

Approved by the Supervisory Board of the
“ABB” OJSC.
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Compliance Policy

Of the “ABB” OJSC

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1. General Provisions

- 1.1. This Policy is developed in accordance with the Civil Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan “On Banks”, normative acts of the Central Bank of the Republic of Azerbaijan, and the Financial Market Supervisory Authority of the Republic of Azerbaijan, the Charter of the International Bank of Azerbaijan OJSC (hereinafter - the Bank) and recommendations and principles of the Basel Committee and other best practices, and defines the main principles, objectives of the compliance system in the Bank, as well as the measures to take in this direction.
- 1.2. The requirements of this Policy must be taken into account during the preparation and approval of internal regulatory documents by the structural units of the Bank.

2. Basic Definitions

- 2.1. The definitions used in this Policy have the following meanings:
 - 2.1.1. **Compliance** - compliance with the legislation of the Republic of Azerbaijan, including legal acts of the financial market regulator, internal regulations of the bank, as well as other mandatory requirements for the Bank in the field of AML / CFT;
 - 2.1.2. **Compliance culture** - an integral part of compliance with the normative requirements of the legislation of the Republic of Azerbaijan, internal documents of the Bank, business practice and corporate ethics of banking activities;
 - 2.1.3. **Compliance system** - a system that ensures the implementation of the goals of the Bank`s management bodies, employees, and structural units established by the legislation of the Republic of Azerbaijan, as well as the Bank`s internal documents related to the compliance;
 - 2.1.4. **Compliance risk** - a legal risk arising from non-compliance with the legislation of the Republic of Azerbaijan, including the legal acts of the financial market regulator, internal regulations of the Bank, as well as other requirements mandatory for the Bank in the field of AML / CFT;
 - 2.1.5. **Management of the Bank** - the Supervisory Board, Audit Committee and the members of Management Board of the Bank;
 - 2.1.6. **Bank employee** – an individual who works for a fee at the relevant place of work, concluding an individual written employment contract with the Bank and a natural person performing certain work for the Bank under civil law contracts;
 - 2.1.7. **Responsible structural unit for Compliance** - structural unit of the Bank carrying out activities in the field of compliance, including AML / CFT within its authority;

- 2.1.8. **AML/CFT** (anti-money laundering and countering the financing of terrorism) - combating the legalization of criminally obtained money or other property and terrorist financing;
 - 2.1.9. **FATCA** (“Foreign Account Tax Compliance Act”) – US Foreign Account Tax Compliance Act;
 - 2.1.10. **CRS** (“Common Reporting Standard”) - Standard for the automatic exchange of information on financial accounts for tax purposes, developed by the Organization for Economic Cooperation and Development (OECD) and its Interpretations.
- 2.2. The definitions outlined in this article are used solely for this Policy.
- 2.3. Other definitions used in this Policy have the meanings defined by the existing legislative acts of the Republic of Azerbaijan.

3. The purpose of the Policy

- 3.1. This Policy has the following (but not limited to) objectives:
- 3.1.1. Taking measures to identify, analyze on a consolidated basis, and minimize compliance risks;
 - 3.1.2. Developing and optimizing an independent compliance system;
 - 3.1.3. Implementation of the Bank's transparent activities to protect the interests of the Bank`s shareholders;
 - 3.1.4. Promoting honesty and ethical behaviour in the Bank and compliance with normative legal acts, professional standards, and internal rules regulating ethical behaviour by the Bank employees;
 - 3.1.5. Supporting the Bank`s Management Board in the effective management of compliance risks;
 - 3.1.6. Prevention of involvement of Bank employees in corruption, conflict of interest, as well as the other illegal actions;
 - 3.1.7. Protection of the Bank`s business reputation, strengthening correspondent relations and customer-Bank relations.

4. Principles of the compliance system

- 4.1. The main principles that ensure the effective operation of the compliance system in the Bank are as follows:
- 4.1.1. Responsibility - For general control, the Bank's Supervisory Board implements active control measures to manage compliance risks, for effective management, the Bank`s Management Board ensures the establishment of a permanent and effective compliance

function within the implementation of the compliance policy, bringing the compliance policy to the attention of the Bank employees and ensuring its compliance and reports to the Supervisory Board on compliance risk management in the Bank.

4.1.2. Independence - The Bank has a responsible structural unit that regulates and coordinates compliance risk management.

4.1.3. Adequacy of resources - The compliance system is provided with sufficient resources for effective operation.

5. Types of compliance risks

5.1. The bank faces the following types of risks as a result of non-compliance with compliance requirements during its activities:

5.1.1. Legal risk - risk arising from the violation of legal acts, including legal acts of financial market supervision and tax authorities, their incomplete, untimely, or incorrect application, non-acceptance of internal rules of the Bank, as well as contradictions and gaps in internal rules of the Bank;

5.1.2. Risk of violation of the rules of ethical conduct - non-compliance with internal rules governing the ethical conduct of Bank employees;

5.1.3. Sanctions risk - sanctions those arise as a result of non-compliance with legal acts or the terms of the contract;

5.1.4. Reputation risk - this risk arises due to the decrease in confidence in the Bank and negative public opinion.

5.2. The Bank may also face other types of operational risks arising from or resulting from any of the above risks.

6. Prevention of conflict of interest

6.1. Bank employees must not allow any conflict of interest in the process of performing their duties and must follow the internal rules of the Bank on combatting conflicts of interest.

6.2. When the Bank employees participate in the Bank's decision-making process related to their business activities, they should not give any preference to third parties based on personal judgments and must act only in a way that meets the interests of the Bank and its shareholders.

7. Organization of the compliance system

7.1. The Bank's management expresses its commitment to the principles of this Policy, sets the highest priority of compliance, and is responsible for monitoring the following

- 7.1.1. Efficiency and sustainability of the compliance system in the Bank;
- 7.1.2. Compliance of the Bank`s employees with the requirements set by the Bank`s internal documents on compliance issues;
- 7.1.3. In case of violations (inconsistencies), taking appropriate measures within its authority.
- 7.2. The functions of the structural unit responsible for compliance are as follows:
 - 7.2.1. To carry out monitoring, assessment, and management of the Bank's compliance risks (if necessary, together with the relevant structural units of the Bank);
 - 7.2.2. To contribute to the effective regulation and establishment of a risk management system based on the legislation of the Republic of Azerbaijan, the Bank`s internal documents, and the requirements and standards of international organizations.
- 7.3. The Bank provides (not limited to) the following for effective management of compliance risks:
 - 7.3.1. To analyze new and modified Bank products (services) and business processes in terms of compliance, identify risks on them, as well as evaluate the Bank`s internal documents;
 - 7.3.2. To provide information, training to Bank employees and, if necessary, recommendations to the Bank`s structural unit managers and the Management Board on compliance risk management;
 - 7.3.3. To control the observance of the requirements of the legislation of the Republic of Azerbaijan and internal documents of the Bank by the employees and management of the Bank;
 - 7.3.4. To investigate violations (or attempt to do so) of existing compliance requirements in the Bank and to involve other structural units of the Bank, as well as external experts with the permission of the Bank`s management to such investigation;
 - 7.3.5. To identify compliance risks and keep a record of events related to compliance risk, determine the likelihood of their occurrence, and evaluate the possible consequences.
 - 7.3.6. To prepare Bank`s internal documents aimed at managing compliance risk, identifying and minimizing conflicts of interest among the Bank's employees or management;
 - 7.3.7. To analyze the dynamics of appeals on structural units or individual employees of the Bank to monitor the protection of consumer rights;
 - 7.3.8. To analyze legal entities and individuals who are parties to the agreements concluded by the Bank in terms of compliance risks to provide services or perform relevant work to ensure banking operations
 - 7.3.9. To control the observance of anti-corruption requirements in the Bank;

- 7.3.10. To establish a hotline system for actual or potential violations and abuses by Bank employees related to the requirements of internal regulations;
- 7.3.11. To monitor the compliance of the Bank's customers with the existing requirements in the field of AML / CFT;
- 7.3.12. To carry out necessary work on the requirements of FATCA and CRS in the Bank.

8. Final Provisions

- 8.1. Compliance culture is applied to the activities of each Bank employee as an integral part of the Bank`s activities.
- 8.2. The authorized employees of the relevant structural units are responsible for the proper performance of the functions provided for in this Policy.
- 8.3. This Policy shall enter into force upon approval by the Supervisory Board of the Bank.
- 8.4. Any additions and amendments to this Policy may be made by the decision of the Supervisory Board.
- 8.5. The Management Board of the Bank ensures the implementation of the Policy.