

*Responsible
Business Report
2011*

*Bank
of Local
Communities*

 **Bank BGZ**
Dobrze służy ludziom

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Dear Sir or Madam,

this year, for the very first time, we have published a corporate social responsibility report. By doing so we would like to provide reliable information not only about our business but also about our commitment to contribute to the sustainable development of society from an economic, social and environmental perspective.

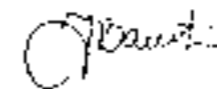
■ 2011 was a very eventful year, highlighted by the Bank's IPO on the Warsaw Stock Exchange. We maintained our consistent approach to developing our branch network and providing banking services also in small district towns to boost their economic potential. We strengthened our leadership position in the agricultural and food sector. We introduced a range of innovative products and services addressed to our institutional partners and retail segment customers. We successfully launched our BGŻOptima internet banking service.

■ Through implementing our mission, we are a reliable partner for local communities, focusing on building long-term relations. As a result, we are close to our customers and can better understand their needs and expectations. That is why we are committed to hire local employees, who know the local government and the environment, and who have close ties with the local community. Our products and services are tailored to meet local needs and conditions.

■ As a public trust institution, we want to fulfil our mission responsibly, taking the common good into account. Since the adoption of our social responsibility strategy in 2010, we have been building social awareness within our organization, in order to be a reliable dialogue partner, who not only makes promises, but also provides concrete actions addressed to society, the environment, employees, customers and other stakeholders.

■ This report is being published two years after the adoption of our CSR strategy, and I can state with full conviction that Bank BGŻ is a socially responsible company, which is determined to attain a high market value by sustainable economic and social development with respect for natural resources. ■

Sincerely,



Jacek Bartkiewicz
President of the Management Board

About the report

■ The 2011 report "Bank of Local Communities" is yet another important step in the process of managing corporate social responsibility in our organization. ■ The Polish version of the report "Bank of Local Communities" has been drawn up in line with the Global Reporting Initiative G3.1, application level B. This report is an English summary of the key issues presented in the original report. Both language versions are available at www.bgz.pl ■ The report was drawn up in cooperation with CSR coordinators and content owners from various Bank areas. The entire process was supervised by the Corporate Social Responsibility and Sponsoring Department. ■



■ http://www.bgz.pl/o_banku/odpowiedzalnosc_sponsoring/odpowiedzalnosc_biznesu/#tabs=1 ■

Corporate social responsibility what it means to us

■ Our aim is to advocate social responsibility in all key areas of the Bank's operations, as it should not be an empty phrase addressed to experts only. The Corporate Social Responsibility and Sponsoring Department that has been operating since 2009, is in charge of implementing CSR strategy. ■

■ The main assumptions of the corporate social responsibility (CSR) policy for 2010-2014 involve sustainable development of all bank areas, based on the 3xP rule: People, Planet, Profit. This means that the Bank's business goals are driven by the interests of employees, local communities, customers as well as the good of the environment. ■

The 3xP rule streamlines the Bank's activities in four main areas:

- Society
- Employees
- Environment
- Customers and other stakeholders

people
planet
profit

Dialogue with stakeholders

■ An open dialogue with various stakeholder groups is required in order to understand emerging trends, social and economic issues. We apply several formal and informal mechanisms to gather feedback on our activity from the interested parties. ■

Dialogue with employees ■ Every year we conduct an employee satisfaction survey. The survey results provide the basis for planning and implementation of measures aimed at improving the cooperation, efficiency and satisfaction of our employees. ■ Employees may express their opinions at any moment using our complaint and grievance system. ■ Direct exchange of opinions with Management Board members during regular meetings, visits at bank branches and through chat rooms. ■

Dialogue with partners ■ We support dialogue with our partners, in particular within the agricultural sector. We organise meetings and consultations for agricultural chambers; we cooperate inter alia with village leaders, municipal offices and agricultural advisory centres. We cooperate with agricultural universities and schools, e.g. we support agri knowledge contests at schools, we present our business to students at job fairs and we share our expertise. ■

*An open
dialogue with
various
stakeholder
groups*



Dialogue with customers ■ We conduct individual and corporate customer satisfaction surveys as well as surveys concerning agricultural customer preferences. Since we want to share our knowledge, as well as learn and understand the needs of our customers: ■ we meet with our customers at the “kitchen table” – Bank representatives visit customers at their homes or offices to learn more about their everyday problems; ■ we organise farmer meetings to present the analysis of the situation and trends in agricultural markets; ■ we take part in training sessions organised by Agricultural Advisory Centres, and meetings staged by district authorities, Tax Offices, Village Leader Organisations as well as the Agency for Restructuring and Modernization of Agriculture. ■

Dialogue with investors ■ As a company admitted to trading and listed on the Warsaw Stock Exchange since May 2011, the Bank has been fulfilling its disclosure obligations to its shareholders, potential investors, rating agency and other parties. ■



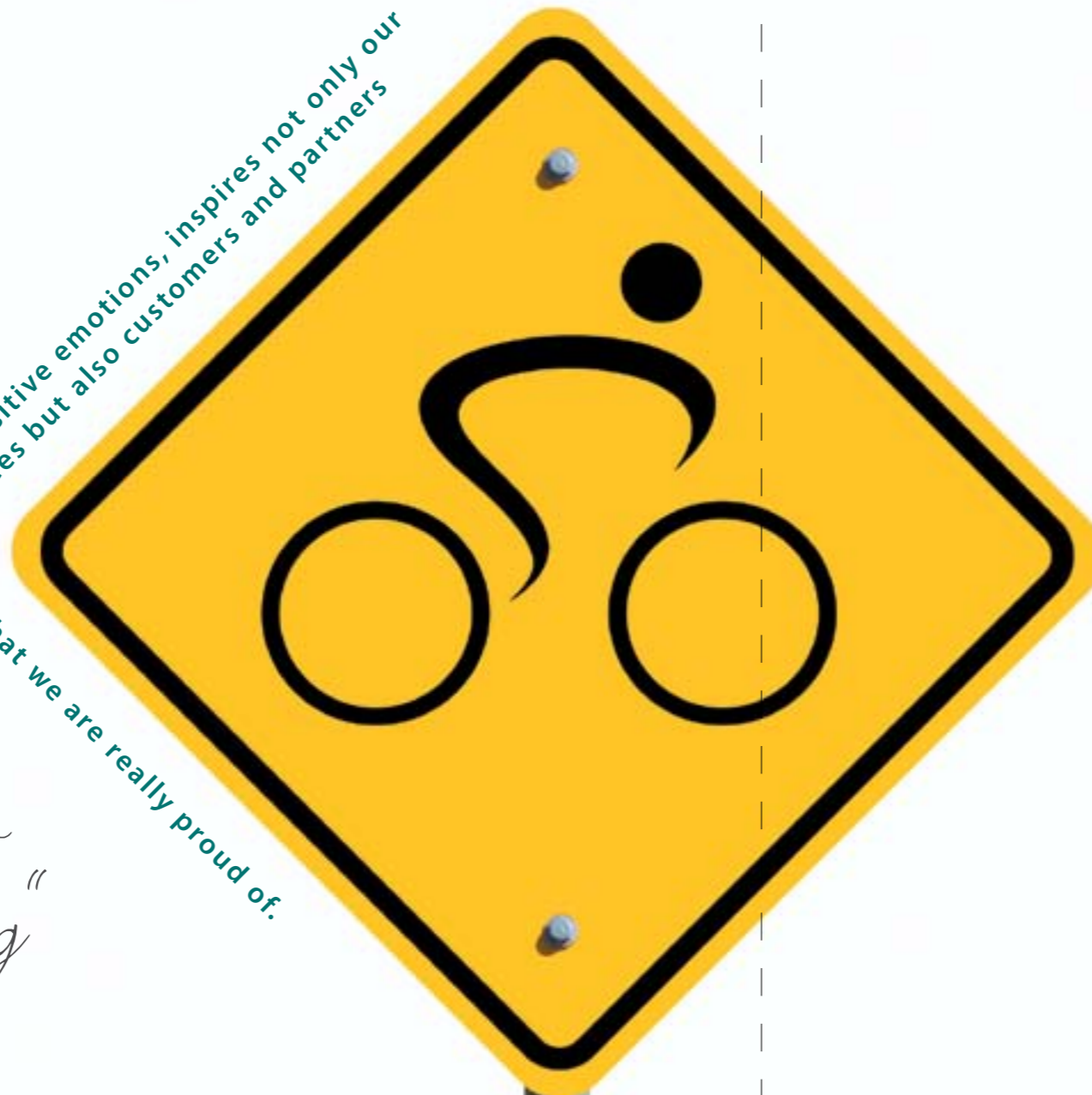
Engaged sponsoring – strategy for the development of cycling talent, a healthy lifestyle and promotion of a sustainable means of transport.

■ Bank BGŻ has been sponsoring professional cycling and promoting cycling as a leisure sport for many years. ■ Local communities particularly appreciate the Bank as an important partner that inspires and supports local initiatives, including those dedicated to cyclist road safety. ■ In 2011, we provided donations to 40 local cycling clubs, often to meet their basic needs so that young cycling novices, who often come from poverty-stricken areas, could develop their passion for cycling. ■ Both employees and customers can use bicycle stands installed at the Bank branches. We implemented a programme “Bicycle stand in every city”, installing 188 stainless steel bicycle stands in 138 cities throughout Poland. We are going to install a further 200 stands in 2012. Through developing a “cycling partnership” with local authorities, that initiative is intended to support the development of the cycling infrastructure in small towns and to promote cycling among residents in towns where Bank BGŻ operates. We promote the bicycle as the most sustainable means of transport. ■

evokes positive emotions, inspires not only our employees but also customers and partners

– what we are really proud of.

*Bank's motto
“I love cycling”*



BGŻ Foundation

■ Since 2006, BGŻ Foundation has been implementing measures arising from the **Bank's responsibility** as a public trust institution to support local community development. Programmes implemented by our organization, follow the pattern of **social investments** aimed at the reinforcement of **civil society**. ■

■ The Foundation priorities include: support for access to education (general, art, sports and economic), social solidarity and voluntary work by Bank BGŻ employees. The Foundation implements its objectives by: ■ implementing national programmes aimed at **developing social assistance at a local level**; ■ cooperating with top **social partners**; ■ supporting the Bank's employees who are **social involvement leaders** in their communities. ■

*BGŻ Class
– we open the door
to the future*

- a nationwide scholarship programme developed by BGŻ Foundation under the patronage of the Ministry of National Education
- a response to the social problem of unequal access to education
- a programme for talented and socially active graduates of junior high schools in rural areas and small towns
- a merit- and need-based financial aid covering all student needs

Education ■ In the years 2003-2011, under “BGŻ Class” programme we provided support for 408 students from under-privileged families and communities. The students received four-year scholarships to finance their three-year secondary school education (approx. PLN 8 000 a year) and first year of university studies (PLN 3 800 a year). ■

Society: the Bank as a local community partner

■ The strategy of the Bank is to be a Bank of local community. It means that our offer is tailored to the local needs and we are not indifferent to the local concerns and needs of communities in which we live and work. ■ We participate in and support development of (micro)regions. We reinvest in local community. We sponsor local events and charities. ■ We have a long-term commitment to our customers and partners. Our roots lie in Polish agriculture, so we know that there are good and bad times. ■ We share our vision, knowledge, experience and contacts. ■

How we see our local community involvement

To be where we are needed ■ Over 80% of our branches are located in small and medium sized towns. This is a prospective area of growth both for the Bank and the local communities, within which the Bank operates. Together with our partners, we implement projects addressing social problems arising in a given region, town or village. ■

The power is within joint efforts ■ Every local community has its own specifics, problems and expectations. That is why we always try to act from the local community perspective. However, some of the problems are of a more general nature and require a larger scale intervention. These become the priorities of our national corporate responsibility strategy. In such situations, the most effective solution, is to define the problem at the national level and solve it locally. ■

Social involvement priorities:

to provide equal education opportunities to children and youth, especially in rural areas

to support entrepreneurship development (financial education, social economy projects, fighting social exclusion), including pioneer "social entrepreneurship" projects in Poland.



How we get engaged – local community involvement tools

Employee volunteer work ■ At the end of 2011, we launched an employee voluntary work programme. Eight concepts were selected in a competition for the best volunteer work project, and over 40 people are going to be involved in their implementation. Under our amended work rules and regulations, employees can take one day off to work on the selected projects. The programme is to be developed further in 2012. ■

The example comes from the top ■ Bank BGŻ top management actively participates in initiatives, which promote corporate social responsibility nationally and regionally. President of the Management Board of Bank BGŻ Jacek Bartkiewicz has joined the Coalition "Presidents – Volunteers 2011" and is a member of the Young Entrepreneurship Foundation Board. BGŻ Foundation has provided a series of workshops for future volunteer work ambassadors in local communities as well as for 34 participants in the employee development program "Prestige". ■

Local donation programme ■ The local financial donation programme comprises of two modules: donations to cultural and social organisations, which support local problem solving and regional development, and raise the prestige and pride associated with local identity, and donations to local sports clubs, which support young cycling talents and provide extracurricular activities for children and the youth, often from poverty stricken areas. Our employees establish cooperation with local non-government organisations, cycling clubs and authorities, which are able to implement their educational programmes and support sports or entrepreneurship thanks to donations and assistance of the Bank's employees. ■

■ In 2011, Bank BGŻ provided financial support for 105 projects submitted by branches from the entire country. ■

Responsible employer

■ Human capital is the most important resource of Bank BGZ, and employee development is critical for the realisation of economic and social goals that affect the development of local communities. ■

An employee – friendly workplace

Employee rights and work ethics

■ We are dedicated to equal treatment of all of our employees. We offer jobs to the best candidates with various competencies and from different communities. We provide our employees with the opportunity to grow within our organisation and guarantee stable employment (the average time of employment at the Bank is nearly ten years). We are dedicated to ensure that additional benefits provided to our employees are identical, regardless of the various employment contracts. ■

in order to promote, support and monitor compliance with our organisational culture and corporate values (customer comes first, cooperation, transparency, delegating) we have appointed a Confidential Counselor, who can be contacted in the case of any observed irregularities and fraud cases, which are reported in the strictest of confidence.

Confidential Counselor



Professional development

Career development and knowledge management ■

The success of both Bank BGZ and its employees depends on the professional development and education of employees. The career and potential development system in Bank BGZ covers all employees. Every employee has an opportunity to plan their development path from their currently held position. Employees set their development goals for the upcoming year under individual development plans agreed with their superiors. ■

Training ■

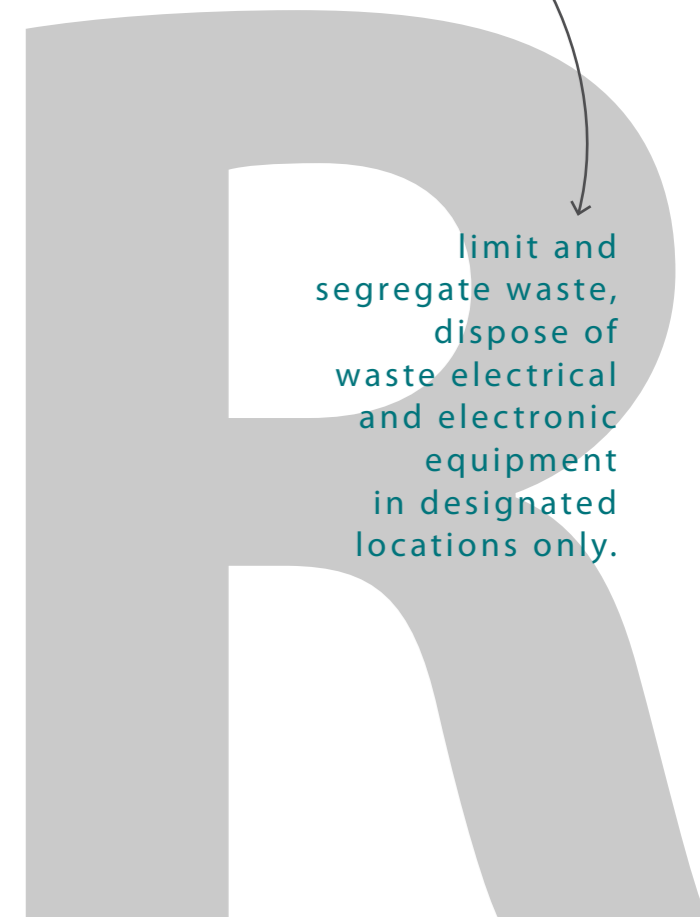
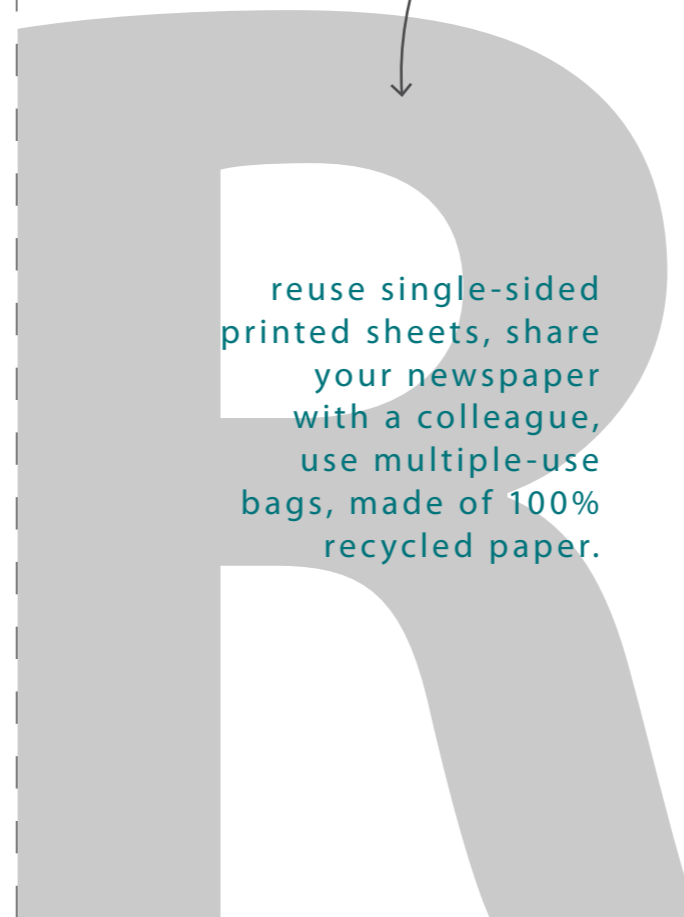
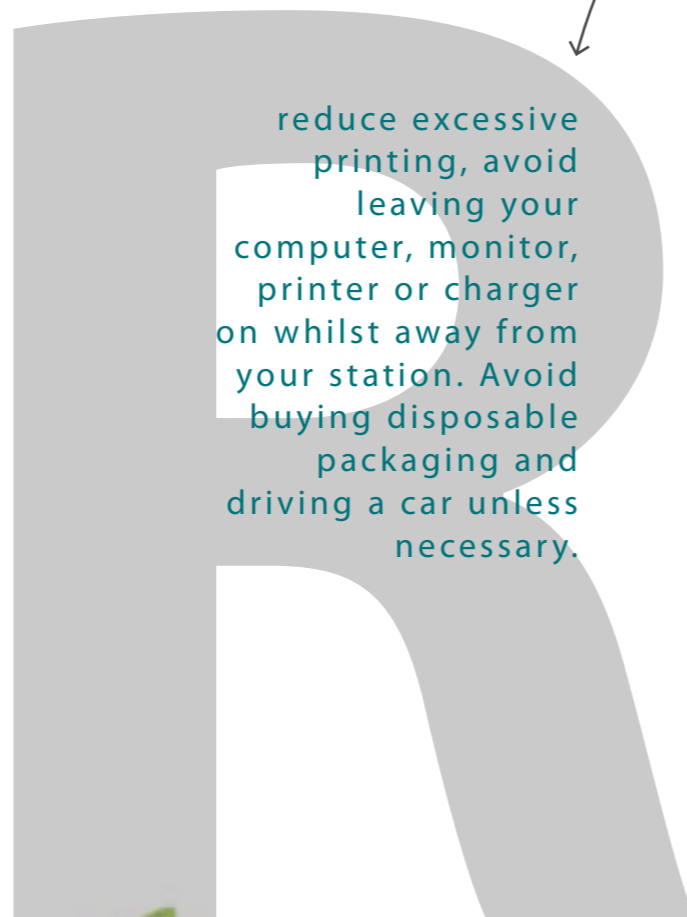
Our training policy ensures that the Bank's strategic goals on one hand, and individual needs and aspirations of the employees on the other hand, are coherent. We have implemented a project "Let's Grow Together – company and employees development. Professional human resources – a must in BGZ strategy implementation", which contributes to the development of knowledge and skills, as well as improved efficiency and effectiveness of our employees. ■

■ We have provided e-learning in Power Point and Excel for +45 people under a project co-financed by EU funds. ■

An environmentally friendly bank

■ One of the four main areas of the corporate responsibility strategy, implemented at Bank BGZ is environment protection, i.e. rational management of natural resources, which translates to sustainable development of our organisation. ■

A successful implementation of the environmental protection policy has to start from raising awareness among ourselves – “the bank’s employees”. We are learning to act in line with the 3xR policy:



Reduce
Reuse
Recycle



Bank of Energy!

As a result of our energy efficiency audit, we have been able to find out how much energy the Bank uses, and what we can do to reduce energy waste, as well as our carbon footprint. “Bank with Energy!” means annual energy savings by at least 4% per employee. We are trying to attain this goal at four involvement levels:

- **Internal energy** – we build green awareness of our employees, and implement measures to reduce energy consumption by the Bank.
- **Products with Energy!** – we offer products that finance green projects.
- **Sustainable transport** – we promote the bicycle as an environmentally friendly mean of transport.
- **We support energy saving initiatives** – we promote organisations and initiatives promoting lower energy consumption and renewable energy resources.

Introducing energy efficient light bulbs = 76 MWh savings

Internal energy ■ In 2011, when modernising our existing and opening new branches, we replaced TL8 fluorescent lamps with energy-efficient TL5 lamps (3x14W). As a result of the light bulb change in nine modernised branches and 35 newly opened branches, our annual energy savings were 76 MWh (CO₂ emission reduction by 67 tons). ■

Increased temperature in server rooms = savings of 14 MWh

■ In 2011, we changed working temperature settings in all IT rooms in all BGŻ branches. By increasing the temperature by 3°C on average, we were able to reduce the energy used by the cooling systems by 9% on average. As a result, the annual electric power consumption dropped by 14 MWh, which translates into CO₂ emission reduction by 12 tons per annum. ■

Energy-efficient lighting is now standard in all our new branches



Passive energy compensation – savings of 190 MWh

■ By installing passive compensation systems in nine Bank branches in 2011 we were able to reduce energy consumption by **190 MWh**. Before then, passive energy in electric energy receivers had been causing the increase of network current amperage, thus attributing to a significant energy loss. As a result of passive energy compensation in Bank BGŻ, the CO₂ emission was reduced by **168 tons**. ■

■ As a result of the internal initiatives implemented in 2011, we were able to save 1005 GJ of energy and reduce the CO₂ emission by 248 tons. ■

We are raising employee awareness = 2–5% energy savings

■ Bank BGŻ would not be able to improve its energy efficiency without involving its employees. Through our communication platform “Green Office”, we are teaching the Bank’s employees how their daily activities affect the environment. ■

■ In 2011, total energy consumption was reduced by 3.36% and energy consumption per employee – by approx. 12% as compared to 2010. ■

Sustainable transport ■ We believe that cycling is not only good for your health and for the sustainable development of cities, but also a method for reducing the CO₂ emission. We encourage all our employees to ride bicycles as a mode of sustainable transportation. We have provided them with adequate facilities – the Bank’s headquarters has a guarded parking lot and showers, and we have installed over 188 bicycle stands nationwide. ■



We reduce paper usage and waste

Less paper ■ In 2011, we launched a paper savings initiative at the Bank. As a result of a document flow and paper use audit, a number of recommendations were presented, introducing double-sided printing as a standard procedure, reduction of printed training materials and switching from paper account statements to electronic ones. ■

Our goal is to reduce paper consumption by 10% per year

Less waste ■ The goal of Bank BGŻ environmental protection policy is to reduce waste production by systemic action, in particular, by motivating our employees and raising their awareness. ■

■ **Recycled paper.** We try to reduce waste production by introducing 100% recycled paper. By using recycled paper every day we act in line with the 3xR principle. We try to print less, and when printing is a must, we use recycled paper.

■ **Waste electrical and electronic equipment (WEEE) collection.** In October 2011, in cooperation with Our Earth Foundation, the first collection of WEEE was organized at our headquarters as part of the programme “Green Foot of the Philanthropist”. The initiative was greatly appreciated by the employees. We managed to collect **several hundred kilograms of WEEE**, which were then processed by Stena Recycling. The funds raised as a result of the collection were appropriated by Our Earth Foundation to purchase an energy efficient washing machine for the orphanage in Opole.

■ We are planning to introduce waste segregation at the Bank’s headquarters in 2012. ■

3xR

Customers and other stakeholders – Bank BGŻ serves people well

The customer comes first

■ The “Customer Friendly Business” award received from the Management Observatory Foundation in September 2011 proves that our motto – “The Bank serves people well” – reflects our professional approach to customer service. ■

According to the results of the 2011 survey, Bank BGŻ is perceived as an institution involved in building relations with customers.

Customer satisfaction survey ■ We conduct surveys to tailor the Bank’s activities to address customers’ needs. 90% of the respondents believe that the Bank knows their company and their current financial position. Consequently, Bank BGŻ is the main bank for most of its institutional clients. We are glad that as much as 90% of the businesses that chose our products last year have been highly satisfied with our services. ■

80% of our customers would choose the products offered by Bank BGŻ again

Customer complaints, grievances and claims

■ Customers may submit comments and complaints through all available communication channels, e.g. by using the contact form published on our website, by phone or e-mail. In response to the claims and comments regarding the Bank’s operations, we can provide the customer, on request, with the information on how their claim or comment has been processed and dealt with. ■

■ We treat all the comments from our customers as feedback that helps us identify areas, which require changes, e.g. improved service quality, rectification of identified errors, customization of the Bank’s offer to the existing needs and expectations of customers. ■

Transparent marketing communication

■ Our marketing communication mode has been defined in the “BGŻ S.A. Code of Conduct”. We want our customers to perceive us as a trustworthy and transparent institution. Any sales and communication tactics based on incomplete or misleading information are forbidden. Our products and services are communicated in a clear and simple manner. ■

CSR aspect in credit risk analysis of institutional customers

■ As an investment and business financing institution, we can decide on the projects and activities we finance, considering not only the economic point of view, but also the CSR. We are aware that ecological or ethical risk connected with our a business of our customer may translate into financial, legal or reputation risk for the bank. Therefore we have decided to include CSR aspect into the credit risk analysis of institutional customers. ■



We listen to our customers

Summary of CSR in 2011 and main directions for 2012

	Society	Employees	Environment	Customers and other stakeholders
Goals	Implement the Bank's local community mission by measures aimed at developing the potential of regions and local residents, in particular by being involved in solving local social issues.	As a responsible employer, Bank BGŻ wants to be a place where people want and like to work, where they are satisfied, identify with the company and take pride in their work.	Reduce the negative impact of the Bank on the environment and raise environmental protection awareness among employees in compliance with the sustainable development rule, including rational resource management.	We want our customers to see Bank BGŻ as a stable, safe and friendly institution. Our motto is: "Bank BGŻ serves people well".
CSR actions/priorities in 2011	<p>Employees implemented nearly 300 local initiatives and spent five thousand hours in total.</p> <p>We developed a communication tool, a map of local activities, which provides a review and a single source of best practice for social involvement in four categories:</p> <ul style="list-style-type: none"> ■ Employee voluntary work programme, ■ Donation programme, ■ Cooperation with BGŻ Foundation, ■ Individual initiatives of the branches. 	In 2011, we focused on supporting employee professional development by offering them a training programme and a transparent appraisal and compensation scheme. We started developing Flexi-time arrangements.	<p>Environmental protection activities were focused on:</p> <p>Bank of Energy! – CO₂ emission reduction – energy audit and energy efficiency improvement plan for HQ and branches.</p> <p>Less paper – paper consumption reviewed and paper consumption reduction plan put in place.</p> <p>Waste segregation – WEEE collection Green Office – employee communication platform (testing phase).</p>	Bank of Local Communities also means products tailored to meet local needs. We have introduced „green loans“. We are dedicated to making sure that our activities are transparent and compliant with the best market practices, as guaranteed by our compliance policy and operating risk management system.
2012 Plans	Continuation of our social activities: employee voluntary work programme, local support programme (donations to social initiatives sponsored by our branches), cooperation with BGŻ Foundation and individual initiatives.	To enable/support employees in work-life balance (flexi-time pilot scheme).	<p>Continuation of energy efficiency initiatives. Reduced paper consumption, improved waste segregation process. Raised employee environmental protection awareness through our "Green Office" project.</p> <p>Further stimulation of communication with our customers through electronic channels.</p>	<p>To improve:</p> <ul style="list-style-type: none"> ■ dialogue with customers ■ management of ethical issues ■ reputation and credit risk management (strengthening of corporate social responsibility arrangements).