

announcement

Anti-corruption Strategy

The owners and management of the Bank announce zero tolerance in relation to corruption, particularly with regard to active and passive bribery. During the implementation of the anti-corruption strategy, the Bank also strongly advocates gifts that exceed the threshold.

"Leadership Level Commitment" is the commitment of the top management to prevent bribery of the related persons. Management needs to develop a corporate culture in which bribery is under no circumstances acceptable and should take responsibility for the effective planning and implementation of the Anti-Corruption Program.

The Executive Committee has approved an Anti-Corruption Strategy that incorporates all relevant provisions and principles in the Group Compliance Rule, including the implementation strategy. This document is prepared by the Bank Compliance Directorate.

At least annually, the Bank performs a risk assessment to clarify how and to what extent the Bank Group is subject to potential internal and external bribery risks.

The Bank Group regularly assesses the manner in which and to what extent it is exposed to the potential internal and external risk that persons associated with it, may commit bribery on their behalf. The survey is conducted on a regular basis, but at least once a year, and is documented in an appropriate form.

The main risk mitigation measures are measures taken on the basis of the company's needs and risks, which are described as more detailed procedures or as general principles such as the "Four-Eye-Principle" or the Double Control Principle, appropriate delegation procedures, separation of different functions, etc.

In the light of the outcome of the risk assessment, management shall develop **detailed rules** and procedures to ensure that anti-bribery policy and the specific anti-bribery objectives are enforced in a reasonable manner. Accordingly, internal procedures are being developed to prevent bribery from being committed by companies. These procedures are designed by the Bank to be proportionate to the company's bribery risk and the nature, extent and complexity of the company's activities. The procedures are pragmatic and accessible, the company ensures effective deployment and compliance.

The implementation of these should be monitored in parallel with their introduction and the extent of implementation must be taken into account when analyzing the implementation of the Anti-Corruption Program.

In addition to the specific screening requirements set out in these rules and principles, all other business relationships require a more general, proportionate and risk-based anti-corruption screening procedure.

Therefore and apart for the more in depth due diligence mentioned in the chapters hereunder, a basic due diligence should always be carried out before entering into a business relationship containing the following:

- *Define scope and depth of the due diligence:* as an Entity may have many business relationships it will have to decide the scope and depth of due diligence for each type of relationship: some will require an in-depth due diligence (e.g. if incorporated in risky countries), some will only require a selective due diligence.



- *The way how the due diligence will be performed:* anti-bribery due diligence is the research, investigation, assessment and monitoring that the Entity will carry out on business relationships to ensure that it is associated with companies and personnel that will behave in a manner consistent with the K&H Group's Anti-Corruption Programme. Research and investigation can be done through internet searches, use of more specialized tools containing corruption information (such as World-check) or by requesting documentation/attestations from the counterparty on its anti-bribery policies and measures.

The frequency of the due diligence to be repeated periodically (i.e. at least once every three year for counterparties considered as high risk).

Corruption is a breaking point for starting or continuing a **supplier relationship**. If the K&H becomes aware that there are issues with regard to corruption, the business relationship with the supplier should be frozen and an in-depth investigation carried out. On the basis of this, the K&H should consider which steps should be taken, i.e. cancel the contract or continue the business relationship, if necessary under certain conditions.

In all contracts with suppliers, an Anti-Corruption clause should be added (either in the contract itself or as a separate statement as annex to the contract), showing that the supplier refrains from any form of corruption.

Before accepting a **financial institution** as a counterparty, this counterparty should sign the Anti-Corruption Questionnaire.

The Bank Group should screen **investments** in companies and organisations on corruption and bribery issues.

Appropriate due diligence should be applied when appointing **board members** and selecting **recruits**, especially **senior managers** and **employees** likely to be placed in positions at risk of bribery. Moreover, Human Resources management of bribery risk should be an ongoing process, rather than be restricted to the moment of recruitment.

In case of mergers or acquisitions, the due diligence process should also take into account corruption aspects.

Bribery:

As different (local and international) definitions of bribery exist, in this Regulation the term bribery is not used in a legal sense but in its common meaning.

- Paying/offering bribes with the intention to influence the recipient improperly (active corruption).
- Receiving/accepting bribes for doing something which would not have been done otherwise or to refrain from doing something which would have been done otherwise (passive corruption).
- Promising or giving advantages to public officials who are not permitted to be influenced with the intention to obtain an advantage or to obtain a business (public corruption).

In the frame of the Anti-Corruption Program, the Bank Group is definitely active against any form of bribery beyond the above mentioned cases.

Gifting:

The Bank recognizes the importance of establishing good business relations between the group and its counterparties by means beyond strictly professional interaction. In order to protect both KH Group staff members and their counterparties, the Bank seeks to establish criteria for transparent and reasonable behavior. The Bank defines clear guidelines concerning the acceptance/providing of various gifts by KH Group employees.

The present rules concerning the providing/acceptance of gifts are essential for maintaining the confidence of our customers in the KH Group and its employees.

An offer done or received on Gifts & Entertainment should be evaluated in accordance with following criteria. These are meant as a basis for everyone who has to make an assessment whether an offer (made or received) is acceptable. To do so, the thresholds defined by the Bank must be taken into account, which are contained in the internal regulations.

A gift is a benefit which a KH Group staff member offers to or receives from an external person (client, supplier, official, etc.) as a mark of appreciation without consideration or value in return. A gift can have several forms: presents, movable and immovable property, business gifts, donations, legacy, benefits of an insurance policy, all kinds of services, purchases below the market price, personal price reductions by a supplier etc.

An offer done or received on Gifts & Entertainment should be evaluated in accordance with following criteria. These are meant as a basis for everyone who has to make an assessment whether an offer (made or received) is acceptable.

- It has to be within the bounds of good taste, moderation and common sense in a normal business context.
- It should not bring KH Group to embarrassment (and in consequence impacts its reputation) if disclosed publicly.
- It does not violate any laws or other internal policies/KH Group Code of Conduct.
- It is not creating an expectation to get something in return (“quid pro quo”).
- It is not given as a bribe, payoff or kickback (e.g. in order to obtain or retain business, or to secure an improper advantage).
- It is not solicited for.

The following are strictly forbidden:

- Bribes.
- “Adult” entertainment, gifts or any sort of event involving nudity or lewd behavior.
- “Facilitation payments”.
- Receiving and offering a gift in cash (or cash equivalent, such as gift cards or gift certificates, vouchers, securities or other financial instruments, etc.).
- Inheriting from customers (with the exclusion of relatives in a private context): KH Group staff members who will be beneficiaries of wills or donations must inform the testator/donor they are obliged to refuse the will/donation at the moment they become aware of it. If the staff member wants to accept, he should resign. If contrary to policies he accepts anyway, he will be dismissed.

The Bank declares the following threshold limits (500 EUR/year and 250 EUR/occasion)

- Maximum value per gift/entertainment: EUR 500 per person, per counterparty and per year.
- The maximum value of the gifts/entertainments/occasions is EUR 250. If the value of gift/entertainment per occasion exceeds the limit of EUR 250 but doesn't exceed the limit of EUR 500, prior explicit and written approval by the Executive Committee member in the line involved is needed in accordance with Principle VIII.
- If the maximum value per gift/entertainment or the maximum cumulative value of EUR 500 per calendar year is exceeded, explicit written approval by the Executive Committee is required in accordance with Principle VIII.
- Accepting invitations for events including accommodation and/or travel expenses are allowed as long as they are within the limit of the maximum value as stated above. If the threshold is exceeded, prior explicit and written approval by the Executive Committee member in the line involved is needed in accordance with Principle VIII.
- The threshold limit does not apply if specific budgets are approved for events organized for a group of customers.



Circumvention of the principles is strictly forbidden. It is strictly forbidden to circumvent the principles by family members (life partner, child, etc.), too. A gift or entertainment offered specially and directly to the members of the staff members can not be accepted.

Gifts given in the form of **future promised services or other non-cash benefits** (e.g. the promise of employment) are forbidden. It is forbidden to offer or receive gifts/entertainment to or from a party involved in a not finalized **tender** process, i.e. until the contract is signed.

In case of contacts with public officials, the risk of improperly influencing the counterparty's behaviour or to be perceived as trying to improperly influencing the counterparty's behaviour, is much higher. All KH Group staff should be extra cautious when dealing with gifts or entertainment for public officials.

The general conditions and prohibitions as stated above also apply to contacts with public officials (including the threshold). Additionally it is prohibited to offer /receive gifts or entertainment to or from a Public official (e.g. from a **supervisory authority/regulator**) performing a running **inspection** for any staff member involved in the inspection.

Discounts by a KH Group supplier to a private KH Group staff member are only allowed if they are not higher than the discount offered by the supplier to his best customers.

Offers to the whole staff or a group of staff members related to the client can be accepted.

Charitable donations are a recognized way of improving a company's image and cement good local relations. Still, issues may occur when, for instance, local officials are connected to the charity involved. In principle, donations that will genuinely benefit the local community are allowed.

Sponsoring is a recognized way of improving a company's image and cement good local relations. Still, issues may occur when, for instance, local officials are connected to the sponsoring involved. Sponsoring decisions/initiatives should be always based on the interest of the company (driven by a commercial purpose, usually to increase visibility and value of the brand) and not for private benefit or interest of the decision taker(s).

KH Group does not make any contributions to political parties, organizations or events, nor governmental organizations. No exceptions are allowed.

