



Hrvatska banka za
obnovu i razvitak

**CORPORATE GOVERNANCE CODE OF
THE CROATIAN BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

February 2013

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Introduction

The Croatian Bank for Reconstruction and Development (hereinafter: HBOR or the Bank) is the development and export bank of the Republic of Croatia operating with the aim to promote balanced development of the Croatian economy and all regions of the Republic of Croatia.

With this aim, HBOR provides banking and other financial services in the Republic of Croatia and abroad, invests in the economy of the Republic of Croatia, and performs export credit insurance transactions against non-market risks.

The aim of the Corporate Governance Conduct of HBOR (hereinafter: the Code) is to establish, maintain and improve the corporate governance standards and transparency of HBOR's operations for the purpose of efficient and responsible management of public capital and operations of special social importance with a view to develop the Croatian economy.

The basic principles of HBOR's corporate governance are:

- Legality,
- Transparency and publicity of operations,
- Dividing of duties – clearly established procedures for the work of the Supervisory Board, the Managing Board and other bodies and structures which make important decisions,
- Preventing the conflict of interest,
- More efficient internal supervision,
- Strengthening of personal responsibility,
- Socially responsible operations.

Each interpretation of provisions of this Code has to be guided by the achievement of the respective goals and observance of the mentioned principles.

For the purpose of achieving the corporate governance standards, this Code describes the relationships between the managing bodies and interested parties, and the adopted principles of work with the aim to reduce the operational risk in unfavourable market conditions, as well as to establish the principles based on the existing legal regulations and the best corporate governance practices.

Corporate governance established by this Code includes internal and external factors. Internal factors include ownership structure, managerial bodies, internal controls and risk management,

transparency and financial reporting, and external factors relate to the social responsibility towards the community in which HBOR operates.

Establishment and ownership

HBOR is a legal person established by the Act on the Croatian Bank for Reconstruction and Development (hereinafter: the Act). The equity of the Bank amounts to HRK 7 billion and is owned by the Republic of Croatia exclusively. The equity of the Bank represents one business share that may not be divided, transferred or pledged.

Taking into account its legal personality and ownership, the Bank does not summon the Shareholders' General Meeting, since the business operations and protection of owners' interests are the responsibility of the HBOR's Supervisory Board (hereinafter: the Supervisory Board) and the Croatian Parliament. Once a year, the Supervisory Board submits the financial statements and the report on work in the form of the annual report to the Croatian parliament. In the annual report, the achievements in business operations, business results and the financial condition, as well as the description of significant risks the Bank is exposed to are presented in details.

HBOR does not operate with the aim to generate profit, but it measures its success by the achieved support for the economy and its impact on the local community. HBOR is exempt from profit tax. The profit of the business year is allocated to the Bank's reserves, and is reinvested in the development of the economy of the Republic of Croatia.

Supervisory Board

The composition of the Supervisory Board is prescribed by the Act. The Supervisory Board consists of ten members: six ministers in the Government of the Republic of Croatia, three representatives among the members of the Croatian Parliament and the President of the Croatian Chamber of the Economy. The minister in charge of finance, the minister in charge of the economy and the minister in charge of regional development and EU funds are obligatory members of the Supervisory Board. The remaining three ministers are appointed to the Supervisory Board by the Government of the Republic of Croatia from among the ministers in charge of tourist industry, agriculture, environmental protection, construction industry or entrepreneurship and trade. Three members of the Supervisory Board are appointed from among the members of the Croatian Parliament. The President of the Croatian Chamber of Economy shall be the ex officio member of the Supervisory

Board. The minister in charge of finance shall be the President of the Supervisory Board, and the minister in charge of the economy shall be the Deputy President.

The main tasks of the Supervisory Board are to determine the principles of business policy and strategy of HBOR, to confirm the financial statements, to perform the supervisory function of the Bank's operations and to make individual decisions on loan approvals or conclusions of certain transactions on which, pursuant to the Act and the By-Laws of the Croatian Bank for Reconstruction and Development (hereinafter: the By-Laws), the Managing Board of HBOR (hereinafter: the Managing Board) may not make decisions independently.

The Supervisory Board shall appoint and remove from office the members and the President of the Managing Board and shall act on behalf of the Bank when liaising with them.

The members of the Supervisory Board shall participate actively in the work of the Supervisory Board by taking clear attitudes on the issues on which decisions are made. They may appoint their deputies who participate in the work and decision-making in case of the members' absence. Each member of the Supervisory Board has one vote and the right to decision-making, but he/she may ask to be excluded from decision-making on an individual issue which is in conflict with his/her personal or legal interest. The Supervisory Board can take decisions by a majority of votes of its present members, with the obligatory presence of at least half of its members or their deputies, unless otherwise prescribed by the Act or the By-Laws.

The President of the Supervisory Board, or in case of his/her absence, the Vice-President shall summon a meeting of the Supervisory Board when necessary, but at least once in a half-year. The members of the Supervisory Board are obliged to attend the meetings of the Supervisory Board, and to justify their possible absence in advance.

The members of the Supervisory Board have a right to remuneration for their work in the Supervisory Board which is established by a special decision of the Supervisory Board, if not otherwise prescribed.

The Audit Committee was established by a decision of the Supervisory Board as an independent body and consists of three members, of which at least one member is a member of the Supervisory Board, and other two are appointed by the Supervisory Board. At least one member of the Audit Committee is expert in the field of accounting and/or audit. The members of the Audit Committee must be objective and independent in their work.

The main tasks of the Audit Committee are monitoring of the financial reporting procedure, monitoring the efficiency of work of the internal control, internal audit and risk management systems, supervising the implementation of the annual financial statements audit and the

independence of independent auditors or the auditing firm performing the audit, discussion on plans and annual reports of the internal audit as well as on the significant issues relating to this area, and giving of recommendations to the Supervisory Board on the selection of an independent auditor and/or the auditing firm.

The Audit Committee shall be duly informed on all key issues relating to the audit performed by an independent auditor, particularly on the observed significant weaknesses of the internal control and audit, the financial reporting process, and business risks related to the materially significant presentations in the financial statements.

The Audit Committee shall be summoned when necessary, but at least twice a year. The Audit Committee shall report to the Supervisory Board on its work and on the important issues from its scope of work.

Managing Board

Representation and management of the Bank's operations as well as administering of the Bank's assets is performed by the Managing Board in accordance with the Act and the By-Laws. The members of the Managing Board shall represent the Bank by making all decisions in the best interest of HBOR.

The Managing Board of the Bank consists of three members, one of whom shall be the President of the Managing Board. The members of the Managing Board are appointed and removed from their office by the Supervisory Board. The members of the Managing Board represent the Bank jointly: the President and one member of the Managing Board or two members of the Managing Board. Each member of the Managing Board has its scope of competences and responsibilities that were assigned to him/her by a special decision.

When appointing members of the Managing Board, care has to be taken on diversities in the field of education, former work experience and gender. The Managing Board determines and provides clear lines of authorisations and responsibilities as well as timely and regular reporting within all organisational levels, and to the HBOR's Supervisory Board.

The Managing Board provides a clear and transparent organisational structure that is regularly evaluated and adjusted to the needs and changes in business processes.

Appropriate significance is attributed to qualifications and competences of the Managing Board members, and to the further development of their potentials. Within the framework of their authorities, the Managing Board members monitor all changes which occur in the practice and legal

regulations and develop further their abilities in the areas of their authorities through educations in the country and abroad.

The role of the President of the Managing Board is to manage the activities of the Managing Board and chair its meetings, co-ordinate the authorities and responsibilities and report to the Supervisory Board on behalf of the Bank.

The Managing Board conducts the business operations of HBOR and makes decisions on its meetings that are held when necessary, but at least twice a month. The meetings of the Managing Board are summoned by the President of the Managing Board on his/her own initiative or on the proposal of a member of the Managing Board. Exceptionally, the Managing Board can make decisions beyond its meetings. The members of the Managing Board shall participate in the meetings of the Managing Board, and in case of their absence they shall inform the President of the Managing Board about it. Also, the President of the Managing Board and members of the Managing Board shall participate in the meetings of the Supervisory Board when expressly asked to do so.

For the purpose of more efficient and better quality risk management as well as for risk minimisation, the Bank's Managing Board delegated the tasks and authorisations under the risk management function to the following bodies: The Assets and Liabilities Management Committee, the Credit Committee, the Credit Risk Assessment and Measurement Committee and the IT System Management Committee.

Co-operation and relations between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board co-operate and make decisions guided by the strategic goals of development of the Croatian economy and the economic sustainability of the Bank (from the point of view of business operations, environmental and social factors).

The members of the Supervisory Board are enabled to make unhindered supervision of the Bank's operations, and the Managing Board and the Supervisory Board agree upon the strategic guidelines of operations and implement the agreed long-term strategies.

The types of transactions which are performed by HBOR only with the prior consent of the Supervisory Board are determined by the Act and the By-Laws, as well as by the decisions of the Supervisory Board.

The Managing Board shall, pursuant to the valid regulations and documents, inform the Supervisory Board on the Bank's business operations regularly and in due time, whereby the basis of co-operation is timely submission of reports to the Supervisory Board in writing.

Beside the above mentioned, the Managing Board reports to the Supervisory Board on all transactions and issues which are significant for the Bank's business operations and reputation, and the members of the Supervisory Board may ask the Managing Board to submit a certain report to the Supervisory Board.

Co-operation and relations between HBOR and the Interministerial Committee or the Ministry of Finance of the Republic of Croatia in export credit insurance transactions

Within the framework of its role as the state development and export bank, HBOR, for and on behalf of the Republic of Croatia, performs export credit insurance transactions against non-marketable (non-market) risks, for the purpose of promoting exports which is of interest for the Croatian economy as well as strengthening the competitiveness of the Croatian economy in the foreign markets.

In the implementation of export credit insurance transactions, HBOR co-operates closely with the Interministerial Committee and provides administrative and technical support for the purpose of enabling the members of the Interministerial Committee to give their opinions and proposals on export credit insurance issues and to perform the supervision of export credit insurance transactions.

The composition of the Interministerial Committee, which is responsible for its work to the Government of the Republic of Croatia, is prescribed by the relevant secondary legislation. The members of the Committee are representatives of the Ministry in charge of finances, the Ministry in charge of the economy, the Ministry in charge of agriculture, the Ministry in charge of foreign affairs and the representatives of the Croatian National Bank and the Croatian Chamber of the Economy.

On the basis of the opinion of the Interministerial Committee, HBOR, for and on behalf of the Republic of Croatia, concludes insurance and reinsurance contracts and adopts general terms and conditions of insurance and reinsurance of exports, systems of insurance premiums, classification of countries according to risk and other necessary documents.

For the purpose of ensuring effective surveillance over export credit insurance transactions, HBOR submits to the Ministry of Finance, in accordance with its contractual obligations, regular reports on performed export credit insurance transactions containing data on the breakdown of concluded export credit insurance transactions, exposure of the Republic of Croatia in terms of export credit insurance transactions concluded, revenues and expenditures of the Guarantee Fund, insurance premiums paid, claims paid, contingent claims, recoveries, payments received from the State Budget of the Republic of Croatia and other information relevant for the supervision of the export credit insurance transactions.

When implementing export credit insurance transactions, HBOR acts with the due care of a prudent businessman, follows the current Croatian legislation, meets the requirements of EU's *acquis communautaire* and of international guidelines and recommendations in the field of export credit insurance transactions developed within the OECD and the Berne Union, and regularly monitors all changes in business practice and relevant legislation pertaining to export credit insurance transactions.

When implementing export credit insurance transactions, HBOR pays special attention to the adequate assessment and efficient management of the risks that are the subject matter of an insurance application, to the respecting and promoting of the interests of the Croatian exporters and to the making of permanent efforts in practice to consistently implement the principles of social responsibility, environmental protection and human rights protection, the principles of transparency and the principles of combatting corruption in international transactions requiring export finance support.

Conflict of interest

The members of the Managing Board and the members of the Supervisory Board shall not make decisions based on their own interests or interests of people to whom they are closely related.

A conflict of interest occurs when a member of the Managing Board and/or the Supervisory Board is not neutral with respect to the decision's subject matter or when it can be assumed, owing to his/her connection with the decision's subject matter, that he/she might have interests that are not the interests of the Bank and that this might affect his/her decision.

If it has been established that, when making a decision, there existed a personal or legal interest of a member of the Managing Board and/or the Supervisory Board contrary to the interests of HBOR, the Managing Board or the Supervisory Board can exclude the respective member from decision making on the subject matter pertaining to which the conflict of interest occurred.

Economic operators, to whom the members of the Managing Board or the Supervisory Board are related and with which HBOR as a contracting authority shall not enter into public procurement contracts, are listed on HBOR's website.

Members of the Supervisory Board, their appointed deputies, members of HBOR's Managing Board and HBOR's authorised representatives in public procurement procedures sign a Conflict of Interest Statement that determines the economic operators, in which the aforementioned people and the

people to whom they are related perform managerial functions or have ownership interests or other rights based on which they participate in management or equity.

Depending on the significance of a decision, different hierarchical levels are included in the process of decision making by applying the “four eye principle” with an obligation to harmonise opinions. The same principle applies to the separation of business procedures from control procedures within a single business process, which means that, for example, employees participating in the performance of a certain transaction cannot be in charge of controlling such a transaction.

Internal documents, HBOR’s Code of Conduct included, determine that procedures are carried out on the basis of reported possible conflicts of interest and estimates of situations considered doubtful. Reported possible conflicts of interest and measures taken upon them are communicated to HBOR’s bodies in charge.

Insider information

Insider information of HBOR is any information that is not publicly available and that relates directly or indirectly both to HBOR, one, or more, of its financial instruments or its clients, which probably would, if publicly available, have a significant impact on the prices of the financial instruments or the prices of the related derivative instruments and probably would, by a prudent investor, be taken into account as part of the basis for the making of investment decisions.

HBOR controls access to insider information. It is forbidden to use and disclose insider information, i.e. to use insider information improperly, for personal benefit or for the benefit of third parties. All people who have access to HBOR’s insider information have signed a statement expressing their commitment to transparent business practices in terms of the regulations governing this area, and they are familiar with the provisions and sanctions arising from the misuse or unlawful disclosure of insider information.

Transparency

HBOR operates in an open and publicly available manner. Transparency in operations includes clear lines of power and responsibility as well as accurate, timely and permanent reporting to the public, both internally and externally. To this end, HBOR’s strategies, policies and procedures relating to the rights and duties of interested parties are made publicly available.

The Bank has established a comprehensible, transparent and documented decision-making process with a clear division of responsibilities and competencies at all levels within the Bank. All major

decisions of the Bank at all levels are made by at least two people in accordance with the principle of dual control.

The Bank has adopted the Code of Conduct that determines the principles of ethical norms and behaviour standards that HBOR's employees are expected to follow in the discharge of their business duties. In accordance with HBOR's internal documents, employees and third parties are able to report their concerns about illegal, unethical or questionable practices related to events in the Bank without any adverse consequences.

HBOR publishes all periodic and ad-hoc information transparently, accurately and timely. First quarter, semi-annual, third quarter and annual financial statements as well as a calendar of publications and important events are available to the general public via the official website of the Bank: www.hbor.hr, where all relevant information on HBOR's activities and important changes in the organisation and method of operations are published both in Croatian and in English.

Financial reporting

HBOR prepares and presents consolidated and separate financial statements at the end of every quarter, i.e. as of 31 March, 30 June, 30 September and 31 December.

In addition to financial statements as of 30 June and 31 December, the Managing Board prepares and issues the Management Report.

Throughout the year, unaudited interim financial statements are prepared and presented.

In preparing the consolidated and separate financial statements, the responsibilities of the Managing Board include ensuring that:

- suitable accounting policies are selected and then applied consistently,
- judgments and estimates are reasonable and prudent,
- applicable accounting standards are followed, and
- financial statements are prepared on the going concern basis.

The financial statements are prepared in accordance with the International Financial Reporting Standards.

The goal of compiling and preparing financial statements is to provide information about the financial position, success in operations and changes in financial position of HBOR by applying the

principles of transparency, consistency and simplicity of presentation, by focusing on legal requirements and by adopting the best practices of presentation applicable to HBOR's operations.

The financial statements are compiled and prepared for the purpose of making information about the financial position, success in operations and changes in financial position of HBOR available and publishing it on HBOR's website.

Audit

In accordance with the provisions of the law, financial statements are audited by an authorised audit company.

An independent auditor is not directly responsible for corporate governance; it verifies HBOR's annual financial statements and financial operations. Nevertheless, the auditor is publicly responsible for the performed audit, which ensures confidence in the financial statements presented.

An independent auditor is obliged to clearly and unambiguously express an opinion on whether the financial statements give, in all materially significant aspects, a true view of the financial position, results of operations and cash flows for the year in accordance with the International Financial Reporting Standards.

An independent auditor is obliged to perform audit in accordance with the principle of independence and impartiality, integrity and honesty, in good faith and in accordance with the International Standards on Auditing. In the conduct of audit, an auditor is obliged to comply with the code of professional ethics of the Croatian Audit Chamber.

Owing to the status of HBOR as an issuer of debt securities in the capital markets and as a borrower of funds from European and international financial institutions, HBOR's annual financial statements should be audited by an authorised audit company that has been recognised internationally.

The decision on the selection of an audit company for a business year is made by the Supervisory Board on the recommendation of the Audit Committee.

Corporate social responsibility

HBOR measures its success by positive achievements in the Croatian society and the Croatian economy.

HBOR makes constant efforts to incorporate the principles of social and environmental responsibility into all HBOR's business processes, particularly the process of making decisions on introducing new

services and loan programmes, always following the principle of protecting the interests of the interested parties and sustainably developing the wider community.

Stakeholders

Stakeholders in relation to HBOR are the people that either affect HBOR or are affected by HBOR's decisions and activities.

HBOR's stakeholders are the state and public authorities, clients, foreign and domestic financial institutions, regulatory bodies, rating agencies, customers, employees, local community, NGOs, suppliers / investors and the media.

HBOR recognises the interests and respects the rights of its stakeholders and makes the necessary efforts to observe their opinions and protect their interests when making business decisions as well as to develop transparent, good and constructive relationships.

Within the reporting range permitted by the regulations, HBOR communicates with the interested parties actively and openly by using effective and appropriate communication channels.

Remuneration policy

Rights and duties of the President and the members of the Managing Board, including remuneration and other pecuniary rights, are set forth in agreements made between the President or, as the case may be, member of the Managing Board and the Bank, the latter in this case being represented by the President of the Supervisory Board.

HBOR's clearly defined criteria for determining salaries and remuneration of employees have been adopted by the Managing Board and are available to the employees via HBOR's intranet. Remuneration is based on the results of work achieved by each employee and on the manner of achieving these results by taking care that the remuneration is fair, timely and in accordance with the capabilities of HBOR.

Employee promotion criteria, which are related to the assessment of work performance, have also been clearly defined and are available to all employees of HBOR via HBOR's intranet.

Internal control system

HBOR established an adequate internal control system as a set of processes and procedures aimed at the appropriate risk control, monitoring HBOR's efficiency, reliability of financial and other information as well as compliance with regulations, internal regulations, standards and codes to ensure operational stability.

The internal control system is established and implemented with the appropriate participation of all workers, managers at all levels, the Management and the Supervisory Board.

When setting up an internal control system, the Managing Board ascertains its effectiveness in all business areas by means of:

- Appropriate organizational structure,
- Organizational culture,
- Appropriate control activities and segregation of duties,
- Appropriate internal controls integrated into business processes and activities of HBOR,
- Appropriate administrative and accounting procedures and
- Control functions.

In order to ensure the efficiency of internal control, the Managing Board has established a control framework by means of three independent control functions:

- Risk control
- Compliance and
- Internal audit.

With the development of an internal control framework, the Managing Board ensures the existence of a clear, understandable and documented decision-making process and a clear allocation of responsibilities to ensure compliance with internal policies and decisions. In order to apply the system of internal controls at all HBOR levels, organizational units are responsible for the implementation, maintenance and improvement of relevant policies and procedures for the establishment and implementation of internal controls.

Adequate internal control system also requires scrutiny by independent control functions that the policies and procedures are in compliance with internal and external regulations.

Control functions are established at the appropriate level in the hierarchy and respond directly to the Managing and Supervisory Board. Control functions are independent of the activities and

organisational units controlled by them and organisationally independent of each other. Control functions are adequately staffed and have access to appropriate data systems and technological support, as well as access to internal and external information necessary to fulfil their duties.

Control functions regularly submit to the Managing and Supervisory Board their work plans, reports and results of the review. In accordance with such documents, adequate bodies of HBOR make decisions about further action.

The control function of the internal audit

The internal audit is organized as a separate unit directly subordinate to the Managing Board both functionally and organizationally independent of the audited activities, and of other organisational units of HBOR.

Objectives and scope of work, organisational structure and organisational position of internal audit within HBOR, its powers, responsibilities and relationships with other organisational units as well as duties and responsibilities of the person responsible for the internal audit function, as a whole, are regulated by internal regulations of HBOR.

The main objective of the internal audit is a review of the adequacy and effectiveness of the internal control system by checking the integrity of business processes, the adequacy of the adopted procedures and methodologies of HBOR and the assumptions on which they are based. The purpose of the review and evaluation of internal audit is to provide appropriate recommendations to reduce risk and improve operations which creates added value for HBOR.

The internal audit continually strives to align with national or international professional standards and good practices in internal auditing.

The internal audit regularly submits reports to the Managing Board and HBOR's Audit Committee as well as to the Supervisory Board.

Risk control function

HBOR establishes and develops a risk management system appropriate to the type, scope and complexity of the business, risk profile and peculiarities in HBOR's business as a development and export bank, and a special financial institution. Risk control is organised as a separate unit directly subordinate to the Managing Board of HBOR. It is both functionally and organizationally independent of business processes where risks occur, i.e. units monitored and controlled by Risk control, and of other organisational units of HBOR.

Risk control function's responsibility is to control, identify, measure, assess and report on risks, HBOR is or could be exposed to in its operations.

Risk control ensures the compliance of business with HBOR's Risk Management Strategy, internal policies and procedures governing the area of risk management, participates in their preparation and reviews them with a view to improving and adapting them to changes in the environment and business strategy of HBOR.

Risk control ensures that all material risks are identified in a timely manner and that internal documents provide for their effective management by the organisational units that are responsible for active risk management. The established system of limits complies with the established risk-taking propensity and strategic goals and specifics of HBOR's business.

By reporting on HBOR's exposure to risk, risk control provides a systematic and timely delivery of information which is the basis for business decision making.

Reports are submitted to the Supervisory Board, Managing Board and relevant risk management committees.

Risk management of high-quality and efficiency is provided by risk control, a member of the Managing Board responsible for risk and committees to which the Managing Board has delegated its risk management authority (Asset and Liability Committee, the Committee for Evaluation and Measurement of Credit Risk and the Committee for the Management of HBOR's Information System).

Prior to the introduction of any new product or a significant change to the existing one, a proposal for the introduction of a new product or a change to the existing one is harmonised with expert teams and analysis is made of possible effects of a new product in terms of HBOR's risk management. Upon the analysis and harmonisation, a proposal for the introduction of a new product or a significant change to the existing one is submitted to the Managing Board.

Compliance function

Compliance monitoring is established as an independent and permanent function adjacent to the Managing Board of HBOR in order to manage compliance risk. Compliance monitoring is conducted in a decentralised manner in all organisational units of HBOR. In other words, it is delegated to HBOR's organisational units exposed to compliance risk, while a person responsible for the operation of the compliance function and its alternate are appointed by decision of the Managing Board for the whole institution. The Supervisory Board is informed about the appointments and the Managing Board approves both human and technical resources necessary for the achievement of adopted compliance goals.

Compliance risk is defined as risk of exposure to legal or regulatory sanctions and risk of financial loss or loss of reputation that an institution may suffer due to non-compliance with regulations (laws, regulations and secondary legislation, standards, and the bank's code of conduct and corporate governance).

Compliance monitoring organises, coordinates and directs compliance activities on HBOR level, advises on compliance matters, controls measures taken for compliance risk mitigation, integrates information on compliance monitoring, identifies and assesses compliance risks and reports on it to the Management and Supervisory Board of HBOR on a regular basis. Compliance monitoring advises the Managing Board and other responsible persons on laws, rules, regulations and standards that have an impact on the work of the institution and estimates the effect of changes in the above regulatory documents to the activities of the institution.

Compliance function evaluates whether new products and business changes are in compliance with applicable laws and regulations and internal regulations of HBOR.

Compliance monitoring reports on management of compliance risk, and their findings are taken into account in decision making. Compliance monitoring submits to HBOR's Managing and Supervisory Board an annual report on compliance monitoring, periodic reports on the operations of the compliance monitoring function and extraordinary reports.

Management of outsourcing

HBOR manages outsourced activities with the aim of monitoring and control of outsourced activities, and reducing outsourcing risk to a minimum. Internal regulations established for the purpose of active monitoring, management of risk exposure due to outsourcing and reporting on material externalized activities.

Information and communication system

HBOR continually works on improving efficiency and reliability of information and communication systems that cover all significant business activities.

Information system, including the one that stores and processes information in an electronic form is safe, independently supervised and supported by adequate methods for contingency situations. Generally accepted standards are applied on information system use.

In order to manage risks arising from the use of IT resources, HBOR established the position of head of information system security. Head of information system security is independent of the Executive Manager of IT, and supervises and coordinates activities related to information system security in order to ensure continuity of business processes.

Business continuity management

HBOR manages its business continuity to enable uninterrupted operation and limit losses in the event of a significant business interruption.

The purpose of business continuity management is to reduce operational, financial, legal, reputational and other material consequences of a breakdown or a prolonged lack of access to resources, which would result in interruption of usual business processes.

Business continuity management includes the analysis of exposure to significant business interruptions and the assessment of its potential impact (quantitative and qualitative), using internal and/or external data and analysis of possible scenarios. The analysis covers all business and support functions including risk control and takes into account their interdependence. The analysis results are used to define priorities and objectives of breakdown recovery that form the basis for recovery plans.

Securing business continuity is achieved by documenting and secure storage of recovery plans along with their regular testing and updating, with documents available on the level of all organisational units.

The foregoing are the purpose and objectives of business continuity management, HBOR strives to.

In order to ensure business continuity, HBOR systematically educates and develops managers on all levels, seeking to enable them to follow the latest trends in business and continuous professional and personal development. This indirectly ensures business continuity because it reduces the risk of

being unable to find an adequate replacement within HBOR for a manager at any level, in case anyone should decide to leave the bank.

Final provisions

All the principles and provisions of the Code are based on existing legislation, best practices and standards in the field of corporate governance and are fully consistent with internal regulations of HBOR. The success of corporate management system described in this Code shall be periodically evaluated and the text of the Code shall be regularly synchronized with current regulations and standards.