funds for support of energy efficiency and competitiveness will be provided with new funding and programs from external creditors as well as by internal sources from the Bank and Erste & Sparkasse Group.

For higher participation of women in the Top high-level management structure the Bank shall implement Erste & Sparkasse Group's policy for gender equality and to achieve the goal to keep the equal gender participation in senior and middle management structure and to provide increase in the executive management positions till 2025.

Principle 2: Impact and Target Setting

Reporting and Self-Assessment Requirements

2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

High-level summary of bank's response

Project financing is not a new topic in the banking world, but here it is not so widely represented. The reasons for that the specifics of the same. Project finance is a special approach to financing a project of one or a group of investment partners, whose repayment is based on the cash flow generated by the financed project.

Project financing includes financing of the specific purpose-built business entity, established by the investor or so-called. Sponsor(s) using equity and bank financing to design, develop and operate the project.

Unlike classic corporate financing, which includes lending to businesses based on their balance sheet capacity, the bank's decision in project financing is based on the evaluation of the project's effects. It is a multidisciplinary approach of evaluating the sponsor and its capacity to realize the project, the project itself (design, performance, technology, etc.) as well as the economic effects of the project itself (expected production, placement and price conditions). An inseparable element of project financing is the assessment and management of risks during project implementation.

Sparkasse Bank is a pioneer and also a local leader in the field of project financing, providing this type of financing for more than 10 years. The two main segments in which we specialize are the financing of real estate (either objects intended for rent, or objects intended for sale), as well as the financing of energy properties (from renewable sources). In the area of financing renewable energy sources, the bank has financing of small hydro power plants, photovoltaic power plants, biogas plants and wind parks in its portfolio. In fact, as of 2022, the bank holds 57% of companies producing electricity from renewable energy sources.

Sparkasse Bank completed 2022 participation of 65 million euros of exposure in RES investments or 9% of the total corporate exposure. The bank's portfolio is in all conventional types of OV projects such as MHE, biogas, PV plants and wind.

In 2022, the Bank started financing a new biomass plant of 3 megawatts in Gradsko (project of 12 million euros), as well as through 13 new investments in PV plants

With the development of an economy, the need for project financing also grows. More and more often, investors, domestic and foreign, although more complex and with more specific structures, decide on project financing. In the following period, we expect the trend of investments in energy to continue, where project financing finds its application. Dynamization of foreign investments as well as the expansion of domestic capacities of existing investments give the right to expect a re-dynamization of the financing of investments

Reference(s)

Principle 2: Impact and Target Setting

in industrial and logistic facilities for rent as a segment where Sparkase Bank applies project financing. Hence, the bank is continuing with cooperation with international financing institutions in field of developing program for risk sharing facility and negotiating new credit lines dedicated for support investing in measures that reduce energy consumption, resource use and CO2emissions.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

It's expected that Project financing will have higher participation in the Bank's loan portfolio, especially the SMEs as they provide inclusive economic growth in North Macedonia and in the creation of more productive and decent employment.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Reporting and Self-Assessment Requirements

3.1 *Provide an overview* of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

High-level summary of bank's response

Following the modern trends of the banking model of operation in Erste Group and Sparkasse, branch models, are made according to the highest standards for safety and protection at work, with high quality materials, which except their modern design, enable both heat and electricity savings. The branches are located in all major cities across the country and are available to customers every working day from 08:00 to 16:00 and on Saturdays at certain locations. For easier finding of the nearest location, the Bank provided another additional functionality "Branch Locator and ATM" through the application "Sparky" Viber Chatbot.

On annual basis the Bank is measuring the level of customer satisfaction of retail and corporate clients, e, twice per year in two waves , on in the first quarter of 2022, ad second in last quarter of 2022. Last results ranked Sparkasse Bank on the 3rd place, with a noticeable increase in the total satisfaction from 8.5 in 2021 on 8.7 in 2022. In the corporate segment, the Bank is ranked first, with a high level of total satisfaction from 7.6 in 2021 to 8.3 in 2022 and a high level of recommendations for the Bank. This incentive for keeping high satisfaction score regarding the previous year is included in the KPI's of all employees.

Reference(s)

www.sparkasse.mk
Annual reports on the following [link](#)

Principle 3: Clients and Customers

Reporting and Self-Assessment Requirements

3.2 *Describe* how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

High-level summary of bank's response

To minimise its environmental impact, Sparkasse Bank runs paper-saving initiatives. Regarding the reducing of paper consumption, in the Bank it has been started project for digitalization. Project objectives and goals are:

- Reducing paper consumption through identification of processes in the Bank where documents that do not have to be printed and stored in paper form.
- Introducing digital signing in internal processes in the Bank (within the department and among other departments).
- Introducing digital signing in processes in the Bank where also clients are involved (based on change in law regulations).

Also the process of paper requirements is centralized which with the process of paper consumption is controlled and the cost centers are located. In the past few years new generation of printers has been introduced in all premises with software to optimize the process and quantities of documents being printed.

The trend towards digitalization of the banking business is also reducing paper consumption, in that direction, all new credit and debit card holders now are receiving only e-statements for their daily and monthly transactions.

Sparkasse Bank has also Introduced new card functionality launching the program “Keep the change” where the rounded change when making a card transaction is automatically deposited to the client’s savings account.

During 2022 the Bank completed the project PIN by SMS, aiming to replace the PIN distributed on an envelope with SMS.

The bank has also introduced new ATM functionalities: cash in, installment and credit card repayment. The digitalized manner of these paperless transfers reduces time for a branch visit, enabling convenience and privacy, rather than exposing clients to cashbox operations.

Sparkasse is the first Bank on the market to introduce of ECO recycling plastic, launching the new card production on environmentally soluble material as part of our commitment to reduce the impact on the environment.

The Bank is making efforts in stimulating the customers to process all standard banking transactions electronically by introducing lower fees for transactions by e-channels and higher fees for paper transactions and statements proceeded in the branch offices. The Bank is planning to invest in improvement of its digital services (e-banking & m-banking) and also implement more innovative and contemporary digital services in order to decrease the number of paper transactions in the branches. The planned digital service

Reference(s)

www.sparkasse.mk
Annual reports on the following [link](#)

Principle 3: Clients and Customers

improvement will also provide better customer experience and support the intention of creating image of modern and innovative bank. During 2022 within the mobile application were introduced several new functionalities, as P2P, split a bill, biometrics and improved UX/UI design.

Web and mobile application KYC digital update is announced to be introduced during 2023. The clients will be having the opportunity to update their personal data online, instead via branch visit.

On monthly basis all organizational units are informed about the number of printed copies and comparing with the previous year its reduced by cca 20%. All print areas have special paper boxes for collection of paper waste and then proceeded to recycling company "Pakomak".

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reporting and Self-Assessment Requirements

4.1 *Describe* which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

High-level summary of bank's response

Sparkasse Bank through its many years of tradition promotes its own strategy for corporate social responsibility.

The CSR strategy is realized through the platform Sparkasse Life and includes projects aimed at supporting several segments (local community, culture, education, health, sports) through which the Bank creates additional values for customers, employees, associations, the local community and environmental protection. Thus, through the numerous projects, Sparkasse Bank cooperates with health institutions, NGO's and civil organizations which main aim is to improve the environment protection, proper waste management, improvement of energy efficiency and decreasing of the unemployment in the country by supporting the start-up's.

For proper waste management (recycling) the Bank has established continuously cooperation with the recycling company "PAKOMAK" DOO Skopje. Start-up companies and development of new innovative social impact business ideas are being promoted by the organization "Social Impact Award" and supported by Sparkasse Bank. The cooperation with the business incubators and business labs is intensive in order to provide access to finance for the newly established start-up companies and mentoring support in the "Step by step" program.

The Bank also supports NGO's which are concerning the rights of the social vulnerable groups:

- SOS Children's Village in Skopje for supporting children without parents and parental care
- "In my world" for supporting people with autism, ADHD and Asperger syndrome
- Red Cross in North Macedonia

Donations of furniture, inventory and computer equipment for institutions. The bank makes donations of already used office supplies and equipment after it is replaced for a new one and / or has a depreciated value reduced to zero. Through the donation of the equipment, Sparkasse Bank is making a non-financial contribution to the equipping of these institutions.

Reference(s)

www.sparkasse.mk
Annual reports on the following [link](#)

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

Reporting and Self-Assessment Requirements

5.1 *Describe* the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

High-level summary of bank's response

The Bank has established the Corporate Governance Code which encompasses the supervision and management rules in the Bank. This document enables the establishment of a clear organizational structure, with clearly defined and transparent lines of responsibility.

The Bank has also established the Code of Ethics with purpose to encourage and promote a system of values and desirable behaviour of all employees in the Bank. The values: excellence, agility, passion, trust, partnership are prescribed in details in this document. The Code of ethics contains the following principles:

- We behave professionally and act with integrity
- We build and maintain our Bank's reputation
- We fight against corruption
- We have clear Policy regarding conflict of interests
- We respect the confidentiality of information and do not misuse insider information
- We are highly professional team
- We work fairly and correctly
- We respect our employees
- We respect our clients and external associates
- We contribute to the development of the society and the community in which we work
- Continuously improving the quality of our work

The Bank has established the Team for Code of Ethics. The employees who are part of this team are people with strong personal integrity who are nominated to ensure remarkable implementation of the Code of Ethics based on the lead-by-example principle.

The Bank has high awareness about the importance of the sustainability. As part of one of the most powerful banking groups in the region of Southeast Europe, the Bank act in accordance with the rules and principals for ensuring good overall impact on sustainable development. The Bank is part of the Erste Bank Sustainability Reporting process.

During 2022, the Bank performed a large part of its activities, paying particular attention to environmental protection, social responsibility and good corporate governance. For this purpose, the Sustainability Strategy of Sparkasse Bank AD Skopje was adopted. The Strategy was developed in accordance with Group standards and best practices and is based on the 2030 Agenda for Sustainable Development which includes 17 Sustainable Development Goals (SDGs).

Reference(s)

Principle 5: Governance & Culture

Sparkasse Bank AD Skopje focuses on 9 of these 17 goals:

1. No poverty
2. Good health and well being
3. Quality education
4. Gender equality
5. Decent work and economic growth
6. Industry, innovation and infrastructure
7. It reduces inequalities
8. Sustainable cities and communities
9. Climate action

The Strategy defines the goals and principles for sustainability that the Bank will strive to achieve. With the adoption of the Sustainability Strategy, the Bank established Sustainability Team that proposes the strategic orientation to the Management Board and is responsible for monitoring and implementation of the measures from the Sustainability Strategy.

Principle 5: Governance & Culture

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>The principals described in the Code of Ethics are communicated with all employees and appropriate trainings were performed. The employees are able to reach this document which is placed on the Bank's intranet portal and can always address to Code of ethics team members for any clarification or help.</p> <p>In the upcoming years additional measures and initiatives will be implemented in order to provide culture of responsible banking among our employees according the Erste & Sparkasse Group's sustainability strategy.</p>	
<p>5.3 <i>Governance Structure for Implementation of the Principles</i> <i>Show</i> that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>The KPIs of the senior management in the Bank contain ponder for achieving the goals in excellence, agility, passion, trust and partnership, which are measured on annual basis.</p> <p>The Bank, in the spirit of the Code of Ethics and the applicable regulations, will take measures in case of disrespect of the principles prescribed with the document.</p> <p>Also, the Bank encourages the employees to consult the General Secretariat Directorate and HR Directorate in case when they are not sure which procedure is correct, or in case when they doubt, trust or know that the Code of Ethics is violated.</p>	

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

The KPIs of the senior management in the Bank contain ponder for achieving the goals in excellence, agility, passion, trust and partnership, which are measured on annual basis
 The Bank, in the spirit of the Code of Ethics and the applicable regulations, will take measures in case of disrespect of the principles prescribed with the document.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Reporting and Self-Assessment Requirements

6.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

High-level summary of bank's response

The following activities related to the Strategy were significant for the Bank:

Environment

The energetic crisis that arose as a result of the military activities between Ukraine and Russia, is the biggest challenge of the European continent since 2022 which resulted in great instability in the energetic sector and the prices of energies that imposed certain measures in order to save energies and their consumption. The Bank managed this situation on a high level, which resulted in fulfilling the goals for saving electric energy and having an optimum source management. According to the consumption analysis of electric energy during the period of 2021/2022 there is a 415.513 kWh savings or 17,84% lower consumption of electric energy, or in other words protecting the environment through lowering CO2 gas emission which is almost 195.000 kg/per year.

Electric energy savings measures:

- Positioning the branches according to defined standards for sustainable buildings that include energy savings, energetic-efficient technologies, digital marketing elements, eco flours etc.
- Change of lights with LED (most of the branches have 100% implementation of this measure), light sensor installments in technical rooms,
- Photovoltaic system installation in Skopje building – Bank Headquarter and the Administrative building in Ohrid.
- Constantly educating the employees about the best practices for saving the energy sources

One of the most important investments during 2022 is the photovoltaic system installed at Sparkasse Business Centre buildings in Skopje and Ohrid. Regarding the available surface for the two buildings there were 175 pieces of photovoltaic panels installed for producing electric energy with total power of 71,75kW and installment of 5 inverters as a support for these photovoltaic panels.

The average annual production of electricity from renewable sources in ideal conditions would be maximum ~ 96.740 kW, or total of~ 19.394 eur with assumed average price of electric energy on the stock market of 200 eur/MWh.

The cost for installing the photovoltaic systems on both facilities is 69.431 eur total with expected return on investment of approximately 3 to 4 years according the assumed stock market price of 200eur/MWh.

The expected produced electricity from the two photovoltaic systems will directly affect the protection of the environment by reducing CO2 emission by approximately 45.441 kg/per year which equals 1707 planted trees.

Also through the introduction of digitalization and paper removal in business communication in 2022, the use of paper has been reduced with more that 5% savings in the total consumption of paper, in other words the CO2 emission has been reduced by approximately 1.539 kg/per year.

Reference(s)

Principle 6: Transparency & Accountability

E-mobility/In order to be in pace with the world trends for reducing the emission of harmful gases in the atmosphere, the Bank is using electric vehicles with tendency to reduce costs of motor fuels as well. The fleet has been enriched with 2 (two) electric vehicles and 4 (four) e-scooters for short distance tasks. The total share of electric and hybrid vehicles takes approximately 10% share in the Bank's total car fleet.

In 2022, as a socially responsible company oriented towards the use of green energy, the Bank completed the project for procurement of two electric vehicles, VW ID3 model and installed two chargers for recharging the electric vehicles from/in Skopje and Ohrid Headquarters. This allocation is aimed at reducing traveling costs between the two cities as the most frequent destination.

The vehicles have a capacity of 58 kWh and an average area coverage of 250 to 350 km depending on the conditions. The chargers of electric vehicles have a delivery capacity of maximum 22kwh and they can use energy from photovoltaic systems installed in Ohrid and Skopje Bank's Headquarters.

The expected savings in motor fuel and savings in CO2 gas emission would amount to approximately 12.900,00 kg/per year. The purchase and usage of e-scooters by the employees is constant and contributed for fast and efficient performance of short-distance tasks, while saving on fuel consumption and parking costs, i.e. on a monthly basis, the electric scooters average area coverage is 1200 km, which enables a fuel savings of 120 liters, or savings of CO2 gas emission of 3,600.00 kg/year.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

Sustainable finance aims to equip the core business with sustainable and long-term business models and products. The financial system is to be comprehensively redesigned by taking economic and social criteria into account. Our banking group is aware of its important role as a sustainable financial partner and has set itself the goal of also adopting a pioneering role in this area too.