

APPROVED

by decision of

the IBEC Management Board

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Minutes No 37

Declaration of Principles on the Compliance Model

International Bank for Economic Co-operation

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1. General Provisions

1.1. The Declaration of Principles on the Compliance Model of the International Bank for Economic Co-operation (the "Principles") defines the main principles of the compliance model, the areas of compliance control and the role of the compliance function at the International Bank for Economic Cooperation ("IBEC", the "Bank").

1.2. The principles were developed in accordance with the Agreement on the Establishment and Activities of the International Bank for Economic Co-operation (the "Agreement") and the IBEC Statutes (the "Statutes"), registered with the United Nations Secretariat on August 20, 1964 No. 7388, other statutory documents and regulations, and on the basis of the existing banking practice and applicable laws of the IBEC's country of residence, the Risk Management Policy of the International Bank for Economic Co-operation approved by the Resolution of the 116th meeting of the IBEC Council dated 24 November 2010, and the recommendations of the Basel Committee on Banking Supervision "Compliance and the compliance function in banks" (April 2005; November 2007).

1.3. When carrying out its activities and given its special status, IBEC complies with legal requirements of its member countries, as well as the obligations assumed by the Bank under international agreements, rules, standards or codes of conduct.

1.4. In managing specific compliance risks, IBEC abides by its statutory documents and/or regulations specified in clauses 2.14–2.17 of these Principles.

2. Terms and Definitions

2.1. **Compliance** is the compliance of IBEC's activities and employees with its statutory documents and regulations, applicable laws of the Bank member countries, obligations assumed by the Bank under international agreements, rules, standards or codes of conduct.

2.2. **Compliance risk** is the risk that IBEC will fall under legal sanctions or incur a significant financial loss or loss of reputation as a result of non-compliance with applicable laws of the Bank member countries, obligations assumed by the Bank under international agreements, standards or codes of conduct.

2.3. **Compliance Function** is a function that ensures compliance risk management and is performed by employees of the Bank's divisions and the Compliance Controller within the scope of their duties, in accordance with IBEC's statutory documents and regulations. The Head of Compliance or Compliance Controller coordinates the work and generally manages IBEC's compliance function.

2.4. **Compliance system** is a set of elements of corporate culture and corporate values aimed at averting illegal practices, which includes the organizational structure, rules and procedures governed by IBEC's statutory documents and regulations, which ensure that all Bank employees, regardless of their positions, abide by Compliance principles. The compliance system is a part of IBEC's internal control framework.

2.5. **Compliance control** is a set of measures that includes identification of events, impacting the level of compliance risk, and management of identified compliance risks in order to mitigate them, a system for approving new banking products and business procedures, as

well as conducting checks of the compliance system and keeping the IBEC Management Board informed about compliance risk management.

2.6. **Corporate values** are the rules and principles adopted by IBEC and binding on all its employees, reflected in its Corporate Code of Conduct, which define employee relationships, both internal and external (with customers, counterparties, business partners, media and public authorities).

2.7. **Corruption, corrupt practices** are the abuse of office (giving or accepting a bribe), authority (commercial bribery) or other illegal use by a person of his or her official position contrary to the legitimate interests of the Bank in order to obtain benefits in the form of money, valuables, other property or property-related services, other property rights for oneself or for third parties, or illegal provision of such benefits to the specified person by third parties.

2.8. **Conflict of interests** is a situation where an employee's personal interests impact or may impact the objective and impartial performance of his or her duties, and where a contradiction arises or may arise between such an employee's personal interests and the Bank's interests, which may have adverse consequences for the Bank or its customers.

2.9. **Compliance Controller** is a Bank employee responsible for coordination and general management of the compliance function at IBEC. The function of Compliance Controller is assigned to the Director of the Compliance Control Division.

2.10. **Customer Due Diligence** are procedures involving collection and analysis of a wide range of information about customers, customers' counterparties, terms and conditions of the operation (transaction) offered/requested by the customer, etc.

2.11. **Foreign Account Tax Compliance Act (FATCA)** is an internal control programme implemented to comply with the requirements of the US Foreign Account Tax Compliance Act.

2.12. **Common Reporting Standard and Due diligence for Financial Account Information (CRS)** is a programme for compliance with the requirements of the international automatic exchange of financial information.

2.13. **Whistleblowing policy** is the duty of employees to report suspected misconduct or wrongdoing that are ongoing or in preparation.

2.14. **The Internal Control Rules of the International Bank for Economic Co-operation in order to combat legalization (laundering) of money and financing of terrorism** (the "AML/CFT Rules") were developed to maintain the Bank's business reputation and stability and to prevent the Bank from receiving proceeds of crime and/or money used for the financing of terrorism.

2.15. **The Code against Illegal Practices of the International Bank for Economic Co-operation** is a regulation that defines the main goals, objectives and principles of the system for countering illegal practices at IBEC.

2.16. **The Corporate Code of Conduct of the International Bank for Economic Co-operation** is a regulation that defines key principles and rules of professional conduct for employees.

2.17. **The Insider Information and Insiders Policy of the International Bank for Economic Co-operation** is a set of procedures aimed at preventing, identifying and curtailing abuses associated with the misuse of insider information and market manipulation.

3. Compliance Principles

3.1. Unconditional compliance

Observance of the compliance principles and adherence to IBEC's corporate values is the responsibility of each employee of the Bank, regardless of their positions, and is considered as an integral part of banking activities.

3.2. Zero tolerance for corruption

The Bank believes that any manifestations of corruption in the course of its activities are unacceptable.

Zero tolerance for corruption means a strict prohibition for any persons acting on behalf of IBEC or in its interests, directly or indirectly, personally or through any intermediary, to participate in corrupt activities, regardless of usual business practices in the respective country.

3.3. Adequacy of resources

IBEC allocates a sufficient amount of resources required to develop, implement, apply, monitor and continuously improve its compliance system, and to have necessary organizational and technical means.

3.4. Independence of the compliance function

IBEC's Compliance Controller is independent in his or her activities from the Bank's other divisions; the Compliance Controller's work is managed directly by the Chairman of the IBEC Management Board. In accordance with IBEC's statutory documents and regulations, in order to carry out its functional duties, the Compliance Controller has the right to request and receive any information and documents, gain access to electronic media, ask the Bank employees for assistance, and also conduct inspections to identify possible violations of IBEC's statutory documents and regulations in the field of compliance.

3.5. Timely elimination of violations

IBEC employees, regardless of their positions, must take all possible measures to identify, assess and eliminate violations of the compliance system in a timely manner.

4. Organizational Structure of Compliance

4.1. Elements of the organizational structure of IBEC's compliance system are as follows:

The IBEC Council is the supreme governing body of the Bank, which generally manages the Bank's activities. As part of the current procedures, the IBEC Council reviews reports of the Management Board on the Bank's activities, including information on compliance control measures, and assesses the effectiveness of compliance risk management at the Bank.

The IBEC Audit Committee appointed by the IBEC Council audits the Bank's activities in accordance with the Regulations on the IBEC Audit Committee.

The IBEC Management Board is the Bank's executive body, which directly manages the Bank's operations.

The IBEC Compliance Controller is responsible for managing Bank compliance risks and implements the following compliance control measures:

- identifies, assesses, documents and analyzes compliance risks associated with the IBEC’s activities, including new products and business processes, proposals for new types of economic and customer relationships or major changes in the nature of these relationships;
- controls compliance with the IBEC’s statutory documents and regulations, contracts and/or agreements, applicable laws of the Bank’s country of residence and international law, as well as generally accepted rules, standards or a code of conduct that are within the competence of the Compliance Controller;
- develops IBEC’s statutory documents and regulations on compliance risk management, including those which establish conduct rules and standards of corporate values, gives compliance risk management instructions in accordance with the the Bank’s current statutory documents and regulations;
- coordinates the identification and management of compliance risks at the Bank, and controls the work of compliance officers;
- reports to the IBEC Management Board on compliance risk management issues on a regular basis;
- advises the Bank’s divisions on compliance risk management and organizes appropriate employee training;
- coordinates the work aimed at identifying IBEC customers, customer representatives, beneficial owners, and at establishing and identifying beneficiaries;
- organizes the implementation of the AML/CFT Rules as well as AML/CFT programmes and other initiatives;
- conducts other activities in accordance with the Declaration on Compliance Controller of the International Bank for Economic Co-operation.

IBEC’s divisions identify sources of compliance risks and send information to the Compliance Controller in accordance with the Bank’s statutory documents and regulations. The distribution of powers and the responsibilities of divisions in the field of compliance risk analysis and assessment, and their interaction with the Compliance Function is formalized in the Bank’s divisional regulations, job descriptions and other documents.

5. Key Areas of Compliance Control

5.1. Countering money laundering and financing of terrorism

In order to counteract the legalization (laundering) of proceeds from crime and financing of terrorism (“AML/CFT”), IBEC has developed and applied the AML/CFT Rules establishing the following programmes:

- organization of the Bank’s AML/CFT system¹,

¹ IBEC organizes an internal control framework for AML/CFT purposes in accordance with recommendations of the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, the Eurasian Financial Action Task Force, the Wolfsberg Group, international agreements adopted by the Bank, applicable laws of the IBEC member countries and other countries where the Bank carries out banking operations, and also continuously improves its AML/CFT internal control procedures.

- identification of customers, customer representatives, beneficial owners, establishment and identification of beneficiaries (Know your customer, Customer Due Diligence);
- management of risks related to potential legalization (laundering) of proceeds from crime and financing of terrorism;
- identification of customer transactions that are subject to mandatory control and potentially related to legalization (laundering) of proceeds from crime or financing of terrorism;
- documentation and storage of information and documents; coordination of work to refuse to fulfil the customer's instruction, terminate the bank account (deposit) agreement, refuse to enter into a bank account (deposit) agreement;
- suspension of transactions with funds or other assets;
- AML/CFT training and education of Bank employees.

5.2. Internal control over taxation of foreign accounts

The compliance function is responsible for appropriate internal control procedures in accordance with the obligations assumed by the Bank, including development and updating of the Bank's statutory documents and regulations, development of foreign account criteria and methods of obtaining the necessary information from customers, and other internal control management tasks based on the specific tax law as defined by the AML/CFT Rules that prescribed for the Bank's compliance with the requirements of FATCA and CRS.

5.3. Compliance with the sanctions regime

IBEC takes all necessary measures to establish an effective system of procedures and control in accordance with international law governing the sanctions regime. For these purposes, the Bank has implemented and is constantly improving procedures for verifying information about customers, counterparties, business partners and their operations.

5.4. Gift policy

Procedures for accepting and giving gifts are regulated by the Corporate Code of Conduct. IBEC employees are obliged to strictly follow the principles and restrictions adopted by the Bank when accepting and giving gifts in order to minimize IBEC's compliance risks. Cases of the gift policy are reviewed by the IBEC's Compliance Controller.

5.5. Reports on violations of the IBEC Corporate Code of Conduct

The Bank re-affirms its commitment to high conduct standards and the principles of fair and transparent activities, as well as its commitment to best practices in ensuring compliance with the norms and rules of business and professional conduct.

IBEC employees and other persons have the right to confidentially or anonymously report potential violations of corporate conduct and compliance to the Compliance Controller using the hotline.

5.6. Conflicts of interest

In the event of a conflict of interest, Bank employees must promptly report it to their immediate supervisor and the Compliance Controller.

5.7. Countering corruption

Given that corrupt practices have a major negative impact on any institution, the Bank develops, monitors and regularly evaluates measures aimed at preventing corruption

(delineation of powers, approval and decision-making procedures), identifying and investigating of possible corrupt practices of IBEC employees.

5.8. Protection against retaliation

As part of the whistleblowing policy, Bank employees must report to the Compliance Control Division (in writing, or by e-mail) about situations they know of, where their own actions or actions of other employees have violated (or may violate) corporate conduct, about any cases of prohibited transactions related to the Bank's current, past or future activities, its employees/counterparties, or about cases related to violations of the Code against Illegal Practices or the Bank's other statutory documents and regulations.

The Bank guarantees that the whistleblower will be treated with confidentiality and protected from any negative developments and actions against him or her by other Bank employees. In order to prevent corruption, IBEC employees and other persons must confidentially and anonymously report such facts using the hotline.

5.9. Protection against misuse of insider information and market manipulation

The Bank has its Insider Information Policy in place, which defines restrictions on the use of insider information and establishes insider control procedures.

5.10. Confidential information

In accordance with the IBEC's statutory documents and regulations, applicable law of the Bank's country of residence, Bank employees must not disclose or use in their personal interests or the interests of third parties any information about the Bank's activities, customers, counterparties and their transactions, employees of the Bank's divisions, which was not intended for public distribution and which they received during the performance of their duties at the Bank.