

**MANAGEMENT BOARD**

Pursuant to Article 39 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 277 of the Companies Act, the Management Board of the Bank adopted at its 14\_19 meeting, held on 11 June 2019, the Decision to call the Extraordinary General Meeting of the Bank, under which it sends the following

**INVITATION  
TO THE EXTRAORDINARY GENERAL MEETING**

of **Privredna banka Zagreb d.d.**, Zagreb, Radnička cesta 50, which will be held on **24 July 2019**, beginning at **11.00 a.m.**, on the Bank's premises in Zagreb, Radnička cesta 44, B1 – 8<sup>th</sup> floor.

At the Extraordinary General Meeting of the Bank, the shareholders shall consider the following

**A G E N D A**

1. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2019
2. Decision on the acceptance of the ratio between variable and fixed components of the remuneration for 2018
3. Policy on the target structure of the Supervisory Board of Privredna banka Zagreb d.d.

**Draft decisions:****Ad 1)**

Pursuant to the recommendation of the Audit Committee of the Bank, the Supervisory Board of the Bank puts forth to the Extraordinary General Meeting of the Bank the proposal to adopt the following

**DECISION  
on the appointment of the external auditor who shall conduct the audit of  
the financial statements of the Bank for the year 2019**

1. The audit firm **BDO Croatia d.o.o., Zagreb**, Trg J. F. Kennedyja 6b, is hereby appointed as the external auditor that shall conduct the audit of the financial statements of the Bank for the year 2019.
2. This Decision shall enter into force on the date when it has been adopted.

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*Explanation of the proposal:*

*Pursuant to Article 275 of the Companies Act, the shareholders at the General Meeting decide on the appointment of the external auditor who shall conduct the audit of the company's operation as proposed by the Supervisory Board of the Bank.*

*After the audit firm KPMG Croatia d.o.o., Zagreb, had conducted the audit of the Bank's financial statements for a seventh year in a row, which is the maximum permitted by local law, the Bank conducted a tender for appointment of new external auditor for the audit of statutory financial statements for 2019 in accordance with the Regulation (EU) No. 537/2014 of the European parliament.*

*The Audit Committee expressed its preference in favour of BDO Croatia d.o.o.*

*The Audit Committee stated that decision was free from influence by a third party and that no contractual clause had been imposed upon it that restricted the choice by the general meeting in terms of the selection of the audit firm.*

## **Ad 2)**

The Management Board and the Supervisory Board of the Bank of the Bank put forth to the Extraordinary General Meeting of the Bank the proposal to adopt the following

### **DECISION**

#### **on the acceptance of the ratio between variable and fixed components of the remuneration for 2018**

1. The payment of variable remuneration for 2018 to the President and members of the Management Board of the Bank and heads of Control Functions in a total cost amount of € 2.7112 mln (HRK 20.1545, the exchange rate 1€ = HRK 7.4338) is hereby acknowledged, and in this respect approval is hereby given for a higher ratio between variable and fixed component of the remuneration for the President of the Management Board of the Bank in ratio 1.226 of variable remuneration to 1.00 of fixed remuneration.
2. The amount referred to in item I of this Decision is determined in accordance with the established individual level of performance and valid remuneration rules of the PBZ Group and the remuneration rules of the Parent company for 2018.
3. The implementation of this Decision has no material impact on the maintenance of the adequate capital level of Privredna banka Zagreb d.d.
4. This Decision shall enter into force on the date of its adoption.

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#### *Explanation of the proposal:*

*Based on the achievement of individually agreed goals and considering overall performance and performance-related behaviours, in particular with regard to managerial competencies, and in accordance with the Bank's values, the expressed evaluation of individual achievement of the set goals and the valid rules on remuneration, the above stated ratio between variable and fixed remuneration for 2018 is proposed for the President of the Management Board of the Bank.*

*Considering all the risks that the Bank is exposed to as well as the cost of capital required and necessary liquidity, it is determined that the proposed Decision does not affect the fulfilment of regulatory obligations and that the implementation of this Decision has no material impact on the maintenance of adequate capital level of Privredna banka Zagreb d.d. and PBZ Group.*

## **Ad 3)**

The Management Board of the Bank puts forth to the Extraordinary General Meeting of the Bank the proposal to adopt the following

## POLICY

### on the target structure of the Supervisory Board of Privredna banka Zagreb d.d.

#### 1. Introduction

Pursuant to the provisions of the Decision of the Croatian National Bank on the assessment of the suitability of the president of the management board, member of the management board, member of the supervisory board, and key function holder in a credit institution of 19 October 2018 (Official Gazette No. 93/2018), Decision of the Croatian National Bank on governance arrangements of 31 October 2018 (Official Gazette No. 96/2018), Guidelines EBA/GL/2017/12 of 2 March 2018 on the assessment of the suitability of members of the management body and key function holders, European Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EZ of the European Parliament and of the Council with regard to obligations of depositaries, and the Anti Money Laundering and Terrorism Financing Act of 8 November 2017 (Official Gazette No. 108/2017), this Policy hereby prescribes:

- the target **structure** of the Supervisory Board of the Bank with respect to the nature, scope and complexity of the Bank's operations, its risk profile, and business strategy,
- detailed **criteria** for members of the Supervisory Board, including
  - their specific competence, adequate knowledge, skills and experience to perform their functions
  - requirements regarding initial and ongoing education
  - requirements regarding the commitment of the Supervisory Board members to performing their functions, and analysis to be carried out by the Bank for the purpose of determining if the candidate can devote enough time to performing his/her duties
  - situations, relationships and circumstances that are or may constitute a conflict of interest, measures for resolving conflicts of interest or measures for managing and mitigating potential conflicts of interest
  - requirement for facilitating diversity within the Supervisory Board, and
  - succession plans, policies and procedures of the Bank listing appropriate actions to be taken with regard to sudden or unexpected absences or departure of a member of the Supervisory Board.

The suitability of members of the Supervisory Board shall be assessed in accordance with the *Policy on the assessment of the suitability* adopted by the Management Board, with the consent of the Supervisory Board, pursuant to the Decision on the assessment of the suitability of the president of the management board, member of the management board, member of the supervisory board, and key function holder in a credit institution made by Croatian National Bank.

#### Definitions

For the purposes of this Policy the following terms shall have meaning as described below:

1) "procedures" means:

- investigations, criminal prosecutions and criminal proceedings; and
- proceedings that preceded a judgement with final force and effect, final enforcement measures or minor offence and administrative sanctions.

2) "connected persons" means all persons closely linked in accordance with Article 4, paragraph (1), item (38) of the Regulation (EU) No 575/2013 (two or more natural or legal persons linked in any of the following ways: participation in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an undertaking; control; a permanent link of both or all of them to the same third person by a control relationship), spouses and civil partners, persons of the same sex in a life partnership according to the same-sex life partnership act, and persons linked by consanguinity in the direct line without restraint and in the collateral line ending to the second degree, as well as by in-law kinship. For the purposes of this Policy, persons linked by in-law kinship are relatives related by marriage and not by blood, including: the parents, brothers and sisters of the spouse and civil partner, the children of the spouse and civil partner which are not the children of the person whose connectedness is being assessed, and the spouses and civil partners of the children of the person whose suitability is being assessed.

3) "significant business relationship" means a business relationship which meets any of the following criteria:

- total liabilities of members of the Supervisory Board and persons connected with them to the Bank exceed their total claims against and holdings in the Bank by an amount higher than 2% of the Bank's initial capital, but not lower than HRK 3,000,000.00;
- Bank or a person connected with the Bank has a holding in the initial capital instruments exceeding 25% of the initial capital of an undertaking controlled by a member of the Supervisory Board
- an undertaking connected with a member of the Supervisory Board derives most of its income from the provision of services to the Bank

4) "conflict of interest" for the purposes of Article 38, paragraph 1, item 3 and Article 45, paragraph 1, item 3 of the Credit Institutions Act are circumstances described under item 3.6 of this Policy whereby the Bank cannot ensure independence of the candidate's opinion.

5) "candidate" means a person of whom the Bank assesses suitability or has submitted the request for prior consent with regard to the appointment to the function of a member of the Supervisory Board.

6) "independence of opinion" means specific abilities of a member of the Supervisory Board which are required to make prudent, objective and independent decisions and give independent opinions while performing their duties and tasks, particularly as they pertain to the discussions and decisions of the Supervisory Board.

7) "expert service" or "authority competent for suitability assessment" means the Corporate function of Human Resources and Organization.

8) "Nomination Committee" is a committee of the Supervisory Board composed of at least three of its members.

## **2. Structure of the Supervisory Board of Privredna banka Zagreb d.d.**

This Policy prescribes the target structure of the Supervisory Board of the Bank with regard to its type, scope and complexity, risk profile and business strategy.

The Articles of Association of Privredna banka Zagreb d.d. set out that only a person whose knowledge and experience in banking or economy or whose scientific work warrant that he/she will be capable of performing properly and efficiently the duties of a member of the Supervisory Board may be elected a member of the Supervisory Board.

According to provisions of the Articles of Association, the Supervisory Board may have five, or seven, or nine members, i.e. an uneven number of members. The decision on the number of members of the Supervisory Board is adopted by the General Meeting. Members of the Supervisory Board are elected by the General Meeting for a maximum of 3 (three) years, with the possibility of re-election.

The Nomination Committee proposes members of the Supervisory Board and creates a description of duties and conditions required for performing the duties of individual members of the Supervisory Board and the expected dedication to the fulfilment of these duties.

When selecting and proposing candidates for the members of the Supervisory Board, Nomination Committee shall ensure:

- that appropriate candidates are chosen for each proposed function, in accordance with the criteria defined under item 3 of this Policy;
- that the set diversity within the Supervisory Board has been achieved, including appropriate representation of both sexes in accordance with specific needs and capabilities.

### **2.1. Quantitative Composition of the Supervisory Board**

The decision of the General Meeting of the Bank set out that the Supervisory Board of the Bank shall be composed of seven members, a number estimated, keeping in mind the functions and the competence of the Supervisory Board, as a good solution ensuring high-quality supervision of the management of the Bank's operations which is aimed at protecting the interests of the Bank as a whole.

An Audit Committee has been established by the Supervisory Board, in accordance with the Audit Act and Articles of Association of the Bank, for the purpose of monitoring the financial reporting process and analysing annual and quarterly financial statements, assessing the effectiveness and suitability of the Bank's internal control system, and in particular the functioning of risk management, accounting system and internal auditing, verifying independence of all control functions, monitoring and promoting corporate culture development initiatives based on controls and principles of fairness, lawfulness and compliance with regulations, supervising the auditing of annual financial statements and consolidated reports, reporting to the Supervisory Board on the outcome of statutory audits, reviewing activities of external auditors, monitoring the independence of the audit firm, giving recommendations to the General Meeting on the selection of external auditors and assuming responsibility for selecting the audit firm, discussing the plans and annual reports of the internal audit function and other important issues related to these areas.

Three committees have also been established in accordance with the provisions of the Credit Institutions Act and by-laws of the Croatian National Bank – Remuneration Committee, Nomination Committee, and the Risk Committee. These committees have been established by the Supervisory Board, which has also appointed members of the aforementioned committees from members of the Supervisory Board. Each of the committees has three

members, one of whom has been appointed as the president of the committee. The Supervisory Board also adopted the Rules of Procedure of Supervisory Board Committees. Competence of specific committees has been defined in accordance with relevant provisions of the Credit Institutions Act, Rules of Procedure of Supervisory Board Committees and specific decisions of the Croatian National Bank.

According to the provisions of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council, as long as the Bank acts as a depositary of the UCITS funds of a company belonging to Intesa Sanpaolo Group, its Supervisory Board shall have two independent members within the meaning of the said EU Regulation.

In all cases, and in accordance with the Decision of the Croatian National Bank on governance arrangements, independent members of the Supervisory Board have to also be members of the aforementioned Supervisory Board committees, due to which the Bank has to ensure there is a sufficient number of independent members of the Supervisory Board.

The quantitative structure of the Supervisory Board must ensure the targeted representation of the underrepresented gender in the Supervisory Board in accordance with the decision of the Nomination Committee.

## **2.2. Qualitative Composition of the Supervisory Board**

Members of the Supervisory Board have to have adequate knowledge, skills, and expertise as well as sufficient experience in the field of corporate governance so that they might perform their function efficiently and professionally. The experience acquired within the Intesa Sanpaolo Group and companies engaged in similar activities will be particularly valued in terms of corporate governance.

In order to achieve the optimal qualitative composition of the Supervisory Board, each member of the Supervisory Board shall have the knowledge, skills, and expertise, acquired in financial and credit institutions, medium or large companies, research centres or academic environments, in one or more areas listed below:

- banking and/or insurance and/or finance
- strategic planning
- risk management and risk management methods
- accounting and/or financial matters
- system of internal controls
- regulatory framework and prudential requirements
- corporate governance and organisation
- information technology

The composition of the Supervisory Board must be such that its members as a whole ensure that all the relevant competences/fields of operation are represented therein, all with the aim of achieving the suitability of the Supervisory Board as a whole.

The composition of the Supervisory Board must ensure the continuity of the performance of the supervisory function at the Bank.

### **2.3. Collective suitability of the Supervisory Board**

The collective acquired knowledge, skills and expertise at the level of the entire Supervisory Board ensures high-quality supervision of the management of Bank operations and the suitability of the Supervisory Board as a whole, meaning that the members of the Supervisory Board have to collectively possess suitable professional knowledge, skills and experience required to perform necessary functions in accordance with the set business model, assume risk in line with the strategy and markets in which the Bank operates, and in accordance with the target structure of the Supervisory Board set out in this Policy.

In accordance with this Policy, Supervisory Board has to have a sufficient number of members with adequate professional knowledge in one or more areas listed below:

- services provided by the Bank and main associated risks
- financial markets and the capital market, solvency and internal models
- accounting and reporting
- control functions' duties
- information technologies and security
- local, regional and global markets
- legal and regulatory framework
- management skills and experience
- strategic planning.

### **3. Suitability criteria for members of the Supervisory Board**

Member of the Supervisory Board may be any person who meets the following criteria:

- a. is of a good repute, honest and conscientious
- b. has adequate professional knowledge, ability and experience necessary for performing the supervisory function at the Bank
- c. is not in conflict of interest in relation to the Bank, shareholders, members of the supervisory board, key function holders and senior management of the Bank
- d. who meets the conditions for a member of the Supervisory Board in accordance with the Companies Act, and
- e. who can devote sufficient time to meeting the obligations under the scope of his/her own competence

#### **3.1. Good repute, honesty and conscientiousness**

It shall be considered that a person (candidate) is not of good repute, no honesty and with no conscientious:

- a) who has been convicted by a judgement with final force and effect for any of the crimes referred to in Article 25, paragraph 2 of the Credit Institutions Act, or who has been convicted by a judgement with final force and effect for any of the crimes which by

definition correspond to the crimes referred to in Article 25, paragraph 2 of the Credit Institutions Act

- b) who is subject to criminal prosecution for any crimes referred to in Article 25, paragraph 2 of the Credit Institutions Act, or who is subject to criminal prosecution for any crimes which by definition correspond to the crimes referred to in Article 25, paragraph 2 of the Credit Institutions Act, or who has been convicted by a judgement with final force and effect or who is subject to criminal prosecution for any crimes not listed in Article 25, paragraph 2 of the Credit Institutions Act, but which could affect the good repute of the person
- c) against who a security or some other measure or misdemeanour sanction has been imposed or ordered, or who is subject to proceedings conducted by the competent courts or authorities for irregularities or non-compliance with any of the regulations governing banking, financial or insurance activities or governing securities markets, securities or payment instruments, regulations governing the provision of financial services, consumer protection or any other relevant regulations, which may raise doubts about the good repute of the person
- d) who manages, or managed at the time of the offence, the undertaking which has been convicted by a judgement with final force and effect for any crimes referred to in items a) and b) of this paragraph, or who is subject to measures or proceedings referred to in item c) of this paragraph, which may raise doubts about the good repute of the candidate
- e) who has not achieved good results by his/hers past professional work and personal integrity
- f) whose business results compromise the person's good repute, honesty and conscientiousness
- g) whose financial stability compromises the person's good repute, honesty and conscientiousness, and
- h) for whom there are some other grounds for suspicion about his/her good repute, honesty and conscientiousness.

In assessing the criteria referred to in items b), c) and d) of this paragraph, we shall take into account all available information relating to the type of conviction, degree of the proceedings, legal redress offered, sanctions imposed and effects of the rehabilitation measures, the existing extenuating and aggravating circumstances of the case, the significance of the offence or violation, the period that elapsed since the commitment of the offence and the person's behaviour during that period. We shall also take into account several minor offences which do not individually, but might cumulatively undermine the person's good repute.

In addition, in assessing the criteria referred to in items d) and e) of this paragraph, we shall take into account the data on all relevant previous measures, judgements and proceedings relating to the candidate or the undertaking that the candidate manages or has managed, which the Croatian National Bank or another competent authority conducts or has conducted.

In assessing the criteria referred to in item f) of this paragraph, we shall analyse the information suggesting incorrect behaviour of the candidate in his/hers past professional work, such as non-transparent behaviour and lack of co-operation with the competent authorities, refusing or revoking approval for the performance of managerial functions or professional occupations or activities and shall, where feasible, also analyse the reasons for the termination of the employment contract, removal from a key or similar function and ban on directing the business or representation of a legal person imposed by the competent authority, as well as all other information and evidence suggesting that the candidate's actions were not in line with the high standard of professional conduct.



In assessing the criteria referred to in items f) and g) of this paragraph, we shall take into account the financial and business results of an undertaking in which the candidate is or has been a significant shareholder, or in which the candidate has or has had significant holdings, or in which he/she had performed the managerial function or the function of a supervisory board member before it has been established that the undertaking has committed a major irregularity or legal offence in its operation, before the prebankruptcy settlement proceedings over the undertaking have been carried out, the bankruptcy proceedings have been initiated, a decision on the compulsory winding-up has been rendered or the undertaking's authorisation has been withdrawn, which could affect the candidate's good repute. We shall assess whether the person's behaviour contributed to these events.

In assessing the criteria referred to in items g) and h) of this paragraph, we shall take into account the financial stability of a candidate and its potential influence on the candidate's good repute.

In doing so, we shall analyse:

- a) whether the candidate's property threatens him/her meeting relevant financial obligations in the future
- b) whether the candidate's name is included on any list of unreliable debtors (e.g. Ministry of Finance's tax defaulter list, "black list", credit registers, etc.)
- c) whether personal bankruptcy has been declared over the candidate's property
- d) whether any civil or administrative proceedings are pending against the candidate
- e) whether the candidate has been convicted by a judgement with final force and effect, or whether he/she is subject to criminal prosecution for any crimes not listed in Article 25, paragraph 2 of the Credit Institutions Act
- f) evidence that the candidate has not been convicted of a minor offence and evidence on whether minor offence proceedings are pending against the candidate; and
- g) large investments or exposures and loans taken out by the candidate.

### **3.2. Professional knowledge, skills and abilities**

Members of the Supervisory Board have to have a graduate degree in one of the following relevant areas:

- economics and other related areas (e.g. finance, accounting, management)
- law and related fields (the term related fields refers to a graduate degree in social sciences)
- mathematics, physics, information science, electrical engineering and related areas.

By way of exception, if the Supervisory Board is composed of at least five members, one member of the Supervisory Board is not required to have a graduate degree provided that he/she meets all the other criteria laid down in this Policy and relevant regulations.

It is also desirable that members of the Supervisory Board possess the following:

- specific highly-developed knowledge, skills and competencies such as:
  - authenticity, determination, communicativeness, judgement, "focused on customers and quality", leadership, loyalty, external awareness, negotiation, persuasiveness, teamwork, strategic experience, stress mitigation, sense of responsibility, chairing meetings.

### **3.3. Adequate experience**

Supervisory Board members shall have at least three consecutive years of experience in performing the function of a management board or supervisory board president or member in a credit institution, or at least five consecutive years of experience in performing other functions set out below:

- experience holding a function in a management board or supervisory board of a financial institution/insurance company
- working in an authority body competent for supervising credit or financial institutions
- experience gained working in academia
- experience gained from working for many years in key managerial positions, including positions with a high degree of autonomy, in government administration bodies or public authorities
- experience managing organisational units of credit or financial institutions or insurance companies, essential for performing their activities
- experience managing a credit, financial institution or insurance company subsidiary
- experience working as a procurator or advisor to the management board of a credit or financial institution or insurance company
- long-term experience managing financial operations for large entrepreneurs within the meaning of accounting regulations.

In addition to the aforementioned, experience required from members of the Supervisory Board shall be assessed on the basis of other criteria such as having relevant experience for supporting critical review of decisions and effective supervision of the Supervisory Board and meeting other obligations prescribed for a member of the Supervisory Board.

### **3.4. Independence of members of the Supervisory Board**

It shall be considered that a member of the Supervisory Board is independent:

- a) if he/she is neither controlling shareholder of the Bank or the Bank's affiliated company nor is he/she a representative of a majority shareholder
- b) if he/she is not a member of the Bank's Management Board nor any other institution or company included in the scope of accounting or credit consolidation, nor has he/she been a member in the last five years
- c) if he/she is not an employee of a controlling shareholder of the Bank nor is he/she connected with a majority shareholder in any other way
- d) if he/she is not an employee of an institution or company included in the scope of accounting or credit consolidation
- e) if he/she is not a member of senior management of the Bank or other company included in the scope of accounting or credit consolidation, directly liable to the Bank's Management Board, nor has he/she been a member in the last three years

- f) if, save the remuneration for performing the function of a member of the Supervisory Board of the Bank or other companies included in the scope of accounting or credit consolidation, he/she receives or has he/she received any significant remuneration, or he/she receives or has he/she received any significant revenue
- g) if he/she isn't or has not been a member or partner of an audit firm that provides or has provided auditing services or a company that provides or has provided consultancy services to the Bank or to a company included in the scope of accounting or credit consolidation, or an employee of the aforementioned companies that is or has been associated with provided services to a significant degree
- h) if he/she is not a member of the management board of another company in which a member of the Management Board of the Bank is a member of the supervisory board
- i) if he/she is not connected with a member of the Management Board of the Bank or other company included in the scope of accounting or credit consolidation, nor is he/she connected with any of the persons stated under items (a) to (k) of this Article
- j) if he/she has not been a member of the Management Board nor the Supervisory Board of the Bank for more than 12 consecutive years, and
- k) if he/she is not a majority stakeholder or shareholder in a company or entity that has been a significant supplier or significant customer of the Bank or another company included in the scope of accounting or credit consolidation, nor has he/she had any other significant business relationship with the Bank.

The Bank shall also verify whether the candidate fulfils the independence conditions stated under Article 24 of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositories.

### **3.5. Commitment of a member of the Supervisory Board to performing his/her duties**

Member of the Supervisory Board shall commit sufficient time to performing his/her respective duties and responsibilities under his/her competence.

In order to determine whether the candidate may commit sufficient time to performing his/her duties, the Bank must carry out a mandatory **analysis** for the purpose of assessing the following:

- a) number of executive and non-executive functions or deputy functions simultaneously held by the candidate
- b) type, size, scope and complexity of business activities carried out by the undertaking in which the candidate holds executive or non-executive functions or the deputy function
- c) geographic location of the undertaking in which the candidate holds a specific function and the travel time necessary to perform this function
- d) number of Supervisory Board meetings held on average during a single year
- e) Supervisory Board meetings held as necessary with the competent bodies and interested parties
- f) position, responsibilities and areas of competence covered by the candidate
- g) other professional or political activities and all other functions and relevant activities

- h) number of functions held in organizations or entities that were not primarily established for the purpose of acquiring profit and
- i) the time invested in initial and continuous training,

it shall be considered that a member of the Supervisory Board cannot commit sufficient time to performing duties and obligations under his/her area of competence if he/she simultaneously holds the following:

- function of a member of the management board and more than two functions as a member of the supervisory board or
- more than four functions as a member of the supervisory board.

Under assessment referred to in paragraph 1 of this Article one function shall be considered to be the function of a member of the management or supervisory board

- in undertakings within the same group
- of undertakings in which a credit institution has a qualifying holding.

Functions of a member of the management board and the supervisory board in non-profit organizations are not subject of this Policy.

Taking into consideration the possible involvement of members of the Bank's Supervisory Board in other committees and membership-related activities (meetings, preparations for meeting, etc.), it is generally estimated that the minimum full time equivalent (FTE) for performing the functions within the Supervisory Board shall be as follows:

- Member of the Supervisory Board: 30-40 days per year
- President of the Supervisory Board: 40-50 days per year
- Deputy President of the Supervisory Board: 40 days per year.

### **3.6. Independence of opinion and conflict of interest**

Member of the Supervisory Board must be able to express his/her independent opinion, which implies the following:

- a. absence of any conflict of interest that cannot be managed in a way that ensures independence of opinion
- b. having the following abilities:
  - (i) courage, conviction and strength for effectively assessing and reviewing decisions proposed by the members of the Supervisory Board, and
  - (ii) not succumbing to the influence of predominant opinions within the Supervisory Board.

In assessing whether the candidate possesses the abilities needed to express an independent opinion, his/hers previous and current corporate behaviour shall be assessed, in particular the behaviour as it pertains to the Bank.

It shall be deemed that conflict of interest that the Bank cannot manage exists:

- a. if a candidate has a significant business relationship with the Bank

- b. if the candidate is also a member of the supervisory board or management board of another credit institution, financial institution, mixed financial holding company or financial holding company providing services on the territory of the Republic of Croatia.

Exceptionally, no conflict of interest shall be deemed to exist that the Bank cannot manage if a candidate is also a member of the management board or supervisory board:

- a. in its subsidiaries, which are credit or financial institutions
- b. in credit or financial institutions belonging to the same group of credit institutions as the Bank.

In assessing the existence of a conflict of interest, at least the following shall be taken into consideration:

- a) economic interests arising from the possession of shares, ownership interests or similar economic interests in undertakings or entities which are clients of the Bank, and credits or loans approved by the Bank to the candidate or related persons
- b) personal or professional relations with holders of a qualifying holding in the Bank or its parent undertaking or its subsidiary
- c) personal or professional relations with the Bank's employees or entities included in the scope of accounting or credit consolidation
- d) previous positions held by the candidate in the last five years
- e) personal or professional relations with significant suppliers, consultants or providers of other similar services,
- f) does the candidate have shares or ownership interests in an undertaking or entity with different interests in relation to the Bank
- g) political influence or affiliation with politically exposed persons.<sup>1</sup>

The Bank shall require from the candidate up-to-date information on all known facts listed in this item.

Based on an analysis of the assessment on the existence of conflict of interest, the Bank shall document, monitor and manage any identified or potential conflict of interest and, if necessary, take appropriate measures to mitigate or eliminate conflicts of interest in order to ensure the independence of the candidate's opinion and impartial performance of his or her duties.

Member of the Supervisory Board shall avoid taking part in any discussion, decision-making or voting on proposals, plans, agenda items. etc. should a conflict of interest be established regarding any of the aforementioned items.

Measures for mitigating conflicts of interest may, for example, include the following:

- a) delegating activities that represent a conflict of interest to another member of the Supervisory Board
- b) preventing a member of the Supervisory Board performing a specific activity outside the Bank to assert improper influence within the Bank with regard to these other activities
- c) establishing the obligation of a member of the Supervisory Board to refrain from voting on any decision if he/she is found to be or could be in a conflict of interest or when

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<sup>1</sup> pursuant to the definition stated under the Anti Money Laundering and Terrorism Financing Act

his/her objectivity or ability to properly perform related duties in the Bank has been compromised

- d) imposing a set deadline on a member of the Supervisory Board to eliminate circumstances that caused the conflict of interest (e.g. liquidation of certain forms of assets or ownership positions, refraining from taking specific actions, etc.)
- e) prohibiting a member of the Supervisory Board from taking part in sessions/meetings or decision-making with regard to the identified conflict of interest
- f) relieving him/her from the held function
- g) conducting oversight
- h) reporting on the identified conflict of interest
- i) other actions that can contribute to valid management of conflicts of interest.

The Bank shall notify the Croatian National Bank without any delay if it identifies a conflict of interest which may affect the independence of opinion of any member of the Supervisory Board.

#### **4. Facilitating diversity within the Supervisory Board**

When appointing members of the Supervisory Board, the Bank shall take into account that the Supervisory Board structure is sufficiently diverse so that the members appointed to the Supervisory Board possess as wide range of professional knowledge, skills and work experience as possible in order to represent different opinions and experiences with the aim of achieving a higher degree of independence of opinion which members of the Supervisory Board should fully utilise when performing their duties.

The aforementioned diversity parameters should be taken into consideration when determining the best possible composition of the Supervisory Board with regard to achieving a balanced members structure.

When appointing members of the Supervisory Board, the Bank should consider different aspects of diversity, such as education and professional experience, gender, age, and find an adequate balance in order to achieve the optimum composition of the Supervisory Board, more specifically:

- members of the Supervisory Board should possess considerable supervisory and/or management experience
- if possible, members of the Supervisory Board should have experience working in various areas and different occupations
- Supervisory Board as a whole should have appropriate expertise, special knowledge and experience in banking and financial industries, responsible risk management, financial management and human resources, and experience working internationally
- The Nomination Committee sets a minimum target quota for the underrepresented sex in accordance with the regulatory framework and internal acts of the parent bank
- appropriate age diversity among members of the Supervisory Board shall also be taken into consideration.

The aforementioned aspects of diversity shall be considered when determining the composition of the Supervisory Board and selecting persons to appoint as members of the

Supervisory Board, or when drafting a list of potential candidates for said function, succession planning, training, etc.

When deciding which person shall be appointed as a member of the Supervisory Board, the Bank's General Meeting shall act in the interest of the Bank and PBZ Group, and only after assessing all the facts for each individual case.

## 5. Succession plans

Succession plans listing appropriate actions to be taken with regard to sudden or unexpected absences or departure of a member of the Supervisory Board are defined in accordance with the guidelines of the parent bank, requirements of this Policy and relevant regulations in force in the Republic of Croatia.

## 6. Initial training

Within a period of six months from their appointment, candidates who are appointed to these functions for the first time shall undergo initial training to better understand the structure, business model, risk profile and management system of the Bank and PBZ Group, as well as their new roles at the Bank.

The initial training objectives are to familiarize newly appointed employees with the following:

- organizational structures and key business processes
- macroeconomic situation and market position of the Bank
- financial performance indicators
- current key projects and corporate guidelines
- regulatory obligations with regard to general and/or specific business areas (GDPR, ZSPK...)
- corporate culture of organization and acceptable corporate behaviour based on organizational values, code of ethics, etc.
- principles of active employee management and available instruments
- requirements, conditions and specifics of the function to which they were appointed
- etc.

Expert Service provides the necessary budget and organizes the content and implementation of initial training, and candidates who are appointed to these functions for the first time shall access the initial training in accordance with relevant Human Resources and Organization procedures.

The duration of candidates' initial training shall be determined by the Bank's Expert Service depending on pre-set plans and the initial training program, with the duration being **one (1) to five (5) days**.

## 7. Ongoing education

In addition to fulfilling the requirements referred to in the previous items, candidates shall also continuously expand their professional knowledge and ensure their permanent competencies within the scope of their authority in the following areas:

- Strategic management and planning
- Regulatory and prudential framework
- Risk management
- Financial markets
- Accounting and finances
- Internal audit
- Human resources management and organization

The above requirement means any participation at professional specialist programs (course, seminar, workshop), forum and conferences within the country and abroad, and participation in strategic meetings, coordination and educational programs organized by the Intesa Sanpaolo Group.

Professional training shall be attended at least 3 days a year.

Professional training shall be documented by annually reviewing personal education advancements in accordance with the organizational and individual needs for expanding professional knowledge, and pursuant to the valid procedures set by the Expert Service for training activities.

Expert Service, in cooperation with the relevant functions of the Bank, monitors all relevant circumstances in relation to the content of aforementioned professional training and updates all training content or related plans and programs with new developments or changes.

## 8. Final provisions

This Policy shall be adopted by the General Meeting of the Bank at the proposal of the Management Board of the Bank. The procedure for amending the Policy is identical to the procedure of its adoption.

Head of Human Resources and Organization is in charge of all amendments which are not essential but technical in nature, acting pursuant to the consent of a competent member of the Management Board and subject to sending a prior notification to the parent bank.

By virtue of entry into force of this Policy, Policy on the structure of the Supervisory Board of Privredna banka Zagreb d.d., No.: GM\_1\_17 / 5, of 27 March 2017 and the Policy on the assessment of suitability of members of the Supervisory Board, No.: GM\_1\_17 / 6 of 27 March 2017, shall expire.

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*Explanation of the proposal:*

*A proposal is put forth to the General Meeting to adopt the Policy on the target structure of the Supervisory Board of Privredna banka Zagreb d.d. in order to align with the provisions of the*



*Croatian National Bank's Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution, published in the Official Gazette no.: 93/2018, which entered into force on 1 January 2019.*

### **Conditions for participating in the Extraordinary General Meeting and exercising voting rights**

All shareholders of the Bank that hold ordinary registered shares are hereby invited to participate in the Extraordinary General Meeting of the Bank.

The right to participate in the Extraordinary General Meeting of the Bank can be exercised by those shareholders who are registered as the Bank shareholders at the depository of the Central Depository and Clearing Company on the work day immediately preceding the day of holding of the Extraordinary General Meeting.

Each of 19,074,769 shares of the nominal value of HRK 100, in which the share capital of the Bank is divided, excluding 64,633 treasury shares, gives its holder the right to one vote, so that there shall be a total of 19,010,136 of shares with a voting right.

A shareholder can be represented by a proxy at the Extraordinary General Meeting on the basis of a written authorisation which need not be certified by a notary public, but the original of which has to be delivered not later than on the date of holding of the General Meeting. The mentioned authorisation can be sent also via e-mail (pdf format to the e-mail address: [General.Secretariat@pbz.hr](mailto:General.Secretariat@pbz.hr)).

Shareholders, or their proxies, may vote at the Extraordinary General Meeting of the Bank on a particular matter which is the subject of decision-making *also by* returning ahead of the meeting a properly filled-in ballot paper, but only on condition that they be present at the Extraordinary General Meeting during decision-making on that matter.

A ballot paper and a proxy form can be obtained at Privredna banka Zagreb d.d., Zagreb, Radnička cesta 44, B1-8A, and they are also available on the Bank's website ([www.pbz.hr](http://www.pbz.hr)), where all other announcements can also be found, in conformity with the provisions of the Companies Act (hereinafter: the CA). Any further information in this regard may be obtained also at the telephone number: +385 1 63 60 040.

The materials for the Extraordinary General Meeting of the Bank, which should serve as a basis for making decisions that are publicly announced, will be made available to the shareholders starting from the date when the calling of the Extraordinary General Meeting is announced, every work day from 9.00 a.m. to 2.00 p.m., on the Bank premises in Zagreb, Radnička cesta 44, B1-8A, and will also be displayed on the web site of the Bank.

If a quorum stipulated by the Articles of Association of Privredna banka Zagreb d.d. is not constituted at this Extraordinary General Meeting, then the Extraordinary General Meeting will be held on 25 July 2019, at the same location, beginning at the same time, and the Agenda of the meeting will remain the same.

### **Shareholders' rights**

As regards exercising of a right to:

- make an addition to the agenda (which is the right of those shareholders who, together, hold shares equal to the twentieth part, i.e. 5% of the share capital) – shareholders are advised to consult the provisions of Article 278, par. 2 of the CA  
(a request by the shareholders must be received at/by the Bank at least 30 days prior to the holding of the General Meeting, where the day of receipt of the request is not included)

in the specified time limit, and the request must be sent to the address: *Privredna banka Zagreb d.d. – General Secretariat, Zagreb, Radnička cesta 44, B1-8A*)

- make a counterproposal in relation to proposed decision on a certain agenda item where such proposal was made by the Management Board or the Supervisory Board of the Bank) – shareholders are advised to consult the provisions of Article 282 par. 1, i.e. Article 283 of the CA regarding proposals for the appointment of the external auditor, together with adequate application of the provision of Article 282

(a counterproposal must be delivered to the Bank at least 14 days prior to the holding of the General Meeting, where the day of its receipt is not included in the specified time limit, and it must be sent to the address: *Privredna banka Zagreb d.d. – General Secretariat, Zagreb, Radnička cesta 44, B1-8A*)

**Privredna banka Zagreb d.d.**