

Material for the 3rd session
of the Board of Directors

Item Nr.: 5.11.

Date of the Session: 31.08.2023

Reporter: Gem Maloku

**Policy on Conflict of Interests Management and Corruption Prevention in NLB Banka sh.a.
Prishtina**

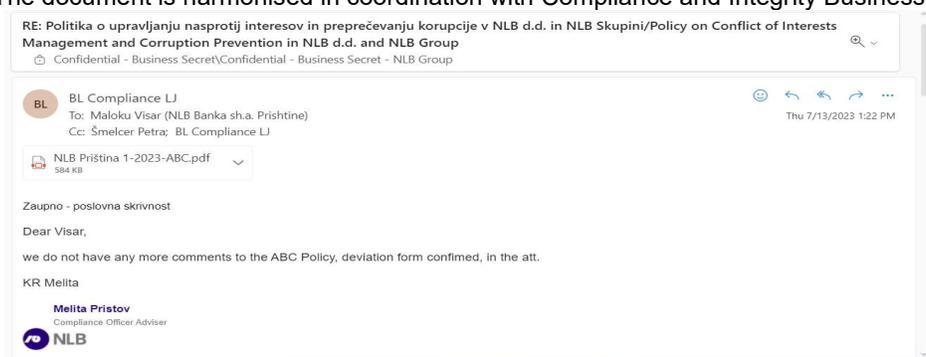
Proposal of Resolution:

Management Board of NLB Banka sh.a. Prishtina proposes to the Board of Directors to review and approve the following

Policy on Conflict of Interests Management and Corruption Prevention in NLB Banka sh.a. Prishtina

Date: 31.08.2023

Policy on Conflict of Interests Management and Corruption Prevention in NLB Banka sh.a. Prishtina

Name of the internal act: <i>Policy on Conflict of Interests Management and Corruption Prevention in NLB Banka sh.a. Prishtina</i>			
Proposer: <i>Compliance and Integrity NLB dd</i>			
Cause of submission: NLB Group harmonisation Name of the Act on NLB Group level: Policy on Conflict of Interests Management and Corruption Prevention, version 3			
Content changes: please include separately: Changes due to Compliance and Integrity Competent Line demand			
Number and date of the session of the Management Board	03.08.2023	Responsible Management board member	Gem Maloku
Competent CL	Compliance & Integrity CL	Opinion is:	Positive
Opinion of competent CL: The document is harmonised in coordination with Compliance and Integrity Business Line 			
Deviations from NLB Group (CL) standards: Yes, deviations are aligned with CL Compliance and Integrity. Details of deviations are noted within Deviation Form, appendix at the bottom of document.			

Prepared by:
Compliance and Integrity Sector




Gem Maloku
Member of Management Board

Appendix:

1. Internal act in track changes
2. Deviation Form



On the basis of article 51, item 13 of the Statute of the Bank, Board of Directors of NLB Banka sh.a. Prishtina, after review of proposal of Compliance and Integrity Section, at the meeting held on August 31, 2023 hereby approves the following

Policy

Policy on Conflict of Interests Management and Corruption Prevention in NLB Banka sh.a. Prishtina

Version 3, general internal document



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Chronology of amendments

Version	Date	Description
1.	May 2018	Drafting of the new Policy on Conflict of Interest Management of NLB Banka sh.a., Prishtina, which combines and replaces Guidelines on the prevention and identification of corruption and conflicts of interest, Guidelines on the limitation of giving and receiving gifts by the employees of NLB Banka sh.a., Prishtina, and Rules on the incompatibility of offices of the management board members, top management and other employees.
2.	December 2020	Amendments: a) in the part on the management of conflicts of interest: inclusion of the already applicable measures for managing conflicts of interest in purchase procedures and loan granting and restructuring procedures (due to the repeal of the Rules on the conflict of interest in investment services, purchasing and the processes of granting or restructuring loans, Version 1, December 2015); b) in the part on corruption prevention: <ul style="list-style-type: none"> • supplements to the anti-corruption provisions and rules on gift acceptance/giving • inclusion of additional rules in the area of fighting corruption in relation to the organisation of corruption prevention in the Bank (roles and responsibilities), assessment of corruption risk, practical examples and guidelines, rules on lobbying, used of intermediaries, cooperation with public sector entities and employment of public servants inclusion of additional practical examples in Attachments 1 and 2, and adjustment of the forms for interest of conflict management and anti-corruption (Attachments 3, 4 and 5)
3.	August 2023	Amendments: a) Alignment of the definition of conflict of interests in the Regulation on internal management, management body and internal process for assessing adequate capital for banks and savings banks (Official Gazette of the Republic of Slovenia no. 115/21). b) Establishing more detailed rules for the management of conflicts of interest at the level of the members of the management bodies. c) More precise alignments with the requirements from points 108 – 131 of the EBA Guidelines on internal governance (EBA/GL/2021/05). d) Establishing framework rules for transactions with related persons. e) Provisions on political activity of employees are added. f) Some highlights on accepting and giving gifts and hospitality are added, including a new form for reporting them to the OU in charge of compliance. g) Editorial changes.

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1. Goals and purpose of the Policy

The NLB Banka sh.a., Prishtina (hereinafter: the Bank) is exposed to a number of different risks in their operations. The compliance and integrity risks also include the risk of conflicts of interest. A conflict of interest shall mean existence of specific circumstances that can potentially or actually compromise a person's judgement in the decision-making process which results in the loss of the indispensable element of objectivity.

All employees are exposed to circumstances that constitute or could constitute a conflict of interest. A conflict of interest can arise among different parties: between the Bank and its client or customer, among different organisational units of the Bank, between the Bank and its employees etc.

When adopting decisions in the framework of their work tasks, the employees must always pursue the interests of the Bank and not their own private interests. These decisions can be related to regular work tasks, performing of activities outside the Bank, loan granting procedures, performing of investment services, participating in the purchasing process or the loan granting or rescheduling process, decision-making when outsourcing consultants etc. In every such case an objective assessment shall be made so as to establish which business decision is the best for the Bank.

The risk of a conflict of interest is related to other risks, e.g. risk of loss of reputation, risk of compliance with the regulations and internal acts, risk of regulator's sanctions etc.

Generally, the conflict of interest management is regulated by the Code of Conduct of the NLB Group. The purpose of this Policy is to establish an efficient management system, i.e. to prevent and manage conflicts of interest, by regulating the system of rules and internal controls that will prevent such circumstances or enable timely and effective reaction when a conflict of interest actually arises.

In their operations, the NLB Group is also subject to corruption and/or bribery risk, to which the NLB Group is exposed in connection with the risk of fraud and geographical exposure.

This Policy also regulates the system of rules and internal controls for corruption and/or bribery prevention and efficient management of those risks.

The corruption risks to which the NLB Group is exposed arise from:

- geopolitical exposure in the SEE region for which international organisations assess corruption risks to be high;
- cultural, political, and social differences that can expose the NLB Group to increased political pressures, lobbying, influence by the representatives of the public sector, family relations or other circumstances that may constitute corruption risks.

2. Key Concepts

NLB Group member shall mean NLB Banka sh.a. Prishtina and other members of the NLB Group.

Conflict of interest at the level of a NLB Group member is a situation in which there is or could be a threat to the interest of a NLB Group member as set out by the NLB Group member's adopted objectives, strategies and policies, in particular owing to circumstances deriving from the NLB Group member's relationships, products and activities, including relationships between:

- different customers of the NLB Group member;
- The NLB Group member and its clients, shareholders, employees, significant suppliers, business partners and other entities in the group;

Conflict of interests at the level of the NLB Group Member may be **actual** (the interest of the NLB Group Member is at stake) or **potential** (the interest of the NLB Group Member could be at stake).

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A conflict of interest at the level of the members of the management body is a situation in which the private interest of a member of the management body (hereinafter: management body member) affects or could affect the impartial and objective implementation of the tasks or decision-making of the member in relation to the NLB Group member's interests. A personal interest of a management body member means their interest for illegitimate pecuniary or non-pecuniary benefit for themselves, their close family members or for a person who has joint interests with this member, evidenced in joint ventures and activities of the member and the person. At the level of management body members a conflict of interest refers also to any significant business contact.

Conflict of interests at the level of the members of the management body may be **actual** (private interest may influence) or **potential** (private interest may influence).

A conflict of interest at the employee level arises from the relationship between a member of the NLB Group and its employees and is a situation in which the private interest of an employee of a NLB Group member (hereinafter referred to as the employee) influences or may influence the impartial and objective performance of duties or decision-making of that employee in relation to the interests of the NLB Group member. A personal interest of an employee means their interest for illegitimate pecuniary or non-pecuniary benefit for themselves, their close family members or for a person who has joint interests with this employee, evidenced in joint ventures and activities of the employee and the person.

Conflicts of interest at the employee level can be **actual** (a private interest may have an impact) or **potential** (a private interest may have an impact).

OU in charge of compliance shall mean the OU Compliance and Integrity of NLB Banka sh.a. Prishtina.

According to the local Law on Banks¹ **»Related Individuals«** means the spouse of a person, the children of a person, whether they are adults or minors, and whether or not they reside with the person, mother, father, step-parents, brothers, step-brothers, sisters, step-sisters, aunts, uncles, first cousins, whether by blood or marriage, or other persons with whom there is familiar relationship, or other persons as defined by the Central Bank of Kosovo with special regulation;

A significant business contact in relation to the members of the managing body is any contractual or other business relationship that meets the following criteria:

- an agreement has been concluded between a member of the Management body or a member of their immediate family and the NLB Group member or its subsidiary on the supply of goods or the provision of services, including financial and consulting services, on the basis of which the member of the Management body or their immediate family member is subject to special treatment that is not in accordance with the adopted business policy or customary practice of the NLB Group member or its subsidiary,
- a member of the Management body or a member of their immediate family is, as the user of banking or other services provided by the NLB Group member or its subsidiary, subject to treatment that is not in accordance with the adopted business policy or customary practice of the bank or its subsidiary,
- a member of the Management body or a member of their immediate family transacts privately with or is a member of an organisation that receives contributions in the form of donations, sponsorships or other assistance from the NLB Group member, when the aggregate amount of the contributions exceeds EUR 1,000 on an annual basis,
- a member of the senior management or a member of their immediate family is, as the user of banking or other services provided by the NLB Group member or its subsidiary, subject to treatment that is not in accordance with the adopted business policy or customary practice of the bank or its subsidiary;

An indirect significant business contact is a situation involving a significant business contact set out in the previous point in which the member of the Management body or a member of their immediate family is simultaneously a business partner of, a holder of a qualifying holding in, or a person authorised

¹ Law No.04/L-093 on Banks, Microfinance institutions and Non-Bank Financial Institutions, Article 3 - Definitions

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to manage the operations and act as the statutory representative of an entity, including a sole trader or the procurator of the entity, that has a business relationship with the NLB Group member.

Management body shall mean a management or supervisory body of a NLB Group member. The NLB Group members with a two-tier system of governance have a management board and a supervisory board, and in the NLB Group members with a one-tier system of governance have the board of directors. In the members of the NLB Group with single-tier governance system, the provisions of this Policy regarding the supervisory board shall apply mutatis mutandis to a member's board of directors and the provisions of this Policy regarding the management board shall be applied mutatis mutandis to executive directors.

For Members of the NLB Group that are not joint stock companies, the definition of the management body applies mutatis mutandis, taking into account its legal form.

An executive shall mean the members of the senior management, i.e. persons performing executive functions and directly responsible to the Management Board for daily performance of operations in a NLB Group member.

An employee means any employee of a Member of the NLB Group, including members of the management body of a Member of the NLB Group and contractual partners of a Member of the NLB Group who are contractually obliged to do so by the relevant Member of the NLB Group.

3. Scope of application of the document and persons/entities obliged to comply

This Policy regulates the fundamental rules and procedures for managing the risks of conflict of interest at the level of the entire NLB Group.

The rules of this Policy shall apply to all employees of the NLB Group members, including the members of the management bodies of the NLB Group and the contractual partners of the NLB Group members bound to apply this policy by the relevant member of the NLB Group.

In accordance with the rules of the system for managing and supervising the NLB Group members and on the basis of the standards in the areas of compliance and integrity, the NLB Group members must confirm this policy within their competent bodies and transpose it into their internal documents in order to harmonise the management of corruption risks and conflict of interest risks in the NLB Group. The rules of this Policy shall apply in their integrity (so-called "strict rules"). Any deviation must be explained in advance and the explanation must be grounded, justified and in line with the assessment of conflict of interest and corruption risks in the NLB Group, and priorly expressly approved by the OU of NLB d.d. in charge of compliance and integrity.

Responsibilities and duties concerning the introduction and supervision of the implementation of the Policy:

- a) each employee shall be responsible to reject any form of corruption and bribery with zero tolerance, and to immediately report any identified suspected misconduct through the established channels for reporting suspected misconduct;
- b) each employee shall be responsible to proactively disclose any conflict of interest in accordance with this Policy, to adopt measures for appropriate management of such conflicts, and to act in accordance with the rules of this Policy.
- c) all employees must be aware of and respect the Code of Conduct of the NLB Group and the rules and their obligations hereunder. The employees must immediately report any suspected violation through the channels for reporting misconduct.
- d) the organisational units that must, in accordance with this Policy and other internal documents, perform tasks and activities in the area of anti-corruption and conflict of interest management

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- shall be responsible to adjust the procedures and harmonise the operating instructions with this Policy.
- e) the executives shall ensure that the employees act in accordance with and are familiar with the rules of this Policy, and that these rules are implemented in the scope of their duties and powers (e.g. in the selection of outsourced providers and suppliers).

Rules on conflict of interests management

This Policy regulates conflict of interests:

- at the level of a NLB Group Member,
- at the level of employees,
- at the level of the members of the management body.

4. Circumstances that create a conflict of interest

4.1. Obligation to identify circumstances in which a conflict of interest arises or may arise

Conflicts of interest are part of everyday life and even if they arise, they do not constitute a violation, if the person involved responds to the given circumstances in an appropriate manner. Conflicts of interest shall be disclosed and avoided, and suitable measures shall be implemented to prevent potential harmful consequences for the NLB Group members.

Employees must recognise circumstances or relationships in which, in the performance of their duties or in the exercise of their decision-making functions in an NLB Group Member, a conflict of interest arises or may arise at the level of the NLB Group Member, at the level of employees and/or at the level of members of the management body, and in particular the following:

- a. economic interests (e.g. shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights, loans granted by the NLB Group member to a company owned by staff, membership in a body or ownership of a body or entity with conflicting interests);
- b. personal or professional relationships with the owners of qualifying holdings in the NLB Group member;
- c. personal or professional relationships with staff of the NLB Group member or entities included within the scope of prudential consolidation (e.g. family relationships);
- d. other employment and previous employment within the recent past (at minimum within the last two years);
- e. personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers); and
- f. political influence or political relationships.

Employees should bear in mind that conflicts of interest may arise not only from existing but also from past personal or professional relationships - at least those that have arisen in the last two years.

A conflict of interest shall be deemed to exist where the impartial and objective performance of the duties or the exercise of the functions of the post is compromised by the involvement of a personal economic interest, the interest of a family member or a particular affection, or any other interest linked to another natural or legal person.

If there is any doubt as to whether a particular situation constitutes a circumstance or relationship in which a conflict of interest arises or may arise at the level of the NLB Group Member, at the level of the

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employees and/or at the level of the members of the management body, and what should be done about it, the employee may contact the OE responsible for compliance.

4.2. The most common circumstances in which conflicts of interest arise at the level of the employees

In the context of the circumstances and relationships listed in section 4.1, conflicts of interest at the level of employees most often arise in the following specific circumstances, for which the following expected employee behaviours are foreseen:

4.2.1. Personal acquaintances and family connections

Close personal acquaintances or family connections of an employee or a function holder of the NLB Group member with a client, a representative of a business partner the NLB Group member, or family connections within the same company can lead to a conflict of interest, as, because of personal circumstances, this can compromise the employee's objective and independent decision-making and conduct or create an impression that their objective and independent decision-making and conduct are affected.

The employees:

- may not be directly superior or inferior to close family members;
- may not be included in HR selection processes (including internal or external RFP or reassignments), purchasing procedures, loan granting procedures and any other business decisions in which their close family members participate.
- must disclose to superiors that they have a personal (also financial or business relationship) with the client, which could impact their decision-making about a deal or other business decisions;
- may not conduct their own transactions in financial instruments and all other transactions, including opening of bank accounts and performing of transactions, regardless of whether or not these are transactions performed on behalf of the employee or another person (as authorised person). Transactions for own account include transactions which the employee performs for the account of related persons.

4.2.2. Participation in procedures related to concluding contracts, performing transactions and concluding other agreements

A conflict of interest may arise when an employee has a direct or indirect interest in the conclusion of a contract or a transaction or in the execution of a transaction or a (not-for-payment) agreement, because the employee or their related persons are related with the third party with which a business relationship is about to be entered into.

Nevertheless, employees can conduct business (paid or unpaid cooperation) with business partners or competitors of the NLB Group members if this is in congruence with the business interests of the NLB Group and if it does not affect or create an impression to affect the employee's business decisions and conduct, and the Bank has approved this beforehand.

4.2.3. Performance of functions within the NLB Group

In compliance with the Corporate Governance Policy of the NLB Group, the employees of the NLB Group members, including the executives, can be appointed to the (executive and non-executive) functions in other NLB Group members. During the assessment of suitability for holding a function in a NLB Group member, no conflicts of interest may be identified that cannot be managed with appropriate measures, specified in item 5.2. of this Policy.

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When performing such functions within the NLB Group, it is important that an employee duly identifies different interests that could be connected with their functions, so as to prevent conflicts of interest or manage them, especially in the following cases:

- the interests of a NLB Group member are conflicting;
- the interests of directors (executive or non-executive) of different NLB Group members are conflicting;
- the information that was disclosed as (strictly) confidential during a meeting of a member's body could benefit or harm another NLB Group member;
- there is a possibility that the information and opportunities with which the employee is acquainted when performing their functions in the NLB Group could be taken advantage of for personal or other purposes.

4.2.4. Performance of functions outside the NLB Group

The employees can apply for different (executive, non-executive, consulting) functions outside the NLB Group. As these functions are associated with additional obligations towards the company, institution or body and/or other types of organisations (cooperatives, societies, institutes, institutions) where the employee performs such a function, a conflict of interest may arise in relation to their obligations towards the NLB Group member.

When performing such functions outside the NLB Group, it is important that the employee duly identifies different interests that could be connected with their functions so as to prevent conflicts of interest or manage them, especially in the following cases:

- the interest of another company or legal person in which they perform the function and the interests of the NLB Group member are conflicting;
- the interests of directors (executive or non-executive) of another company or legal person and the interests of the NLB Group member are conflicting;
- the information that was disclosed as (strictly) confidential during a meeting of a member's or legal person's body could benefit or harm the NLB Group member;
- there is a possibility that the information or opportunities could be taken advantage of for personal or other purposes.

4.2.5. Economic, ownership and managerial connections

A conflict of interest may also arise when an employee holds an important equity stake or voting rights in a third person, provides consultation services to them or is engaged in some other way, for example:

- contractual relationship or additional business activity (business consulting, insurance brokerage, credit brokerage, evaluation or appraisal activity etc.),
- equity stake in a legal entity that enables influence on decision-making,
- functions in the bodies of political parties or other public functions (e.g. at the level of local self-government).

Practical examples of some of the conflicts of interests at employee level are presented in *Annex 1*.

According to the local Law on Banks in Kosovo² no Management Board and Board of Directors Members and the executives, may enter into a contractual relationship as a person or on behalf of a bank with a **Related Individual** unless the contractual agreement is approved by the Central Bank of Kosovo.

According to the local Regulation of Central Bank of Kosovo³, Board of Directors Members (independent directors) are allowed to own shares in the bank on whose board they serve but subject to a limit in order to ensure that they remain independent. As many companies require directors to hold shares in the company by whom they are elected, it is reasonable to allow such holdings for all bank directors.

² Law No.04/L-093 on Banks, Microfinance institutions and Non Bank Financial Institutions, Article 33, par.8, May 2012

³ Regulation on Directors and Senior Managers of Banks of CBK, Article 5, July 2019

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However, the limit needs to be low enough in order to ensure no possibility of conflict of interest. The Central Bank of Kosovo determines that no independent director, together with any **related individual**, shall hold directly or indirectly more than one (1) per cent of any class of voting shares or of the equity interest in the bank or any holding company of a group of which the bank is a part.

5. Conflict of interest management

5.1. Rules for the management of conflicts of interest at the level of employees

The rules on the management of conflicts of interest at the level of employees set out in this section (5.1) shall also apply to members of the managing bodies, unless and to the extent otherwise or additionally provided for in section (5.2).

5.1.1. Disclosure of interests

Disclosure of private interests in advance is an effective method to avoid occurrence of a conflict of interest.

To this end, each employee must proactively disclose his or her private interests which are or may be adverse to the interests of a member of the NLB Group or the NLB Group.

An employee must disclose in writing to his/her line executive and the Compliance Officer any private interests which are or may be adverse to the interests of a NLB Group member or the NLB Group (whether arising from existing or past personal or professional relationships - at least those which have occurred in the last two years). He/she shall disclose them as soon as the conflict of interest arises or may arise.

In the recruitment process, the NLB Group Member shall invite the candidate to declare in writing whether he/she has any private interests which are or may be contrary to the interests of the NLB Group Member or the NLB Group and, if so, to disclose them in writing.

A record of disclosures of conflicts of interest shall be kept by the OU in charge of compliance.

Additionally, when a potential or actual conflict of interest arises, appropriate measures aimed at their prevention or management must be implemented.

5.1.2. Avoiding conflict of interest

To avoid a conflict of interest, an employee shall, as soon as they realise, they might find themselves in (any) conflict of interest, remove themselves from all processes of proposal drafting, receiving of decision-making materials, receiving of information, participation at meetings and adopting decisions, so as to avoid any actual or potential conflict of interest.

5.1.3. Measures for managing conflicts of interest

In the case of a (potential) conflict of interest, it shall be decided as soon as the conflict of interest is identified whether additional measures for preventing or managing it are necessary.

The **measures** for managing a conflicts of interest of an individual employee shall be **decided** on by their line executive, who shall inform the OU in charge of compliance and the employee's line manager of the action taken.

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The template from **Attachment 3** shall be used.

In the case of open questions, specific and complex situations where there is a disagreement between an employee and his/her line executive, or where specific measures need to be taken to manage conflicts of interest, the line executive shall obtain the views of the OU in charge of compliance.

A record of the action taken shall be kept by the OU in charge of compliance.

Possible measures include:

a) Removal from the proposal drafting, receiving of materials and decision-making processes

An employee shall be excluded from all processes of proposal drafting, receiving of materials, participation at meetings and decision-making, so as to avoid any actual, potential or perceived conflict of interest.

The scope of restrictions, the precise rules of conduct of the employee and, if necessary, the date until the restrictions apply, shall be set.

b) Prior approval to perform the functions or activities

The employees may not do the following without a prior approval:

- perform paid or unpaid executive or non-executive functions and activities in other public-law or private-law entities in the case of:
 - a) functions or activities that compete with the registered activity of the NLB Group member;
 - b) functions or activities that could entail risk of a conflict of interest due to an employee's competence and authorisations (including access to strictly confidential materials) in the framework of their employment or functions in the Bank or other NLB Group member;
- cooperate (paid or unpaid business cooperation) with state authorities with regulatory or supervisory authorisations over the Bank or the NLB Group members, with the exception of educational activities or trainings.

The approval shall be issued, if, based on a reasonable judgement, no conflict of interest was identified that could not be managed with appropriate measures and if it does not affect nor create an impression to affect the employee's business decisions and conduct, and does not threaten the interests of the Bank and the NLB Group.

c) Additional control over an employee

To avoid a conflict of interest, additional control over an employee (e.g. in the form of reporting, monitoring of concluded deals, checking the objectivity of decision-making) may be introduced as a measure.

d) Assigning of co-signatory or assigning of a case to other employee

To avoid a conflict of interest, assignment of additional co-signatory (or more of them) may be introduced by a written resolution as a measure in the case of a conflict of interest, with predefined period and/or case (e.g. concluding a deal with a specific contractual partner).

Should this additional control in the form of co-signatory prove to be inappropriate, another measure may be adopted, namely the case may be assigned to other employee (in a specific case, specific contractual partner and/or defined period).

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e) Reassignment of employee to other position or changed authorisations

In critical cases when a conflict of interest cannot be managed in any other way, conflicts of interest or potential harmful consequences can be prevented by imposing on the employee the measure of reassignment to other position (e.g. personal circumstances that prevent the executive from exercising control over an employee in their OU) or the measure of changing the area which the employee is authorised to control.

f) Protection of business secrets, protection of personal data and prohibition to use or disclose information or exploit an opportunity for private interests or interests of third persons

As regards conflicts of interest, circumstances may arise where an employee is acquainted with data or information that is in their private interest or in the interest of third persons. All employees shall protect all confidential and strictly confidential information and data that are considered bank secret with which they are acquainted during their employment in or cooperation with a NLB Group member. They shall not use or disclose the information and other data for their private interests or the interests of third persons.

All procedures, measures and mechanisms shall be implemented to prevent unjustified disclosure or abuse of business secrets of any NLB Group member. A measure can constitute a restriction of access to documentation, data or information which the employee can access in the framework of their employment and which are not indispensable for the performance of their duties. The measure shall be imposed by restricting access in writing and precisely defining the restricted access to specific data or information.

g) Restrictions concerning accepting or giving gifts and other types of hospitality

The acceptance of gifts, commissions, special performance bonuses, discounts, coupons, vouchers, services or any other type of hospitality from third parties can also cause a conflict of interest.

Accepting and giving gifts and other types of hospitality shall therefore be restricted. Restrictions and disclosure beforehand of accepting or giving of gifts and other types of hospitality facilitate the management of potential conflicts of interest in advance, whereas in some cases gifts and other types of hospitality shall be rejected.

h) Restrictions on or termination of performance of functions outside the NLB Group

In the framework of the corporate governance of the NLB Group, the risk of conflict of interest shall be identified for all key functions performed by the employees in the NLB Group members.

If an employee holds or has held different (executive or managerial or non-executive or supervisory) functions outside the NLB Group, they shall disclose the risks of conflict of interest in advance. If necessary, a cooling-off period shall be set. When the function outside the NLB Group is incompatible with their employment or functions in the NLB Group member, the employee shall either cease to perform the function or implement other measures specified in this item (e.g. remove themselves from the decision-making processes etc.) or special measures adopted for this purpose.

i) Termination of or restrictions on performance of a profitable activity for private purposes

When an employee performs (or performed in the last three years) a profitable activity for private purposes besides performing tasks for a NLB Group member in the framework of their employment or functions in the NLB Group member, they shall disclose in advance the risks of conflicts of interest (either within the procedures of assessing suitability of members of the Management Board, Supervisory Board and key function holders in compliance with the Bank's internal documents, or to their superiors).

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If necessary, a cooling-off period shall be set. When the activity outside the NLB Group is incompatible (competitive) with their employment or functions in a NLB Group member, the employee shall either cease to perform the activity or implement special measures adopted for this purpose.

j) Measures aimed at managing conflicts of interest due to economic, ownership or managerial connections

The positions entailing economic, ownership or managerial connections are not prohibited but the employee shall disclose them in advance, and they shall also implement other (special) measures aimed at managing and preventing conflicts of interest (e.g. protection of business secrets, removal from the decision-making processes etc.). Should it not be possible to manage a conflict of interest by applying other measures, the employee shall eliminate the relevant conflict of interest completely (e.g. by resigning from the function, by selling their equity stake etc.).

k) Special measures

In particularly complicated cases of conflicts of interest, special measures may be introduced to prevent or manage them. Such measures include for instance:

- introducing a cooling-off period,
- using the arm's length principle.

Such measures shall be, based on prior examination of the circumstances of a specific case, defined by the OU in charge of compliance, whereas the final decision on the measures shall be taken by the line executive or by the management body.

5.1.4. Monitoring the adequacy of conflict of interest management

Direct superiors carry out regular periodic checks to verify whether all imposed measures concerning a specific case have been adequately implemented and whether the provisions of this Policy have been complied with and this is recorded in the application for HR monitoring of employees. The OU in charge of compliance may check such facts in the scope of its regular control activities.

The following shall be verified:

- a) whether the measures have been implemented,
- b) whether the measures are sufficient and adequate to prevent or manage a conflict of interest and
- c) whether any additional measures are required to manage the relevant conflict of interest, as specified in item 5.1.3. of this Policy.

Inadequate conflict of interest management

Should it be found that the implemented measures are not adequate to prevent or manage the conflict of interest or that additional measures are required for this purpose, a decision on additional measures shall be adopted as specified in item 5.1.3. of this Policy.

Repeated assessment of suitability (fit & proper)

For key function holders in a NLB Group member, a reassessment of the key function holder's suitability is out in accordance with the applicable policy on the assessment of the suitability of key function holders, if it is found that:

- a) the key function holder has failed to implement the measures aimed at managing conflicts of interest,
- b) the key function holder has failed to comply with the rules of this Policy.

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5.2. Rules for the management of conflicts of interest at the level of the members of the management bodies

The system for managing a conflict of interests at the level of managing body member consists of the following elements:

1. assessment of the conflict of interest in the framework of the fit&proper assessment of the candidates for members of the managing bodies, before assuming their position;
2. assessment of the conflict of interest in the framework of the fit&proper assessment of the members of the managing bodies during their term of office;
3. management of the conflicts of interest that arise unexpectedly in relation to an individual event;
4. Special diligence in concluding new transactions between the NLB Group member and the members of its managing bodies, their immediate family members or related legal entities.

In the event of doubt whether an individual member of the managing body is in a conflict of interest situation due to the occurrence of certain circumstances and the nature of such conflict of interests (significant or less significant, long-term or unexpected and related to a specific event), such members of the managing body consult the OU in charge of compliance and ask it to provide further guidance.

The NLB Group members perform assessments of the suitability of candidates for the membership on their managing bodies and reassessments of suitability during the term of office of the members of their managing bodies in accordance with the rules of the NLB Group and their local regulations.

5.2.1. Assessment of the conflict of interest in the framework of the fit&proper assessment of the candidates for members of the managing bodies

Prior to the appointment, the members of the managing bodies must fully and in detail disclose all the circumstances that caused or could cause the existence of a conflict of interests in the performance of their function. This is one in the framework of the fit&proper assessment.

The candidate's statement on actual or potential conflicts of interest are crucial for the implementation of the candidate's fit&proper assessment in the framework of the criterion "conflicts of interest and independence of mind". The final fit&proper assessment, and within its scope the existence of potential conflicts of interest and the measures to eliminate or manage them, is adopted by the Supervisory Board. A positive assessment of the candidate is a precondition for appointment.

The procedure for assessing the suitability of candidates for appointment as members of the managing bodies is regulated in detail in a separate policy of the NLB Group member.

5.2.2. Assessment of the conflict of interest in the framework of the fit&proper assessment of the members of the managing bodies during their term of office

For the entire duration of the term of office, the members of the managing bodies must take care to identify any potential new circumstances that could give rise to a potential or actual conflict of interests in the performance of their function. A member of the Supervisory Board must immediately inform the Supervisory Board and a member of the Management Board must immediately inform the Management Board and the Supervisory Board of such fact. The potential occurrence of the above circumstances in the case of an individual member of the managing body is also monitored by all employees or committees which, in accordance with the regulations applicable to each NLB Group member and its internal rules, are responsible for preparing proposals for the assessment of suitability; they do so on their own initiative and obtain information on this matter from available internal and external sources.

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If new circumstances arise in relation to an individual member of a managing body and are of such nature that could affect the conditions for appointment as member of the managing body (as a rule, they are of a long-term nature and must be constantly managed), the employees or the committees initiate the process of fit&proper reassessment of such member of the managing body.

In any case, the fit&proper reassessment of each member of the managing body is carried out once a year. In the framework of regular annual fit&proper assessment, all circumstances which cause or could cause a conflict of interest of each member of the managing body are assessed.

If in the scope of the fit&proper reassessment of a member of the managing body, under the criterion of “conflict of interest and independence of mind”, the Supervisory Board establishes that a conflict of interest exists, measures are taken for its management; if that is not possible, the relevant member of the managing body is dismissed or the competent body of the company is proposed to dismiss the relevant member of the managing body.

The procedure for reassessing the suitability of candidates for appointment as members of the managing bodies is regulated in detail in a separate policy of the NLB Group member.

5.2.3. Management of the conflicts of interest that arise unexpectedly in relation to an individual event

The members of the managing bodies must constantly take care of the conflict of interests that occur unexpectedly in relation to an individual event (e.g. transaction, selection of a service provider, etc.). This means that:

- A member of the Management Board must immediately inform the Management Board and a member of the Supervisory Board must immediately inform the Supervisory Board upon their own initiative of any circumstance due to which there exists or could exist a conflict of interest in relation to each event and provide detailed explanation. In particular, this must be done in respect of a matter that is the subject of voting or if asked to do so by the Chair of the managing body.
- In the event of potential conflict of interests in a matter to be voted on, the member of the managing body shall abstain from voting and temporarily leave the room where the meeting is held for the duration of voting.
- The explanation and the statement of the member of the management body on abstaining from voting for the reason of a conflict of interest is included in the minutes of the meeting of the management body or the meeting of a committee in which they participate.
- In the event of being informed of the circumstances of a conflict of interest by a member of the managing body, the president of the managing body shall, on the basis of their own assessment of the existence of the circumstances of a conflict of interest, take appropriate documented measures to eliminate the circumstances or to put monitoring of the circumstances in place. In the event of a complex situation of a conflict of interest, the president of the managing body may, instead of adopting the said measures, inform the Supervisory Board which in such case assesses whether there exist the circumstances of a conflict of interest and adopts the necessary measures to eliminate or control such circumstances - if required, also the procedure of fit&proper reassessment of such member of the managing body (Point 5.2.2 above).
- In the case of occurrence of a conflict of interest with the Chair of the Supervisory Board, the Chair shall inform other members of the Supervisory Board who shall act in accordance with the above indents and adopt appropriate measures to eliminate or manage the occurrence of conflict of interest.
- The record of such identified conflicts of interest and measures taken in relation to them is kept by the organisational unit functioning as the secretariat (the cabinet) of the NLB Group Member.

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The organisational unit in charge of compliance is regularly informed of the content of the record of identified conflicts of interest. If necessary, it is also asked to provide consultancy in the case of measures for the management of conflicts of interest.

More detailed rules in this respect are regulated by the Rules of Procedure of the managing bodies and their committees.

5.2.4. Special diligence in concluding transactions between the NLB Group member and the members of its managing bodies or persons related to them

Transactions between a NLB Group member and members of its managing bodies, or persons related to them, are subject to the rules on related party transactions (item 5.3 below).

More detailed rules in this respect are governed by the NLB Group members' separate policies on related party transactions.

5.3. Transactions with related persons

A member of the NLB Group has procedures in place to identify persons who are related to it in such a way that entering into transactions with them could give rise to a conflict of interest (related persons), procedures for identifying transactions with such persons and rules for approving such transactions. In doing so, it complies with the applicable local regulations.

More detailed rules in this respect are governed by the NLB Group members' separate policies on related party transactions.

5.4. Management of conflicts of interest in investment services, purchasing and the processes of granting or restructuring loans

In relation to investment services, purchasing procedures, outsourcing and the processes of granting or restructuring loans, detailed rules on managing conflicts of interest that may arise at any level must be laid down. They are laid down in area internal documents in the scope of the rules and process instructions.

The following general measures shall be implemented in the Bank and the NLB Group overall:

- in the framework of the supervision procedures, appropriate procedures shall be set up for reporting as well as eliminating and preventing potential conflicts of interests;
- concurrent or successive provision of other services or activities by employees shall be prevented or supervised when such provision could harm suitable management of conflicts of interests;
- established internal controls shall consistently be implemented;
- conclusion of transactions for own account or for the account of related persons by employees shall be supervised;
- organisational, spatial and technological separation of the OUs that perform transactions potentially giving rise to conflicts of interests shall be provided;
- due diligence reviews of suppliers and outsourced providers shall be conducted before any services are hired or goods are purchased, and during the contractual relationship;
- the contractual documentation shall include clauses on conflict of interest management and corruption prevention with the content prescribed by the OU in charge of compliance, and internal proposals for adopting business decisions shall include statements by the proposers

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and drafters about non-existence of any conflict of interest and the measures taken to prevent corruption.

- regular obligatory training courses on compliance and integrity shall be carried out.

5.4.1. Purchasing and outsourcing processes

An individual purchasing or outsourcing process may not involve any employee or executive with a conflict of interest. Employees in relation to whom a conflict of interest arises after the beginning of the purchasing process in which they are involved shall immediately remove themselves from the process, abstain from any influencing the process and inform their direct superior of the removal.

5.4.1.1. Additional controls for transparency in relations with suppliers and outsourced providers

Each NLB Group member shall lay down the rules of communication and contacts in the process of selecting the supplier/outsourced provider (pre-contractual stage) and during the contractual relationship, so as to prevent any inappropriate contacts and influencing of the employees by the representatives of (potential) suppliers/outsourced providers. The rule is to specify in advance the central contact point for all contacts and communication between potential suppliers/contractual partners and the relevant member of the NLB Group.

a) Meeting the representatives of suppliers

To ensure transparency, all meetings between representatives of potential or existing suppliers or external contractors and the Bank's employees during the RFP must be conducted through the OU in charge of purchasing. The OU in charge of purchasing is the only entry point through which a relationship with potential suppliers is managed. Lunches and other forms of hospitality are prohibited during the purchasing procedure and are considered bribery (more information in item 5.1).

Any breach of the communication and contact rules shall be reported to the OU in charge of compliance.

b) Transparency of concluded contracts

The Bank shall keep a register of contracts for:

- all contractual arrangements concerning acquiring, disposing with or management of its assets;
- contractual arrangements for ordering goods, construction, agency, advisory or any other services;
- sponsorship, donation, author's contracts and other legal transactions with the same effect as sponsorships, donations or contracts of mandate.

The register of contracts shall contain at least information on:

- the date of concluding the agreement,
- the contracting parties,
- the type of transaction,
- the value of transaction,
- information on any third persons (intermediaries) involved in the transaction,
- link to a copy of the contract concluded.

The register of contracts shall use the basic principle of transparency, which means that it shall enable a simple search for contracts (including attachments to them) and implementation of internal controls, enabling the respect of the rules and procedures and, among other, preventing conflicts of interest, bribery and corruption.

If the subject of the contract is qualified as outsourcing, the information requested by the applicable regulations (e.g. EBA guidelines and ECB/BS decisions) shall also be recorded.

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In the case of intragroup contracts between the NLB Group members or contracts between the NLB group members and third parties, each member shall include in its register of contracts the data relevant for it.

5.4.2. Loan granting and restructuring

Employees in relation to whom a conflict of interest arises after the beginning of the loan granting or restructuring process in which they are involved shall immediately remove themselves from the process. The employees shall immediately inform their direct superior verbally and in writing about the appearance of such circumstances.

The Bank and the OUs that are directly or indirectly involved in the process of loan granting or restructuring shall actively prevent the possibility of appearance of circumstances leading to a conflict of interest. An individual loan granting or restructuring process may not involve any employee or executive with a conflict of interest. The management of the relevant OUs must ensure a uniform and transparent process of loan granting or restructuring to prevent the possibility of appearance of conflicts of interest.

The OUs of the Bank that directly or indirectly participate in the loan granting or restructuring process shall be obliged to promptly inform the OU in charge of compliance in cases when it is not possible to prevent a conflict of interest by taking organisational or other measures.

Each loan proposal or other document serving as the basis for decision-making in the loan granting or restructuring process must contain a signed statement by the drafter and proposer, by which the latter confirm that they understand and are familiar with the prohibitions and obligations concerning conflicts of interest and anti-corruption as arising from this Policy, and undertake to respect these prohibitions and obligations. The statement shall be prescribed by the OU in charge of compliance.

The contractual documentation for the granting and restructuring of loans to legal entities shall include clauses on the management of conflicts of interest and the prevention of corruption in the content prescribed by the OU in charge of compliance.

5.5. Political activity of employees

The Bank and other members of the NLB Group are committed to ensure an apolitical reputation in their business dealings, avoiding any perception that their decisions are influenced by politics.

Nevertheless, any employee, regardless of their position, may freely participate in political activities or campaigns in accordance with the following guidelines:

- an employee may only freely participate in political activities or campaigns as an individual in their own private sphere, limited to personal involvement only;
- it should not be suggested that the Bank supports such activities;
- they may not use any NLB assets, premises, resources, networks or brand to contribute (financially or non-financially) to the activities or political parties, politicians or political campaigns and the activities may not be carried out during their working time;
- they should be alert to potential conflicts of interest at all times during the period of political activity, in particular when acting in a local or national capacity, and comply with the provisions of this Policy in the event of a conflict of interest.

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Rules concerning corruption and bribery prevention

6. Corruption and bribery prevention

The Bank and the NLB Group have absolute zero tolerance towards all forms of corruption. This policy is designed to uphold high standards of ethical conduct and to achieve objectivity and impartiality in our business.

Corruption shall mean any abuse of position for private purposes. This includes obtaining financial and non-financial benefits for oneself or for others. Examples of corruption are blackmail, bribery, fraud, nepotism, facilitation payments.⁴

Prohibited conduct: in the NLB Group, any form of corruption is strictly prohibited. In the NLB Group, it is prohibited to use any resources of any NLB Group member for any illegal purposes or purposes that are not in compliance with the anti-corruption rules stipulated by this Policy. The employees shall be obliged to reject any corrupt conduct and immediately report it to the OU in charge of compliance.

6.1. Illicit accepting and illicit giving of gifts (bribery)

Bribery means to request or accept, for oneself or for somebody else, an illicit reward, gift or any other benefit or promise or offer of such benefit that they would, owing to the gaining or keeping of the transaction or other illicit benefit, neglect the interests of the NLB Group member or other natural person or cause damage to them. Bribery also means a promise, offer or giving of an illicit reward, gift or any other benefit to a person or for somebody else in order to obtain, for oneself or somebody else, an unjustified advantage in obtaining or keeping of a transaction or other illicit benefit, also in return of the favour for obtaining or keeping the transaction or other benefit.

Bribery is unfair, illegal, causing abuse of trust. Bribery shall also be illegal if carried out through a third person (such as an advisor, agent or intermediary).

Bribes can appear in different forms:

- cash or (gift) vouchers
- travels or entertainment activities or fun
- gifts of a major value
- payments in the form of fictitious commissions, sponsorship or donations to associations, charity organisations or political parties, in order to affect their decisions
- other forms of undue benefits

Prohibited practices

In the NLB Group it is strictly prohibited to illicitly give or accept gifts to or from anyone, whether a business partner, supplier or public servant, in order to win new business, keep the existing business or advance one's interests in a wrong way. Nobody in the NLB Group may under no circumstances promise, offer, accept or give anything that might be considered to be a bribe. Not only that this is illegal; it constitutes a criminal offence, violates the policies of the NLB Group and undermines our business integrity.

High risk indicators

- Winning or keeping business by using inappropriate financial or other incentives, benefits.
- Obtaining favourable terms and conditions in relation to products or services in exchange for a donation to a charity organisation, political party, or sponsorship.

⁴ Soliciting is also deemed an action of corruption – if someone promises or even gives a reward to another person in exchange for the action that has the signs of corruption. In such case, both the solicited person and the person who in fact performs the action engage in corrupt practice.

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- Completion of a service or transaction faster or under more favourable conditions in exchange for priority or more favourable treatment, gifts, hospitality or (return) favour.
- A person with whom you cooperate says: "I'll take care of everything, don't worry", "This is to remain strictly between us", and the like.
- Obtaining of different permits faster, by using inappropriate payments.
- The services are not documented or sufficiently defined.

Pay special attention to the use of marketing services and sponsorships when performing transactions, as they are especially exposed to risks.

6.2. Facilitation payments

Facilitation payments shall mean payments where a (low) amount of money is offered or promised to public servants or government representatives⁵ in order to ensure or accelerate routine or necessary activities that are part of ordinary (official) procedures. Usually, such payments are requested in cash. Typical examples are payments of (low) amounts to public servants to ensure a visa, passing of goods through the customs, or accelerate the process of issuing official permits (licences, building permits etc.), or end the procedures. Although in certain countries around the world such payments are requested, they constitute bribery and frequently include gifts and the like.

Prohibited practices

In the NLB Group, facilitation payments are prohibited. One shall not give or accept facilitation payments.

6.3. Nepotism

Nepotism means that the decision-maker or the person with influence on decision-making treats with preference their close family members or other persons in close personal relationship with them (personal acquaintances) without a justified and substantiated reason.

Prohibited practices

In the NLB Group, nepotism is prohibited. All employment or outsourcing procedures must be carried out transparently, using the principle of fair and equal treatment and provision of equal opportunities, in accordance with the prescribed employment or outsourcing procedures in order to recruit the best candidates and avoid conflicts of interest.

High risk indicators:

- The selection procedure is introduced or conducted in a non-transparent manner.
- Personal connections with the employees in the NLB Group from the same recruitment area that were not disclosed in advance, or in relation to which no measure was taken, are discovered.

6.4. Lobbying and political contributions

Lobbying is a process in which interest groups and/or the civil society try to influence the decision-makers (usually political).

The members of the management board of the Bank shall lobby and represent the interests of the Bank in accordance with the relevant regulations, respecting the principle of transparency (as unregistered

⁵ A public servant shall mean:

- Officials or employees of any government or state authority, agency or legal person at any level (including candidates for political positions, members or political parties and employees as well as political parties)
- Employees of state-owned companies
- Persons exercising public authorisations for the account of the state (e.g. member of a diplomatic representative office)
- Members of international organisations

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lobbyists) in accordance with the legislation regulating lobbying. In exceptional cases, registered lobbyists may be used for the protection of legitimate interests upon prior approval by the management board of the relevant NLB Group member. Any other lobbying on behalf of the Bank is not allowed.

Expressing interests on behalf of the Bank (or other NLB Group member) through interest associations, such as bank associations, shall not be deemed to be lobbying.

Political contributions are contributions to one or more politicians, political campaign or political party. Such contributions may be considered to be an attempt to gain business advantage. The NLB Group is politically neutral, and therefore does not give financial contributions to political parties, political representatives or political campaigns.

Prohibited practices

In the NLB Group, the members shall not pay any political contributions – neither direct nor indirect.

6.5. Sponsorships and donations

A donation is a one-way transaction, a contribution intended for those who need help, and the recipient does not need to do anything in exchange for the donation. Sponsorship is a two-way transaction, where the recipient of the sponsor funds must also meet certain priorly agreed obligations, such as publicity, showing the sponsor's logotype etc. Social responsibility, which includes sponsorship and donation programmes, is one of the basic responsibilities of the NLB Group; therefore, it is necessary to respect the established transparent procedures of approving and monitoring whether the purpose of donations and sponsorships was met (including the conditions).

Donations and sponsorships shall be allowed if they express or support the values of the NLB Group and are in accordance with the internal policies of the NLB Group.

Prohibited practices

One must avoid approving donations and sponsorships in a non-transparent way to for-profit organisations, associations or organisations, or persons related to the NLB Group, or without respecting the rules established for approving donations and sponsorships.

High risk indicators

- A payment made to a private transaction account.
- The charity organisation is a for-profit organisation.
- The donation/sponsorship was paid to a charity organisation/company in which the business partner or their family members have a private or business interest.
- The recipient of the sponsorship or donation is related to persons in (key) positions in the NLB Group.
- There are close connections between the donation/sponsorship and a public sector entity or public-law entity with which the NLB Group has or intends to have business relations.

6.6. Standards for suppliers and/or outsourced providers

Our purchasing processes may include goods and services that are regularly produced in countries around the world. Therefore, it is important to be aware of the risk faced by the NLB Group due to the conduct of our suppliers and outsourced providers (business partners). Responsible operations shall mean that we only ensure cooperation with suppliers that have high ethical standards that match ours. The suppliers or outsourced providers may also include subcontractors, suppliers of goods and services for any member of the NLB Group. All third persons must be appropriately checked, monitored and controlled based on risks that NLB Group members must regularly assess. The suppliers and outsourced providers must be informed in advance about the requests in the area of compliance and integrity, receive links for accessing the published Code of Conduct of the NLB Group (for public use), and the contracts with the Bank and other members of the NLB Group must contain standards in the

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area of compliance and corruption prevention as well as appropriate legal remedies (termination of contract for failure to respect the NLB Group standards).

It is also necessary to carry out due diligence of the supplier and outsourced provider, and carry out regular risk assessments of the contractual relationship during the term of the contract in accordance with the internal rules for outsourcing and purchasing procedures.

To prevent corruption, all rules of this Policy, including the rules on gifts, prohibited facilitation payments and bribery shall apply to the suppliers and outsourced providers in the same way.

High risk indicators:

- The country of origin of the business partner is known for high corruption risk (the same also when the business partner is exposed in relation to corruption);
- The commissions or costs of the business partner are unusually high (compared to the local market/standard);
- Commissions are charged by other professionals such as lawyers, agents etc.;
- The business partner is related to or recommended by a public servant or someone closely connected with the political circles or the government;
- The business partner uses unspecified subcontractors or has its registered office outside the country to which payments for the provision of the services/supply of goods are to be made;
- There is a suspicion that the invoices are counterfeit or there are costs of unreasonable travels, gifts or hospitality.
- The services are not documented of sufficiently defined; pay special attention to the use of marketing services and sponsorships when performing transactions, as they are especially exposed to risks;
- The business partner rejects the request to sign the anti-corruption clause for no justified reason;
- The business partner requests an advance payment or partial payment before the conclusion of the contract for no justified reason;
- The business partner was founded a short time ago and has not references or experience;
- The services are not documented of sufficiently defined; pay special attention to the use of marketing services and sponsorships when performing transactions, as they are especially exposed to risks;
- Payment in cash or to an offshore account is requested, or the payee does not wish to disclose the recipient of the payment;
- The business partner is newly-founded, without appropriate references;

6.7. Use of intermediaries

Intermediaries are agents, advisors, real estate agents, representatives and other persons acting on behalf of and for the account of the Bank or other member of the NLB Group. In certain cases, they also cooperate with public servants (e.g. when obtaining permits for constructing office buildings, obtaining other permits etc.).

In practice, corruption and bribery risk is higher (such acts are more frequent) when intermediaries are used. Since they represent the NLB Group, we are responsible for our intermediaries as if they were our own employees. Therefore, intermediaries must be informed in advance about the requests in the area of compliance and integrity, receive links for accessing the published Code of Conduct of the NLB Group (for public use), and the contracts with the Bank and other members of the NLB Group must contain standards in the area of compliance and corruption prevention as well as appropriate legal remedies (termination of contract for failure to respect the NLB Group standards).

It is recommendable to conduct a due diligence of the intermediary hired by the Bank before the business relationship is entered into.

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To prevent corruption, all rules of this Policy, including the rules on gifts, facilitation payments and bribery shall apply to the intermediaries in the same way.

High risk indicators:

- The country of origin of the intermediary is known for high corruption risk (the same also when the business partner is exposed in relation to corruption);
- The commissions or costs of the intermediary are unusually high (compared to the local market/standard);
- The intermediary was recommended by a public servant or someone closely connected with political circles or the government, or is related to such persons;
- There is a suspicion that the invoices are counterfeit or there are costs of unreasonable travels, gifts or hospitality.
- The services are not documented or sufficiently defined; pay special attention to the use of marketing services and sponsorships when performing transactions, as they are especially exposed to risks;
- The intermediary rejects the request to sign the anti-corruption clause for no justified reason;
- The intermediary requests an advance payment or partial payment before the conclusion of the contract for no justified reason;
- The intermediary was founded a short time ago and has no references or experience.
- Using intermediaries as a channel for inappropriate payments.
- There is no detailed information on the specific purpose of the payment of individual costs to an intermediary.
- Offshore payments (e.g. payments to another country where the intermediary does not have its registered office).

6.8. Employment of or ordering services from former public servants, office holders or their relatives

Public servants and office holders, their close family members and other persons closely related to them (e.g. friends, other close acquaintances) are treated in the same way as other (potential) candidates for employment or business partners as regards knowledge, experience, skills and competences and may never be prioritised because of these connections in employment procedures, or processes of service ordering or goods purchasing. The same rule applies to former public servants and officer holders for the period of the last 5 years since the termination of their employment or function. In employment procedures and purchasing processes, it must be determined whether there are corruption risks or risks of conflict of interest due to such connections in accordance with this Policy and the policy regulating conflict of interest management. Should there be any doubt, the OU in charge of compliance shall issue an opinion.

6.9. Contacts with high state officials

The members of management bodies of the NLB Group members who have contacts with the government or state representatives, or the representatives of diplomatic representative offices or international organisations must, in addition to compliance with the rules on gift acceptance and giving, in order to protect the integrity and reputation of the NLB Group, take due care that in these contacts they pursue the basic objective of this Policy, namely ensure transparency of operations.

If gifts were given or received at an individual bilateral meeting, the secretariat shall inform about this to the OU in charge of compliance in order to keep a record of gifts to public servants.

6.10. Contacts with other persons

Employees in the NLB Group approached by a representative or agent of a supplier, outsourced provider, client or third person in order to try to inappropriately influence the business decisions of the Bank or other NLB Group member in an inappropriate or illegal manner shall immediately disclose this to the OU in charge of compliance.

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7. Rules on accepting and giving gifts

Our activity requires us to establish contacts with many external customers. This often involves giving and receiving hospitality and gifts. We apply high standards of ethical behaviour to maintain objectivity and professional impartiality and to guard against any suggestions of impropriety.

A gift shall mean cash or cash-like benefit (e.g. shares, certificates of deposit, discount vouchers, etc.), physical objects (e.g. a bottle of wine, a pen, a USB key, tickets for sports, cultural or other events), and other advantages or benefits (cruises, travels, holidays etc.) with the intention to give a present to the recipient. Promises made and accepted with reference to the above mentioned benefits shall also be deemed a gift.

Hospitality shall be limited to lunches, dinners, entertainment or similar events that are most often a part of professional or business meetings. Offers of hospitality may be accepted or made if they are necessary for establishing and maintaining business contacts relevant to work commitments. They should be strictly limited to working lunches or similar events.

Prohibited practices

Employees in the NLB Group may not, directly or indirectly, practice any form of corruption and may not ask for or request or accept or promise any money, award, gift, other benefit or (return) favour from any customer, any (existing or potential) business partner or third person.

In addition and in more detail, the employees and the executives:

- may not, for themselves or for close family members or related persons, receive or give, directly or indirectly, cash or cash-like benefits (e.g. shares, certificates of deposit, gift certificates, discount vouchers, etc.) at any time, including during negotiations with a (potential) client or when an important business decision has to be taken at the Bank regarding a specific client.
- may not, for themselves or for close family members or related persons, ask for or demand, directly or indirectly, a gift or hospitality of any form, regardless the value;

High risk indicators

- The gift was not presented at a special occasion (such as Christmas, birthday, retirement etc.).
- The gift is of a private nature, i.e. intended to you personally or to people close to you.
- You are asked not to mention the gift to your superior or colleagues.
- The gift is not of a modest value.
- The gift is of completely private nature (such as jewellery).
- The gift is intended to a third person, not you.

7.1. Permitted gifts

The following gifts are permitted:

- having a value of under EUR 60 (gifts of small value) received or given in good faith as part of establishing or preserving a business relationship and are not considered prohibited conduct;
- not influencing or giving an impression of being able to influence business decisions and actions of the employee (e.g. no business negotiations in progress or planned), and lawful;
- not being excessive ('excessive' includes offers that are disproportionately lavish (such as invitations to expensive or exclusive cultural or sporting events), too frequent (including an inappropriate number of invitations from the customer or supplier to individuals) or too time-consuming;
- they do not place a member of the NLB Group in a dependent relationship and do not affect its reputation.

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Several gifts of small value received from or given to the same person may not exceed EUR 150 per year. An employee shall notify the OU in charge of compliance of a small value gift using the form set out in Attachment 4 of this Policy and the gift shall be entered in the record of gifts and hospitality. This does not apply to gifts of a symbolic value, such as coffee, candy, flowers and biscuits, etc., but they are still subject to the general provisions on permitted gifts and prohibited practices.

7.2. Gifts of a major value

The acceptability of gifts of great value (more than EUR 60) shall be **previously** decided by the OU in charge of compliance, bearing in mind:

- the legitimacy for business purposes (e.g. the given gift arises from benefits received in the scope of sponsorships and donations and is used by the NLB to strengthen partnerships with its existing or future clients);
- deviations from business practice; and
- having or giving the impression that it might influence prudent business decisions and actions;
- it does not influence or give an impression of being able to influence business decisions and actions of the employee (e.g. no business negotiations in progress or planned).

Received gifts of major value shall become the ownership of the Bank.

In the case of a personalised gift (e.g. a gift with personalised engraving), the recipient shall, before accepting the gift, address a request to the OU in charge of compliance).

If there are justified reasons and upon approval of the OU in charge of compliance, the gift may be transferred to the ownership of the recipient. An employee shall notify the OU in charge of compliance of a large value gift using the form set out in Attachment 4 of this Policy and the gift shall be entered in the record of gifts and hospitality.

The member of the NLB Group may hand over the gift, regardless of its value, for charity purposes (possibly also by selling it at an auction), however, the procedure must be carried out transparently.

7.3. Conferences, training courses, travel expenses and permitted hospitality

Coverage of travel expenses and accommodation expenses, and coverage or omission of attendance fees for professional conferences, business meetings and training courses (either by the NLB Group member or a third party) shall also be deemed to be a gift and shall be subject to the general rules on gifts and hospitality as specified in this Policy.

An employee shall notify the OU in charge of compliance of an invitation to an event using the form set out in Attachment 4 of this Policy and the gift shall be entered in the record of gifts and hospitality.

Participation at such event is allowed when:

- the costs are eligible, reasonable and the participation was pre-approved by the superior;
- it is legitimate for business purposes (e.g. the given gift arises from benefits received in the scope of sponsorships and donations and is used by the Bank to strengthen partnerships with its existing or future clients);
- it does not deviate from business practices; and
- it does not give the impression that it might influence prudent business decisions and actions;
- it does not influence or give an impression of being able to influence business decisions and actions of the employee (e.g. no business negotiations in progress or planned).

The allowed forms of hospitality (e.g. entertainment, dinners, social events accompanying conferences or professional meetings) shall be those that are:

- legitimate for business purposes and available in the same form to all event participants;
- of a decent nature;

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- representing a component of a professional or business meeting of reasonable duration (maximally one-tenth of the duration of the programme); and
- have been pre-approved by the superior.

The OU responsible for the organisation of or for approval of the participation of an employee at training courses shall regularly provide to the OU in charge compliance information on free conferences attended by the employees and give it all information on accepted and given gifts of a major value (in the form of conferences, training courses, accommodation, travel expenses).

7.4. Public servants

When cooperating with public sector entities (including public-law entities), one must be especially careful; therefore, respect the rules that generally apply to gifts and hospitality. When participating in a public procurement procedure, one must be extremely careful; therefore, gifts may only be presented exceptionally and may not be of a major value.

If gifts were presented to high state officials or received from them, the OU in charge of compliance shall be informed about this.

7.5. Record of gifts and hospitality:

The OU in charge of compliance shall keep:

- a record of gifts and hospitality, together with the opinions on their justifiability and any breaches;
- a record of gifts to public servants.

8. Compliance with the Policy rules

8.1. Zero tolerance

In relation to harmful actions, the NLB Group has established a standard of zero tolerance to illegal and unethical actions and disrespect for values. It has highlighted this standard as one of the fundamental principles that it pursues when conducting business.

Zero tolerance refers to all intentional actions of employees that represent harmful conduct for the NLB Group member and are as such defined by legal or implementing acts, internal legal acts, good business practice and other generally known good business practice. Zero tolerance also applies to actions of employees committed with gross negligence – circumstances when employees should be aware of the possibility that their actions might cause damage to the Bank or the NLB Group member, but failed to prevent them.

The NLB Group applies zero tolerance, according to which all actions of corruption and any conduct which does not comply with the principle of avoiding conflicts of interest are unacceptable. Several such minor actions also undermine law and give rise to potentially graver forms of violations.

The NLB Group has established channels for reporting suspected misconduct, through which suspected violations of this Policy can be reported (also anonymously); the NLB Group members shall provide protection of the informant and appropriate implementation of the investigation procedure and taking of appropriate measures.

8.2. Violations of the Policy

Any violations of the rules of this Policy shall be treated and sanctioned in accordance with the internal documents, valid labour law and valid collective agreements.

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If the members of the management body of the Bank or other member of the NLB Group fail to comply with the rules hereof, the provisions of the applicable regulations, internal documents of the NLB Group and the rules laid down in the rules of procedure of the management body shall apply.

Corruption is a criminal offence and the consequences are often far reaching and may include sanctions in the form of considerable fines, putting on the black list of international organisations, prison sentences for employees and sanctioning of legal persons. Additionally, each NLB Group member may suffer considerable damage due to loss of reputation, integrity and social responsibility. Therefore, the NLB Group deems any violation of this Policy to be a major violation of the duties of employees; and if any violations are discovered, appropriate measures shall be adopted, possibly leading to termination of employment and filing of a criminal complaint against the employee in question.

8.3. Obligation of reporting to Central Bank of Kosovo (CBK), based on the local CBK regulation ⁶

According to the CBK Regulation on Corporate Governance of Banks, application of the conflict of interest policy will be monitored by the CBK. All cases of non-compliance with this regulation by the members of the Board of Directors should be reported to the CBK. If the CBK determines that the member does not meet the requirements of being fit and proper to be a member of the Board of Directors shall remove that member from the Board of the bank.

9. Control activities

9.1. Compliance and internal audit reviews

In the Bank, the internal audit and the compliance functions (where established separately) shall check and control the respect of the basic principles in regular internal audit procedures and compliance review procedures, and randomly. In the scope of its regular tasks, the compliance function of Bank shall perform regular activities to investigate suspected corrupt practices, bribery. They shall report on their findings to the management bodies of the NLB Group (depending on the extent of the review) and issue recommendations aimed at improvement of the internal control mechanisms in this area.

9.2. Internal controls

The Bank shall ensure that accounting and other internal controls are established as part of the internal control mechanisms, by means of which corrupt practices are prevented (e.g. no black funds for bribery or facilitation payments etc.). In relation to this, all employees are obliged to respect and act in accordance with the rules, procedures and obligations prescribed in accounting and financial policies and procedures.

9.3. Raising of awareness and training

The compliance function of a NLB Group member shall regularly perform the activities to raise awareness and, at least once annually, organise training in this area that is mandatory for all employees (including the members of the management body). When this is reasonable and taking into account the risks, it shall also perform activities for raising the awareness of other business partners (suppliers, subcontractors, intermediaries, other persons).

9.4. Standards of conduct

The NLB Group shall ensure that the contractual documentation for the purchase of goods or services, as well as the internal and contractual documentation for investment transactions by which the Bank directly or indirectly finances third persons include internal control mechanisms for preventing conflicts of interest and corruption and bribery in the form of contract clauses, due diligence reviews of third persons and other control mechanisms prescribed by the Bank or other NLB Group member, taking into

⁶ Regulation on Corporate Governance of Banks, Article 11, August 2019

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account the principle of proportionality and the assessment of the conflict of interest and corruption risks. The suppliers, outsourced providers and intermediaries that act on behalf of the NLB Group must be made familiar with the Code of Conduct of the NLB Group. Through contractual commitments in purchasing procedures (including procedures of hiring outsourced providers), the NLB Group members shall express their expectation from the suppliers and their sub-suppliers (or outsourced providers and suppliers) to meet the standards that are equal or reasonably equal to those stipulated in the Code of Conduct of the NLB Group.

9.5. Management of conflict of interest and corruption risks

The NLB group shall regularly assess conflict of interest and corruption risks in accordance with the applicable methodology for the general assessment of the integrity and compliance risks (SOTIS/ECRA), which shall be regularly reported to the management body at the level of the whole NLB Group.

Based on the methodology for assessing corruption risks (in addition to other compliance and integrity risks), the NLB Group shall assess corruption risks in relation to the NLB Group and in particular its individual core members, which shall include exposure to corruption due to the use of intermediaries and other third persons (suppliers, outsourced providers), corruption risks due to exposure in countries and branches with which the NLB Group does business directly or indirectly, transactions, products and services, including those in which entities in majority state ownership or public servants are involved, corruption risks related to gifts, hospitality, employment and outsourcing, purchasing of goods and services, donations and sponsorships, and political activities. The assessment of corruption risks shall also take account of the changes in business activities (strategies, business model) that might significantly increase corruption risks in the NLB Group or its individual members. Together with the assessment, appropriate measures for improving the internal control environment shall also be adopted as necessary.

10. Transitional and final provisions

This internal act shall enter into force when it is adopted by the Management Board and Board of Directors of the Bank and after it has been published in the Bank's intranet.

After adopting this Policy, the NLB Group member shall publish on its website Attachment 5 on the approach of the NLB Group to the fight against corruption and bribery. The Compliance and Integrity of the Bank shall be authorised to independently change and adjust the text of Attachment 5 to good international practice in this area.

The NLB Group members shall strive to establish the rules on managing conflicts of interest at the level of the Bank's business partners, especially those in the market who associate with the Bank/NLB Group brand and those for whose business practices the NLB Group is responsible when doing business with them.

All bank employees shall be notified of the adoption of the Policy.

Should there be a discrepancy between the provisions hereof and the provisions of other internal documents of the Bank, the provisions of this Policy shall apply.

The provisions of other local regulatory requirements shall apply directly, in cases where such provisions are lacking in this Policy.

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11. Reference documents

- Code of Conduct of the NLB Group,
- Policy on Conflict of Interest Management and Corruption Prevention of NLB d.d. and the NLB Group, version 3, March 2023;
- Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions, May 2012;
- Regulation on Corporate Governance of Banks, August 2019, Central Bank of Kosovo;
- Regulation on Directors and Senior Managers of Banks, July 2019, Central Bank of Kosovo;

12. Statement of the administrator of internal document about the alignment and approval of the internal document

"I, the administrator of this internal document, hereby assure that this internal document was submitted for review, revision and confirmation to all the organisation units in the Bank affected by this internal document and its amendments and supplements that it was approved by them. This internal document was coordinated with them in a way that its content is clear and consistent with other internal documents and regulations and it does not conflict with other internal documents of the Bank."

Preparation and Review

Preparation and Review

Name and surname	Preparation/Reviewer
Visar Maloku Compliance and Integrity	 Preparation & Review

Competent body adopting the document: Board of Directors of NLB Banka sh.a. Prishtina

Prishtina, 31.08.2023


Blaz Brodnjak
Chairman of the Board of Directors
of NLB Banka sh.a. Prishtina

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Attachment 1 – Practical examples in the area of conflicts of interest

EXAMPLES IN THE AREA OF CONFLICTS OF INTEREST	
PERSONAL CIRCUMSTANCES	
A NLB employee is asked by his brother to open an account at the Bank.	This is an unacceptable situation. It is not allowed to open accounts and make transactions, whether these are transactions on behalf of the employee or on behalf of another person (as authorised person). Transactions for own account include transactions which the employee performs for the account of related persons. Refer your brother to a colleague and exclude yourself from the process.
You are called by your former wife, with whom you go along well, saying that her son needs initial capital for his start-up.	Tell your former wife where this can be arranged, but do not get involved in the procedures, so that it does not appear as if you tried to influence internal business decisions.
A friend is the director of a company competing in a purchasing procedure.	You are involved in the purchasing procedure for the purchase of new office equipment. Your old friend calls you by coincidence, saying that he has problems with salaries, that he will dismiss 20 people in production, unless he gets a good deal soon. On the next day, you see that he filed an application in the procedure. What to do? Immediately inform the purchasing officer and your superior (and, depending on the case, also others involved in the procedure) that you are in a conflict of interest because of the personal acquaintance and that you are fully removing yourself from the procedure. To protect yourself, you must also refrain from any disclosure of business secrets or other influencing with the intention to help your friend get the deal.
BUSINESS ACTIVITIES AND FUNCTIONS	
In addition to being employed in NLB Banka sh.a. Prishtina I am also the president of a sports society, which needs sponsorship.	As an employee of NLB Banka sh.a. you have to avoid conflict of interest, therefore do not exert influence over the OU in charge of sponsorships and donations and remove yourself from the procedures whereby the sports society solicits sponsorship.
As an employee of NLB Banka sh.a. I am applying for a seat on the supervisory board of a company that is a client of Banka sh.a.	Candidacy is permitted if: you have obtained the Bank's approval to perform this function or activity, or no conflict of interest was identified that could not be managed with appropriate measures and it does not affect nor create an impression to affect the employee's business decisions and conduct.
As an employee of NLB Banka sh.a. I provide training and lecture at private schools and universities as an expert.	Even though NLB Banka sh.a. has its own Training Centre, the fact that an employee lectures or provides training outside NLB Banka sh.a. in his/her free time does not constitute a conflict of interest and is not prohibited. However, special rules on communication in training have been designed for this purpose – an employee may not disclose business secrets of NLB Banka sh.a. If the employee conducts business (paid or unpaid cooperation) with business partners or competitors of NLB Banka sh.a. and the NLB Group members, he/she would have had to obtain approval of superiors, provided this is in congruence with the business interests of the NLB Group and if it does not affect nor create an impression to affect the employee's business decisions and conduct.

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The wife is the director of a company that is a client and a party to a legal proceeding against NLB Banka sh.a. or its subsidiaries	The employees and executives shall in advance disclose such conflict of interest, because this situation, at the minimum, gives rise to an appearance of a conflict of interest, which could create an impression that your decision about cooperation of NLB Banka sh.a. with the client is not objective and independent of the fact that the client is suing the Bank. Depending on your position and decision-making powers, it would perhaps be necessary to adopt additional measures to manage conflicts of interest.
Political activities	<p>You or your close family member hold a position with a large political influence. A "large influence" is possible at every level: local politician (e.g. the mayor), regional or national politician (e.g. the government), public servant (e.g. state agency), representative of the state.</p> <p>The significance of a conflict of interest depends on whether the political position is associated with powers or obligations that might hinder you from acting in the interest of NLB Banka sh.a. or other NLB Group member.</p>
I am employed in NLB Banka sh.a. and I am also engaged in an ancillary business activity.	<p>The employee carries out work at the Bank based on an employment contract. In addition, the employee has registered part-time sole proprietorship, in the scope of which he carries out various profitable and non-profitable activities. One of these is marketing of pension and investment funds of another bank, which is operating also in the territory of Kosova.</p> <p>The performance of such activity (even if non-profitable) is or could be competitive to the activities carried out by the Bank. As a result, the employees are prohibited from performing such activities and the employee must stop them or immediately terminate employment relationship.</p>
My husband is a sales director of the Bank's supplier and a procurement procedure is in progress wherein I am a member of the supplier selection committee.	<p>A company wherein a spouse of an employee participating in the selection of the supplier holds an executive function or of which it is an owner applies to the Bank's invitation to submit bids for goods or services supply to the Bank.</p> <p>From the point of view of the said employee, such circumstances constitute a conflict of interest, which is why the employee must immediately remove themselves from the decision-making process and inform the line manager about the reasons therefore.</p>
Private business activities, economic, ownership or managerial connections	<p>Employees and executives shall not engage in business cooperation (paid or unpaid business cooperation) with:</p> <ul style="list-style-type: none"> - business partners or competitors of NLB Banka sh.a. and the NLB Group members, unless this is in congruence with the business interests of the NLB Group and it does not affect nor create an impression to affect the employee's business decisions and conduct; - state authorities with regulatory or supervisory authorisations over NLB Banka sh.a. or the NLB Group members. <p>Employees and executives shall disclose in advance:</p> <ul style="list-style-type: none"> - their equity stake or voting rights or some other interest in governance of a company that constitutes competition or does business (supplier, outsourced contractor) with NLB Banka sh.a. or the NLB Group members.
Your partner with whom you have only been together for a few months asks you to make a personal transaction for his account.	Conducting transaction for own account and in one's own name is not permitted according to internal rules. The same applies to transactions conducted for the account of close family members (which is also the case in this example).

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Attachment 2 – Practical examples in the area of corruption and bribery and conflict of interest prevention

EXAMPLES IN THE AREA OF CORRUPTION AND BRIBERY PREVENTION	
GIFTS	
Free conference	<p>The Bank's employees directly or indirectly, in the scope of their tasks, participate in the process of approving a loan to a certain Bank client. While the crediting terms are being negotiated, the client or an intermediary offers to pay the employee attendance fee and travel expenses for training abroad.</p> <p>Accepting such gift is prohibited, primarily because it was offered during negotiations and acceptance could influence the judgement or decision-making by the employee.</p>
Business dinner	<p>An existing partner of the Bank (legal or natural person) invites a Bank employee to a business lunch or dinner. In the end, the lunch/dinner exceeds EUR 70 per person.</p> <p>Even though the gift exceeds the value of EUR 60, it is difficult or impossible to reject because of the circumstances and it is a part of a business relationship between the Bank and the client that is not prohibited as such. If the acceptance of such gift has no impact on any future business decision of the Bank employee who accepted it, such gift is not prohibited. Since the gift exceeds EUR 60, the employee has to inform the Compliance and Integrity about it.</p>
Impact of gift already given	<p>A Bank's client (legal or natural person) or business partner paid the employee's or a group of employees' costs of a social meeting in the past. A few months later the said client submits a bid to the Bank's request for bids to supply certain goods or services. The employees who accepted the gift are directly or indirectly participating in the selection procedure.</p> <p>Although it was not prohibited to accept the gift, employees must remove themselves from the process of deciding and inform their direct superior of the reasons for removal; the purpose of this is to prevent undue influences (possibly by third persons) in the sense of corrupt conduct and the impression of a conflict of interest (different treatment of a business partner).</p>
Gifts, hospitality	<p>The employees and executives:</p> <ul style="list-style-type: none"> • may not, for themselves or for close family members or related persons, receive or give, directly or indirectly, cash or cash-like benefits (e.g. shares, certificates of deposit, gift certificates, discount vouchers, etc.) at any time, including during negotiations with a (potential) client or when an important business decision has to be taken at the Bank regarding a specific client. • may not, for themselves or for close family members or related persons, ask for or demand, directly or indirectly, a gift or hospitality of any form, regardless the value.
(RETURN) FAVOURS	
Fees, services, other (return) favours.	<p>The employees and the executives may not, directly or indirectly, ask for or demand or accept a reward, a gift, other benefit or (return) favour from any client, business partner, company or third person, either for themselves or for their close family members or related persons.</p> <p>Major risks primarily appear in:</p> <ul style="list-style-type: none"> • conclusion of transactions (banking, financial services) • selection of suppliers/outsourced providers

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	<ul style="list-style-type: none"> • purchasing of goods/services • offering of sponsorships/donations • outsourcing
More favourable treatment	<p>An employee is, directly through a client or indirectly through another person on behalf of the client, given or promised a gift (cash, various benefits, etc.) in exchange for concluding a deal under conditions that are more favourable for the client.</p> <p>The employee may not accept such gift under any circumstances nor may the promise of gift impact his/her business decision. The employee shall immediately inform the line manager and the Compliance and Integrity about the received gift or promise of gift.</p>
Offered cash	<p>After successfully concluded deal, the Bank's client brings the employee a small amount of cash as a reward.</p> <p>Employees are absolutely prohibited from accepting cash, regardless of the amount, so the employee rejects it. Gift certificates or vouchers are also considered cash.</p>
REAL ESTATE	
Facilitation payments	<p>An employee or Bank's representative makes a payment to a representative of a public institution so as to alleviate and accelerate the routine procedure of obtaining a building permit.</p> <p>Such practice is prohibited.</p>
Purchasing – selection of suppliers or subcontractors	<p>It is prohibited to influence the selection of a supplier with which you are closely connected when you purchase goods or services for a NLB Group member, and it is prohibited to expect or request or accept any financial or other award or favour from the supplier in exchange for your order placed with them or influence on the selection procedure.</p>

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Attachment 3 – Templates for disclosing interests and defining measures for conflict of interest management⁷

Defining conflicts of interest and measures for conflict of interest management

To be completed by the employee:

Place and date of disclosing the conflict of interest:

Name and surname:

Superior/person in charge:

Definition of the conflict of interest (please describe):

- Personal acquaintances and family connections:
- Participation in procedures related to concluding contracts, performing transactions and concluding other agreements:
- Performance of functions within the NLB Group:
- Performance of functions outside the NLB Group:
- Economic, ownership and managerial connections:

Content of interest disclosure:

--

To be completed by the OU in charge of compliance:

Date of issue and content of the opinion issued by the OU in charge of compliance:

--

To be completed by the superior:

Approval of performance of function outside the NLB Group is given: YES / NO / NOT RELEVANT

Measures adopted to prevent and/or manage conflicts of interest (please state):

- Disclosure of conflicts of interest
- Additional control over an employee
- Removal from the proposal drafting, receiving of materials and decision-making processes
- Assigning of co-signatory or assigning of a case to other employee
- Reassignment of employee to other position or changed authorisations
- Protection of business secrets, protection of personal data and prohibition to use or disclose information or exploit an opportunity for private interests or interests of third persons
- Restrictions concerning accepting or giving gifts and other types of hospitality
- Restrictions on or termination of performance of functions outside the NLB Group
- Termination of or restrictions on performance of a profitable activity for private purposes
- Measures aimed at managing conflicts of interest due to economic, ownership or managerial connections
- Other measures (please define)

Place, date

Employee's signature:

Signature of the superior/person in charge:

⁷ All templates having the relevant content may be used in electronic format.

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Attachment 4 - Templates for disclosure of gifts or hospitality

In accordance with the Policy on Corruption and Bribery Prevention and Conflict of Interest Management, staff members shall accept gifts and other benefits only in accordance with the Policy, taking into account the principle of zero tolerance with regard to all forms of corruption and bribery. Acceptance of gifts and hospitality is permitted provided that they meet the conditions set out in section 7 of the Policy.

If you have for example received a gift or an invitation to an event, please complete the following questionnaire and forward it to the OU in charge of compliance. If the gift is worth less than EUR 60, it will be entered in the record of gifts, and if its worth is equal to or greater than EUR 60, the OU responsible for compliance will give an opinion.

Complete the form below:

1) Employee's name and surname: _____ Name of the third person/partner/donor involved: _____
2) Type of benefit: <input type="checkbox"/> Gift received <input type="checkbox"/> Invitation to an event of a predominantly entertainment nature <input type="checkbox"/> Invitation to an event (e.g. conferences, seminars, training) of a predominantly business nature <input type="checkbox"/> Invitation to a conference, seminar, training as a speaker <input type="checkbox"/> Other: _____
3) Estimated gross value: <input type="checkbox"/> Less than EUR 60.00 <input type="checkbox"/> Equal to or more than EUR 60.00
4) Description/additional information in relation to the received gift/invitation to an event (agenda, location, etc.): <div style="border: 1px solid black; height: 80px; width: 100%;"></div>
Signature: _____ Date: _____

In the event of a greater value gift - equal to or more than EUR 60, the form is completed by the OU in charge of compliance

Opinion of the OU in charge of compliance:

Approved

Rejected

Date: _____

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Attachment 5 – Text for publication on the approach of the NLB Group to fight against corruption and bribery



NLB Anticorruption
policy EN.docx

For internal use only**Appendix : Deviation Form****Deviations form- CL Compliance and Integrity**

This template reflects the information needed to notify deviation of NLB Group member from the Standards Compliance and Integrity or any other acts that NLB Group member is required to implement. Deviation should be priorilly aligned with CL Compliance and Integrity.

CL reference in record of deviations <i>(Will be given by CL upon receipt)</i>		
CL alignment	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> CONDITIONAL: <input type="checkbox"/> NO:

Notifying NLB Group member	
NLB Group member ⁱ	NLB Banka j.s.c. Prishtina
Reference of the notification from NLB Group member ⁱⁱ	01
Contact Details of NLB Group member ⁱⁱⁱ	Name: Visar Maloku Email/Phone: visar.maloku@nlb-kos.com , +383/49-930-109
Date of the notification ^{iv}	28.06.2023
Deviation	
Title ^v	<ul style="list-style-type: none"> • Within article 2 (Key Concepts) a paragraph about 'Related Individuals' is added, since it is broader (stricter) defined in our local Law on Banks (article 3) then the one 'close family member' defined in our NLB Group Policy. • In item 4.2.5., the text is extended with two last paragraphs, as requirements of local Law on Banks (article 33, par.8) and Regulation on Directors and Senior Managers of Banks (article 5). • Article 8.3. is added as requirement of CBK Regulation on Corporate Governance of Banks (article 11).
Compliance risk area ^{vi}	<ul style="list-style-type: none"> • prevention of corruption and bribery (ABC), and management of conflicts of interest;
Duration ^{vii}	Valid (Law on Banks) from * 2012.05.11 to *... Valid (Regulation on Directors and Senior Managers of Banks) from * July 2019 Valid (Regulation on Corporate Governance of Banks) from * August 2019
Deviated standards/ requirements ^{viii}	Article 2. Key Concepts Paragraph about 'Related Individuals' is added, since it is broader (stricter) defined in our local Law on Banks then the one 'close family member' defined in

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	<p>our NLB Group Policy. This definition is added as it is defined on our local Law on banks, article 3 – definitions.</p> <p>Article 4.2.5. Economic, ownership and managerial connections As requirements of local Law on Banks (article 33, par.8) and Regulation on Directors and Senior Managers of Banks (article 5), the text is extended with two last paragraphs. The first one describes the conditions when MNG Board or BoD members may enter in contractual relationships on behalf of the bank with a related individuals. The 2nd paragraph defines the limitation of owning shares in the bank by BoD members (independent directors).</p> <p>8. Compliance with the Policy rules Within this article, item 8.3 (Obligation of reporting to CBK) is added as request of Regulation on corporate governance, article 11 (conflict of interest), item 2.</p>
<p>Summary/Reasons for deviation ^{ix}</p>	<p><input checked="" type="checkbox"/> Local legislation </p> <p><input type="checkbox"/> Unforeseeable circumstances, urgent operational needs etc. </p>
<p>Summary of mitigating measures, if any ^x</p>	<p><input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES: </p>
<p>Attached documentation ^{xi}</p>	<p>Law No.04/L-093 on Banks, Microfinance institutions and Non-Bank Financial Institutions, Article 3 – Definitions, Article 33 – Conflict of Interest Link: https://www.bqk-kos.org/repository/docs/2012/Law%20on%20Banks%20MFI.pdf</p> <p>Regulation on Directors and Senior Managers of Banks of CBK, July 2019 Article 5 – Shareholding Limit Link: ENG - 31.7.2019.Rregullore për drejtoret dhe menaxheret e larte te bankave.pdf (bqk-kos.org)</p> <p>Regulation on Corporate Governance of Banks, Article 11, August 2019 Article 11 – Conflict of Interest Link: ENG Rregullore për Qeverisje Korporative të Bankave2019.pdf (bqk-kos.org)</p>

For instructions, please see details next page.

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Instructions for the deviation form

- i Name of NLB Group member where the notification of deviation comes from.
- ii Identification code given by the NLB Group member (number of the letter etc).
- iii Provide contact details (e-mail and phone) of the NLB Group member official in charge of this deviation in the case where additional information would be required by the CL.
- iv Date of submission of deviation's notification to CL.
- v Briefly describe the issue the deviation addresses (1 sentence).
- vi Compliance risk areas:
 - information protection (CISO);
 - personal data protection (DPO);
 - general professional ethics;
 - prevention and investigation of frauds, abuses and other types of misconduct (FRAUD);
 - prevention of money laundering and terrorist financing (MLTFP), and restrictive measures;
 - prevention of abuse on the financial instruments market;
 - prevention of corruption and bribery (ABC), and management of conflicts of interest;
 - assessment of the suitability of key function holders;
 - management of regulatory changes; regulatory and other legal changes affecting the Bank's operations;
 - efficient, consistent and proportional actions in the event of identified deviations from compliance and integrity.
- vii Please encode dates with the format YYYY-MM-DD
- viii Refer to the Standards Compliance and Integrity or other acts, specifying the point, paragraph, alinea, etc.
- ix Please describe the reasons that lead to the deviation.
- x Please indicate the mitigation measures taken, if any.
- xi Please list all attached documents, e.g.:
 - local legislation, other relevant documents.

Date: 31.08.2023

Gem Maloku
Member of Management Board

