

International Investment Bank

Attachment-47

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**COMPLIANCE POLICY
of International Investment Bank**

Moscow
2019

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1. GENERAL PROVISIONS

1.1. Scope of application

1.1.1 This document (hereinafter – the Policy) establishes standards, structure and basic requirements to compliance.

1.1.2. Policy applies to all employees of the Bank and its subsidiaries and is developed on the basis of the Policy [1].

1.1.3. Compliance department is the initiator of this Policy.

1.1.4. Compliance department is responsible for timely the Policy updating.

1.1.5. The list of current regulatory documents of the Bank, which will become invalid with the adoption of the current document, is provided in Section 5.

1.2. Terms and definitions

Below is a list of terms and definitions used in this Policy:

Term	Definition
Prohibited Practices	Corruption, Coercion, Collusion, Obstructive actions, Fraud, Money laundering, Financing of terrorism
Compliance	The observance of basic principles, policies, regulations and other internal regulatory instruments and decisions of the Bank's managing bodies (Board of Directors, Board of Governors) on issues related to standards and norms of professional business practice, managing conflicts of interest, countering the legalization of proceeds from crime (money laundering of funds), and combating the financing of terrorism, countering alleged Prohibited Practices, in particular, corruption and fraudulent operations, as well as other established compliance rules
Compliance risk	The risk of sanctions, material financial loss, or loss of reputation, to which the IIB may be exposed as a result of its failure to comply with the established compliance rules.
Misconduct	Failure by a staff member to observe the rules of conduct and the standards of behavior prescribed by the IIB

1.3. Abbreviations

This Policy uses the following abbreviations:

Abbreviation	Meaning
Bank, IIB	International Investment Bank and its subsidiaries
ICD	Internal Control Department
SD	Security Department
CD	Compliance Department
RD	Risk Department
LD	Legal Department

1.4. The main directions of compliance:

1.4.1. To develop and implement the Compliance system, the Bank is guided by the following principles:

1.4.1.1. To be in line with the practices of leading international financial organizations in terms of Compliance;

1.4.1.1.1. To ensure continuity of the Compliance system;

1.4.1.1.2. All Bank employees, as well as by third parties, if applicable should act in accordance with the requirements of the Compliance system;

1.4.1.1.3. To ensure timely response to any break of Compliance rules, to provide an

objective assessment of events and elimination of violations.

1.4.2. The objectives of the Bank in the area of Compliance are the following:

1.4.2.1. To create and maintain the culture of Compliance as an integral part of the corporate culture;

1.4.2.2. Compliance with the standards and norms of professional business conduct;

1.4.2.3. Minimizing the Compliance risks in case of occurrence of negative consequences associated with non-compliance with the basic principles, policies, regulations and other internal regulations and decisions of the Bank's governing bodies, as well as related to non-compliance with other requirements applicable to the Bank;

1.4.2.4. Identification and prevention of situations in which violation of the established compliance rules is possible.

1.5. Main areas of work in the field of Compliance

1.5.1. Institutional compliance. This includes expertise of IIB activities relative to established rules for internal communication, procedures and decision-making processes.

1.5.2. Transactional compliance. This includes expertise over the transactions and ongoing projects conducted by IIB regarding the screening and assessment of compliance risks, including also the framework of the “Know Your Customer” procedures.

1.5.3. Compliance with professional business rules (Code of Conduct). It includes the identification, assessment and monitoring of compliance risks associated with doing business, and corporate ethics, for example, conflict of interest, using insider or confidential information, receiving and granting gifts.

2. STANDARDS, ORGANIZATION AND TASKS OF COMPLIANCE

2.1. Compliance standards

Due to its international and legal status, IIB is not subject to any national legislation in any of its member countries. To reduce compliance risks IIB develops and adopts regulations to govern the activities of the Bank and its employees, based on established international practices and compliance standards applied by international financial institutions.

2.1.1. The Bank adheres to the following basic principles of the compliance organization:

2.1.2. Management of compliance risks is performed from top to bottom. The Board and the Chairman of the Board are responsible for the compliance control organization in line with the Policy [1].

2.1.3. To apply the best practices and principles in the field of Compliance is an integral part of the IIB corporate culture and operations. The identification, assessment and management of compliance risks accompanies each business process of the Bank.

2.1.4. Adherence to the principles of Compliance is the responsibility of every IIB employee. The Bank's employees perform their duties as part of the established requirements of internal regulations and in accordance with generally recognized codes of conduct and business ethics.

2.1.5. IIB considers Compliance to be one of the elements of the risk management system. If any function of Compliance is outsourced, the Compliance Department (CD) continues to be responsible for the performance of outsourced functions, and monitors the adequacy, efficiency and results of such outsourcing.

2.2. Compliance organization

2.2.1 The structural unit responsible for developing and implementing compliance and coordinating efforts to manage Compliance risk at the Bank is Compliance Department.

2.2.2 The Board of IIB ensures the proper functioning of the Compliance system in the Bank. The Chairman of the Board is the guarantor of the availability and effective organization of the compliance system in the IIB.

2.2.3 Control over the Compliance activities is carried out by the ICD within its competence.

2.3. Compliance functions

2.3.1. The primary responsibility of the CD is to identify, assess, monitor and control Compliance risks of IIB in its individual operations, projects and in the behavior of employees of the Bank.

2.3.2 The CD's core functions are:

2.3.2.1 Development of recommendations regarding the existing rules, standards and practices used by other international financial institutions in the field of Compliance;

2.3.2.2. Developing and maintaining the Compliance risk reporting system and disclosing information to the Bank's management bodies regarding Compliance risks in accordance with established procedures;

2.3.2.3. Organizing Compliance training for the staff;

2.3.2.4. Presenting conclusions and recommendations for top management regarding the mitigation or elimination of identified compliance risks in projects and operations of the Bank;

2.3.2.5. Preparing recommendations and comments on developed and existing policies, regulations, rules and procedures, and monitoring the observance thereof to mitigate Compliance risks;

2.3.2.6. Developing requirements and recommendations for stipulating standards of professional business conduct;

2.3.2.7. Developing and implementing activities to counter Prohibited practices in particular, money laundering, financing of terrorism, corruption and fraud;

2.3.2.8. Developing and implementing activities to monitor the use of insider and confidential information;

2.3.2.9. Developing and implementing activities to identify, evaluate and control conflicts of interest;

2.3.2.10. Receiving complaints and reports regarding Prohibited practices, Misconduct especially about fraudulent and corrupt actions on staff and third parties;

2.3.2.11. Taking part in investigating facts or suspicions regarding Prohibited practices and Misconduct;

2.3.2.12. Conduct selective reviews of IIB projects to ensure compliance with Compliance requirements set by the Bank;

2.3.2.13. Reviewing the Bank's projects in order to detect breaches in performance and maintain Compliance rules;

2.3.2.14. Interacting with IIB departments and coordinating work related to the management of Compliance risks.

2.3.2.15. Ensuring transparency and consistency of the corporate procurement of IIB and procurement of its borrowers (if applicable) to the approved procurement policies.

3. INTERACTION WITH DEPARTMENTS

3.1. Compliance independence

3.1.1. The CD is a standalone department that is independent from any other IIB departments. Independence is ensured by the following factors:

- The CD has the status of an independent department;
- The CD is headed by a Director who functionally and administratively reports to the Chairman of the Board of IIB;
- CD staff cannot hold posts concurrently in other IIB departments or its subsidiaries, if this creates a conflict of interest in accordance with the IIB regulatory documents.;

3.2. Reporting

3.2.1 The CD on an annual basis prepares and submits to the Chairman of the Board of the IIB an annual report on the status of Compliance risks in the Bank and a plan of work in the field of Compliance for the next calendar year. If required, the report is submitted for consideration by the Board and the Board of Directors.

3.2.2. The CD shall inform the Chairman of the Board regarding identified Compliance risks, and violations of or non-compliance with IIB's internal regulations.

3.3. Access to information

3.3.1. IIB employees shall cooperate with the CD in providing the necessary information to implement Compliance policies.

3.3.2. The employees of CD have the right to access all information of the Bank which are necessary to perform official duties, taking into account the requirements of the Bank's internal regulatory documents.

3.3.3. The CD staff has the right to attend meetings of the management and advisory bodies of IIB, to interact with the heads of IIB and external counterparties.

3.4. Interaction with departments

3.4.1. The CD interacts with the LD regarding legal issues.

3.4.2. The CD interacts with the RD regarding the monitoring of IIB transactional and reputational risks.

3.4.3. The CD interacts with the ICD on providing information about the identified Compliance risks and violations of Compliance requirements.

3.4.4. CD interacts with the SD on investigative matters.

3.4.5. The CD interacts with other IIB departments on managing compliance risks and implementing Compliance mechanisms.

3.4.6. The procedures governing the CD's interaction with other departments are stipulated by the Bank's relevant internal regulations.

4. LIST OF DOCUMENTS TO WHICH REFERENCES ARE GIVEN

“The Policy of the International Investment Bank on countering the legalization of proceeds from crime, financing of terrorism, fraud and corruption” (PTK-2), approved by the Protocol of the 106th meeting of the IIB Council on December 12, 2016 (as amended).

5. LIST OF THE REGULATORY DOCUMENTS SUPERSEDED BY THE PRESENT DOCUMENT

This document supersedes «Compliance policy of the International Investment Bank», (PLZ-47), approved by Order No. 50 of May 17, 2016.