



INTERNATIONAL
INVESTMENT
BANK

Budapest, Fő utca 1, H-1011,
Hungary
Phone: : +36 1 727 8888
Fax: : +7 (499) 975-20-70
E-mail: mail@iibbank.com

IIB announces entry into force of the new statutory documents

August 20, 2018

International Investment Bank is pleased to announce the entry into force of the new statutory documents of the Bank. The ratification process was successfully completed on June 25, 2018 when the Protocol Amending the Agreement on the Establishment of the International Investment Bank and its Charter was ratified by the President of the Slovak Republic.

The new statutory documents entered into force 30 days after the date of receipt of the Protocol by the depositary, i.e. the Ministry for Foreign Affairs of the Russian Federation from the Slovak side. Thus, from now on the Bank will start operating in accordance with this edition of the documents.

The Bank's transition to the new statutory documents goes hand-in-hand with a range of its strategic objectives aimed at improving the decision-making system. The most important changes are the introduction of a three-tier corporate governance system and the transition to a "proportionate" system of voting.

The three-tier system of the Bank's governance is based on sharing the decision-making responsibilities among the Board of Governors, the Board of Directors and the management Board of the Bank. It is the optimal and most effective model of management, allowing to make swift and optimal managerial decisions while guaranteeing their transparency at the same time.

The Board of Governors, to which the member states will appoint their authorized representatives, will become the Bank's highest collective governance body. The Board of Governors will be responsible for determining the Bank's development strategy. Its exclusive competences also include decisions on such fundamental issues as amendments to the Agreement on Establishing the Bank and the Statutes of the Bank, admission of new member states to the Bank, establishment of subsidiaries, introducing changes to the size of the Bank's authorized capital. The Board of Governors will meet at least once a year.

The Board of Directors, subordinate to the Board of Governors, will execute the overall management and monitoring of the Bank, and will meet at least once a quarter. In particular, the authority of the Board of Directors will include issues concerning the development of the Bank's key policies regarding various scopes of activities, approval of large loan and investment deals, approval of the Bank's budget, determining top-level organizational structure, as well as support of the Board of Governors operations.

As the executive body of the Bank, The Bank's Board will execute the operational management of the Bank and will be responsible for the practical implementation of its policies approved by the Board of Directors, as well as for conducting the Bank's loan and investment activities,

attracting funds, treasury operations, and broadening of the Bank's partnership network.

The necessity to introduce a three-tier management system is triggered by the current pace of the Bank's development that requires the ability of prompt decision making on the Bank's operations. The new model will allow the Bank to efficiently divide the decision making process among its governance and management bodies at all levels, thus allowing the member states' high-level representatives to decide on strategic matters while ensuring clear division of control, monitoring and management functions among the three management bodies. Such governance setup corresponds with best practices and corporate governance standards of international financial institutions. This fact was also pointed out by the World Bank experts who provided advisory services to the IIB during the preparation of the Bank strategy for 2018-2022.

It is worth noting that the new statutory documents account for a proportionate system of decision making during voting by Board of Governors and the Board of Directors. Each member state will be allocated a number of votes proportionate to the size of its share in the Bank's paid-in capital. Decisions will be taken by a qualified majority of no less than $\frac{3}{4}$ of all votes of the Bank's member states providing that the decision has simultaneously been supported by a simple majority of the member states' representatives (currently 5 member states out of 9) that took part in the voting (i.e. the so called "double majority" mechanism).

Decisions on the key issues of the Bank's operations such as introducing amendments to the statutory documents, admitting new members, amendments to the size of the callable capital and conditions for termination of the Bank's activities will be taken by the Board of Governors on a unanimous basis. Thus, while this voting system makes it possible to take into account the relative importance of each member state commensurately with its paid-in capital contribution, it is also designed to protect the interests of minority shareholders.

Also, the new version of the statutory documents of IIB increases the authorised charter capital of the Bank to two billion euros, which opens additional opportunities for the Bank to attract new shareholders.

"The entry into force of the new statutory documents marks the beginning of a highly important stage in the Bank's modern history, - Nikolay Kosov, the IIB Chairman of Board has underlined, - It will allow IIB to implement a crucially important reform of its corporate governance system and decision-making process, bringing it in line with the best practices of international development financial institutions that fully meets the interests of each of our shareholder countries, both existing and potential"

Full version of the new statutory documents is available at the Bank's official website www.iib.int