

“Bank Respublika” OJSC
Approved at the meeting of the Supervisory Board
No. 29, dated March 29, 2024
Summary of the “**Compliance Policy**”

1. General Provisions

Bank Respublika implements a strong compliance management system based on compliance, transparency, and ethical governance in its operations. This system enables the Bank to carry out its activities in accordance with national legislation, the "**Corporate Governance Standards Rules for Banks**" of the Central Bank of the Republic of Azerbaijan, the regulatory requirements of the Financial Monitoring Service, international compliance principles, and internal bank documents.

This Policy applies to all structural units and employees of the Bank and establishes the main framework that must guide their daily decisions and activities.

2. Key Concepts

Compliance – The area of activity that ensures the Bank's adherence to legislation, regulatory and financial monitoring requirements, international standards, and internal rules. This activity serves both legal and ethical conformity.

Compliance Risk – The probability that failure to comply with legislation and regulatory requirements may expose the Bank to legal sanctions, financial losses, and reputational damage. Preventing these risks is vital for the Bank's sustainability and public trust.

Compliance Function – An independent structure and management mechanism that ensures adherence to regulations across all areas of the Bank's operations, identifies, assesses, monitors, and reports compliance risks.

Compliance Culture – A system of behavior and values reflecting commitment to legal and ethical requirements at all organizational levels. This culture combines the Bank's leadership and employees' sense of responsibility for compliance, ethical conduct, and transparent decision-making. Compliance culture ensures that adherence is not merely rule-following, but a fundamental corporate value.

3. Purpose of the Policy

The main purpose of the Compliance Policy is to establish a unified and effective management framework to **ensure legal and ethical compliance** within Bank Respublika. This framework aims to ensure adherence to the Bank's internal procedures, legislation, and regulatory requirements, while also identifying and managing potential risks in a timely manner.

The Policy not only prevents **reputational risks, financial losses, and legal liabilities** but also strengthens corporate governance based on transparency, accountability, and ethical conduct. For this purpose, the Bank has developed a **compliance management system** that meets both local and international standards.

Another key objective of the Policy is to promote and develop a culture of compliance within the Bank. This culture encourages employees not only to follow procedures but also to view compliance as a value and behavioral standard. Compliance culture reinforces decision-making processes based on law and ethics, and safeguards the Bank's reliable reputation before customers, regulators, and international partners.

The Policy also provides for regular awareness-raising and enhancement of employees' professional knowledge in the field of compliance. This approach is of strategic importance for reducing compliance risks and ensuring the Bank's sustainability.

4. Principles of the Policy

Bank Respublika carries out its compliance activities based on the following key principles:

- **Principle of Legal Compliance** – The Bank conducts its operations in accordance with the legislation of the Republic of Azerbaijan, the requirements of supervisory authorities, and international standards. Adherence to applicable regulations is a fundamental condition for preventing legal risks and ensuring sustainable governance.
- **Principle of Integrity and Ethical Conduct** – All Bank employees must demonstrate integrity in professional relationships, uphold ethical values, and remain committed to transparency and responsibility in their business activities. This approach creates a fair and trustworthy environment both in customer relations and internal governance.
- **Principle of Responsibility and Accountability** – Every employee, including management, is accountable for their actions. Responsibility for compliance and accountability within established procedures ensure internal discipline and effective control within the Bank.
- **Principle of Transparency and Cooperation** – Open and mutual exchange of information within the Bank's structural units, as well as with supervisory authorities, correspondent banks, and other partners, contributes to the effective functioning of the compliance system. Such cooperation ensures fulfillment of legal obligations and coordinated risk management.

- **Principle of Independence and Impartiality** – The compliance function operates independently from other Bank structures and has the authority to make objective decisions. Unbiased assessment of violations and impartial decision-making guarantee transparent and sustainable compliance management.

These principles form the foundation of the Bank’s compliance culture and support its operation as a stable and reliable financial institution.

5. Scope of the Policy

This Policy applies to all structural units, employees of the Bank, and partner companies (suppliers, vendors) cooperating with the Bank.

The Compliance Policy covers the following areas of activity:

- AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism);
- Anti-Bribery and Anti-Corruption;
- Fraud and Forgery Prevention;
- Compliance with Corporate Governance Standards;
- Conflict of Interest;
- Code of Ethical Conduct;
- International Sanctions Compliance Program;

6. Functions of the Bank’s Management

The Bank’s management adopts a **“zero tolerance” principle** towards compliance violations and supports the effective functioning of the compliance management system.

The **Supervisory Board and the Management Board** are responsible for approving the Policy, overseeing its implementation, and ensuring the allocation of sufficient resources to the compliance structure.

The Supervisory Board approves the Bank’s compliance policy and internal regulations, oversees the establishment of an independent compliance structure, and appoints the member of the Management Board responsible for supervising its activities. The Board also places special emphasis on promoting **compliance culture, transparency, and ethical standards of conduct** within the Bank.

The Management Board ensures that the compliance department is provided with the necessary resources for proper execution of its functions and creates the conditions for

its independent operations. The Board regularly receives reports, evaluates risks, and supports compliance-related activities.

Both the **Supervisory Board and the Management Board** promote the establishment and dissemination of a **compliance culture at all levels of the Bank**. To this end, compliance values are embedded into the organization's core behavioral model through awareness-raising, training, transparent reporting, and continuous monitoring.

7. Compliance Function

At Bank Respublika, the compliance function is carried out by the independent AML/CFT and Compliance Department. This function ensures that the Bank operates in accordance with its compliance and ethical obligations and plays a crucial role in fostering a culture of compliance across all employees.

The compliance function includes the management of compliance risks, monitoring of violations, oversight of legislative requirements, employee awareness-raising, and submission of relevant reports to senior management. The independence and effectiveness of this function are essential for maintaining the Bank's reputation and building proper relationships with regulatory authorities.

The Department reports to the **Chief Risk Officer, the Management Board, and the Supervisory Board**, and participates in strategic decision-making. The compliance structure also plays an active role during the introduction of new products, risk assessments, and implementation of legal changes.

By allocating adequate technical, human, and financial resources, the Bank's management ensures the effective operation of the compliance function.

8. Management of Compliance Risks

Bank Respublika manages compliance risks proactively. Compliance risks include **potential legal, regulatory, ethical, and reputational breaches** that may expose the Bank to damage. The management of such risks is essential to ensuring the Bank's sustainability and continuity of operations.

The compliance function employs internal methodologies to identify, assess, measure, monitor, and report these risks. The assessment process is carried out in alignment with local legislation, international best practices, and internal bank policies.

Compliance risks include regulatory violations, breaches of ethical conduct standards, reputational risks, and risks related to international sanctions. Once identified, appropriate control measures are planned and their implementation is monitored.

Assessment reports are submitted to the Management Board and the Supervisory Board, and where necessary, strategic decisions are made to mitigate these risks.

9. Conflict of Interest

Bank employees and management must strictly adhere to the principles of “Conflict of Interest” to prevent personal interests from intersecting with professional duties. In cases where conflicts may arise between different structural units or between an employee’s personal interests and those of the Bank, the matter must be managed transparently.

Employees must not grant advantages to third parties based on personal judgments or relationships and must make decisions solely in the interests of the Bank, its shareholders, and clients.

For this purpose, the Bank has internal policies and procedures in place. Employees are required to immediately report any potential or actual conflicts of interest to management or the compliance structure. Such information is treated with confidentiality.

Failure to identify and properly manage conflicts of interest may result in serious disciplinary measures and negatively affect the Bank’s reputation.

10. Code of Ethical Conduct

Ethical conduct is one of the core values of Bank Respublika. All employees are expected to demonstrate high professionalism, transparency, and integrity. Adherence to ethical standards in business relationships and decision-making serves to protect the Bank’s reputation.

The Bank's **Code of Ethical Conduct** establishes these principles and clearly defines behavior standards for employees. The Code provides a framework that guides employees in making responsible and appropriate decisions during their daily activities.

Violation of ethical principles may result not only in internal disciplinary action but also in legal and reputational risks. For this reason, the Bank thoroughly investigates every violation and applies disciplinary measures where necessary.

The Bank also ensures the continuous development of ethical culture through trainings and communication tools that promote ethical conduct.

11. Compliance Violations and Non-Adherence to Rules

Non-compliance with compliance rules creates serious legal, financial, and reputational risks for the Bank. Every employee is obliged to unconditionally adhere to legislation, regulatory acts, and internal rules, and must immediately report any violations to the compliance structure.

The Bank has established anonymous and secure reporting channels – including an internal whistleblowing platform – through which employees can comfortably report compliance breaches.

All incoming reports are reviewed by the compliance structure, and the results are submitted to the Chief Risk Officer or, where necessary, to the Disciplinary Committee. Appropriate disciplinary measures are applied to employees found in violation.

The purpose of this process is to safeguard legal and ethical stability within the Bank, eliminate risks in a timely manner, and strengthen the culture of compliance.

12. Training and Awareness

Bank Republika ensures continuous training and awareness of its employees in the field of compliance. This is one of the essential conditions for forming and maintaining a strong compliance culture.

The annual training program is developed by the compliance structure and tailored to the employee's position, risk exposure, and role, covering a wide range of topics. These topics include legislative changes, ethical behavior, conflict of interest, sanctions, and AML/CFT requirements.

At the same time, compliance staff themselves are also involved in professional development programs, which further strengthen the Bank's compliance capabilities.

The primary purpose of these trainings is to enable employees to recognize risks in a timely manner, make correct decisions, and demonstrate behavior that protects the Bank's reputation.

13. Internal Audit Assessment

The effectiveness of the compliance function at Bank Respublika is assessed annually by the Internal Audit Department. This assessment is aimed at evaluating the quality of compliance policy implementation and the efficiency of the internal control system.

During the audit, potential weaknesses, procedural gaps, and execution inconsistencies are identified. Based on the results, recommendations and proposals are submitted to management. This process enables the Bank to strengthen its compliance management in a more sustainable and adequate manner.

The assessment also carries strategic importance in terms of proactive compliance risk management, prevention of violations, and enhancement of adherence to legislation.

Necessary changes are implemented based on the recommendations of internal audit, and measures are taken to further strengthen the compliance function.

14. Data Retention and Protection

Bank Respublika considers information security and data confidentiality as a top priority. The secure retention of data collected during compliance and other internal activities is of vital importance for safeguarding the Bank's reputation and legal stability.

Employees must handle all confidential information — including customer data, transaction details, and internal reports — with care, and use it only within the framework permitted by legislation and internal rules.

Data must be securely stored for the period required by law (generally a minimum of 5 years). During this time, the data must remain accessible for audit, legal investigation, and cooperation with regulatory authorities.

The Bank applies technical and administrative measures through information technologies to protect this data from unauthorized access. Any case of unauthorized access is considered a serious violation and results in appropriate legal action.

15. Final Provisions

The Compliance Policy is approved by the Supervisory Board of the Bank and is mandatory for all employees.

Non-compliance with the Policy entails responsibility, and the document is subject to periodic review and updates.