



# Group Compliance Policy

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## 1. Introduction

Eurowag Group and its every entity (further on “*Eurowag*” or “*Group*”) are subject to extensive regulations during a daily business. Eurowag takes its obligations to comply with applicable laws, rules, and regulations seriously, including the spirit of the law. Demonstrating compliance is a core part of how Eurowag does business, which is critical to maintaining the trust of customers, vendors and protecting the interests of stakeholders. Eurowag Compliance Policy (further on “*Policy*”) sets the principles and standards for managing Compliance risks across the whole Group and describes the role and key responsibilities of the Compliance function in supporting Eurowag to remain compliant with applicable laws, rules, regulations, market conventions and codes of practice promoted by industry associations.

## 2. Objectives

The objectives of this Policy are:

- to create a Compliance function as an integral part of Governance, Internal Control System and Risk Management Process,
- to frame the identification process of compliance risks resulting in a breach or non-compliance with the obligations prescribed by legal regulations,
- to help the Board of Directors and Senior Management in recognizing and mitigating the compliance risks,
- to introduce standards and procedures to effectively prevent and detect compliance risks,
- to introduce a healthy compliance culture within the organization so that Compliance function is effectively complied with.

### 3. Compliance Principles

**Compliance Principles are the underlying key ideas** pervading the whole Eurowag's company culture. These key ideas are

#### 1. Integrity and reputation as Eurowag key assets

The Eurowag is proud of its integrity and the reputation for professional and ethical conduct that Eurowag businesses enjoy around the markets. It is deeply committed to the preservation of these aspects, and thus requires of all businesses:

- a. good understanding of and strict compliance with applicable laws, regulations, and standards in each of the markets and jurisdictions where Eurowag operates,
- b. the on-going implementation of and adherence to this Policy.

#### 2. Management as the owner of Compliance

Management is the owner of compliance and holds ultimate responsibility for the implementation of and adherence to this Policy, supported and advised by Compliance function. Management is responsible for adequate staffing and resourcing of Compliance function to implement the requirements of this Policy.

#### 3. Management is leading by a good example

Management must set a good example and shall take all appropriate measures to ensure that all employees will conduct their business activities in an ethical manner, consistent with fiduciary, legal and regulatory obligations, and Code of Conduct.

#### 4. Compliance as a responsibility that every employee shares

Compliance is a responsibility that individual employees share, regardless of their position within the Group. This implies a strong compliance commitment, good company citizenship and responsible behavior.

#### 5. Effective monitoring of compliance risks is required

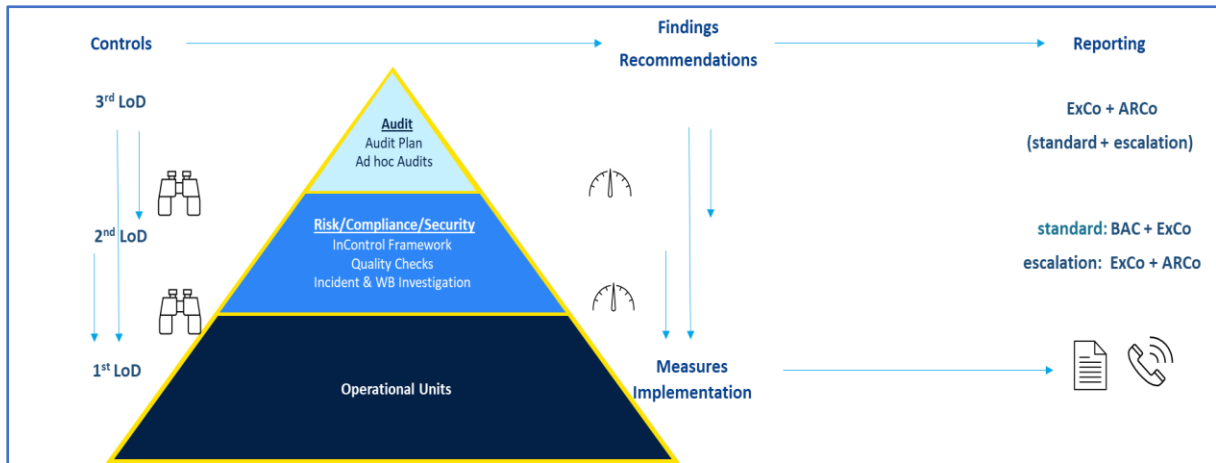
Compliance department shall ensure the effectiveness and integrity of the compliance process with appropriate adherence to this Policy, and applicable legal and regulatory standards.

#### 6. All Eurowag businesses shall comply with this Policy

The content of this Policy is mandatory and represents minimum standards which apply throughout Eurowag, to all majority owned Eurowag businesses and businesses under Eurowag management control.

### 4. Compliance Function

The Compliance function is an integral part of Governance, Internal Control System and Risk Management Process within Eurowag. The purpose and significance of Compliance function, which must be adequately enabled and made sufficiently independent, lies in identifying, evaluating, addressing, and managing compliance risks. The Compliance function provides to Eurowag sufficient level of assurance that internal policies and procedures are followed, and relevant controls are performed by the 1<sup>st</sup> Line of Defense. Compliance function also aims at ensuring that controls and procedures capture the relevant information to allow the Board and Senior management to better perform their risk management functions.



## Compliance Risks

Compliance risks are defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation, Eurowag may suffer because of failure to comply with laws, regulations, rules, self-regulatory organization standards, and Codes of Conduct applicable to its activities. The main compliance risks have been identified as:

1. **Risk to reputation:** Risk of damage to Eurowag's integrity or reputation because of negative publicity, whether founded or not, failure to act in accordance with accepted industry practices, or non-compliance with applicable laws or regulations. The risk to reputation includes the consequences of any failure by Eurowag or any employees to comply with ethical requirements.
2. **Legal and regulatory risk:** This risk may arise from non-compliance with the applicable laws, regulations, or standards. The efficient management of the legal and regulatory risks will prevent:
  - o the financial or other consequences of disputes between Eurowag and a client, counterparty or third party (litigation risk),
  - o the risk of losses due to unsuitable internal processes, or failures due to human error or external events,
  - o the financial consequences of a less effective control of the activities due to the increased complexity of the organization, due to our geographic expansion, mergers, new partnerships, acquisitions, new products, etc.,
  - o sanctions being imposed on Eurowag because of failure to comply with any current regulatory provision or decision it is required to implement.

**The Board is ultimately accountable for the compliance risks undertaken by the Group, while the Executive Committee retains management responsibility for implementing appropriate systems, processes, and controls to identify and manage compliance risks.** The Executive Committee is also responsible for following up on the conclusions and recommendations from the Compliance function and, where appropriate, implementing corrective measures. The Group must conduct its activities in adherence with applicable laws, rules, regulations, and risk tolerance set by the Board to manage compliance risks. In undertaking its activities, Group is exposed to compliance risks, which is an inherent element of doing business and as such must be considered when developing and/or executing Group's business strategy. The consideration of, and response to, compliance risks is expected to be comprehensive and risk-based to develop and implement appropriate mitigation measures.

## Scope of Compliance Department

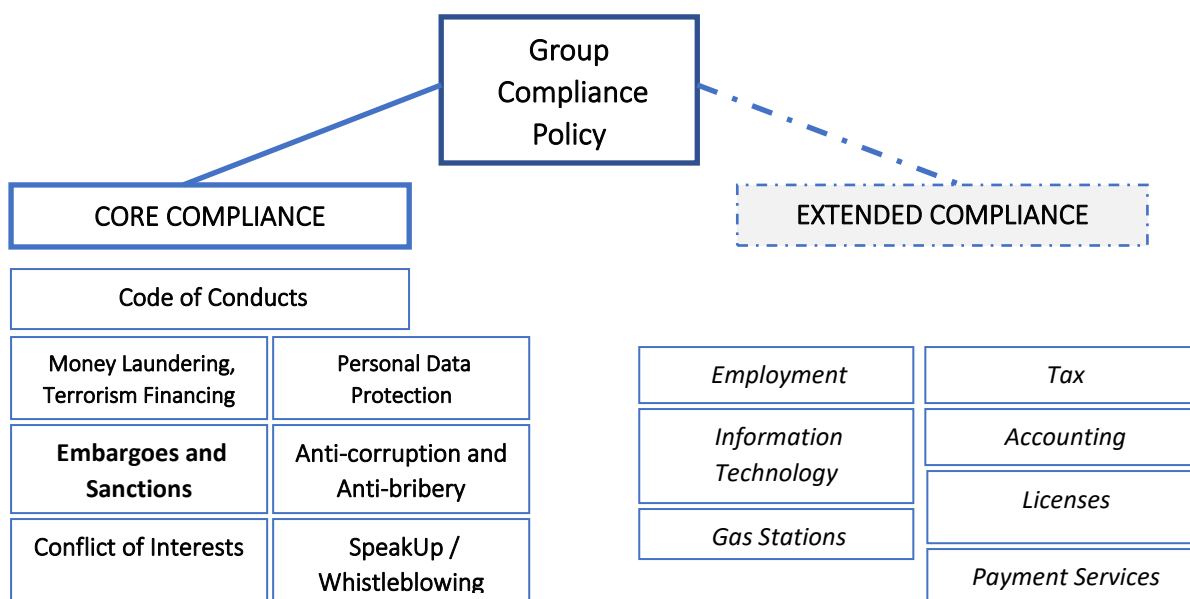
The scope of the Compliance department relates to Compliance risks connected to laws, regulations and standards which are specific to Eurowag industry, businesses, or as such labelled by Eurowag Group Compliance department. It does not extend itself to all laws, regulations, or standards.

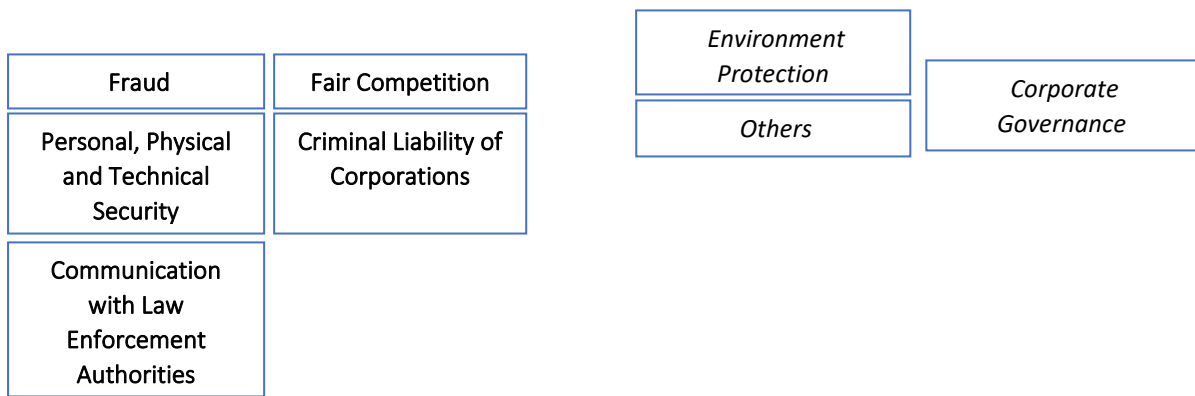
Inside the scope of Compliance department there are following areas (**Core Compliance Area**)

1. Code of Conduct (for employees, suppliers)
2. Money Laundering and Terrorism Financing
3. Fraud Risk Management
4. Anti-corruption and Anti-bribery
5. Personal Data Protection (Compliance department provides the data protection compliance function, including the role of Group Data Protection Officer)
6. Conflict of Interests
7. Protection of Whistle-blowers
8. Market Abuse (Anti-trust, Abuse of Dominance)
9. Criminal Liability of Corporations
10. Communication with Law Enforcement Authorities
11. Physical and Technical Security (non-IT)

Every part of Core Compliance Area consists of its own set of internal rules, procedures and guidelines and specific measures and tools, incl. technologies, used to manage specific compliance risks related to these areas.

Outside the scope of Compliance department is so called **the Area of Extended Compliance**. The examples within such Extended Compliance Area are employment, accounting and taxes, licenses, information technology, gas stations, payment services, corporate governance. Regulations of the extended compliance areas are issued, maintained and in detail controlled by the relevant departments. The relevant department is the one whose scope of regular operations is the most tightly connected with the respective compliance topic. In case of doubts or discussion among departments, the manager who is (even indirectly) responsible for all involved departments must decide which of them is the relevant one. With respect to regulations of extended compliance areas, the relevant department may ask Compliance department for a consultation.





## 5. Roles and Responsibilities

### Board of Directors (Board)

In recognition of the various aspects of Eurowag’s compliance risks, the **Board** adopts, maintains, and regularly reviews this Policy and oversee its implementation. It will ensure that an appropriate compliance policy is always in place to manage compliance risks and that compliance issues are resolved effectively and expeditiously by Senior Management with the assistance of compliance staff.

### Audit and Risk Committee (ARCo)

**ARCo** – according to its Terms of reference - is given the task of overseeing the implementation of this Policy and reviewing adequacy and effectiveness of the Compliance function on a quarterly basis. It will also review compliance failures if any and take appropriate remedial measures. A detailed Annual Compliance Report will be submitted to the Board through ARCo.

### Executive Committee (ExCo)

The **Executive Committee** retains ultimate responsibility for compliance with applicable laws, regulations, and ethical standards, thereby having oversight responsibility for the management of compliance risks. ExCo ensures the implementation of this Policy across the Group. **ExCo shall**

- Ensure that an appropriate compliance policy is in place to manage compliance risks and ensure its implementation.
- Ensure that compliance issues are resolved effectively and expeditiously by Senior Management with the assistance of Compliance function.
- Ensure that there is no potential for any conflict of interest and that the activities of the Compliance function are subject to independent review.
- Annually review Compliance function and Compliance Report on implementation of this Policy

### Senior Management

**Eurowag’s Senior Management** (*‘Management’*) is responsible for implementation of and adherence to this Policy and its minimum standards. Compliance function supports and assists with the execution of the compliance responsibilities of the Management. Management is therefore responsible for implementing the business management systems, policies, and procedures and for providing reasonable assurance that breaches of applicable legal and/or regulatory standards and obligations are

prevented, and for safeguarding that business is conducted in accordance with this Policy and applicable internal rules. The Management is responsible for identifying and managing the Compliance risks through all levels of the organization. Whenever breaches are identified, Management will take appropriate remedial or disciplinary action.

To manage compliance risks, **Management shall:**

- a. promote and enforce high standards of integrity by setting a good example,
- b. ensure that this Policy is implemented and adhered to, its minimum standards are enforced,
- c. ensure that managers and employees are aware of, understand and adhere to compliance standards relevant to them, and are trained periodically on usage of these standards,
- d. react promptly and effectively to compliance issues that arise,
- e. encourage active co-operation and feedback from all employees, by creating open lines of communication, both to report compliance concerns and to ask questions about compliance issues,
- f. create an open and receptive attitude towards Compliance function,
- g. not merely evaluate managers and employees on production measures, but also reward their ability to proactively manage compliance risks,
- h. provide compliance staff with sufficient resources, management support and access they need to detect compliance risks,
- i. involve Compliance function as soon as possible whenever a potential compliance issue is detected or suspected,
- j. actively follow-up on recommendations from Compliance function to ensure that all issues are promptly and effectively resolved
- k. include in the employee's job description that each employee is responsible for compliance in his/her area of responsibility.

## Compliance Function

The main task of the Compliance function is to proactively help Eurowag to carry on business successfully and in conformity with external and internal standards. The Compliance function is independent on operational and business units and separated from the function of Internal Audit. The Compliance function from wider perspective covers all parts described in this Chapter but the core part consists of Compliance department and the network of Compliance Champions. **The responsibilities and activities of Compliance Function** (in a strict sense) include:

1. **Laws, regulations, and standards monitoring:** Monitoring, analyzing, describing in terms of compliance risks those laws, regulations and standards which are material and relevant to the business and fall within the Core Compliance Area.
2. **Risk identification and assessment:** Identification and prioritization of potential areas of compliance risks leading to damage to Eurowag's reputation, legal or regulatory sanctions, or financial loss.
3. **Risk mitigation incl. standards, procedures, and guidelines:** Translating these compliance risks into internal compliance standards, procedures, and guidelines to ensure that regulatory requirements are incorporated into the processes followed by the business and to detect, report and respond to compliance violations.
4. **Training and education:** Development, maintenance and conducting of an on-going compliance training and education program, appropriate to the specific business (unit), to promote an appropriate compliance culture, awareness and understanding of compliance standards, procedures, and guidelines and of compliance-relevant issues.
5. **Advisory:** Proactive advisory to Management, committees, and employees with respect to any compliance risks.

6. **Risk monitoring:** On-going monitoring of the adherence to this Policy and its minimum standards, and applicable legal and regulatory standards, and assisting in enforcement as needed.
7. **Incidents management:** Reporting of and responding to compliance incidents, i.e. initiate or drive appropriate (Management) actions and develop Lessons Learned.
8. **Action-tracking:** Action-tracking of the resolution of all compliance-related audit or regulatory findings and related actions and management-initiated actions.
9. **Liaison:** Leading the relationship with the regulators with respect to compliance risks and provision to regulators of reports required.
10. **Reporting:** providing regular information on the performance of Compliance function (key risks, developments, and compliance incidents are brought to attention, including recommendations for follow-up) to the Management, ARCo and Board

## Compliance Officers (COs)

The **Head of Group Compliance department** is a leader of Compliance function and Compliance department. He/she executes the assigned responsibilities either directly or in collaboration with/via **Compliance Officers** as members of Compliance department and in collaboration with/via established network of Compliance Champions. The Head of Group Compliance department is responsible for smooth performance and development of **Compliance function** across Eurowag and following legal, regulatory, and other related requirements imposed on Compliance function. Staff exercising compliance responsibilities shall have the necessary qualifications, experience, and professional and personal skills enabling them to carry out their duties effectively. To be effective, Compliance staff shall therefore have/be:

- a. the status, authority, and personality to challenge anyone about any action in an appropriate and balanced manner and be able to follow-up on any concern,
- b. direct access to all operations (including access to all documents) if he/she believes such is relevant for an effective execution of compliance responsibilities,
- c. the authority to visit any units to perform review when it is considered necessary,
- d. enabled to attend any meeting (incl. committees) if he/she believes such is relevant for an effective execution of compliance responsibilities,
- e. direct and unfettered access to all levels of Management in the units where they carry responsibility,
- f. independent from the commercial activities to be able to perform their duties objectively,
- g. provided with adequate financial and human resources to meet the compliance requirements,
- h. the capability and (procedural) authority to escalate issues to appropriate Management level,
- i. to demand reasonable cooperation and assistance from any employee and Management of such entity must ensure cooperation and assistance.

The Head of Group Compliance department reports to Vice-President of Legal, Risk & Compliance, Compliance Officers report to the Head of Group Compliance department.

## Compliance Champions Network

This Policy has established the Network of Compliance Champions across Eurowag in every subsidiary, branch, or business unit. Every Head of subsidiary, branch, or business unit is responsible for appointment of Compliance Champion in her/his part (at least two per entity) and ensuring that such a person receive relevant training and continuous development in Compliance area and sufficient space to support Compliance function. This Network of Compliance Champions serves as Single points of

contact for Compliance Unit in specific parts of Eurowag and its role is to support Compliance function with monitoring and identifying compliance risks, implement appropriate mitigating measures, identify potential compliance issues and incidents and providing information to support management of Compliance function and Compliance department.

## 6. Management of Compliance Risks

### Compliance Culture

The **Board is accountable**, and the **ExCo is responsible** for developing and embedding a strong Compliance culture across the Group. This is achieved in several ways including:

- Setting and embedding appropriate compliance risks tolerances,
- Advocating the components and benefits of a strong Compliance culture “tone from the top”,
- Reinforcing “tone from the top” through direct advocacy by managers “tone from the middle”,
- Ensuring that there are suitable training and awareness programs that empower managers and employees to be and remain compliant,
- Maintaining effective incentive and reward practices that reinforces ethical conduct,
- Removing barriers to ethical conduct (e.g. speaking up, systems, tools and other workplace factors),
- Maintaining effective governance for the oversight and challenge of compliance risks,
- Developing and maintaining effective risk management tools to manage compliance Risks.

**All Employees share the responsibility for compliance** regardless of their position within the Group. A strong Compliance culture means all employees, and any other natural person or legal entity, acting for or on behalf of the Group, understand the compliance risks relevant for their respective roles and are empowered to take active steps to ensure the Group remains compliant with applicable laws, rules, regulations. This is a core part of the Group’s overall sound business culture, as outlined in the Code of Conduct. A strong Compliance culture begins with the 1<sup>st</sup> line of defense and is reinforced by a Compliance framework set by the 2<sup>nd</sup> line of defense. Strong leadership from the Board and ExCo is fundamental in promoting awareness and equipping employees to do their job properly in alignment with sound risk management principles and practices.

Employees in managerial roles have special responsibilities for reinforcing a strong Compliance culture within their teams. Decision-making processes should encourage a broad range of views, allow for challenging current practices, and stimulate a constructive and critical attitude. Employees are empowered to put compliance first, to raise concerns in an open and constructive way and will be held accountable for their actions.

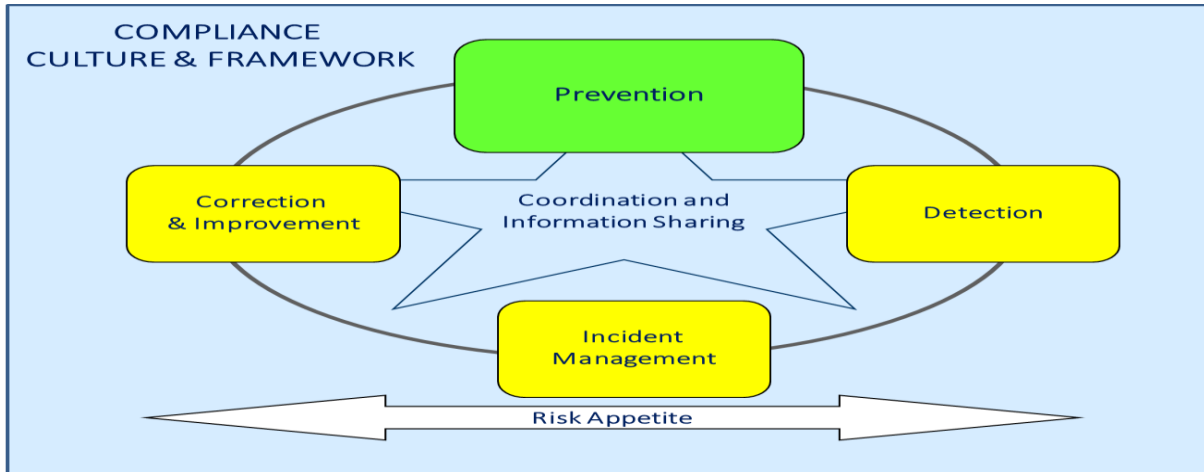
### Compliance Framework

**Compliance function establishes and maintains an independent governing framework for the Management of compliance risks.** The Compliance framework articulates the function’s approach to identify, measure, manage, report, and escalate risks which can have a material impact on the delivery of the Group’s strategy. The framework includes the Compliance strategy and program, compliance risk appetite (set by the Board), governance and committee structures, set of compliance internal rules and guidelines, processes and systems supporting the effective management of compliance risks. The Compliance framework is underpinned by the capability of its employees and a strong Compliance culture. A key component of the framework is a clear articulation of the roles and responsibilities for managing compliance risks.

The Group operates within an internal control environment underpinned by a **three lines of defense model**. In this model, Group Compliance department as the 2<sup>nd</sup> line of defense

- sets the framework for managing compliance risks,
- advises on sufficient management processes and controls for these risks,
- challenges adherence to laws, rules, and regulations, and
- provides independent reporting and escalation of issues to the Board and ExCo.

The 1<sup>st</sup> line of defense owns the management of compliance risks and is responsible for identifying, assessing, managing, and reporting compliance risks and issues in accordance with this Policy.



The **Compliance framework** is the set of compliance risk management processes and tools which shall be used by Eurowag’s businesses, Management and Compliance function for managing compliance risks. It consists of the components described later in this Chapter. To mitigate compliance risks, Compliance function uses the Compliance Strategy and Program based on Risk based approach and with a stress put on prevention of risks rather than detection, investigation and remedial actions. On the other hand, not all the risks can be prevented and in case the potential risks transform into real incident, Eurowag uses all the measures that will mitigate the risks and reduce potential losses. In case loss already occurred, all the actions will be taken to minimize the material impact of the incident. The Compliance program will be subject to oversight by the Board, ARCo and ExCo to ensure appropriate coverage across businesses and co-ordination among risk management functions.

## Compliance Risk Assessment

**Group Compliance department in cooperation with Compliance Champions undertakes risk assessments for compliance risks.** For effective assessment of inherent and residual compliance risks, Group Compliance department uses risk assessment methodology developed and maintained by Risk function. Compliance risk assessments are used to prioritize the focus of monitoring, testing, training, advisory and assistance activities performed by Group Compliance department with the aim to mitigate compliance risks. **Ad hoc compliance risk assessments** may be carried out if required, e.g. in relation to a change in regulations, or a major operational or technological change.

**Compliance Risk Identification and Assessment:** Each Eurowag entity or business unit – under the lead and guidance of Group Compliance department - is required to perform a yearly compliance risk identification and assessment ('Compliance Risk Assessment') which shall aim to:

- a. review, identify and prioritize potential areas of compliance risks, and advise on appropriate standards, procedures, and solutions
- b. review and/or identify violations of laws, regulations, or standards by clients (or related 3<sup>rd</sup> parties)
- c. review and/or identify fraudulent or other unlawful conduct, as well as other conduct inconsistent with Eurowag's internal principles, values, standards and guidelines

The compliance risk assessment is an essential part of the Compliance framework. The compliance risk assessment shall focus on both ongoing risks endemic to the entity or business unit and anticipation of new risks, arising by virtue of new laws or regulations, a new activity of the entity or business (unit) or changing standards in society or business environment. The overall compliance risk assessment report shall contain a listing of the key risks and the actions to be taken to mitigate these risks approved by ExCo and the Board. The output from Compliance risk assessment and approved actions shall serve as an input into Compliance Strategy and Program.

## Compliance Strategy and Program

Group Compliance department is required to develop and implement **Compliance Strategy and Program** setting out its planned activities including alignment with the Group's strategic business plan. The Compliance strategy and program is risk-based and subject to oversight by the Head of Group Compliance department to ensure appropriate coverage across business areas and co-ordination with other risk and oversight/control functions. **Based on the risk identification and assessment**, Compliance function shall:

1. establish appropriate risk mitigating measures for key risks, including clear standards, procedures, and guidelines or technologies to be implemented,
2. advise, improve, or assist with improving or implementing standards, procedures, and guidelines, also by asking the business participants for their input and requirements,
3. incorporate specific requirements of the local legislator, regulator or internal or external auditor which are not already covered by corporate requirements.

Whenever a situation arises requiring Compliance input, the task of the Compliance function is not limited to analyzing the situation, identifying a solution, and giving advice to management. The Compliance function must continue to pursue the matter until a satisfactory solution has been fully implemented. All Compliance mitigation measures mentioned above under the 1 – 3) will be reflected in a long-term Compliance Strategy and captured within Compliance Program. Compliance Strategy and Program are developed by Compliance function, approved by ExCo, and submitted also to ARCo and the Board.

## Compliance Risk Prevention: Trainings and Awareness

**Group Compliance provides relevant training and education on Compliance risks.** With the assistance of Human Resources department, the Group Compliance shall develop, maintain, and conduct an **on-going compliance training and education program**, appropriate to specific compliance area and the target group, to promote an appropriate compliance culture, awareness and understanding of:

1. compliance standards, procedures, and guidelines,
2. compliance risk related laws and regulations,
3. staff member's role in the compliance process,
4. key compliance risks that could affect the business (unit) and/or the Group,
5. how, when, from whom to seek advice on compliance issues and to report compliance concerns,
6. consequences of failing to follow applicable compliance rules,

7. available compliance documentation and expertise of relevant staff departments.

The compliance training and education program is divided into **4 types of trainings**

1. **General training** and education for all employees (provided in an online form and covering all core compliance areas)
2. **Specialized training** (more detailed training for employees who operate in more risk sensitive or complex functions or who are specialized in specific processes; provided in an online form or face-to-face via MS Teams)
3. **Deep dive and tailored made training** (Face-to-face training for the functions of various specialists; provided by Group Compliance department via MS Teams; these trainings will be more focused on specifics of the process and practicalities)
4. **Trainings on demand** (provided by Group Compliance department via MS Teams or on spot based on demand of the Management and focusing on specific topics)

The Compliance function shall ensure that guidance on proper conduct is always available to all employees. Group Compliance department is also responsible for providing specific training to the Management on sound practice for the management of risks overseen by Group Compliance department.

## Compliance Risk Prevention: Advisory

**Group Compliance department provides independent advice and assistance to the Board, ExCo, Management, and the 1<sup>st</sup> line of defense** and furthermore also:

- participates in relevant Committees, with respect to any compliance risk management responsibilities, obligations, concerns, or issues,
- advises on measures to be taken to ensure compliance with laws, rules and regulations and monitors their implementation,
- provides independent advice to the 1<sup>st</sup> line of defense on whether the day-to-day business activities and/or controls are compliant and in line with laws, rules, and regulations,
- has the authority to challenge the 1<sup>st</sup> line of defense where decisions, actions or activities are not compliant with applicable laws, rules, and regulations.

Compliance Officers may intervene and escalate decisions, actions or activities undertaken by the 1<sup>st</sup> line of defense, which poses a risk of non-compliance. It is essential that the Compliance function consistently comes up with appropriate solutions to problems, considering the commercial issues involved while fully respecting the regulatory constraints.

**Group Compliance department is consulted in significant decisions, processes, major changes (including systems) and the approval of new and amended products.**

- Group Compliance department must be consulted where the Group seeks to undertake significant decisions, major change projects, strategic initiatives, product launches and major transactions. Group Compliance department may escalate risks of non-compliance to the appropriate governance forum.
- Group Compliance department provides oversight and advice on the development and periodic review of the Group's product governance arrangements to detect any risk of failure to comply with regulatory obligations. Group Compliance department must be engaged in the approval of any new products or significant changes to existing products, processes, or systems, as well as the periodic review process.

- Where any features of the new or existing product causes concern, including potential reputational impact to the Group, Compliance officers have a right to escalate to the relevant oversight body. The relevant product owner must provide Group Compliance department with reasonable information on new or amended products to enable Group Compliance department to form a view on the level of risk taking and whether this is consistent with regulatory requirements.

## Compliance Risk Prevention: Cooperation and Coordination

**Group Compliance department cooperates with Group Legal, Group HR, Group Risk Management and Group Internal Audit.** The scope of Group Compliance department activities requires close engagement with Group Legal, Group HR, Group Risk Management and, where appropriate, with Group Internal Audit. Group Compliance department and Group Risk Management cooperates and exchanges information to perform their respective tasks. Sharing information on relevant incidents, breaches, findings and/or observations between Group Compliance department and Group Risk Management is required to ensure completeness in reporting and decision-making processes. Group Compliance department operates as an independent function but works in close cooperation and collaboration with Group Risk Management on the development, maintenance, and enhancement of the Enterprise Risk Management (to the extent it impacts the management of compliance risks) to effectively identify, assess, manage, and report relevant risks.

## Compliance Risk Prevention: Use of Data and Technologies

The Compliance function uses for effective prevention of compliance risks – where appropriate – internal and external data, databases and advanced technologies, especially:

- Blacklists (e.g. individuals, legal entities) which are used in relevant processes (Credit Risk, Procurement, AML and Partner Screening - Know Your Customer/Customer Due Diligence, Collections, Employee Onboarding),
- Strong operational risk process controls (e.g. strong authentication, machine learning and predictive analysis) with regular review and segregation of duties,
- Background checks (customers and vendors) to identify any issues on financial health, ownership, international sanctions, reputation, and integrity that may represent unacceptable risk to the business,
- Employee background checks during onboarding process and/or when employees changing responsibilities.

## Compliance Incidents Detection: Reporting Channels

The right (but also an obligation) to report Compliance incidents is given to each employee to express themselves whenever they consider they have a good reason to believe that any specific situation does not comply with the rules governing the conduct of the Eurowag's business activities. Employees may exercise this right within the framework of their professional duties, about any facts directly or indirectly brought to their attention. This right must be exercised in a responsible fashion, should not be abused and should not be defamatory. Reports should be submitted in writing and the author is encouraged to identify himself/herself however anonymous reports are accepted as well. Nevertheless, information may be also given orally. The Compliance Officer to whom the employee reports the potential non-compliance will investigate the matter in strict confidence, as far as this is compatible with the requirements of the investigation.

- The channels for reporting Compliance incidents are set up and communicated. Whistleblowing (SpeakUp) hotline – <https://eurowag.integrityline.com> - is set up for compliance incidents and encourage timely reporting of suspected issues. This hotline serves as a general reporting channel, but the reports can be made also via alternative routes (via email, orally, letter, in person). Both, internal and external subjects must have an easy access to a compliance reporting hotline. Technically the whistleblowing hotline follows requirements and minimum standards defined by relevant legislation.
- The clear responsibilities in case of violation of compliance risks are established and input from different compliance reporting lines is coordinated through reporting channel as well as via Compliance function.
- Procedures and agreements with different stakeholders (e.g. HR) for receiving, retaining and investigating grievances are in place and complaint handling information are channeled in case of compliance incident.

## Compliance Incidents Detection: Use of Data and Technologies

For processes where inherent compliance risks are high and in addition to detective process controls, Eurowag should make use of data analysis, continuous auditing techniques, and other technology tools effectively to detect suspicious activity. Data analysis should use technology to identify anomalies, trends, and risk indicators within large population of events (e.g. transactions). Incident pattern recognition tools, whereby actual results vs. expected results are compared by looking for unusual transactions that do not fit an expected pattern, must be used whenever possible, considering cost benefit ratio. Eurowag must document, describe, and explain elements of its compliance incidents techniques internally and roles and responsibilities of all parties involved. It should be communicated that compliance incidents deterrence is in place to employees, vendors, and other stakeholders.

## Compliance Incidents Investigation

**Group Compliance department is responsible for conducting referred investigations of compliance incidents across the Group.** Material compliance incidents are defined as events within Core Compliance area which have impaired Eurowag's integrity, leading to material damage to reputation, legal or regulatory sanctions, or financial loss, because of a failure to comply with applicable laws, regulations, and standards. Group Compliance department is responsible for investigating allegations that indicate customer wrongdoing and/or employee misconduct and/or other threats to the integrity of the Group that might expose the Group to material financial or reputational risk, regulatory scrutiny, or enforcement action.

To enable Eurowag to react and report upon Compliance incident in a proper fashion, and to solicit input on potential compliance incident, a coordinated approach to investigation and corrective actions is used. As such a compliance response plan needs to be set up, which is a formal means of setting up clearly the arrangements for dealing with detected or suspected cases of compliance incidents. It is built upon the following components (more details contained in Incident Management Policy):

- Establishment investigation protocols
- Initiation plan and scope of investigation
- Evidence collection and protection
- Investigation review and Closure (all Compliance Incidents are captured in the Compliance Incidents Database)
- Compliance incident reporting

**Group Compliance department must be provided access to all information necessary to carry out its responsibilities.**

- Group Compliance department must have access to all relevant information from across the Group to carry out its duties and the right on its own initiative to communicate with any employees across the Group.
- The Group Compliance department treats all information confidentially, conducts the investigation in all discretion and in line with general data protection rules (GDPR).
- Investigations should comply with applicable laws and rules regarding gathering information and interviewing witnesses.
- Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Where **allegations relate to Group Compliance department**, these should be directed to Internal Audit and overseen by the Board to avoid any Conflict of Interests.

## Compliance Controls (Monitoring) and Remedial Actions

Compliance controls are preventive or remedial measures against violation of applicable law, regulations, internal rules, and procedures. This section determines rules for compliance controls, content, scope, and obligations of involved subjects.

**Group Compliance department performs monitoring and testing activities for compliance risks.** Group Compliance department is responsible for monitoring and assessing whether the Group's methods and procedures are suitable to identify, manage and reduce the risk of non-compliance with applicable laws, rules, and regulations. Group Compliance department is also responsible for testing whether the Group has sufficient and effective controls in place and that measures taken to address any deficiencies, are effective. A risk-based approach is used to prioritize monitoring and testing activities based on regulatory expectations, outcomes of risk assessments and other relevant information.

Compliance controls are divided into **1/ planned controls** and **2/ ad-hoc or incident-related controls**. Plan of compliance controls is part of Compliance Strategy and Program. Incident-related controls result from actual incidents, ad-hoc controls result from factual situation or are based on demand of ExCo or the Board. All controls can be performed personally, remotely, or can be performed as self-check.

There are **3-4 planned end to end controls** during the year, these controls cover all aspects of core compliance area and focus on specific entity, business unit or process. Group Compliance department determines controlled subjects, term of control, type of control and invite other participants. Group Compliance department informs controlled subject 1 month prior to control. Controlled subject will receive invitation, relevant documents, list of requirements or questions and expected time schedule. **Incident-related controls** can be taken on day-to-day basis, in reaction on requirements or by solving current incident. The controlled subject is obliged to fully cooperate. Non-cooperation can result in disciplinary actions, especially if Eurowag will be subject of regulatory penalties or investigation from the side of government agencies. Results of planned and incident-related controls, including solution design and recommendations are subject of Annual Compliance Report.

The Group Compliance department is responsible for the action-tracking of the resolution of all compliance-related:

- regulatory findings and related actions,
- actions coming from Compliance control activities

Results of Compliance controls conducted by the Group Compliance department shall serve as a feedback mechanism for the controlled units to review the control mechanisms, to fill the control gaps and take remedial measures to avoid recurrence of such failures/ breaches in future. In all types of controls, the Group Compliance department shall recommend corrective or disciplinary action to Management and develop of Lessons Learned to ensure that the business can learn from what happened and is able to implement the controls which are necessary to avoid such type of event in future. The actions will be recorded in Compliance Actions Steps database.

The Compliance Scorecard scores the extent of implementation of the Compliance framework and translates into a red/amber/green traffic light-indicator which informs about whether further actions are required or need to be implemented.

## Reporting

Group Compliance department shall review, revise, and modify the Compliance function annually with prior approval of the Board. Group Compliance departments reports are expected to provide a clear picture of the compliance risks and insights on the potential strategic business risks (as related to the areas overseen by Group Compliance department). Group Compliance department reports should also describe the implementation and effectiveness of the overall control environment and provide a summary of identified risks and measures required to reduce or mitigate these risks.

The **Annual Compliance Report on Compliance function** and its failures/breaches, key risks, major developments, issues, compliance incidents, developments, activities etc. shall be compiled along with remedial measures to be taken and placed before the Board, ARCo and ExCo. The Annual Report should broadly cover the following aspects:

- A summary of findings and recommendations from Group Compliance department, including failures and breaches and deficiencies in the organization during the preceding year, consequential losses and steps taken to avoid recurrence of the same.
- List of major regulatory guidelines issued during the preceding year and steps taken to ensure compliance.
- Scope of compliance procedures and processes.
- A summary of complaints, resolutions, and any key trends
- System of internal control to minimize compliance risk.
- Progress in rectification of significant deficiencies pointed out in the Internal Audit, Statutory Audit, and position of implementation of recommendations made therein
- Any additional reporting requirements as defined by the Board, ExCo or specific Regulator
- Compliance Strategy and Program of the previous year and for the next year.

**Annual Evaluation on AML area** (content defined by AML Decree) is a special report, also part of Annual Compliance Report, according to the AML legislation. This report serves to Eurowag regulated entity – W.A.G. Issuing Services, a.s. – to comply with the legal requirements as well as to provide Management of this entity the overview of the situation in AML area.

Apart from the exhaustive Annual Compliance Report, the Head of Group Compliance shall prepare

- a **quarterly Compliance report** on the current Status of Compliance Strategy, including overview of compliance incidents and the main issues and deficiencies identified by the Group Compliance department. This report is submitted to Business assurance Committee and ExCo.
- a **quarterly report** to the Management of Eurowag regulated entity – **W.A.G. Issuing Services, a.s.** – on the current situation within this entity and the level of compliance with legal requirements

## 7. Conclusion

This Policy is applicable to every Eurowag's entity - subsidiaries, business units, and branch offices. All other individuals or legal entities (e.g., contractors, suppliers, consultants, intermediaries, business partners, joint ventures), acting for or on behalf of the Group, must comply with this Policy. This Policy applies to all Eurowag employees and lack of adherence may lead to disciplinary actions.