

**General Assembly**

**No: XLIX.GS/10-22**

Zagreb, August 29, 2022

Pursuant to Article 29, paragraph 1 of the Articles of Association of Hrvatska poštanska banka, public limited company, Zagreb, (hereinafter: the Bank), and in line with Article 45, paragraph 6 of the Credit Institutions Act (Official Gazette nos.159/2013,19/2015,102/2015 and 15/2018, 70/2019, 47/2020 and 146/2020), and Article 19 of the Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution (Official Gazette, number 20/2021) (hereinafter: the Decision), upon the proposal of the Management Board of the Bank, the General Assembly of the Bank hereby adopts on August 29, 2022 the following

**POLICY ON THE TARGET STRUCTURE  
AND THE ASSESSMENT OF THE SUITABILITY OF THE  
MEMBERS OF THE SUPERVISORY BOARD OF THE BANK**

**I. POLICY SUBJECT MATTER**

**Article 1**

- (1) The Policy on the target structure and the assessment of the suitability of the Members of the Supervisory Board of the Bank (hereinafter: the Policy) defines:
- the collective target structure of the membership of the Supervisory Board of the Bank
  - the criteria for membership in the Supervisory Board
  - the procedure for and dynamics of the suitability assessment
    - o the timeframe for and the method of carrying out the procedure
    - o the information and documentation to be submitted by a Member of the Supervisory Board to the Bank
    - o the manner in which the assessed individual provides a response
    - o the assessment of the collective suitability of the Supervisory Board
  - the record keeping method pertaining to a completed suitability assessment procedure.

**Article 2**

**II. DEFINITIONS**

The individual terms used in this Policy shall have the following meaning:

- (1) "related persons" are:
- close family members of the person
  - a legal person where the person or such person's close family member holds a qualifying share and
  - a legal person where the person or such person's close family member is a member of the senior management or a member of the management board, a member of the supervisory board, or an executive director.
- (2) "significant business relationship" means a business relationship which meets any of the following criteria:
- the total liabilities of a Member of the Supervisory Board, including the persons related to him/her, to the Bank, its parent company or its subsidiary company, its customers and other credit institutions having their seats in the Republic of Croatia or subsidiaries of the credit institutions from other member states or third countries exceed their total claims

\* Close family member of a person

1. a spouse or a person who, according to a special law, holds a position equal to the position in a marital union or a person with whom he or she has entered into a life partnership in accordance with the law governing the same-sex life partnerships
2. the parent, son, adopted son, daughter or adopted daughter of that person
3. son, adopted son, daughter or adopted daughter of a person referred to in sub-item 1 of this item
4. another person who does not have full legal capacity and who has been placed under the custody of that person

against and investments in that credit institution by an amount higher than 2% of the credit institution's share capital but are not lower than HRK three million

- the Bank or a person related to it holds an investment in the share capital instruments exceeding 25% of the share capital of an undertaking controlled by a Member of the Supervisory Board, or
- an undertaking related to a Member of the Supervisory Board of the Bank derives most of its income from the provision of services to that credit institution.

(3) "conflict of interest" means the situations described in Article 3 below which the Bank cannot manage in the manner which would ensure the independence of mind of a Member of the Supervisory Board in performing his/her duties Notwithstanding the situations described in the above article, assessment to determine the presence in all other cases that could bear the character of a conflict of interest shall be possible.

(4) "Group" means a parent undertaking and its subsidiary undertakings, as defined in the Regulation (EU) No. 575/2013

(5) "Appointments Committee" is the Committee of the Supervisory Board of the Bank. The members of the Committee are appointed from among the Members of the Supervisory Board of the Bank and the Committee shall have at least three members. One member of the Committee shall be appointed as the Committee Chairperson.

(6) "Suitability Assessment Committee" consists of directors of the functions competent for:

- human resources management
- legal affairs
- compliance
- credit risk management.

(7) The expert functions referred to in paragraph (6) shall be responsible for the implementation of this Policy within the limits of the competences conferred upon them.

(8) For the purposes of this Policy, the term person is used hereinafter describing the suitability assessment of the Members of the Supervisory Board while the term candidate refers to the initial suitability assessment.

### **III. TARGET STRUCTURE OF THE SUPERVISORY BOARD OF THE BANK**

#### **Article 3**

- (1) When selecting the candidates for membership in the Supervisory Board, the Shareholders of the Bank shall take into consideration the nature, scale and complexity of the activities, risk profile and business strategy of the Bank, so that the following requirements are ensured:
- the optimal collective diversity of the structure of the Supervisory Board of the Bank for the purpose of efficient supervisory practices related to the Bank's business activities. The Members of the Supervisory Board shall collectively possess the professional knowledge, skills and experience required to supervise the Bank's business activities severally and independently without undue influence, and in particular to understand the operations and the significant risks of the Bank
  - the suitability of the candidates for membership in the Supervisory Board.

### **IV. CRITERIA FOR MEMBERSHIP IN THE SUPERVISORY BOARD**

#### **Article 4**

- (1) The person assessed in compliance with this Policy as suitable and who has been granted prior approval of the Croatian National Bank to perform the function of a Member of the Supervisory Board can be selected i.e., appointed as a Member of the Supervisory Board.
- (2) A Member of the Supervisory Board can be the person who shall meet the following criteria:
- is of good repute, honesty and integrity
  - possesses individually and collectively together with other Members of the Supervisory Board suitable professional knowledge, skills and experience to meet the obligations falling within his/her competence, is not in a conflict of interest in relation to the Bank, Shareholders, Members of the Supervisory Board, key function holders and senior management of the Bank, and is skilled in expressing independent opinions

- for whom it may be justifiably concluded on the basis of his/her former behaviour that he/she will perform the duties of the Member of the Supervisory Board displaying honesty and integrity
- can commit sufficient time to meet the obligations falling within his/her competence
- can act as a Member of the Supervisory Board in accordance with the provisions of the Companies Act.

#### **IV.1. Good repute, honesty and integrity**

##### **Article 5**

- (1) A Member of the Supervisory Board is deemed to be of good repute if there is no evidence to suggest otherwise and there is no reasonable doubt pertaining to his/her good repute.
- (2) The following persons or such persons' associates shall not be deemed to be of good repute, honesty and integrity:
  - a person convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 25(2) of the Credit Institutions Act or a candidate who has been convicted by a judgement with final force and effect of any of the criminal offences which by their definition correspond to criminal offences referred to in Article 25(2) of the Credit Institutions Act,
  - against whom criminal offence proceedings have been initiated for any of the criminal offences referred to in Article 25(2) of the Credit Institutions Act, or against whom criminal offence proceedings have been initiated for any of the criminal offences which by their definition correspond to criminal offences referred to in Article 25(2) of the Credit Institutions Act, or who has been convicted by a judgement with final force and effect of, or against whom criminal offence proceedings have been initiated for any of the criminal offences not listed in Article 25(2) of the Credit Institutions Act, if that may give rise to doubt as to the good repute, honesty and integrity of the candidate,
  - who has been imposed a security or some other measure or a misdemeanour sanction, who is under investigation or is subject to proceedings by competent supervisory authorities or courts for irregularities or non-compliance with any of the regulations governing banking, financial or insurance activities or governing capital markets, securities or payment services, regulations governing the provision of financial services, consumer protection or any other relevant regulations, if that may give rise to doubt as to the good repute, honesty and integrity of the candidate,
  - who manages, or has managed at the time of the offence, the undertaking which has been convicted by a judgement with final force and effect of the criminal offence referred to in items (1) and (2) of this paragraph, or who has been imposed measures or against whom proceedings and other actions referred to in item (3) of this paragraph have been initiated, which may give rise to doubt as to the good repute, honesty and integrity of the candidate,
  - who has not demonstrated good results in his/her past professional work and personal integrity,
  - whose business results compromise the candidate's good repute, honesty and integrity,
  - whose financial stability compromises the candidate's good repute, honesty and integrity, and
  - for whom there are some other grounds for suspicion as to his/her good repute, honesty and integrity.
- (3) It shall be deemed that a person has not achieved good results by his/her past professional work and personal integrity:
  - if he/she has been removed from a managerial function
  - if he/she has acted in his/her past professional work demonstrating non-transparent behaviour and lack of co-operation with the competent authorities
  - if he/she has been refused or revoked approvals to perform managerial functions or professional occupations or activities
  - if his/her employment contract concluded in respect of the performance of the responsibilities in the areas referred to in Article 6 below has been due to incorrect behaviour terminated.
- (4) It shall be deemed that the business results and the financial stability compromises a person's good repute:

- if bankruptcy proceedings have been initiated, pre-bankruptcy settlement proceedings carried out, a decision on the compulsory winding-up rendered, extraordinary administration proceedings initiated or the undertaking's authorisation withdrawn in which the person is or has been a significant shareholder, or in which the person has or has had significant holdings, or in which he/she has performed the function of a member of the management board or other managerial function or the function of a member of the supervisory board, or has had a significant influence over the undertaking's operation, and such circumstances may have a potential influence on such person's good repute, honesty and integrity
  - if execution or personal bankruptcy proceedings have been initiated over the person's property.
- (5) When assessing the person's financial stability, the following shall be analysed:
- whether the person's property and income threaten his/her ability to meet his/her financial obligations in the future,
  - whether the person's name is included in any list of unreliable debtors (e.g., the Ministry of Finance's tax defaulter list, "black list", etc.),
  - whether consumer bankruptcy proceedings have been carried out or initiated over the person's property,
  - whether any civil, misdemeanour or administrative proceedings have been initiated against the person which could threaten the person's ability to meet his/her financial obligations in the future,
  - whether the person has been convicted by a judgement with final force and effect and whether criminal offence proceedings have been initiated against the person for any criminal offences not listed in Article 25(2) of the Credit Institutions Act,
  - whether the person has been convicted of a misdemeanour,
  - large investments, exposures or debts of the person,
  - the financial and business results of the undertaking in which the person is or has been a significant shareholder or in which the person has or has had significant holdings or in which he/she performed the function of a member of the management board, some other managerial function or the function of a member of the supervisory board, which could affect the person's good repute, honesty and integrity.

#### **IV.2. Knowledge, skills and experience required to meet the obligations falling within the competence of the Members of the Supervisory Board**

##### **Article 6**

- (1) It shall be deemed that the appropriate level of knowledge is gained by completing at least graduate studies in a relevant field, in accordance with the regulations governing scientific activity and university education, while foreign educational qualifications shall also be recognized.
- (2) Graduate studies completed in the following fields shall be deemed as relevant:
- economics and other related fields (e.g., banking and finance, business administration)
  - law and related fields (e.g., administration), or
  - mathematics, physics, computer science, electrical engineering and related fields.

By way of derogation from the previous paragraphs of this Article, if the Supervisory Board has five or more Members, one Member of the Supervisory Board, who can demonstrate by his/her experience and past work in a supervisory board that he/she meets the criteria referred to in Article 4, paragraph 2, second indent of this Policy, is not required to hold a graduate degree.

When assessing the knowledge of a candidate for membership in the Supervisory Board, the Suitability Assessment Committee may, in addition to the educational degree attained in accordance with paragraphs (1) and (2) of this Article, also review the candidate's continuing professional development in the following fields:

- financial markets
- accounting framework
- regulatory framework and prudential requirements

- strategic planning and the knowledge of the business strategy, business planning and the realisation of business plans
- credit institution risk management
- corporate governance
- internal controls system
- analysis of a credit institution's financial information.

#### **Article 7**

- (1) The suitable skills for the performance of the supervisory function shall include the ability to understand and critically review the credit institution's operations and the risks to which it is exposed, his/her independence of mind and willingness to engage in continuing training and professional development.

#### **Article 8**

81) The suitable experience gained from supervisory positions shall include:

- experience of serving on the management level, on the level immediately below the level of the management (B-1), and on the supervisory board level or on equivalent levels in undertakings having established management board, and the possession of the comprehensive practical or theoretical knowledge in the field of banking and financial services
- experience of serving in key managerial positions in the body competent for the supervision of credit or financial institutions
- experience gained from working in academic positions, and
- experience gained from working in key managerial positions involving a high degree of autonomy with government administration bodies or public authorities.

The suitable experience referred to in the previous paragraph shall mean five years of recent work experience.

By way of derogation from paragraph (2) of this Article, it may be deemed that a candidate has gained suitable work experience although the candidate does not possess the number of years of work experience as stipulated in paragraph (3) of this Article, if the candidate provides a detailed explanation of the reasons and submits evidence that her/she possess other suitable experience-related qualities, such as specialist knowledge and acquired experience, required by the Bank, an exceptionally successful professional career or specific required experience suited to the special role to be fulfilled and areas of competence to be covered by the candidate at the Bank.

### **IV.3. Independence of mind of the Members of the Supervisory Board**

#### **Article 9**

- (1) When assessing the suitability at an initial appointment for membership in the Supervisory Board, two reference letters from the members of supervisory or managerial bodies of the undertakings or institutions in which the candidate had worked shall be required; such letters shall include positive reference to the ability of the candidate to express his/her independence of mind.

### **IV.4. Conflict of interest of the Members of the Supervisory Board**

#### **Article 10**

- (1) A conflict of interest that cannot be managed by the Bank shall be deemed to exist:
  - where a Member of the Supervisory Board or a person related to this person has a significant business relationship with the Bank
  - where a Member of the Supervisory Board of the Bank is also a member of the supervisory board or the management board of another credit institution or financial institution, mixed financial holding company or financial holding company, which are not a part of the same group of credit institutions to which the Bank belongs

When assessing the circumstances that suggest the existence of a conflict of interest, the following shall be considered:

- economic interests of the candidate / Member of the Supervisory Board in undertakings or entities which are customers of the Bank
- loans granted by the Bank to the candidate / Member of the Supervisory Board or persons related to them
- personal or professional relationships with relevant suppliers, consultants or other service providers
- previous employments of the candidate / Member of the Supervisory Board in the last five years
- personal or professional relationships with the staff of the Bank or entities included within the scope of accounting or prudential consolidation
- personal or professional relationships with holders of qualifying holdings in the Bank or its parent undertaking or subsidiary
- whether the candidate / Member of the Supervisory Board holds shares or ownership rights in an undertaking or entity with conflicting interests in relation to the Bank
- political influence or relationships with politically exposed persons in the last two years.

(3) The candidate / Member of the Supervisory Board shall promptly and without delay inform the Bank and the Croatian National Bank on any identified, potential or perceived conflict of interest.

(4) In the event of doubts pertaining to the existence of a conflict of interest, the candidate / Member of the Supervisory Board shall take all possible measures to separate his/her private interest from the interest of the Bank in order to avoid possible conflict of interest.

(5) The President or a Member of the Supervisory Board of the Bank shall be exempted from participating in the discussion, deciding or voting on proposals, plans, agenda items, etc., if a conflict of interest has been established.

#### **Article 11**

The Bank is authorized to take the following measures to reduce or eliminate conflicts of interest:

- prohibit participation in the discussion, decision-making or voting on proposals, plans, agenda items if a conflict of interest has been identified in this regard
- continuous supervision and monitoring of conflicts of interest within the Bank in all areas of the Bank's operations
- regular reporting to the Croatian National Bank on the situation in connection with which a potential conflict of interest has been identified, including measures to ensure its management
- in situations where effective management of conflicts of interest is prevented and / or hindered, establishing the period during which the candidate for membership in the Supervisory Board is prohibited from assuming and performing the function to which he / she has been appointed
- taking other measures that the Bank considers would ensure effective management or elimination of conflicts of interest

#### **IV.5. Induction and continuing training and professional development of the Members of the Supervisory Board**

##### **Article 12**

- (1) For the purpose of meeting the obligations falling within their competence in a quality manner, Members of the Supervisory Board appointed new to the function shall within six months of the date of their appointment join internal induction training organised by the Human Resources Management Office to facilitate their understanding of the structure, business model, risk profile and governance system and their role in the Bank and shall upon that engage in continuing learning and professional development in banking and financial business and in other areas relevant for Members of the Supervisory Board.
- (2) Continuing training and professional development include participation at seminars, symposia, conferences and similar.

- (3) Each Member of the Supervisory Board shall keep a chronological list of all forms of professional training and development during a calendar year, specifying course topics, organisers and duration of courses and the years of taking vocational examinations or obtaining certificates, licences, etc.
- (4) The list referred to in the previous paragraph, together with scanned copies of a degree, diploma, certificate, etc. shall be delivered to the Human Resources Management Office of the Bank, addressed to the Suitability Assessment Committee.

The Members of the Supervisory Board shall be entitled to have their expenses of training and development met by the Bank in the amount allocated for the calendar year; the Supervisory Board shall be advised thereof before the end of January of each calendar year. The Management Board shall propose within the annual budget the reasonable amount allocated for the training and development of the Members of the Supervisory Board.

#### **IV.6. Sufficient time commitment**

##### **Article 13**

- (1) Sufficient time commitment constitutes the ability of the Member of the Supervisory Board to commit sufficient time to meet his/her obligations falling within his/her competence.
- (2) It shall be deemed that a Member of the Supervisory Board is not able to commit sufficient time to perform his/her duties, if he/she simultaneously performs:
  - the function of the president or a member of the management board of a credit institution and another function of a member of the management board of another undertaking or the function of managing a public company or a limited partnership
  - the function of a member of the management board and more than two functions of a member of the supervisory board, or
  - more than four functions of a member of the supervisory board.
- (3) The function of a member of the management board or supervisory board shall be deemed to be one function if performed in:
  - undertakings within the same group
  - undertakings in which the Bank holds a qualifying holding.
- (4) The restrictions referred to in paragraph (2) of this Article shall not apply to the Members of the Supervisory Board representing the Republic of Croatia.

(5) The Office of the Management Board is mandated to create at an annual level the attendance list of the Members present at the Supervisory Board's meetings which shall serve as the basis for the determination of the sufficient time commitment falling within the competence of the Supervisory Board. In addition to the attendance analysis, records shall be kept and updated on the external professional and political positions held by the Member of the Supervisory Board with the prescribed obligation of such Member to inform the Office of the Management Board of changes related to external professional and political positions, and the Office of the Management Board shall inform the Board thereof, including the situations which may arise from such changes and reduce the ability of the Member of the Supervisory Board to devote sufficient time to perform his function. The Board shall be obliged to re-assess whether a Member of the Supervisory Board is able to devote sufficient time to fulfilling his/her responsibilities.

(6) As part of the analysis referred to in paragraph 2 of this Article, at least the following criteria shall be assessed:

- the number of executive and non-executive or deputy functions that the candidate performs simultaneously as well as the expected total number of days he / she must annually dedicate to them,
- the type, size, scope and complexity of the work performed by the undertaking, in which the candidate holds an executive or non-executive function or a deputy function,
- the geographical location of the undertaking in which the candidate performs the function and the travel time required to perform that function,

- the number of meetings of the management or supervisory board in which the candidate performs the function that are held on average during the year as well as the time required for preparation for participation in the meetings,
- meetings of the management or supervisory board held when necessary, with the competent authorities and stakeholders,
- the position, responsibilities and areas of competence that the candidate performs (e.g., whether he / she carries out the position of chairman of one of the supervisory board committees),
- other professional or political activities and all other functions and relevant activities as well as the expected total number of days that the candidate is required to dedicate annually,
- the number of functions in organizations or entities that were not established primarily for the purpose of realising a profit; and • the time necessary to be devoted to induction and continuing professional development

#### **IV.7. Diversity of the Supervisory Board**

##### **Article 14**

- (1) The composition of the Management Board of the Bank shall reflect a broad set of knowledge, and diversity in respect of professional experience, gender and age, taking into account required knowledge, skills and experience.

#### **IV.8. Succession plan**

##### **Article 15**

- (1) The Bank shall develop the succession plan for circumstances of sudden or unexpected absences or removal of Members of the Supervisory Board.
- (2) In the event of sudden or unexpected absence or removal of the Member of the Supervisory Board from his/her position, and when the remaining number of the Members of the Supervisory Board is sufficient to make valid resolutions, the Supervisory Board shall promptly without delay propose the selection and appointment of candidates who shall meet the requirements for membership in accordance with the Bank's Articles of Association, the Decision, the Credit Institutions Act and this Policy with the obligation to conduct the procedure of the assessment of the suitability of candidates and the procedure of assessment of the collective suitability of the Supervisory Board and the prior consent of the Croatian National Bank.
- (3) If the remaining number of Members of the Supervisory Board is not sufficient to pass valid resolutions, the Bank's Management Board shall promptly without delay propose to the competent court the appointment of the outstanding Members of the Supervisory Board, taking into account the requirement to promote the diversity of the Supervisory Board.

#### **IV. 9. Independence of the Member of the Supervisory Board**

##### **Article 16**

A Member of the Supervisory Board shall be deemed to be independent if:

- he/she is not a shareholder who holds control over that credit institution or its affiliated company within the meaning of the provisions of Article 23, paragraphs (3) and (4) of the Accounting Act or the national regulation transposing the provisions of Article 22, paragraph 1 of the Directive 2013/34/EU of the European Parliament and Council of 26th June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance) or does not represent a controlling shareholder
- he/she does not serve or has not served in the previous five years as a Member of the Management Board of the Bank or another entity within the scope of prudential or accounting consolidation
- if he/she is not an employee of the majority shareholder of the Bank or if he/she is not otherwise connected with him



- if he/she is not an employee of an entity that falls within the scope of prudential or accounting consolidation
- he/she does not serve or has not served in the previous three years a Member of the senior management of the Bank or other undertaking within the scope of prudential or accounting consolidation directly reporting to the Management Board
- he/she does not receive or has not received, in addition to the remuneration for performing the function of the Member of the Supervisory Board, from the Bank and the undertakings related thereto, significant fees or does not make or has not made significant income
- he/she does not serve (or has not served in the previous three years) as a member or a partner of an audit firm which provides or has provided audit services or undertaking which provides consultancy services to the Bank or an undertaking within the scope of prudential or accounting consolidation, or if he/she is not or has not been employee by such undertakings or is or has been materially associated with the service provider
- if he/she is not a member of the management board of another undertaking in which a Member of the Management Boards serves on the supervisory board
- he/she is not associated with the members of the Management Board of the Bank or another undertaking within the scope of prudential or accounting consolidation or is not associated to any of the persons referred to in this Article
- he/she has not served as member of the Management Board or Supervisory Board of the Bank for more than 12 consecutive years
- he/she does not hold a controlling share or a share in an entity which was a material supplier or customer of the Bank or another undertaking within the scope of prudential or accounting consolidation or has not had any other significant business relationship with the Bank.

## **V. SUITABILITY ASSESSMENT PROCEDURE AND DYNAMICS**

### **Article 17**

- (1) The procedure established for the assessment of the suitability of a candidate/Member of the Supervisory Board shall be carried out by the Suitability Assessment Committee.
- (2) The procedure established for the assessment of the suitability of a candidate/Member of the Supervisory Board shall be carried out in the following situations:
  - prior to submitting an application to the Croatian National Bank for the approval of the selection/appointment of a member of the Supervisory Board (assessment of a candidate for membership in the Supervisory Board)
  - once per year in order to verify the on-going suitability of a Member of the Supervisory Board for performing his/her function (regular annual suitability assessment of a Member of the Supervisory Board)
  - when the circumstances occur for the suitability verification of a Member of the Supervisory Board (an extraordinary suitability assessment).

### **V.1. The timeframe for and the method of carrying out suitability assessment of a candidate for membership in the Supervisory Board**

### **Article 18**

- (1) For the purpose of the suitability assessment, a candidate for membership in the Supervisory Board shall deliver to the Suitability Assessment Committee the required documentation and information in accordance with the Credit Institutions Act, the Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution (hereinafter: the CNB's Decision) and this Policy.
- (2) The required documentation referred to in the previous paragraph shall include:
  - Questionnaire for the candidate for the chairperson or a member of the management board or a member of the supervisory board of a credit institution
  - Statement that the candidate for the chairperson or a member of the management board or supervisory board of a credit institution has not committed a criminal offence or a misdemeanour, and that no criminal or misdemeanour proceedings have been initiated against him/her

- Statement issued by a municipal court on whether criminal offence proceedings have been initiated against the candidate, not older than one month
- (3) The questionnaire and the statement referred to in the previous paragraph are an integral part of the CNB's Decision.
  - (4) Based on the results of the suitability assessment, carried out by the Suitability Assessment Committee, the Management Board shall prepare a proposal of the assessment of the suitability of a candidate/Member of the Supervisory Board and submit the proposal to the Appointments Committee for an opinion.
  - (5) The General Assembly of the Bank shall make a decision on the suitability of a candidate/Member of the Supervisory Board.
  - (6) The application for granting prior approval to perform the function of a Member of the Supervisory Board shall be submitted to the Croatian National Bank no later than three months before the expiry of the term of office of a Member of the Supervisory Board. The application shall be submitted by the Chairperson of the General Assembly on the form that is an integral part of the CNB's Decision, together with the required documentation. The administrative support with regard to the application for prior approval shall be provided by the Office of the Management Board.
  - (7) In the event of removal, resignation or death of a Member of the Supervisory Board, due to which the Supervisory Board would not have the minimum number of Members required by law or the Articles of Association for taking valid business resolutions, the Bank shall submit an application for granting prior approval to the Croatian National Bank no later than two months after the occurrence of such events.

## **V.2. The time limits for and the method of carrying out regular annual suitability assessment of a Member of the Supervisory Board**

### **Article 19**

- (1) A regular annual assessment of the suitability of a Member of the Supervisory Board is carried out once per year, in order to verify his/her individual on-going suitability for performing his/her function, as well as the collective suitability of the Supervisory Board.
- (2) For the purpose of regular annual suitability assessment, each Member of the Supervisory Board shall, at the request of the Suitability Assessment Committee, submit to the Committee the updated Questionnaire referred to in Article 17(2), first indent above, and other relevant information and evidence defined in the regulations and this Policy.
- (3) The Bank shall notify the Croatian National Bank, not later than 30 June of the current calendar year for the previous year, of regular annual assessment of the suitability of a Member of the Supervisory Board, submitting the updated Questionnaire as defined in the previous paragraph. The Questionnaire shall be accompanied by a reasoned result of the regular suitability assessment carried out by the Bank.

## **V.3. Extraordinary suitability assessment**

### **Article 20**

- (1) An extraordinary suitability assessment is carried out when the following situations and circumstances occur necessitating a suitability verification:
  - when the circumstances occur which give rise to doubt as to individual or collective suitability and particularly when there is evidence or factors which may give rise to doubt as to the good repute, honesty, integrity or any other criteria for suitability assessment of a Member of the Supervisory Board
  - if there is information indicating potential or actual conflict of interest that cannot be managed
  - in the event of a change in scope of tasks and area of competence

- (2) When carrying out an extraordinary suitability assessment, the Bank may carry out a partial assessment of the impact of the change in circumstances on the suitability of a Member of the Supervisory Board.

#### **V.4. The manner of giving response by the assessed person and corrective measures**

##### **Article 21**

- (1) Should the results of the suitability assessment indicate that a candidate for membership in the Supervisory Board is not suitable or that a Member of the Supervisory Board is no longer suitable, the Suitability Assessment Committee shall, prior to providing the suitability assessment to the Management Board of the Bank, request the assessed person to submit his/her response.
- (2) The request for responding with the elements and/or full assessment shall be delivered to a candidate or the Member of the Supervisory Board by post or using electronic mail. The communication with a candidate for the membership in the Supervisory Board shall be, as a rule, carried out through a person who has proposed the candidate.
- (3) The candidate for membership in the Supervisory Board or a Member of the Supervisory Board shall respond in respect of the results of the suitability assessment within the timeframe defined by the Suitability Assessment Committee; such timeframe shall not be less than 24 hours and not more than three days following the day of the receipt of the request. Exceptionally, such timeframe may be less than 24 hours if the person who is to give his/her response agrees to such shorter time limit.
- (4) The Suitability Assessment Committee shall deliver to the Management Board of the Bank the response of a candidate membership in the Supervisory Board or of a Member of the Supervisory Board, together with the suitability assessment and a proposal of the decision on the suitability.
- (5) By way of an exception, in the event the Bank concludes that the suitability shortcomings are not serious and that they can be remedied in the short term, the Bank may take appropriate measures to restore the suitability of that Member, on the condition that the shortcomings determined are not such that the person fails to meet the criteria of good repute, honesty and integrity which cannot be removed by corrective measures.
- (6) The Bank shall, without undue delay, and not later than within 8 (eight) days after such a change is observed, inform the Croatian National Bank of the results of the extraordinary suitability assessment and its decision on the corrective measures to be taken in order to restore the candidate's suitability or the decision to replace the candidate. The Bank shall explain the results of the assessment and the decision.
- (7) Should the results of the suitability assessment indicate that a candidate for membership in the Supervisory Board is not suitable or that a Member of the Supervisory Board is no longer suitable, the Suitability Assessment Committee shall, prior to providing the suitability assessment to the Management Board of the Bank, request the assessed person to submit his/her response.
- (8) Corrective measures may include the application of measures to reduce or eliminate conflicts of interest, professional development and additional training of either individual Members of the Supervisory Board or the Supervisory Board collectively, and other similar measures to ensure individual and collective suitability.
- (9) The Bank shall be obliged to sufficiently document all suitability assessment procedures, including regular and extraordinary suitability assessment procedures, and to inform the assessed person in writing of the results of the repeated assessment, stating whether the conditions for membership in the Supervisory Board have been met.
- (10) The members of the Supervisory Board shall inform the Bank of any significant events or circumstances that significantly impact their suitability to perform the function to which they are appointed, i.e., in accordance with the obligation referred to in Article 18, paragraph 2 of this Policy, at least once per year submit the required data and information confirming that the facts which were used as the basis for initial suitability assessment have remained unchanged.

## **V.5. The information and documentation to be submitted by a Member of the Supervisory Board to the Bank**

### **Article 22**

- (1) A Member of the Supervisory Board shall, in addition to the documentation referred to in Article 17(1) and (2) and Article 18(2), inform the Bank of any relevant event or circumstance that has a material impact on his/her suitability for performing the function to which he/she is appointed.
- (2) The information referred to above shall be delivered to the Suitability Assessment Committee.

## **V.6. Collective suitability assessment**

### **Article 23**

- (1) In the event where a Member of the Supervisory Board is appointed for the first time or reappointed, and where there is a significant change in the Bank's business model or its risk profile, the Bank shall compare the current composition of the Supervisory Board and its collective knowledge, skills and work experience against the Bank's business model, risk profile, strategy and markets.
- (2) In the procedure referred to in the previous paragraph, the Bank shall also take into account the results of the individual assessments of suitability of the Members of the Supervisory Board.
- (3) When making an assessment, the Methodology for collective suitability assessment shall be used by the Suitability Assessment Committee after this Policy enters into force.
- (4) The General Assembly shall make the resolution pertaining to the collective suitability of the Members of the Supervisory Board on the basis of the results of suitability assessment and all other information required to make an independent and objective decision.

## **VI. RECORD KEEPING**

### **Article 24**

All documentation related to the suitability assessment of the Members of the Management Board of the Bank shall be kept in one original copy with the Human Resources Management Office.

## **VII. FINAL PROVISIONS**

### **Article 25**

- (1) The terms importing gender and used in this Policy refer equally to masculine and feminine gender.
- (2) The compliance function shall analyse the extent to which the suitability assessment policy affects the credit institution's compliance with regulations as well as its internal policies and reports to the Management and the Supervisory Board on all identified risks and non-compliance issues.  
The drafts of the amendments to this Policy are the responsibility of the Human Resources Management Office.
- (3) In the event of amendments to the Decision of the Croatian National Bank on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution which shall enter into force after the adoption of this Policy, the provisions of such regulations shall be applied until the harmonization of this Policy with the amendments to those regulations.

## **Article 26**

- (1) The Policy on the target structure and the assessment of the suitability of the Members of the Supervisory Board of the Bank shall be adopted by the General Assembly upon the proposal of the Management Board of the Bank.
- (2) This Policy on the target structure and the assessment of the suitability of the Members of the Supervisory Board of the Bank shall enter into force on the day of its adoption.
- (3) As from the date of entry into force of this Policy, the Policy on the assessment of the suitability of Members of the Supervisory Board of the Bank of 10 June 2021 ceases to be valid.

**General Assembly  
Chairperson**

**Marijana Miličević**