

MEDICINOS BANKAS

Vilnius, Lithuania

SOCIAL PROGRESS REPORT – 2007

Global Convention is the largest, worldwide, voluntary, corporate, social- responsibility incentive. It promotes people for more- responsible operation, without harm to environment, to community, or to other businesses. It also invites companies to participate in solving social and environmental problems, in cooperation with the United Nations, governmental institutions, and non-governmental organizations; as well as make influencing on social development and economic growth.

At the beginning of June 2005, UAB Medicinos Bankas (The Bank) joined the international incentive, Global Convention, which encourages companies to operate according to ten (10) Key Principles: including human rights, employees' rights, and environment preservation, and furthermore, to participate in anti-corruption activities.

The plan for implementation of the strategy for the 2007-2012 period provides for adherence to the Global Convention principles in handling work-organizing issues.

Medicinos Bankas joined the Global Convention with the conviction that the ten (10) Global Convention principles are crucial for the creation of long-term banking value for clients, employees, and stakeholders.

The present Social Progress Report by Medicinos Bankas presents our achievements concerning the implementation of the Global Convention principles in our 2007 operational policy. We shall adhere to these principles in the future, as well.

Chairman of the Board, CEO



Kęstutis Olšauskas

MEDICINOS BANKAS

HUMAN- RIGHTS RELATED PRINCIPLES

Principles One (1) and Two (2) require business organizations to support and respect the international protection of human rights within the organization's field of influence, and to prevent organizations from infringing upon human rights.

UAB Medicinos Bankas supports the above principles.

The updated 'Personnel Management Policy - 2007' of Medicinos Bankas publicly declares that human resources are a 'key value' to the company.

'The Code of Behaviour for Employees' of Medicinos Bankas provides for: equally attentive and respectful services for current and prospective clients of Medicinos Bankas Group; without regard to their social or public status, nationality, sex, religion, or political views. Mutual relations of the staff should be based upon the principles of honesty, tolerance, courtesy, goodwill, and reliance. Our employees are required to avoid contempt, offence, and harassment towards co-workers.

Internal working regulations require the employees to respect people, their rights and freedoms, and to treat people in such manner as to earn the confidence of the clients and of society-at-large. The staff must also be impartial and correct regarding the handling of any issue.

The Bank is a neutral organization, whose staff must respect the freedom and opinions of other people.

The strategy of the Bank for the 2007-2012 period provides for pursuit of the welfare for the Bank's employees (to retain personnel, and to offer them career possibilities). The strategy provides for successful implementation of personnel training, and for a more-flexible system of incentives.

Actions oriented towards successful handling of social problems and the promotion of public developmental growth

In 2007, the staff of Medicinos Bankas participated in workshops held by the 'Lithuanian Business Employers Confederation'. Training and qualifications-improvement is beneficial for both the employee and the company, as it enhances the employee's self-confidence, and provides more career-making possibilities; and consequently, promotes organizational growth and assures necessary qualification levels for the Bank's employees.

In 2007, the employees of the Bank were offered two (2) events that were attended also by family members of the staff.

As a part of the contribution to artistic development of society, Medicinos Bankas sponsors, on a regular basis, the 'Vilnius String Quartet' and the 'Saulius Karosas Charity and Support Fund'.



UAB Medicinos Bankas is a sponsor of the 'Vilnius String Quartet' (from left) Artūras Šilalė, Girdutis Jakaitis, Saulius Karosas, Professor Audronė Vainiūnaitė, and Augustinas Vasiliauskas

The 'Saulius Karosas Charity and Support Fund' was founded in 1998. During ten (10) years of operation, the Fund has become inseparable from the development of Lithuanian art. Devoted to the support for young artists, the Fund allocated financial support in the amount of two (2) million Lithuanian litas; and thus, contributed much to the development of more than one (1) thousand young, talented individuals.



The founder of the 'Saulius Karosas Charity and Support Fund' (centre), with sponsored young artists: pianist Edvinas Minkštimas (left), and clarinetist Ažuolas Paulauskas (right)

The Fund co-financed studies of young musicians at some of the most-prestigious western-European and US art schools. As a part of this program, the pianist Edvinas Minkštimas accomplished his studies at the National Superior Conservatory of Paris for music and dance, and is continuing his studies at the prestigious Juilliard School of Music in New York City (USA). The piano-player Remigijus Sabaliauskas is currently studying at Kansas State University (USA), and the pianist Audronė Urbutytė is studying at the Koln Music School (Cologne).

The Fund also sponsored studies of the clarinetist Audrius Bernotaitis at California University, and the percussionist Marius Šinkūnas at West Michigan University (USA). The composer Jurgita Mieželytė was offered financial support for her studies at the High School of Music in Norway. As a part of this program: flutist Giedrius Gelgotas is studying at the Royal Academy of Music in London, and Lina Baublytė is studying at the Early Music Institute in Basel (Switzerland). The Fund-supported singer Milda Smalakytė who is studying at Guildhall School of Music and Drama (London), and her colleague, Jekaterina Tretjakova is studying at University Mozarteum in Salzburg (Austria). Having accomplished her studies at the University of Graz (Austria), the choir and symphony orchestra conductor Mirga Gražinytė continues her studies in Bologna (Italy). In this way, young talents represent Lithuania abroad, and willingly give concerts for Lithuanian audiences.

Medicinos Bankas will follow this tradition in the future, to continue sponsorship of the young musicians of Lithuania.

Achievements

During 2007, one-third of the staff (i.e., 32.4 percent) improved their qualifications. Thirty-six (36) employees attended forty-eight (48) on-site workshops held by the Lithuanian Business Employers Confederation, and refresher-courses (in the field of marketing, corporate management, personnel management, and finance management). Approximately seventy (70) employees attended internal training programs.

A two-day corporate event held in Palanga was attended by approximately one hundred and fifty (150) employees and their family members.

The 15th anniversary event held at the Lithuanian National Opera and Ballet Theatre assembled approximately one hundred and ninety (190) employees and their spouses.

During 2007, as compared with 2006, the average salaries showed growth by thirty-one percent (31 %).

STAFF-RELATED PRINCIPLES

Principle Three (3) requires business organizations to support freedom of association(s), and to acknowledge the right for effective labour-management negotiations.

Medicinos Bankas supports freedom of associations, and acknowledges the right for effective labour-management negotiations.

Medicinos Bankas consistently receives and considers suggestions, criticisms, and ideas by the staff, as is provided in the Personnel Management Policy. Employees are usually promoted for enterprising, creative, and innovative ideas.

Actions

The Bank's staff is usually kept informed about, and invited to establish, a working committee. To that end, the Bank offered a full package of technical and other facilities, including the ability to use the Bank's web site, and other measures.

In 2007, the Bank adopted a Personnel Policy, which defines a neutral attitude of the Bank towards various labour unions and associations. The Policy also specifies possibilities for establishing employee associations, and presents terms and conditions for collective-bargaining negotiations, which have been publicly coordinated, and agreed upon with the employees.

Achievements

The Bank supports freedom to establish labour unions. Nevertheless, during 2007, the employees did not initiate the idea for establishment of such unions. The Bank will not interfere with establishment of such unions in the future. Instead, the Bank will offer technical measures, and provide possibilities for meeting the management staff, in the event that the staff decides to implement the idea of establishment of any labour union.

Principle Four (4) requires withdrawal from forced labour of any kind.

In the course of its regular activities, the Bank supports the principle requiring withdrawal from any forced labour. Although such work is not attributed to potential risks in the financial sector, internal regulations of the Bank provide for an official position towards working time, health and safety, duties to employees, and salaries.

Internal working rules of the Bank provide for employee working hours; which should not exceed forty (40) hours-per-week, as set forth by the Labour Code of the Republic of Lithuania. The security staff, and the employees eligible for cumulative working time records, should not work more than forty-eight (48) hours per week. Overtime and night-work is paid at the equivalent of one-and-one-half (1.5) times the employee's regular rate. If not scheduled, work on days-off and holidays is paid at double-rate, or the employee may be offered an extra vacation day.

Actions

Overtime work is not a regular practice of the Bank, except for the cases where it is not possible to discontinue operations, or an urgent task is pending. Only a few employees face such unusual situations. If overtime work is required, the management staff will always coordinate such situation with the employee. The latter may freely refuse overtime work, without being subjected to any penalties or sanctions. Overtime work is paid according to the requirements set forth by legislation.

Achievements

Employees have been paid for overtime, or day-off, work as provided for by law. No offences have been filed in this area in 2007.

Principle Five (5) provides for elimination of the employment of children.

Medicinos Bankas supports the pursuit for elimination of the employment of children.

The procedure for employment and dismissal specifies that upon employment, an employee is required to submit his/her personal documents. The Personnel Department subsequently verifies all of the employee-related information, including his/her age, to avoid violations of the provision for the elimination of the withdrawal from employment of children.

Actions

To contribute to societal development, and to promote children and youth activities, Medicinos Bankas provided support for the following organizations:

- The Šiauliai dance-sport club, "ŠYPSENA"; for young dancers, between the age of five (5) and eighteen (18). The best juvenile, junior, and youth couples from Lithuania and abroad are regular participants in the 'Lithuanian Dance-sport Federation Ranking Cup', held annually by the club.
- The International folk-art festival "Skamba skamba kankliai"; annually attracts the most-gifted folk performers, from various countries.

- The artists' open-air "Veisiejų pavasaris 2007"; attended by artists, wood-carvers, stone sculptors and smiths, from various countries.
- The 'Union of Samogitian Artists'; fostering Samogitian culture and traditions.
- The public institution 'Jėgos sporto šakų centras' ('Centre for Muscle Sports'); organizes an annual competition for The Lithuanian Triathlon Cup.
- The Lazdijai-region and Sejny (Poland) feast, "Pasienio fiesta" ('Frontier Fiesta'); amateur fishermen from Lithuania and Poland competed in the Mayor's Cup, and participated in the 'boat-spinning competition' at Lake Galdusis. Amateur groups, famous musical groups, prominent artists, and folk-artists from the Lazdijai region and Poland, participated in the feast.
- Medicinos Bankas will, in the future, consistently sponsor the 'Vilnius String Quartet' and the 'Saulius Karosas Charity and Support Fund'.

Every year, children of our employees are invited to the Bank's Christmas Party. In 2007, children were given a performance and awarded with gift certificates issued by Vaga Bookstore. In 2008, Medicinos Bankas will continue this tradition.

Achievements

In 2007, there was no evidence of child-employment by the Bank. The youngest employee of the Bank is twenty-one (21) years old. The average age of employees was thirty-six (36), by the end of the year. If compared with the results of the beginning of 2006, the age of the employees tends to be younger.

Principle Six (6) requires elimination of employment and professionally related discrimination.

Medicinos Bankas makes every effort to eliminate discrimination related to employment and profession.

Internal working rules of the Bank, and the Personnel Policy, define regulations for personnel planning, search, and screening. Key requirements for prospective employees include: background, experience, qualifications, and official language skills.

Actions

Pursuant to the Personnel Policy, the applicants undergo screening procedures, without reference to their sex, sexual orientation, race, nationality, language, citizenship and social status, religious preferences, marital status, age, creed, membership in political parties and public organizations, and circumstances, which are not related to the applicant's expertise. Only the qualification criteria are applicable for screening purposes.

Achievements

As of the data available on 31 December 2007, there were five hundred and eighteen (518) employees of the Bank, including three hundred and eighty-three (383) female staff members. If compared to 2006, the number of employees increased by thirteen percent (13 %). In 2007, there were twenty-nine (29) female, and twenty-one (21) male, management-staff members (i.e., management staff, directors, assistant directors, and executives). By the end of 2007, the eldest employee was seventy-two (72) years old. The total number of employees at retirement age was ten (10). There were three hundred and seventy-nine (379) Bank employees (73. 17 percent) who were employed on a full-time basis; one hundred and thirty-nine (139) (i.e., 26. 83 percent) were employed on a part-time basis. In the course of the year, the Bank offered sixty-two (62) new jobs.

ENVIRONMENTAL-RELATED PRINCIPLES

Principles numbered Seven (7), Eight (8), and Nine (9) require business organizations to support preventive measures to assure environmental preservation, and to participate in incentives that increase environmental-related responsibility, and that promote the development of environmentally-friendly technologies.

Medicinos Bankas supports these principles.

Internal working rules of the Bank provide for assessment of the employees commitment to preservation of the environment, economy of natural resources, and following environment quality standards and regulations. Employees are required to follow the rules for waste sorting and handling.

Strategic plans of the Bank for the 2007-2012 period provide for development of on-line and mobile services, by improving their quality and expanding their contents, by transition from traditional services to on-line services.

Actions

In its regular activities, Medicinos Bankas makes every effort to avoid data storage in the form of printed documents, by transferring the information into digital media. Required data are printed in smaller font size, and on both sides of the paper sheet, to save paper.

Medicinos Bankas uses automated heating-control systems, which enable measurement of overall environmental and building parameters. Moreover, the systems automatically select the most rational and energy-saving heating supply-mode(s). Moderate heating, and disconnection of the hot water supply at night, considerably contribute to the energy-saving process. Highly-professional automated heating systems reduce energy costs by as much as twenty percent (20 %).

With reference to the operational plan for the 2007-2012 period, much attention is given to the maintenance of servers, the local and external network, supervision, safety, and control of workstations. To that end, data protection procedures, including hardware and software, security of premises, and administrative measures, have been developed and updated as necessary.

Strategic plans for the 2007-2012 period, developed by the IT Department, provide for quantitative and qualitative growth of on-line and mobile services, by improving management of internal processes, and by implementing business management systems.

Achievements

The motor-vehicle fleet of the Bank consists mostly of vehicles manufactured within the last three (3) years; therefore they produce relatively-less pollution, if compared to older vehicles. At the Bank, we make every effort to update our vehicle fleet as often as possible, to contribute to environmental protection activities.

The network linking the head office and the branches has been updated, preparation work has been accomplished for installation of a process management system, and data storage facilities have been installed to assure better data accessibility.

ETHICS AND TRANSPARENCY-RELATED PRINCIPLE

Principle Ten (10) requires business organizations to participate in anti-corruption (including anti-bribery) activities.

Medicinos Bankas supports this principle.

Internal working rules require employees to follow the principle of decent behaviour(s).

The 'Code of Behaviour of Medicinos Bankas Employees' underlines the competencies of employees.

As a part of its anti-money-laundering program, Medicinos Bankas regulates the arrangement of anti-money-laundering measures, collection, storage, processing, and transfer of information on the client's transactions; in cooperation with the Financial Crime Investigation Service, under the Ministry of Interior of the Republic of Lithuania.

Actions

The 'Code of Behaviour of Medicinos Bankas Employees' specifies that every employee should resolve the issues within his/her competence, in the most-qualified way. The employee should be able to distinguish between the issues that need immediate handling, and those which can be resolved later. In solution-making, the employee should be impartial and honest. The employee should work to the best interests of the Bank, use information available to him/her only for business purposes; and, as a staff member of the Bank, the employee should work without seeking advantages for himself/herself, his/her family, or his/her friends. The employee should behave in an impeccable, incorruptible manner; to reject gifts in cash, or given in any other way, such as provision of services, exclusive privileges, or discounts from individuals or organizations, which could influence the employee's decisions to the benefit of the client.

The anti-money-laundering policy of Medicinos Bankas underscores that the Bank reserves the right(s): to deny opening any account, or to initiate termination of business relations with the client, if the Bank has information showing that: (1) the client's activities are of a money-laundering, or terrorist, character, or (2) that the client has contacts with the criminal world, (3) and that this could adversely influence the financial situation of the Bank, or its reputation.

The Bank does not assume liabilities of the client where the transaction has been evidently targeted towards tax evasion; trade in guns or drugs, or other illegal activities.

To make the anti-money-laundering policy more effective, the Bank developed a 'risk clients' list, which is developed and constantly updated by the Bank employees.

Achievements

All of the employees of the Bank have been acquainted with the full package of internal working rules and provisions of the Code of Behaviour of Employees.

All client service operatives participated in the periodic training sessions regarding the issues on money-laundering and terrorism financing.