



ANTI-CORRUPTION GUIDELINES

Zagreb, February 2021

TABLE OF CONTENTS

1. INTRODUCTION	3
2. REGULATORY FRAMEWORK	3
2.1. EXTERNAL REGULATIONS.....	4
2.2. NATIONAL REGULATIONS	4
□ LAW ON FINANCING POLITICAL ACTIVITIES, ELECTION CAMPAIGNS AND REFERENDUMS (ZAKON O FINANCIRANJU POLITIČKIH AKTIVNOSTI, IZBORNE PROMIDŽBE I REFERENDUMA).....	4
□ LAW ON THE RIGHT TO ACCESS INFORMATION	4
□ LAW ON PUBLIC PROCUREMENT	4
2.3. INTERNAL REGULATIONS	4
3. GUIDING PRINCIPLES	5
3.1. GENERAL PRINCIPLE OF “ZERO TOLERANCE”	5
3.2. AREAS AT GREATEST RISK	6
4. ROLES AND RESPONSIBILITIES	12
4.1. MANAGEMENT BOARD OF THE BANK	12
4.2. ABC OFFICER.....	13
4.3. AML OFFICE.....	13
4.4. COMPLIANCE DEPARTMENT.....	14
4.5. RISK MANAGEMENT	14
4.6. CHIEF FINANCIAL OFFICER (CFO)	14
4.7. REAL ESTATE AND LOGISTICAL SUPPORT OFFICE	15
4.8. LEGAL DEPARTMENT	15
4.9. PR AND MARKETING COMMUNICATION DEPARTMENT	16
4.9.1 CONTROL AND SUPPORT	16
4.10. HUMAN RESOURCES AND ORGANISATION DEPARTMENT	16
4.11. INTERNAL AUDIT DEPARTMENT.....	17
4.12. BUSINESS FUNCTIONS AND SUB-FUNCTIONS OF THE BANK.....	17
5. MACRO PROCESSES FOR THE FIGHT AGAINST CORRUPTION	17
5.1. APPLICATION OF GUIDELINES AND METHODOLOGICAL RULES	18
5.2. RISK ASSESSMENT.....	18
5.3 PLANNING OF ACTIVITIES	18
5.4. COMPLIANCE WITH REGULATIONS	18
5.5. ADVISORY	18
5.6. DISSEMINATION OF CULTURE.....	19
5.7. ASSURANCE	19
5.8. INFORMATIONAL FLOW TO THE CORPORATE BODIES.....	20
5.9. MANAGEMENT OF RELATIONS WITH THE AUTHORITIES	20
5.10. SPECIFIC COMPLIANCE – DUE DILIGENCE.....	20
6. REPORTS AND PROHIBITION OF RETALIATION	21
7. PBZ GROUP GOVERNANCE	21

1. INTRODUCTION

Privredna banka Zagreb d.d. (hereinafter: the Bank) is committed to fighting corruption in all its forms, where corruption means offering or accepting, directly or indirectly, of money or other benefits intended to influence the receiver, in order to induce or reward the performance of a function/activity or the omission thereof. It therefore covers both **“active corruption”** (offering) and **“passive corruption”** (acceptance) as well as the cases involving public bodies (**“public corruption”**) and relations between private individuals (**“private corruption”**), whether the corruption is aimed at performance of an act that represents a violation of one's official duties (**“direct corruption”**) or at the performance of an act using one's official position (**“indirect corruption”**), either "pre-existing corruption" corruption or "subsequent" corruption, i.e. before or after the performance of the indicated act is involved.

These Guidelines

- identify the principles and sensitive areas and, also, define the roles, responsibilities and macro processes for managing the risk of corruption by the Bank as part of its own business activities in terms of an active cooperation of the Bank in the fight against corruption, aimed at the protection of integrity, reputation and safeguarding its image among the key stakeholders and provide general information to all the employees of the Bank on the measures of the Bank undertaken for the purpose of identifying, mitigating and managing corruption risk

Moreover, the Bank, in the context of its active collaboration in the fight against corruption and in order to safeguard its image among all key stakeholders, monitors the operations in which it takes part as a mere executor of instructions from customers by making use of the anti-money laundering and terrorist financing risk control system. All the managers and employees of the Bank are expected to strictly comply with these *Guidelines* and act in accordance with them as well as with all the internal rules and respective laws aimed at prevention of corruption.

External parties (suppliers, agents, intermediaries, consultants, professionals, business partners, self-employed or quasi-employees¹ etc.) that provide assistance to the Bank in the carrying out of its activities (hereinafter: "third parties") are also required, if applicable, to comply with the principles laid down in these *Guidelines*.

2. REGULATORY FRAMEWORK

The prevention of corruption at all levels is the key to a successful anti-corruption policy. In the fight against corruption, the Bank follows the main principles contained in:

- the regulations of the Republic of Croatia
- the EU legislation
- the international conventions and
- the Parent Bank guidelines.

¹ Persons who, although not being employees in all respects, work within a Bank's organization and act in accordance with Bank's directives.

2.1. EXTERNAL REGULATIONS

The Group's approach to combating corruption is guided by the fundamental principles contained in the applicable conventions and the international best practices. Concerning this framework, the following references are of particular importance:

- "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", 1997, Organization for Economic Cooperation and Development (OECD), “;
- "Convention Against Corruption", adopted by Resolution 58/4 of 31 October 2003, United Nations Organization (hereinafter "United Nations" or "UN"),;
- "Criminal Law Convention on Corruption" and "Civil Law Convention on Corruption", 1999, Council of Europe
- Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector", 2003, EU Council
- "Wolfsberg Anti-Corruption Guidance", 2011, The Wolfsberg Group
- "ICC Rules on Combating Corruption", 2011, International Chamber of Commerce (ICC)
- "Business Principles for Countering Bribery, a Multi-Stakeholder Initiative led by Transparency International", 2013, Transparency International
- G-20, "2015-16 G20 Anti-Corruption Implementation Plan", 2014

2.2. NATIONAL REGULATIONS

The main domestic regulations are as follows:

- Criminal Code of the Republic of Croatia
- Anti-Money Laundering and Counter-Terrorism Financing Act
- Act on Prevention of Conflict of Interest
- Labour Act
- Law on Financing Political Activities, Election Campaigns and Referendums (Zakon o financiranju političkih aktivnosti, izborne promidžbe i referenduma)
- Law on the Right to Access Information
- Law on Public Procurement

2.3. INTERNAL REGULATIONS

These *Guidelines* should be considered a connection with the internal acts listed below, which by their nature constitute the entirety of internal rules that regulate the area of fighting corruption and, therefore, represent the related regulations:

- Code of Ethics
- Code of Conduct
- Organisational, Management and Control Model
- Work Regulation

- Compliance Policy
- Guidelines for Administrative and Financial Governance
- Procurement Guidelines and Rules of the Bank
- Rules for the communication activities of the Intesa Sanpaolo Group
- Rulebook on measures and activities for the prevention of money laundering and terrorism financing
- Rules for management of gifts and entertainment expenses
- Rules for donations
- Procedure for the Protection of Reporters of Irregularities (Whistle-blowers).

3. GUIDING PRINCIPLES

3.1. GENERAL PRINCIPLE OF “ZERO TOLERANCE”

The Bank applies a zero tolerance principle in dealing with corrupt conduct and prohibits corruption in any form, direct or indirect.

The Bank carries out its activities with the aim of providing banking and financial services to its clients while observing the value of integrity, principle of professionalism, diligence, determination, honesty, fairness and responsibility. In line with these principles and adhering to the values and restrictions contained in the *Code of Ethics* and other relevant regulations, the Bank:

- shall not tolerate any kind of corruption, in any way of form, even if such activities were to be possibly accepted, tolerated or not challenged in accordance with the positive regulations of the Republic of Croatia
- shall not tolerate any conduct intended at offering or accepting money or other benefits - directly or indirectly - with the aim of inducing or rewarding the completion of a task/activity or omission thereof. Such conducts are not tolerated even by reference to payments of small amounts in order to accelerate, promote or ensure the execution of a routine activity or one otherwise provided within the scope of the duties of the recipient (known as Facilitation Payments).)).

The benefits prohibited to be granted are, for instance:

- gifts and services given free of charge (except for those provided as gifts, entertainment expenses and charities)
- undue hiring of a party
- disbursement of loan under terms not compliant with the principles of sound and prudent management and,
- in general, all transactions incurring loss for the Bank and creating profit for the recipient (e.g. ungrounded cancellation of a debt position and/or application of discounts or conditions which are not in line with market parameters).

The Bank employees who are the recipients of, or have knowledge of, a request or offer of money or other benefits, formulated by any person, aimed at fulfilment or omission of a function/activity, must immediately report it to their direct superior, who shall forward the received report to the ABC Officer and the Internal Audit Department for appropriate evaluation of the case. Regardless of the above, these rules do not affect the possibility to use

the reporting system in accordance with the Procedure for the Protection of Reporters of Irregularities (Whistle-blowers).

The Bank employees who are involved in a corrupt conduct or facilitate conduct which is not in compliance with legislative provisions and/or the present *Guidelines*, shall be subject to disciplinary action as provided for by the *Work Regulation* and contractual provisions governing the employment relationship. The type and extent of the disciplinary action, defined in accordance with the applicable legislation, taking into account the degree of carelessness, (un)skilfulness, negligence, fault or intent of conduct linked to the action/omission, while also taking into account any recidivism, as well as the work performed by the person concerned and his/her job function, together with all the other specific circumstances that may have characterised the conduct.

Any violation by components of administrative or control bodies within the Bank and/or the PBZ Group shall be subject to an analysis by the competent body in order to undertake initiatives deemed appropriate in relation to this case, in accordance with the positive regulation of the Republic of Croatia.

Similarly, with reference to third parties (external parties), the Bank shall end any kind of relationship with a third parties, should they act contrary to the anti-corruption principles in their relationship with the Bank, including the provisions of relevant regulations and these Guidelines, without prejudice to the right of the Bank to seek compensation should such a conduct cause material damage to the Bank. Specific contractual provisions will provide accordingly.

The penalty system is independent of the commencement, conduct and definition of any possible criminal prosecution, because the principles and rules set out in these Guidelines have been defined by the Bank independently from any criminal offences that the prohibited conduct may determine.

3.2. AREAS AT GREATEST RISK

Areas that have been identified, from the relevant international standards, as areas of risk, or areas in which there is a greater risk of, or which may be instrumental to the commission of corrupting behaviour, are as follows:

- gifts and entertainment expenses
- charity donations and sponsorships
- relationships with third parties (suppliers and others who collaborate with the Bank)
- purchase, management and disposal of investments and other assets
- hiring of staff
- purchase, management and sale of real estate

In these areas, in order to ensure the implementation of the general principle of "zero tolerance" against corruption, the Bank is required, in the management of operational processes, to follow the following general rules:

- separation of duties.
It is important to ensure an appropriate allocation of responsibilities and defining of proper authorization levels in order to avoid functional overlaps or assignment of operating tasks to a single person;

- clear and formalised assignment of powers and responsibilities, expressly indicating the limits of those powers, consistent with the assigned functions and positions within the organisational unit/function;
- ensure appropriate procedures for performing activities;
- traceability of actions, operations and transactions in an appropriate paper or electronic format;
- decision-making processes, which should be linked to the preset objective criteria (e.g.: the company keeps registers of approved suppliers, objective staff assessment and selection criteria that are in place, etc.);
- traceable control and supervisory activities on the transactions of the Bank that are in place.

In order to achieve effectiveness of anti-corruption activities, it is also essential to respect the administrative and accounting procedures and those relating to internal controls regarding financial flows, so as to ensure an accurate recording of payment and other transactions in the books of the Bank.

To this end, the Bank has defined organisational rules and controls as well as specific Administrative and Financial Governance Guidelines, to ensure a true and fair view of equity, economic and financial results.

Finally, in the areas for which the risk of corrupting behaviour is particularly sensitive, the Bank, as a further preventive measure, considers staff turnover in relations with third parties.

3.2.1 GIFTS AND ENTERTAINMENT EXPENSES

The Bank does not tolerate the use of free gifts and representation expenses intended to influence the independence of judgement of the recipient or in any way induce them to confer favours and, therefore, it is prohibited:

- to distribute gifts, promise or grant benefits of any kind that can be interpreted as exceeding the usual business and/or institutional courtesy, or as a means used in order to obtain favourable treatment in the performance of any function and/or activity connected to the Bank;
- to accept for themselves or for others any gifts exceeding a moderate value or any other benefit that falls outside the usual business and/or institutional courtesy or is otherwise aimed at compromising independence of judgement and business correctness.

Acts of business and/or institutional courtesy of moderate value involve gifts or any other benefit (e.g. invitations to sporting events, shows and entertainment, free tickets, etc.), coming from or destined to the same person/institution, that do not exceed the kuna equivalent of €150 in a calendar year. Any gifts or other benefits exceeding the kuna equivalent of €150 may be permissible in **exceptional cases**, taking into account the profile of the donor and/or recipient, and in any event within reason, with the prior approval of a superior belonging to the level of the Bank's Strategic Executive Management².

The limit amounts set on an annual basis for gifts and other benefits shall not apply to entertainment expenses related to events and forms of welcome and hospitality (including lunches, receptions and dinners) which involve a participation of corporate officers and

² please, look at the Rulebook on Work

employees of the Bank, as long as they are strictly related to the business or institutional relationship and are reasonable in terms of the commonly accepted business and/or institutional courtesy and practices.

Under no circumstances **may a gift consist of money**. The gifts and other benefits given by the Bank to the same natural person and/or legal person must be reconciled as far as possible with the standards of the Bank.³

In any case, the following minimum standards must be met:

- gifts and entertainment expenses must be covered by specific internal regulations governing the roles, responsibilities and spending authorisations;
- gifts and entertainment expenses must be properly monitored (with indication of their nature and purpose, recipient, type and value of gift/expense and, if necessary, authorisation). Monitoring is not required in the case of gifts or other benefits received by members of corporate bodies or employees of the Bank coming from the same natural person and/or legal person which do not exceed the kuna equivalent of €150 in a calendar year.

3.2.2 CHARITY DONATIONS AND SPONSORSHIPS

The Bank does not grant charity donations and sponsorships aimed at obtaining favourable treatment and thus, during such an activity, the Bank is required to act in a transparent and accountable manner, by adopting procedures to prevent a potential corrupt conduct.

In any case, the following minimum standards must be met:

- charity donations and sponsorships must be covered by specific internal regulations governing the roles, responsibilities and spending authorisations;
- beneficiaries of disbursements through charity donations or sponsorship may only be non-profitable institutions established in accordance with the law, the activities of which are not contrary to the ethical principles of the Bank; in the case of charities any sponsorship initiative may not simultaneously involve disbursements, such as charity donations;
- in addition, no charitable contribution or sponsorship may be given to political parties and/or movements and their subsidiary organisations, trade unions and welfare associations, clubs (e.g. Lions, Rotary, etc.), recreational associations and groups not founded by the Bank, private schools legally equivalent to public schools and/or accredited private schools, except for particular initiatives of particular social, cultural and/or scientific value; which must obtain a prior approval of the Bank's Head of Anti-Corruption;
- due diligence must be carried out for the beneficiary institution aimed at:
 - analysing the type of institution and the purpose of its establishment;
 - checking the reliability and reputation of the beneficiary institution, with particular attention on criminal records and/or charges;
 - verifying whether the beneficiary institution meets the requirements for operating in accordance with the provisions of applicable law;
 - identification of any risks which may be associated with the beneficiary;
- the beneficiary institution shall formally commit to respecting of the applicable anti-corruption legislative framework and the principles contained in the present *Guidelines*;

³ branded gifts, gift catalogue

- all disbursements must be approved by the units that are empowered/authorised for this purpose, in accordance with the current system of powers and delegation;
- disbursements shall be recognised only on a current account held by the beneficiary institution; it is prohibited to make payments in cash, in a country other than the country of the beneficiary institution or to any other party other than the beneficiary institution;
- monitoring must be ensured of the initiatives and the archiving of all the documentation, including the telematic or electronic format, relating to the obligations undertaken within the framework of managing charity donations and sponsorships (nature and purpose, completed controls, approval process, disbursement method), so as to allow a re-examination of the related reasons and responsibilities.

3.2.3 RELATIONSHIPS WITH THIRD PARTIES (SUPPLIERS AND OTHERS WHO COLLABORATE WITH THE GROUP)

The Bank establishes relationships with third parties – suppliers, intermediaries, agents, consultants, professionals, business partners, the self-employed, quasi-employees or other parties that assist the Bank in the implementation of its activities (including social initiatives) – on the basis of assessments of professionalism, competence, competitiveness and integrity. The Bank manages these relationships as proper as possible, adopting procedures aimed at preventing a potential corrupt conduct.

In any case, the following principles must be met:

- the establishment of a business relationship must be preceded by due diligence aimed at:
 - identification, in the case of legal persons, of the chain of control, beneficial owners and persons who perform management and control activities as well as their economic/financial status
 - checking of the reliability and reputation of the third party, with a focus on criminal records and/or charges
 - in the case of companies, legal entities and associations, the check must be made with respect to their beneficial owners and persons who perform managerial and control activities;
 - establishment of capabilities and experience required for the execution of the contract;
 - verification of the existence of requirements necessary for performing business operations in accordance with the provisions of the applicable law;
 - identification of all the risks which could be associated with the third party;
- the contract that governs the relationships must contain a commitment of the third party to comply with the applicable anti-corruption legislation and principles contained in the present Guidelines, provided that the Bank is entitled, in the event of default, to demand early termination of the relationship and compensation of any damages resulting therefrom;
- the contract that governs the relationship must include a commitment of the third party to submit reports to Bank Head of Anti Corruption of every request for granting money or other benefits, regardless of the person submitting the request, the recipient, or the person who has knowledge of the request, for the purpose of performance or omission of a function/activity in relation to the execution of the contract;
- disbursements must be made exclusively on an account held by the third party, preferably open with the Bank. In the event of opening accounts with the Bank, due diligence obligations relating to the chain of control, beneficial owners, persons that perform management and control activities and the reputation of the third party as defined above, are considered to be met;

- it is prohibited to make payments in cash or payments in a country other than the country of residence of the third party or to a party other than the third party.

As regards to the purchase processes of goods and services and the assignment of professional duties (e.g. legal, tax, technical, labour law, administrative, organisational consulting, brokerage, agency or miscellaneous intermediary, etc.), the following additional minimum standards must be met:

- procurement processes of goods, services and professional services must be covered by specific internal regulations governing the roles, responsibilities and spending authorisations;
- approval of the purchase request, supplier selection, conclusion of the contract and issue of the order shall be exclusively carried out by persons specifically empowered under the existing delegation of powers system,
- the selection of suppliers of goods and services and of freelance professionals is made from the list of suppliers selected pursuant to the criteria identified by the internal rules, through a tender or otherwise, through the collection of additional offers; internal regulations shall identify cases in which departures from this principle are possible due to specific needs and justified reasons (such as specific consulting assignments and legal services); due diligence process is mandatory anyway;
- any subcontracting of supply of services/activities to third parties shall be contractually subject to a prior approval by the Bank functions that signed the contract;
- authorisation of payments of an invoice/parcel depends on the individuals vested with the spending authority and must be supported by a certificate specifying the quality of the supplied good/execution of the contractual terms and the consequent appropriateness of the amount requested; in any case it is not permitted to make unfounded payments in the context of a contractual relationship;
- the activities relating to different phases of the process must be carried out by different and clearly identifiable persons, and must be supported by a maker and checker mechanism;
- monitoring of the activities must be guaranteed (with particular emphasis on the rationale for the selection of the supplier of goods and/or services or the professional as well as the relevance and appropriateness of expenses) as well as the archiving, including the telematic or electronic format, of all the documentation inherent to the obligations undertaken within the framework of the process of procurement of goods, services and professional services, in order to allow a re-examination of the related reasons and responsibility.

3.2.4 PURCHASE, MANAGEMENT AND DISPOSAL OF INVESTMENTS AND OTHER ASSETS

The Bank shall not tolerate non-transparent behaviour, designed to obtain or grant preferential treatment, as part of the purchase, management and disposal of investments (direct or indirect, qualified or unqualified in the share capital of other companies and other similar forms of investment) as well as other assets (for instance non-performing loans, business units, assets and legal relationships identified as a block). This principle, in particular, affects the following areas:

- verification of the transaction feasibility and/or identification of business opportunities;
- management of pre-contractual relationships and performance of activities preliminary to the signing of contract and its respective implementation;
- management of procedures related to the purchase, management and sale of investments and other assets.

In any case, the following minimum standards must be met:

- processes for the purchasing, management and sale of investments and other assets must be covered by internal regulations governing the roles, responsibilities and spending authorisations;

- appropriate levels of authorisation must be assigned, with the defining, within the delegation of powers system, of parties who can exercise the authorisation and/or negotiating powers in the pre-contractual, contractual stage of the relationship as well as the relationship management stage;
- due diligence must be carried out for investment companies and the counterparty, according to the criteria similar to those adopted for third parties;
- the activities relating to the different phases of the process must be carried out by different and clearly identifiable persons, also, the mentioned activities must be supported by a maker and checker mechanism;
- monitoring of activities must be guaranteed as well as the archiving, including the telematic or electronic format, of all the documentation in order to re-examine the related reasons and responsibilities.

3.2.5 HIRING OF STAFF

The Bank enables the adoption of staff hiring methods based on fairness, which excludes any favouritism. In this context, the Bank operates in a transparent and documented manner, by adopting procedures to prevent a potential corruptive conduct.

In any case, the following minimum standards must be met:

- the recruitment process must be subject to internal regulations governing the roles, responsibilities and spending authorisations;
- the recruitment process must be centralised in the Human Resources and Organisation Department, which assesses the needs of individual organisational units that submit requests, in line with the budget and internal development plans,
- the selection must be made from a list of potential candidates, except for qualified professional personnel, protected categories, or persons at managerial positions;
- the selection shall be supported by the collection, including electronic or other formats, of standardised homogeneous information, required to define the profile of each candidate;
- the comparative assessment of candidates must be made on the basis of skills, professionalism and experience in relation to the job position for which recruitment is taking place;
- recruitment shall be preceded by due diligence aimed at:
 - checking the reliability and reputation of the candidate, with particular attention to criminal background and/or charges against such persons;
 - identifying any risk associated with the candidate;
- appropriate levels of authorisation must be assigned, with the identification, within the system of delegation of powers, of personnel expressly authorised to approve the hiring, including those related to the importance of the job position in the organisation;
- the activities relating to the different phases of the process must be carried out by different and clearly identifiable persons, and must be supported by a maker and checker mechanism;
- monitoring of activities must be ensured as well as archiving, including all the electronic or other documentation relating to the obligations undertaken within the personnel selection and hiring process (CV, application form, contract of employment, etc.), so as to allow a re-examination of the reasons for the selection and the related responsibility.

3.2.6 PURCHASE, MANAGEMENT AND SALE OF REAL ESTATE

The Bank adopts transparent real estate management methods that mitigate the risk of preferential treatment. This principle, in particular, affects the following areas:

- identification and selection of investment or disinvestment opportunities;
- acquisition, management and sale of properties;
- lease management.

As part of these activities, the Bank expressly disclaims any conduct that involves a promise, granting or acquisition of property under conditions different from market conditions or for the purpose of unduly favouring of personal interests or interests of the Bank or which could otherwise be seen as corrupt conduct.

In any case, the following minimum standards must be met:

- the processes of purchase, management and sale of properties as well as lease management must be covered by specific internal regulations governing the roles, responsibilities and spending authorisations;
- appropriate levels of authorisation must be assigned, with the identification, within the system of delegation of powers, of parties which can exercise the authorisation and/or negotiating powers on the acquisition, management and sale of properties as well as lease management;
- due diligence must be carried out for the counterparty, according to the criteria similar to those adopted for third parties;
- a verification must be made of the fairness of the purchase price of the real estate as well as the active and passive rent compared to the market value, using - where on the basis of the outcome of due diligence a potential risk of corruption is detected - valuations made by independent appraisers;
- the activities relating to different phases of the process must be carried out by different and clearly identifiable persons, and supported by a maker and checker mechanism;
- monitoring of activities must be ensured as well as the archiving of all documentation relating to the obligations undertaken within the framework of the processes of purchase, management and sale of real estate as well as lease management, including telematic or electronic format, so as to allow a re-examination of the related reasons and responsibilities.

4. ROLES AND RESPONSIBILITIES

A quality management of the anti-corruption process requires involvement of the following bodies, business functions and control functions of the Bank that interact with one another, having different roles and responsibilities. For full illustration of the tasks and responsibilities, reference should be made, with reference to Corporate Bodies, to the Articles of Association, the Regulations governing their functioning and the Integrated Internal Control System Regulation, and, with reference to the corporate units, to the individual organisational codes.

4.1. MANAGEMENT BOARD OF THE BANK

The Management Board pursues the activities laid down in the Articles of Association. The Management Board within their respective powers and responsibilities:

- adopts, at the proposal of the ABC Officer, the Anti-Corruption Guidelines and the related supplements. The Deputy President of the Management Board by its roles and responsibilities oversees their implementation.
- examines the information concerning oversight of the risk of corruption provided by the ABC Officer as part of the periodic reporting, to be also submitted to the Supervisory Board.
- conducts analyses of violations that the Bank has committed during its business operations in connection with the anti-corruption issues, through the reports provided by the ABC Officer.

4.2. ABC OFFICER

The activities of the main person responsible for the prevention of corruption (hereinafter: ABC Officer) in the Bank are carried out by the Head of the AML Office (AML Officer), appointed by the Management Board of the Bank.

The ABC Officer prepares and proposes, within its respective duties as the AML Officer, the Anti-Corruption Guidelines and, also, monitors and coordinates the activities in the anti-corruption area for the purpose of overseeing the corruption risk.

4.3. AML OFFICE

The AML Office is entrusted with overseeing the corruption risk at the Bank's level. The AML Office has been established as an independent organisational unit which is functionally and organisationally separated from other organisational parts and which falls under the direct responsibility of the *Deputy President of the Management Board*. The employees carrying out activities within the AML Office have necessary job qualifications and experience and are well qualified for performing their tasks.

The authorised person of the AML Office (AML Officer) has been assigned a role of the *Head of Anti-Corruption of the Bank (ABC Officer)*. With reference to overseeing the risk of corruption, the AML Office carries out the activities via the ABC Officer, as follows:

- establishes, periodically reviews and updates the present *Anti-Corruption Guidelines*;
- with the support of the *Compliance Department* and the *Legal Department*, monitors development of the national and international regulatory framework, assessing its influence on the processes and internal procedures, with a particular emphasis on the regulatory framework regulating the fight against corruption;
- prepares and periodically updates the data on high-risk countries, where the risk of corruption is included as an indicator in the risk calculation and, in line with the internal rules, coordinates necessary activities related to the obligations laid down in these Guidelines and other internal acts of the Bank;
- performs risk assessment in relation to the effectiveness of the processes and internal procedures with a view to overseeing the fight against corruption and proposes, with the cooperation of relevant functions in the Bank, organisational and procedural changes necessary or suitable in order to ensure appropriate overseeing of risk;
- provides advice and assistance to the corporate bodies in the field of fight against corruption, the application of these Guidelines and the relevant implementing regulations;
- manages the process of authorization in the cases provided for in the following paragraph 5.10;
- authorises, if necessary, any exception to the principles contained in the present Guidelines;

- defines, in agreement with other functions in the Bank, the system of first and second level controls concerning the fight against corruption;
- periodically checks the actual application of these *Guidelines*, adopting a risk-based approach, by the subsidiaries pursuant to paragraph 6 hereinafter;
- cooperates with the competent corporate functions for the establishment of communication channels and effective training tools, thereby identifying the needs and defining the content of the training on anti-corruption issues;
- participates in preparing the professional training and education plan for the employees in the area of prevention and identification of corruption;
- in cooperation with the Human Resources and Organisation and other organisational units of the Bank, develops communication channels for disseminating anti-corruption culture within the Bank;
- manages relationships with regulatory and Supervisory Authorities on anti-corruption matters, keeping informed relevant functions about it;
- prepares information flows to the Corporate Bodies and the Top Management;

4.4. COMPLIANCE DEPARTMENT

The Compliance Department carries out the duties outlined in the Business Model, the Integrated Internal Controls System Policy and the Compliance Policy. The Compliance Department, within the activities regulated by the present Guidelines carries out the following activities:

- provides support to the AML Office / ABC Officer in monitoring the compliance risk assessment related to the prevention of corruption and enables reporting on the identified potential corruption risks.
- provides assistance to the AML Office in its relations with regulatory and supervisory bodies concerning the anti-corruption issues and, also, prepares information flows to the corporate bodies and top management
- provides assistance to the AML Office in a continuous identification of applicable rules and monitors their modifications, including the amendments to the domestic and international laws and regulations, as well as those concerning the anti-corruption area and, in line with the above, provides support and advice to the AML Office related to the update of the current *Anti-Corruption Guidelines*
- monitors and assesses the compliance risk connected to the prevention of corruption, within the Bank and the entire PBZ Group

4.5. RISK MANAGEMENT

The Risk Management Department collaborates with the AML Office when defining a methodology for corruption risk assessment, thus encouraging a synergy in terms of resources and methods of operational and reputational risk management.

4.6. CHIEF FINANCIAL OFFICER (CFO)

With reference to the risk of corruption, the prompt and correct representation of financial results of the entire Group is one of the prerequisites for effectively preventing and contrasting

instances of corruption therefore CFO as the Manager responsible for preparing the company's financial reports has a task to ensure:

- a prompt and accurate presentation of the economic and financial results of the entire PBZ Group which, with reference to the risk of corruption, represent one of the preconditions for effective fight against corruption.
- that a true and fair view is provided of the Group's financial position and performance.

4.6.1. BUSINESS FUNCTIONS WITHIN THE SCOPE OF CHIEF FINANCIAL OFFICER

PROCUREMENT OFFICE

- harmonises the internal procurement rules of the Bank with the ISP Group policies and guidelines, thus ensuring that the procurement of the Bank and the PBZ Group companies is carried out in accordance with these *Guidelines*.

ACCOUNTING DEPARTMENT

- The Tax unit within the Accounting Department oversees relations with the Tax Authorities for all tax matters.

4.7. REAL ESTATE AND LOGISTICAL SUPPORT OFFICE

- defines the policies and guidelines governing the management of the Bank's real estate, in accordance with the present *Guidelines* within the scope based on the corporate organisational code;
- implement policies and guidelines related to the management of real estate in accordance with the Group rules in such a manner that real estate management at the level of the Bank and the PBZ Group members is conducted in line with the provisions of these *Guidelines*.

4.8. LEGAL DEPARTMENT

The Legal Department pursues the activities outlined in the Business Model.

Within the activities regulated by these *Guidelines*, the Legal Department pursues the following activities:

- provides support and advice to the AML Office related to the interpretation of regulations concerning the prevention of corruption and the application and further development of case law; provide advice and assistance with regard to controversial legal aspects concerning examination of the conformity of internal processes and procedures, contracts and forms or identified significant cases of irregularities;
- manages relations with court bodies in the cases concerning corruption issues and then inform the *AML Office* on the above mentioned cases;
- provides support to the *AML Office* in the cases where interpretation of regulations is necessary in order to define organisational and procedural modifications, undertaken for the purpose of ensuring an appropriate corruption risk management;

- cooperate with the *AML Office* in managing relationships with regulatory bodies concerning anti-corruption issues, examining the legal aspects of the open issues and thereby participating in the preparation of responses on the mentioned aspects;
- provides support to the *AML Office* should there be ambiguities regarding interpretations of requests and ensures the sending of inquiries and communication with the regulator.

4.9. PR AND MARKETING COMMUNICATION DEPARTMENT

4.9.1 CONTROL AND SUPPORT

Ensures that the management of the initiatives to support the Bank's image and commercial activities (sponsorships, relations with community and trade associations, public relations, etc.) are conducted in conformity with these Guidelines and, in addition, ensures that charities are harmonised with these Guidelines every two years.

4.10. HUMAN RESOURCES AND ORGANISATION DEPARTMENT

The Human Resources and Organisation Department pursues the activities outlined in the organisational code and, in addition, within the activities regulated by these Guidelines, carries out the following tasks:

4.10.1 HUMAN RESOURCES

- enable a process of selection, recruitment and management of personnel consistent with the Group principles concerning the anti-corruption approach
- carry out assessment and undertake appropriate action against employees that violate the principles set up by internal legislation on the fight against corruption.
- participate in disseminating the corporate culture in line with the anti-corruption principles and cooperate with the *AML Office*, by providing support for the preparation of training plans and defining needs for additional education in the area of fight against corruption

4.10.2 ORGANISATION

- provides advice and cooperation with the *AML Office*, analysis and adoption of modifications and processes of organisational development, including those arising from activities aimed at assessing the level of risk;
- together with the *AML Office* and the process owner, defines business processes and monitors the update and publication of the process documentation on the fight against corruption;
- supports the *AML Office* in updating these Guidelines, specifying the relevant roles and responsibilities

4.10.3 REPRESENTATIVE OF CORPORATE SOCIAL RESPONSIBILITY

- is responsible for updating and monitoring the application of the Code of Ethics and disseminated through every available internal communication channel;
- is responsible for preparing the Consolidated Non-Financial Statement;

- oversees relations with the financial community in relation to sustainability issues, also for the purpose of positioning the PBZ Group in sustainability ratings and indices;

4.11. INTERNAL AUDIT DEPARTMENT

- *The Internal Audit Department* assesses the suitability and effectiveness of the anti-corruption measures and provides reports on the assessment results to the corporate bodies of the Bank within their periodic reports.
- Upon receipt of a report of any illegal conduct or conduct for which there is a reasonable suspicion of violation of the principles contained in the present Guidelines, the Internal Audit Department immediately notifies the Head of Anti-Corruption (ABC Officer) in order to initiate the appropriate activities

4.12. BUSINESS FUNCTIONS AND SUB-FUNCTIONS OF THE BANK

- all the business functions and sub-functions of the Bank shall comply with the processes and procedures laid down in these *Guidelines* and implement the first-level controls in order to ensure proper implementation of internal processes and procedures
- the first-level controls include identification, assessment, monitoring and undertaking of the activities aimed at mitigating the identified corruption risks as well as report on the identified risks to the *AML Office* in order to ensure appropriate risk management processes in accordance with the *Internal Controls System Policy*.
- should a potentially high corruption risk occur, all the business functions and sub-functions of the Bank shall conduct due diligence, as defined by the policies and procedures; and
- ensure the participation of employees in anti-corruption trainings, in line with the drafted training plans.

5. MACRO PROCESSES FOR THE FIGHT AGAINST CORRUPTION

The processes for managing the risk of corruption are part of the macro processes provided for by the *Compliance Policy of the Bank*, as follows:

- application of guidelines and methodological rules
- risk assessment
- planning of activities
- regulatory compliance
- advisory and identification of compliance and clarification
- assurance
- dissemination of compliance culture
- interaction with competent bodies and management of non-compliance events
- specific information flow requests
- dissemination of anti-corruption culture;

5.1. APPLICATION OF GUIDELINES AND METHODOLOGICAL RULES

The *AML Office* applies and implements, at the PBZ Group level, guidelines and methodological rules for corruption risk management and assessment, defined by the Parent Bank, having regard to the mandatory requirements of national regulations.

5.2. RISK ASSESSMENT

Identification of periodic corruption risk assessment and the respective management represents the first level of risk management. The *AML Office* conducts annual identification and assessment of compliance risks and controls for every risk area established by these *Guidelines*, for the purpose of assessing the overall exposure to the corruption risk. Pursuant to the risk assessment results, the *AML Office* defines and plans necessary risk management measures.

5.3 PLANNING OF ACTIVITIES

The identification and periodic assessment of corruption risks and of the related vulnerabilities is preliminary to the planning of management actions. ABC Officer submits action plan to the Management Board for approval as part of the annual AML reports, following examination by the Audit Committee and the Integrated Internal Control Committee. ABC Officer annually plans the management actions. Planning is made taking into account the activities that are expected to be carried out, broken down by macro-processes and according to priorities, objectives, timeframes and absorption of human and financial resources. If it is found that the available resources are insufficient, suitable risk-based mitigation actions are defined and brought to the attention of the relevant Corporate Bodies.

5.4. COMPLIANCE WITH REGULATIONS

Compliance with regulations has been enabled through the following activities:

- identification and interpretation of rules and regulations;
- assessment of the impact of applicable rules on corporate processes and procedures and a proposal of organisational and procedural changes aimed at ensuring an appropriate corruption risk management.

The assessment of the mentioned impact is conducted by the Compliance Department in cooperation with the *AML Office* and the *Legal Department*.

5.5. ADVISORY

In the process of managing the corruption risk, aimed at its prevention, the *AML Office* provides advice and assistance to the corporate bodies and business functions of the Bank, when carrying out the activities under their responsibility in line with the Business Model, for the purpose of proper application of these *Guidelines*.

5.6. DISSEMINATION OF CULTURE

The dissemination of the corporate culture is based on the principles of honesty, fairness and compliance with the provisions of these *Guidelines* and a positive contribution to the corruption risk management. To this end, the *AML Office*, together with the Human Resources and other business functions of the Bank, develops communication channels for dissemination of anti-corruption culture within the Bank and participates in the dissemination of the corporate culture in accordance with the anti-corruption principles and drawing up of training plans and additional trainings for the corporate officers and staff members who are most exposed to the risk of corruption.

The planned initiatives are mandatory and shall be monitored; they are aimed, in particular, at each recipient developing the following capabilities:

- grasp the salient aspects of the regulatory provisions aimed at fighting corruption;
- apply the present *Guidelines*, acting in accordance with the provisions contained herein.

5.7. ASSURANCE

Compliance with the anti-corruption legislation is subject to the first and second-level controls, therefore providing continuous verification of compliance and efficiency of the adopted processes and procedures.

The Bank shall ensure the implementation of the mentioned activities consistent with the appropriate professional standards and, in particular, ensure that:

- the persons responsible for controls have appropriate experience and professional credentials;
- the governance and control areas involved carry out operations with resources and tools appropriate for the volume and complexity of the activities subject to control;
- controls are planned, regularly aimed at the areas involving higher risk of corruption, as identified in the risk assessment context, carried out with the utmost care and diligence and properly documented in order to support the findings and recommendations;
- the results of the control activities are subject to reporting;
- the managers of the organisational units subject to controls are promptly informed of every related issues.

AML Office:

- communicates the first-level control objectives to the business functions of the Bank responsible for their implementation;
- periodically monitors operations in sectors at risk, detected in the risk assessment context and, if necessary, conducts verification of the process and other activities;
- as part of its control activities, defines and monitors corrective actions required for the mitigation of detected risks.

5.8. INFORMATIONAL FLOW TO THE CORPORATE BODIES

The reporting to the corporate bodies on anti-corruption issues is an integral part of annual reports prepared by the *AML Office* including, on an annual basis, the identification and assessment of risks of non-compliance and the scheduling of management interventions and, on a half-yearly basis, reports of actual results, a description of the activities performed, critical issues noted, and remedies identified.

5.9. MANAGEMENT OF RELATIONS WITH THE AUTHORITIES

The *AML Office* manages the relations with the supervisory authorities in the area of anti-corruption issues and, consistent with the internal acts, submits respective reports to the *Compliance Department*.

5.10. SPECIFIC COMPLIANCE – DUE DILIGENCE

These Guidelines require the carrying out of an initial and periodic due diligence by the requesting unit, in the risk areas represented by: relationships with third parties - suppliers, agents, consultants, professionals, business partners, the self-employed, quasi-employees or other parties who shall assist the Bank for the performance of its activities - transactions involving real estate, equity investments and other assets, charity donations and sponsorships and personnel recruitment activities.

- The due diligence is commensurate with counterparty risk and is designed, inter alia, to early identify situations that act as indicators of potentially high corruption risk (so-called "red flags"), as well as to identify circumstances that mitigate those risks. The characteristics of the proposed transaction and those of the counterparties are examined as part of the due diligence⁴. The following are potential red flags: the counterparty mainly operates in a country at high risk of corruption other than the country of residence of the Group Company or the Bank. A score below the average of the "Corruption Perceptions Index" prepared annually by Transparency International is considered high risk;
- the counterparty: i) is a Politically Exposed Person ; ii) is a Public Official or Person in Charge of a Public Service , with decision-making power on activities concerning the Group, or has close relations with any of the above persons; iii) was introduced by any of the persons referred to in the previous points;
- the counterparty presents atypical corporate characteristics (complex corporate or other non-transparent organisational units, absence of operational units in the country in which the Group operates);

⁴ Pursuant to these Guidelines, in addition to the party with whom the agreement will be entered into or the relationship maintained (direct counterparty or counterparty in the strict sense), counterparties means, for parties other than natural persons, the set of different persons that predominantly define their interests, activity as well as their reputation and reliability. In any case, they include:

- the beneficial owners,
- the entity that carries out management and coordination or, with specific reference to foreign entities, the entity that performs similar general management functions over the corporate group (parent company of the counterparty),
- the top management (e.g. CEO or General Manager) responsible for the management of the counterparty in the strict sense as well as that of its parent company.

- the counterparty adopts improper types of conduct (objections to the inclusion of anti-corruption contractual clauses, requests for anomalous contractual terms, demand for non-standard commissions, requests for payments to parties other than the counterparty or to parties that are in countries where the counterparty does not conduct its operations, promotional activities or practices that are anomalous or non-compliant with professional standards);
- the involvement of intermediaries is expected in order to encourage, promote or finalise the transaction;
- the counterparty has in the past been involved in proceedings with implications of criminal liability.

The methods of performing due diligence activities are described in the internal regulations governing the business processes in which areas at risk are detected.

The establishment of relationships or the carrying out of transactions that fall within the powers of the Corporate Bodies and which are red-flagged is previously authorized by the ABC Officer. The internal regulations governing operations in Risk Areas may provide for further more restrictive risk thresholds, due to the financial relevance of the transaction or the presence of specific risk indicators; in such cases, the authorization of the ABC Officer is required .

It may be additionally defined/laid down by the internal acts, within the processes involving consent, advisory opinion or any other form of approval of the corporate bodies of the Bank for the establishment of a business relationship and/or approval of credit exposure, the obligation to obtain a prior opinion on the acceptability of such a business relationship or credit facility by the AML Office.

The establishment of relationships in any of the above segments, subject to the consent of the Management Board and the Supervisory Board, including the relationships exceeding the thresholds, should be authorised by the ABC Officer.

6. REPORTS AND PROHIBITION OF RETALIATION

The Bank ensures the integrity of employees and provides them protection in relation to reporting of any violation of internal regulations and anti-corruption principles by means of communication channels, through which reports are made concerning any illegal conduct or the conduct for which there is a reasonable suspicion of violation of the principles and rules laid down by these *Guidelines*

7. FINAL PROVISIONS

These *Guidelines* shall enter into force on the day of the adoption by the *Management Board of the Bank*, with the obtained prior advisory opinion of the *Parent Bank*.

The Bank shall distribute these *Guidelines* to all the business functions and employees of the Bank for their proper implementation and, also, to the companies of the PBZ Group for a proper implementation, checking thereby their correct receipt and efficient implementation, having regard to specific aspects of local regulations in the areas that are in conflict with the provisions

of these *Guidelines* and, if so, the subsidiaries where such a case has been detected shall submit the respective analysis for prior assessment to the *ABC Officer* who will assess the impact of (non) application of individual rules.

The members of the PBZ Group shall draft their own guidelines and adjust them to their corporate and organisational context and, prior to the adoption of the guidelines by their corporate bodies, they are obligated to obtain the advisory opinion of the *ABC Officer* of the Bank.