Compliance
Charter

Amsterdam, December 2016
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1. Introduction

This document represents the Compliance Charter (hereinafter “Charter”) of Credit Europe Bank N.V. (hereinafter “CEB”). The term “CEB” in this Charter means Head Office, the branches and overseas liaison offices.

Effective compliance risk management aims at stimulating, monitoring and controlling the observation of laws, regulations, internal rules -including the compliance principles outlined in CEB’s Code of Conduct- and established good business standards that are relevant to the integrity and, hence, to the reputation of CEB. Integrity is the focus in managing compliance risk and therefore the driving force behind everything CEB does. Integrity is not just a theoretical concept. It is CEB’s insurance policy.

The Managing Board of CEB has adopted the Charter to present the governance, roles and responsibilities of the compliance function at CEB, as well as how (the controlling of) integrity risk, as viewed by CEB, is placed within the scope of the compliance function. Such a function develops, co-ordinates and maintains the Charter and CEB’s compliance risk management framework (including the compliance arrangements) on the basis of a mandate as given by the Managing Board.

The Charter of CEB also serves as a framework for other CEB group entities. For the purpose of this document a CEB group entity, unless stated otherwise, means:
(i) any direct and indirect banking subsidiary of CEB; and
(ii) any direct and indirect non-banking subsidiary of CEB.

The term ‘subsidiary’ refers to the entities in which CEB, directly or indirectly, holds over 50% of the total value of the share stock and/or over 50% of the voting rights. Any reference in this document to a ‘non-banking subsidiary’ is to be understood as a ‘non-banking subsidiary being a financial institution’, such as an insurance or leasing company.

Each such CEB group entity must draft a compliance charter which describes the governance, roles and responsibilities of the compliance function, and defines the scope of the compliance function within the respective entity. These charters must meet (i) as much as possible the standards set out in this Charter as well as (ii) the requirements issued by legislative and regulative authorities in the respective jurisdictions.

The Charter is subject to review at least every two years or as needed to ensure that it reflects developments in applicable laws and regulations, sound corporate governance, internal company rules and policies, as well as industry standards and best practices to which CEB has committed.

This Charter is approved by the Managing Board and acknowledged by the Supervisory Board of CEB.

This Charter is available to all staff of CEB. It is also available on the corporate website (www.crediteuropebank.com).
2. Objectives of the Compliance Function

The compliance function of CEB supports the entity and its management in managing the compliance risks and embedding and improving the compliance arrangements in all levels and structures of the entity. The compliance function therefore has the following objectives:

- to identify, assess, monitor and report on the compliance risks faced by CEB;
- to assist, support and advise top and senior management of CEB in fulfilling its responsibilities to manage compliance risks by using a risk-based approach to align business outcomes with CEB’s integrity risk appetite;
- to advise any staff member of CEB with respect to their (personal) responsibility to manage compliance risks; and
- to enhance compliance awareness amongst top and senior management as well as other staff of CEB in order to deepen the culture of compliance.
3. **Definition and Scope of Compliance Risk**

3.1 **Compliance Risk**

Compliance risk, also referred to as integrity risk, at CEB, is defined as follows.

*The risk of the integrity of the institution or the financial system being affected by the improper, unethical conduct of the organization, its staff or management in contravention of legislation and regulation and the standards set by society or by the institution itself.*

CEB separates compliance or integrity risk into five (5) sub-integrity risk categories (see table below).

<table>
<thead>
<tr>
<th>Risk</th>
<th>Sub-Risk Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conflicts of Interest</strong></td>
<td>The risk of the institution's reputation (and possibly also its financial position) and/or other loss being affected by the harming of interests of third parties caused by the institution or its staff, due to involvement in multiple interests.</td>
<td></td>
</tr>
<tr>
<td><strong>Insider Trading</strong></td>
<td>The risk of the institution's reputation (and possibly also its financial position) and/or other loss being affected by the possession of inside information and the use of such information by acquiring or disposing of, or by trying to acquire or dispose of, for the institution's own account or for the account of a third party, either directly or indirectly, financial instruments to which such information relates.</td>
<td></td>
</tr>
<tr>
<td><strong>Money Laundering</strong></td>
<td>The risk of the institution's reputation (and possibly also its financial position) and/or other loss being affected by the (unwitting) involvement in money laundering.</td>
<td></td>
</tr>
<tr>
<td><strong>Terrorist Financing</strong></td>
<td>The risk of the institution's reputation (and possibly also its financial position) and/or other loss being affected by the institution's dealings with natural persons and/or legal entities that are involved in terrorism or the financing thereof.</td>
<td></td>
</tr>
<tr>
<td><strong>Improper Conduct</strong></td>
<td>The risk of the institution's reputation (and possibly also its financial position) and/or other loss being affected by the institution's intentional or unintentional facilitation of or involvement with (criminal) offences.</td>
<td></td>
</tr>
</tbody>
</table>
3.2 Scope

The scope of compliance risk, and thus the scope of the compliance function, is categorized by CEB in four (4) integrity classes: staff, customer, organization and services. Each of these 4 integrity classes has various compliance risks, whereon the compliance function is specifically focusing.

Compliance is broad in scope. As a consequence, the table below provides an overview of the main focus areas that are within the scope of CEB's compliance function.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Sub Risk Category</th>
<th>Compliance Scope Classes</th>
<th>Compliance Function Focus Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Conflicts of Interest</td>
<td>- Organisation Integrity</td>
<td>- Related Party Transactions²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Staff Integrity</td>
<td>- Gifts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Organisation Integrity</td>
<td>- Secondary Employment²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Staff Integrity</td>
<td>- Private Investment Transactions</td>
</tr>
<tr>
<td>Insider Trading</td>
<td></td>
<td>- Organisation Integrity</td>
<td>- Proprietary Trading²</td>
</tr>
<tr>
<td>Money Laundering</td>
<td></td>
<td>- Staff Integrity</td>
<td>- Private Investment Transactions</td>
</tr>
<tr>
<td>Terrorist Financing</td>
<td></td>
<td>- Customer Integrity</td>
<td>- Money Laundering</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Terrorist Financing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- CDD including PEPs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Corruption</td>
</tr>
<tr>
<td>Improper Conduct</td>
<td></td>
<td>- Staff Integrity</td>
<td>- Staff Screening²</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Whistleblower</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Staff Integrity</td>
<td>- Data Protection (e.g. information handling)²</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Incident Management²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Services Integrity</td>
<td>- Product Development (e.g. NPA, marketing materials, outsourcing)²</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Complaint Handling²</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Services in financial instruments²</td>
</tr>
</tbody>
</table>

¹ The processes involved in each of the compliance scope classes may include: (1) rule making, (2) training, (3) advice on specific situations, (4) design and maintenance of systems and controls, (5) monitoring, (6) reporting and (7) liaison with the competent authorities

² The compliance function shares responsibility with other functions (business and support)
The scope of a particular compliance function in a country where CEB maintains an office, largely depends on the nature and size of the business activities of the respective office, generally focusing on areas such as anti-money laundering, preventing terrorist financing, conflicts of interest management, and duty of care towards customers.

In any event, outside the scope of compliance risk, and thus outside the scope of CEB’s compliance function, is compliance with laws, regulations and standards that relate to the support functions within CEB, as indicated in the non-exhaustive table below. However, in some countries where CEB maintains an office, the local regulator may require closer oversight of the out of scope risk categories by the respective compliance function. If so, the local compliance function will need to work closely with the appropriate risk management functions in order to address the needs of such local regulator.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Support Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Credit Risk Management (Corporate Commercial, Retail &amp; SME, and Financial Institutions)</td>
</tr>
<tr>
<td>Financial (including market, interest rate and liquidity)</td>
<td>Risk Management</td>
</tr>
<tr>
<td>Tax</td>
<td>Accounting</td>
</tr>
<tr>
<td>Accounting</td>
<td>Financial Control / Accounting</td>
</tr>
<tr>
<td>Legal</td>
<td>Legal</td>
</tr>
<tr>
<td>Operational including outsourcing</td>
<td>Operations</td>
</tr>
<tr>
<td>IT</td>
<td>IT</td>
</tr>
<tr>
<td>Employment</td>
<td>Human Resources</td>
</tr>
</tbody>
</table>
4. Compliance Structure and Governance

4.1 Compliance Structure

The compliance function in CEB group (i.e. CEB, its banking and non-banking subsidiaries) has the following structure.

4.1.1 Group Compliance Officer

The Division Director Compliance (hereinafter “Group Compliance Officer”) co-ordinates ‘overall compliance’ within CEB group. The Group Compliance Officer is the internal supervisor and responsible for ensuring that CEB group operates within the defined compliance framework.

The Group Compliance Officer is supported by a number of designated officers and controlling bodies (e.g. Compliance Oversight Committee, a sub-committee of the Supervisory Board of CEB) within CEB group’s organisation structures. In liaison with these officers and controlling bodies, the Group Compliance Officer:

- monitors the principal regulatory evolutions concerning compliance in the countries where CEB group maintains an office;
- maintains CEB’s compliance risk management framework (including the compliance arrangements);
- defines and applies a common methodology for the inventory and analysis of compliance risks;
- harmonise the compliance methods used throughout CEB group;
- co-ordinates compliance training programs;
- circulates necessary information within the function.

More specifically, the Group Compliance Officer (in addition to his operational tasks for CEB):

- advises and assists the aforementioned designated officers and controlling bodies within CEB group’s organisation structures in the exercise of their respective duties (see chapter 5);
- is informed of the recommendations of the competent (monitoring) authorities with regard to compliance; and
- monitors the proper organisation of requests from the authorities, and of necessary improvement plans.

During a period of absence of the Group Compliance Officer from his office, the allocated respective duties are vested onto a designated compliance function staff member.

4.1.2 Country Compliance Officers

Within the Head Office, branches and banking subsidiaries of CEB, the compliance function is embedded in Country Compliance Officers, who head respective compliance units in the countries where these entities have an office (see also paragraph 4.1.4).
Country Compliance Officers also act as coordinators of compliance activities for Compliance Representatives in their respective countries (see paragraph 4.1.3).

4.1.3 Compliance Representatives

In the non-banking subsidiaries of CEB the compliance function is vested onto Compliance Representatives.

4.1.4 Compliance Function combined with other Functions

To the extent permitted by the applicable laws, the compliance function in the Head Office, the branches and subsidiaries of CEB may be combined with another function whenever deemed appropriate given the nature and size of activities of the entity. However, avoidance of conflicts of interests and independency issues are key in the organisational arrangement of the compliance function in combination with other duties and responsibilities. Therefore, the other function must always be deemed compatible with the compliance function (no commercial or audit function) and must leave sufficient availability for the fulfillment of the compliance function. On a case-by-case basis, the decision on this compatibility will be taken by the Group Compliance Officer (see paragraph 4.1.1) in close consultation with local management and the Country Compliance Officer of the respective entity.

4.1.5 Appointment and Dismissal of Compliance Function Staff

The CEB group compliance function staff consists of the Group Compliance Officer, the Country Compliance Officers, the Compliance Representatives, and all other Compliance staff.

The Group Compliance Officer may be appointed, suspended, or dismissed by decision of the Managing Board of CEB, which is to be taken upon prior consultation with the Compliance Oversight Committee.

A Country Compliance Officer may be appointed, suspended, or dismissed by decision of the local management of CEB, CEB’s banking subsidiary or CEB’s branch in the respective country, which is to be taken upon prior consultation with the Group Compliance Officer.

A Compliance Representative may be appointed, suspended, or dismissed by decision of the local management of CEB’s non-banking subsidiary in the respective country, which is to be taken upon prior consultation with the Country Compliance Officer in the respective country and the Group Compliance Officer.

In some countries where CEB group maintains an office, the CEB group entity may be required to notify the competent authorities of the appointment, suspension or dismissal of the Group Compliance Officer and/or Country Compliance Officer. This notification has to comply with local rules and regulations, if any.
4.2 Compliance Governance

It is the responsibility of the Managing Board of CEB to secure group-wide effective compliance risk management. To that effect a member of the Managing Board has been given compliance risk management as a focus area, ensuring that an effective compliance function is established and managed under responsibility of local management in a CEB office and in any other CEB group entity.

In order to avoid potential conflicts of interests, the compliance function must be independent from the functions that are primary responsible for the implementation and maintenance of proper control measures with respect to compliance, such as business lines. The aforementioned independence is established using the following principles.

1. The compliance function has a formal status, which is stated and communicated through this Charter.
2. The Group Compliance Officer has a hierarchical reporting line to the Managing Board member who has been given compliance risk management as a focus area.
3. The Group Compliance Officer regularly reports on a consolidated level directly to the Managing Board of CEB. The Group Compliance Officer has, under all circumstances, a direct access/escalation line to the Compliance Oversight Committee and, ultimately, to the Chairman of the Supervisory Board of CEB, with regard to (compliance) matters that are related to members of the Supervisory – and/or Managing Board of CEB. In addition, the Group Compliance Officer provides periodically reports and updates to the Compliance Oversight Committee.
4. The Country Compliance Officer for the Netherlands and the Country Compliance Officers of CEB’s branches and banking subsidiaries are placed under the hierarchy of their local management and report on their own activities and, where appropriate, on the activities at country level, both to their respective local management and the Group Compliance Officer. In addition, the Country Compliance Officers of CEB’s banking subsidiaries provide periodically reports and updates on compliance matters to their local Audit and Risk Committee, a sub-committee of their local Supervisory Board. The Country Compliance Officer for the Netherlands and a Country Compliance Officer of a banking subsidiary of CEB have, under all circumstances, a direct access/escalation line to the Compliance Oversight Committee and local Audit and Risk Committee respectively, and, ultimately, to the Chairman of their local Supervisory Board.
5. Compliance Representatives of CEB’s non-banking subsidiaries are placed under the hierarchy of their local management and report to both their respective local management and their respective Country Compliance Officers. Compliance Representatives of CEB’s non-banking subsidiaries have, under all circumstances, a direct access/escalation line to the Group Compliance Officer, the Audit and Risk Committee of the local banking subsidiary and, ultimately, the Chairman of the Supervisory Board of the local banking subsidiary.
6. All compliance function staff is entitled to have access to the information and personnel necessary to carry out their tasks in an adequate and sound manner.

The figure in the Annex shows the reporting lines of the compliance function.
5. Duties and Authorities of the Compliance Function

All compliance function staff of CEB fulfill their duties in the work environment of the office they are dedicated to. With the support of their management, the compliance function staff should be spontaneously involved with the activities of the locations, i.e. be informed, consulted, and form part of the decision process as far as compliance matters are totally or partially concerned. It is only then that the compliance function can contribute to the protection of the integrity and reputation of CEB.

The compliance function at an office of CEB has within its scope, as a minimum, the following duties and authorities.

A. Legislation
   - Identify compliance risk-related laws, regulations, rules, and established good business standards, that concern CEB or a particular CEB office.
   - Translate (changes in) relevant compliance risk-related laws, regulations, rules and good business standards, as well as expectations from regulators and other (monitoring) authorities into compliance requirements.
   - Report deficiencies in this respect to management and provide advice to improve the situation and exercise control over improvement of reported deficiencies.
   - Offer solicited and unsolicited advice on compliance matters to management.
   - Advise staff on the interpretation of the various rules and standards.
   - Maintain contact with the competent (monitoring) authorities (this does not prejudice the position of management vis-à-vis the regulator and other authorities), as well as the internal audit function for compliance related subjects.
   - Maintain contacts with industry associations in the sphere of their competence.

B. Information and Training
   - Learning and educating are the essence of compliance. The aim is to embed compliance in the day-to-day mindset and behavior of everyone working for CEB as well as in the culture of CEB.
   - The same duty of learning and educating applies to compliance function staff in order to keep their knowledge up-to-date and improve their professional qualifications.

C. Risk Identification, Assessment and Monitoring
   - Identify the relevant compliance risks, depending on the applicable compliance risk-related laws and regulations and the field of activities of the CEB office, and assess and list the priorities of the identified compliance risks.
   - Advise, support and/or challenge the business on the mitigation of identified compliance risks, on the design and implementation of proper control measures to mitigate such risks or on the acceptance of identified compliance risks.
   - Monitor progress of actions undertaken to mitigate compliance risks or other compliance issues.
D. Instructions and Investigations

- Management of a CEB office may delegate to the compliance function the authority to give instructions to staff and to grant or withhold approval for actions by staff.

- The compliance function has the authority to take the initiative to investigate supposed breaches of any law, regulations, internal rules or standards. In doing so, the compliance function may request assistance from other support functions, including, but not limited to, the internal audit function, human resources function or external parties.

- The compliance function has the authority to request a copy of any document from management, any other staff member, any customer or other third party of the respective CEB office, if such document, at the sole discretion of the compliance function, is needed for effective compliance risk management.
6. **Compliance Reporting**

Compliance reporting allows management and the compliance function, and, where appropriate, the Supervisory Board of CEB or any other CEB group entity to assess whether the compliance risks CEB group or the CEB group entity is exposed to, exceed the integrity risk appetite. It is therefore essential that the reporting on compliance risk management is done in an accurate, complete and timely manner.

The frequency of reporting may vary, a distinction can be made between:
- annual reporting,
- quarterly reporting,
- incidental reporting.

**Annual Reporting**

In some countries where CEB or any other CEB group entity maintains an office, an annual compliance or specific anti-money laundering report needs to be sent to the competent authorities. Prior to fulfilling this obligation, the Country Compliance Officer shall seek acknowledgement of the Group Compliance Officer and local management.

The Group Compliance Officer and the Country Compliance Officers shall design an annual compliance action plan for the upcoming year. Such a plan is presented to the local management and (appropriate sub-committee of) the local Supervisory Board of the respective CEB office and CEB group entity respectively for discussion and acknowledgment. The content of this action plan is derived, amongst others, from the systematic integrity risk assessment which is made, at least, on an annual basis.

A status update on the completion of the activities under the compliance action plan of the present year is to be provided by the Country Compliance Officers on entity- or on consolidated basis for their country, to their local management, (appropriate sub-committee of) their local Supervisory Board and the Group Compliance Officer at least annually. With the same frequency or more regularly if there are grounds to do so, the Group Compliance Officer presents such status update on consolidated basis to the Managing Board of CEB and the Compliance Oversight Committee.

**Quarterly Reporting**

The Country Compliance Officers shall, for their CEB office or CEB group entity or entities in their country, provide to the Group Compliance Officer, a quarterly compliance report. Prior to sending the quarterly report to the Group Compliance Officer, the report is (preferably) discussed with and acknowledged by the local management of the respective CEB office or CEB group entity.

The quarterly compliance report shall, to the extent necessary, be supported by an updated risk assessment (as per the quarter end) and an appropriate action plan, which is (preferably) to be pre-discussed with and acknowledged by the local management of the respective CEB office or CEB group entity.
Depending on the meeting schedule of local Supervisory Boards of a CEB group entity, the quarterly compliance report(s) and, where appropriate, an updated risk assessment (as per the quarter end) and an appropriate action plan, is to be presented to (the appropriate sub-committee of) the local Supervisory Board of a CEB group entity.

The Group Compliance Officer will provide the Managing Board of CEB with a quarterly compliance dashboard which gives insight in the compliance risks CEB group is exposed to, and whether or not such risks exceed the integrity risk appetite. It also allows the Managing Board of CEB and the Group Compliance Officer to discuss (i) the identified and assessed compliance risks, (ii) any lessons learned, and (iii) the integrity risk appetite.

The Group Compliance Officer will present a copy of this dashboard to the members of the Compliance Oversight Committee.

**Incidental Reporting**
Incident reports focus on facts or major compliance incidents that local management and the Group Compliance Officer are to be made aware of without delay. Major compliance incidents or even compliance incidents that are still pending (such as serious violation of legislation which may result in a compelling instruction or a fine from the competent authority, or issues which may result in reputational damage), must be reported by the Country Compliance Officer or Compliance Representative to local management and the Group Compliance Officer immediately. The Group Compliance Officer will inform on a real time basis the Managing Board of CEB accordingly. Where appropriate, the local Supervisory Board of a CEB group entity and/or local competent authority has also to be informed.

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Annex: Reporting lines of the Compliance Function

*Group Compliance Officer has the member of the Managing Board who has been given compliance risk management as a focus area as his first line of reporting

**Country Compliance Officer Netherlands has direct escalation possibility to the Chairman of the Supervisory Board of Credit Europe Bank N.V.