You will notice that magical smile right away. And is this “weapon” good for fighting your opponent on a badminton court? That’s not possible, says Iva as this sport is hard work and the smile comes back after the match.

Iva admits she takes her work home with her. She’s not a workaholic, but the needs of her clients are important to her. “When you’re helping a client with their personal finance needs and they confide their problems to you, you wish for everything to work out for them,” she explains and you can see in her face that she’s not exaggerating.

You can count on Iva.
Description

This document is a concise version of the internally issued “Corporate Governance Handbook”, created to document and provide guidance to all Moneta employees on the principles, structures, rights, responsibilities and practices that make up the corporate governance framework of Moneta Money Bank and its subsidiaries. This version, intended for publication on the Moneta ‘Investor Relations’ section of the Moneta Money Bank web site, has been created for the purpose of providing investors and other interested parties an overview of the corporate governance framework, including its key principles and practices that are embedded in our internal processes.
A mountain bike, a helmet and off for a long ride. That’s how Roman relaxes best in the summer and recharges his batteries. But you won’t meet him on the roads. He prefers the countryside, in particular, the woods around Rumburk. He spends his long winter evenings by building plastic models.

Roman works best in a friendly environment with nice people. As he himself puts it: “There’s always a good mood in our team and that’s very important for me.”

You can count on Roman.
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1. INTRODUCTION

1.1 Background and objectives

Purpose

In line with the Bank’s strategy to ensure a sound and effective organizational framework, this Handbook was developed to provide both a sound foundation for its operational processes and flows as well as for its business activities.

The Handbook represents a stand-alone manual containing the general principles and aspects of the internal guidelines, procedures and working instructions to be complied with.

The figure below summarizes how the Corporate Governance Handbook is positioned with regard to the Moneta Group overall internal framework:
Objectives

The main objectives of the Corporate Governance Handbook are to:

- Ensure consistent and sound governance and monitoring of the Moneta Group;
- Ensure a comprehensive overview of the Moneta Group governance framework;
- Ensure a sound basis for a consistent, clear and effective organizational framework within the Moneta Group and within each of its entities;
- Enhance the internal control system through the adoption of an integrated and comprehensive governance structure;
- Provide the reader with essential information about the structure and functioning of the Moneta Group;
- Act as a guide for the implementation of new processes.

1.2 How to use this Handbook

Overview

Each section of the Handbook consists of principles applied within MMB and the Moneta Group which were implemented as a result of the adoption of:

- Regulatory requirements – either as implemented by the ČNB and/or as adopted at EU level; and
- Market standards – either specific to the banking sector (e.g. EBA) or general corporate governance standards (e.g. OECD, the Institute of Directors).

The internal framework of Moneta Group and each of its entities must be consistent with the aspects presented in this Handbook as they provide the general corporate governance framework applicable at the level of Moneta Group.

Each section of the Handbook provides a general description and basis of principles of Moneta Group’s process and business activities, whereby a more detailed description of each process and business activity are captured in special and dedicated internal guidelines, procedures and working instructions.

The corporate governance principles stated in this Handbook are in compliance with applicable law and other requirements. In case of contradiction between the provisions stated in the Handbook and any legal or specialized internal guideline, the provisions of legal or specialized internal guideline shall be applied, unless they are inconsistent with section 3 of the Handbook.

Addressees

The Handbook is addressed to all Moneta Group employees as well as management body members, who are responsible for the application of the corporate governance principles and aspects stated in the Handbook and their compliance with internal guidelines and policies. Employees shall act and conduct their work duties in accordance with internal guidelines and policies that shall be compliant with the principles and aspects stated in the Handbook.
2. CORPORATE GOVERNANCE PRINCIPLES

2.1 Definition and building blocks

Definition
Corporate governance is a set of systems, organizational structures and operations that attain institutional control through determining the responsibilities and duties of the management body and the design of the internal control framework while taking into account protection of the relevant stakeholders.

Key elements of good corporate governance
The key elements of a good corporate governance are:
- Transparency – make information known and/or available;
- Accountability – expected to justify actions and/or decisions;
- Equity – the act of being fair and neutral; and
- Probity – the quality of being honest and ethical.

Corporate governance building blocks
In order to ensure strong corporate governance across the Moneta Group, the internal framework was developed based on the following main building blocks which reinforce each other:
The following Corporate Governance Principles apply to each of the building blocks described above:

- **Shareholders** - MMB's significant Shareholders have a sound reputation, integrity and professional competency and a stable financial situation.

- **Management Body** - In order to ensure an effective oversight and management process, the roles and responsibilities of the Supervisory Board, the Management Board and Statutory Authorities are clearly defined. The Management Body members, also referred as Directors, are and remain qualified, individually and collectively, for their positions. They understand their oversight and corporate governance role and are able to exercise sound, objective judgement of the affairs of MMB.

- **Group structure** - MMB, as a parent company, has the overall responsibility for the Moneta Group and for ensuring the establishment and operation of a clear governance framework appropriate to the size, structure, business complexity and risks of the Moneta Group and its entities.

- **Risk management function** - MMB has an effective independent risk management function (Risk Management), under the coordination of the Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the Management Body. Risks are identified, monitored and controlled on an ongoing basis. MMB’s risk management and internal control infrastructure is reviewed and enhanced whenever changes in the MMB’s risk profile, to the external risk landscape or in the industry practice arise.

- **Compliance function** - The compliance function, established by the Management Board, (Compliance) has adequate policies and processes for identifying, assessing, monitoring, reporting and advising on compliance risk which are approved by the Management Board.

- **Internal audit function** - The internal audit function (Internal Audit) provides independent assurance to the Management Body as well as support in promoting an effective governance process and the long-term soundness of MMB.

- **Remuneration** - MMB’s remuneration structure supports sound corporate governance and risk management.

- **Disclosure and transparency** - The governance of MMB is adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

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### 2.2 Moneta Group corporate values

Moneta Group corporate values set out MMB’s and its Subsidiaries commitment to maintain the highest levels of integrity in its interaction with its customers, suppliers and colleagues. MMB also follows the ethical code of the Czech Banking Association.

Moneta Group corporate values are set to fulfil the MMB mission: We are an innovative, digital bank. We want our customers to have a rewarding customer experience. Our people work together, support each other and strive to be as close to customers as possible. We behave responsibly and with respect to our environment.

Moneta Group corporate values which are enshrined in its Code of Conduct are:

- Initiative;
- Respect;
- Cooperation and Engagement;
- Responsibility;
- Credibility and Integrity.

The corporate values are further described in certain statements that characterize the expected behavior necessary to fulfil these values so that they are clearly understandable and feasible to follow for all Moneta group employees.

- **Initiative**
  a) MMB seeks to innovate and to create banking/services for the future. MMB understands the latest trends and our employees believe that they can develop the best digital products in the banking market.
  b) Employees have the courage to change. They are always looking for new solutions and improvement in order to simplify their work, enhance customer experience and identify new opportunities for growth.
  c) MMB does business primarily for profit, but all decisions are made with an acceptable level of risk. MMB’s priority is long-term sustainable risk management and maintaining the trust of its customers.

- **Respect**
  a) Employees are fair to each other. They appreciate the ideas of others which they support and develop. MMB and its employees are looking for opportunities and not reasons why something does not work.
  b) Employees behave in a way which they want others to treat them. They share their ideas and opinions. MMB employees appreciate and motivate each other. Mistakes arising from innovations are accepted, but not repeated.
  c) MMB takes its competitors seriously, and realizes that they help it to move forward and help it to constantly improve its products and services.
- **Cooperation and Engagement**
  a) Employees support and inspire each other, because they believe that together they achieve more. They take advantage of the expertise, experience and talent of all.
  b) All employees have a common goal. Together they face challenges and obstacles.
  c) Employees enjoy their work and they do their best for the long term.

- **Responsibility**
  a) All employees are contributing to change. It is up to each employee how they contribute. They are looking for the right way to do things and are not afraid of failure.
  b) “We are one team” - We share common achievements, failures and risk. We take responsibility for our decisions.
  c) Employees offer and accept constructive feedback that moves them further.

- **Credibility and Integrity**
  a) Trust can be placed in our words and actions. MMB does what it has promised and what has been said. MMB representatives always behave professionally, consistently and transparently.
  b) MMB employees act in an ethical manner. They work in a creative environment based on trust, openness and understanding.
  c) MMB employees represent the MONETA brand. At work, in private, and among friends, they behave in such a way as to defend the reputation of the business, because they believe in MMB’s vision, its values and the people working for the bank.

**Code of Conduct**

All employees are required to act in accordance with the highest standards of personal and professional integrity in all aspects of their activity and observe the laws, regulations and best practices governing MMB’s activities.

In addition to the above-mentioned corporate values and principles, the Code of Conduct summarizes and further defines the general rules of conduct in relation to interaction with its clients and business partners; areas where a conflict of interest might occur; Moneta Group’s property and information protection; responsible banking and Moneta’s commitment to Corporate Social Responsibility.

The Code of Conduct is developed and implemented to ensure that corporate ethical values, principles and norms required for making ethical, professional decisions in relation to clients, colleagues, third parties or Supervisory and Control Authorities are observed.

Employees of Moneta Group are expected to act in accordance with the Code of Conduct.
3. CORPORATE GOVERNANCE BUILDING BLOCKS

3.1 Introduction

MONETA Money Bank is a Czech legal entity established as a joint stock company and listed on the Prime Market of the Prague Stock Exchange, which operates primarily in accordance with:

- Relevant Czech and EU legislation (including the CNB and EBA Guidelines);
- Rules for admission of shares to trading on the Prime Market of the Prague Stock Exchange;
- MONETA Money Bank’s Articles of Association; and
- MONETA Money Bank’s internal rules.

MMB’s highest corporate body is the General Meeting which decides on key issues conferred upon it by applicable law or the Articles of Association.

From the management point of view, MMB has implemented a two-tier corporate governance system which consists of the Management Board and the Supervisory Board. The Management Board represents MMB in all matters and is responsible for MMB’s management, while the Supervisory Board is a separate corporate body, with a majority of its members being independent, which oversees the Management Board. The Management Board manages MMB’s day-to-day operations and acts on MMB’s behalf. The Supervisory Board may not, under the Business Corporation Act and the Articles of Association, take management decisions. However, certain key decisions of the Management Board are subject to the prior consent of the Supervisory Board (see point 4.5.1.3 below).

MMB, as a listed bank, is required to establish also an Audit Committee, which primarily monitors MMB’s internal control processes and participates in the selection process of MMB’s statutory auditor.

In addition to the corporate bodies mentioned above, the Management Board has formed an Asset and Liability Committee, a Credit Committee, an Enterprise Risk Management Committee, a Business Review Committee, a Compensation Committee, a Compliance and Anti-Fraud Committee, a Cluster and Projects Investment Committee, a Capital Committee. The Supervisory Board has formed a Nomination Committee, a Remuneration Committee and a Risk Committee. Under the Articles of Association, both the Management Board and the Supervisory Board have the right to set up other committees as supporting and advisory bodies.

3.2 Shareholders

3.2.1 Shareholders’ Rights

Under the Business Corporation Act and the Articles of Association, each MMB’s shareholder has, inter alia, the following rights:

- The right to attend and vote at the General Meeting;
- The right to dividend or liquidation balance approved by the General Meeting;
- The right to be provided with information and documents relating to the General Meeting, including the right to review, at MMB’s registered office, the proposed amendment to the Articles of Association;
- The right to receive information from MMB at the General Meeting, if such information is necessary for the shareholder to assess items on the agenda of the General Meeting or to exercise his/her/its shareholder’s rights;
- The right to make proposals and counter-proposals in relation to items on the agenda of the General Meeting;
- Within three months following the date of the General Meeting, the right to challenge the validity of resolutions of the General Meeting in court action against MMB;

1 In particular, Sections 348 et seq. of the Business Corporation Act, and Article 5 of the Articles of Association.
The right to request the Management Board to provide the shareholder with a copy of the General Meeting minutes;

The pre-emptive right to subscribe for a pro rata portion of new shares, if the registered capital is increased by cash contributions, unless such pre-emptive right is restricted or limited by a resolution of the General Meeting;

The pre-emptive right to subscribe for a pro rata portion of any preference or convertible bonds unless such a pre-emptive right is restricted or limited by a resolution of the General Meeting;

The right to tender his/her/its shares to MMB upon MMB's offer, if (i) the General Meeting resolves to delist the shares from the Prague Stock Exchange (and all other European regulated markets, if applicable), change a class of the shares or restrict the transferability of the shares, and (ii) the shareholder disagrees with any such General Meeting resolution;

In case of the shareholder holding shares representing at least 90% of the voting rights in, or registered capital of MMB, the right to request convening of a General Meeting to decide on the forced transfer of all remaining shares by the minority shareholders to the 90% shareholder; and

The right to request that his/her/its shares are bought by the 90% majority shareholder, provided that any shareholder holds shares representing at least 90% of the voting rights in, or registered capital of, MMB.

3.3 Directors

This section deals with duties and responsibilities, including preconditions to serve on a Board, common to members of the Management Body. Therefore, the term “Director” used herein shall mean a member of the MMB’s Supervisory Board, member of the Management Board and Statutory Authorities of MMB’s Subsidiaries.

As this section deals with the duties and responsibilities of each Director, including preconditions to serve on a Board, sections 4.4. and 4.5. deal with respective activities, responsibilities and competences of Directors associated with the function as the members of the Management Board, or the Supervisory Board respectively; and are focused on the function of the Management Board and the Supervisory Board as the bodies of MMB.

The preconditions to serve as a Director, and duties and responsibilities of Directors, are primarily regulated by:

- Relevant Czech and EU legislation (including the CNB and EBA Guidelines);
- MMB’s internal rules; and
- Resolutions of the General Meeting, if compliant with applicable laws and the Articles of Association.

3.3.1 General preconditions to serve as a Director

Any Director needs to be an individual that:

a) Has full legal capacity;
b) Has reached the age of eighteen years;
c) Has no criminal record within the meaning of the Trade Licencing Act and the Bank Act; and
d) Fulfils other conditions set forth by the Trade Licencing Act and the Business Corporation Act (such as no obstacle preventing a Director from performing his/her position, no prohibition from acting as a member of a corporate body of company, etc.).

In addition, each Director is required to comply with requirements prescribed by the Bank Act as to his/her trustworthiness, professional qualifications and experience.

3.3.2 Duties of Directors ensuing from general corporate law

All Directors of MMB are required to comply primarily with the following duties ensuing from general corporate law.

3.3.2.1 Duty of due managerial care and professional care

Content of duty of due managerial care and professional care

Under the Civil Code, each Director is required to perform his/her position with due managerial care (in Czech: péče řádného hospodáře), which means to perform his/her position:

- Diligently;
- On an informed basis; and
- With necessary loyalty.

Due managerial care also encompasses the duty to seek the advice of a third party experienced professional and to ensure such advice. However, the Director shall not rely on information provided by such a third party, if he/she is aware
of the insufficiency of (i) the expertise of such a person, (ii) the process of selection of such a person, or (iii) the respective control mechanisms within MMB.

The requirement for MMB’s Directors (as Directors of a bank) to act diligently (prudentially) also means to take into account the interests of clients of MMB as well as the safety and stability of MMB (see section 3.3.1 hereof).

In addition, the Business Corporation Act explicitly recognizes the so-called business judgment rule, pursuant to which the Directors should not be liable for the inherent business risk associated with business-related decisions or their potential impact on MMB. As a result, a court, while deciding upon a Director’s liability for a certain business-related decision, reviews only whether the respective Director, when adopting such business-related decision, acted:

- With necessary loyalty, which means in MMB’s best interest;
- In good faith; and
- On an informed basis.

If such conditions are satisfied, the respective Director is deemed to have acted with due managerial care and cannot be held liable for any damage suffered by MMB as a result of his/her business decision.

Even though decisions of the Supervisory Board and the Management Board are adopted collectively, the fulfilment of the requirement to act with due managerial care shall be assessed on an individualised basis, i.e. with respect to each Director separately. In case of a court dispute, the burden of proof is shifted towards a Director who must prove that the requirement of due managerial care has been fulfilled; otherwise, the court will base its decision on the presumption that the duty of care has been breached (the foregoing shall not apply should the court decide that the Director cannot be reasonably required to sustain such a burden of proof).

In this context, the Business Corporation Act allows for a Director to request that his/her dissenting opinion be recorded in the minutes of a meeting of the respective corporate body. Furthermore, the minutes of a meeting of a corporate body shall specify by name the members who voted against the adoption of the particular decision(s) and who abstained; provided that members not specified by name shall be deemed to have voted in favour of the respective decision(s) (such presumption, however, may be rebutted by a proof to the contrary).

In addition to the duty of due managerial care, Czech law in certain cases recognizes the standard of professional care (in Czech: odborná péče) which represents a higher standard of care. The standard of professional care requires that certain activities are carried out with special (professional) knowledge in a respective area. In this context, it is necessary to keep in mind that where applicable law requires MMB to carry out its activities with professional care (e.g. trading in securities for its own account), the Directors of MMB are accordingly required, in performing their positions in relation to such activities, to act with such a higher standard of care.

**Liability for breaching duty of due managerial care**

In the case where MMB incurs any damage as a result of a Director acting in breach of his/her duty to act with due managerial care, such a Director shall be liable towards MMB for such damage and required to return to MMB any benefit (money or other values) gained in connection with the breach of his/her duty to act with due managerial care. If such benefit cannot be returned, the Director shall pay to MMB the equivalent amount in cash.

A Director cannot be found liable for breaching his/her duty to act with due managerial care, if there was no fault on his/her part in relation to such a breach. It is, however, upon the respective Director to prove that there was no fault on his/her part, as the Civil Code presumes the Director’s negligence in such cases.

Furthermore, a Director is liable under a statutory guarantee for the debts of MMB towards its creditors where the following conditions are satisfied:

- The Director failed to compensate MMB for damage caused to it by breaching his/her fiduciary duties; and
- The respective creditors of MMB are unable to recover such debts owed to them by MMB.

Such a statutory guarantee is, however, limited to the extent the respective Director failed to compensate MMB for damage caused to it by breaching his/her fiduciary duties.

The members of the Supervisory Board and the members of the Management Board, respectively, shall be liable towards MMB jointly and severally.
Transfer and sharing of liability for breaching the duty of due managerial care

Certain material decisions of the Management Board are subject to the prior consent of the Supervisory Board. If the Supervisory Board grants its prior consent to the Management Board to implement a certain decision, the members of the Supervisory Board and the members of the Management Board who did not act with due managerial care shall be jointly and severally liable towards MMB for any damage caused to MMB by the implementation of such decision.

On the other hand, should the Supervisory Board decide not to grant its prior consent to the Management Board to implement a certain decision or should the Supervisory Board decide to prohibit the Management Board from implementing such a decision, the members of the Supervisory Board who did not act with due managerial care shall be jointly and severally liable towards MMB for any damage caused to MMB by their decision not to implement the decision proposed by the Management Board.

Disqualification of a member of Management Board from office

If a member of the Management Board has seriously and repeatedly breached his/her duty to act with due managerial care in the last three years, a competent Czech court may, ex officio or upon a motion of a person having a material interest (which may also include shareholders or creditors of MMB), disqualify such a member from his/her position in the Management Board and other positions in the statutory bodies of other companies for a period of three years.

3.3.2.2 Confidentiality and the duty to maintain bank secrecy

Each Director is required to maintain confidentiality in respect of any information or facts, the disclosure of which could have an adverse effect on the Moneta Group or which concern the interests of Moneta Group and its clients.

In particular, Directors have the duty to maintain confidentiality in respect of any information that is subject to bank secrecy. Under applicable law, bank secrecy is defined broadly and covers all sorts of information concerning clients of MMB, such as information on individual banking transactions and related information. As a general rule, information which is subject to bank secrecy cannot be communicated to a third party unless one of the statutory exemptions specified in the Bank Act applies.\(^3\)

The duty to maintain confidentiality shall not be affected by the termination of the Director’s office.

3.3.2.3 Notification of Conflict of Interest

Without prejudice to the Directors’ duty to act in MMB’s interest, the Business Corporation Act requires each Director to disclose to the respective MMB’s corporate bodies (see point 4.8.3.5 hereof) without undue delay:

a) Any conflict that may arise between his/her interests and the interests of MMB in connection with the performance of the Director’s position;

b) Any situation where the Director intends to enter into an agreement with MMB; and

c) Any situation where MMB intends to secure or confirm a debt of the Director or to become a joint debtor in respect of such a debt.

Each Director is further required to disclose any Conflict of Interest on the part of any person who is closely related to that Director (such as his/her spouse, children, parents or siblings, etc.) or on the part of any company which is influenced\(^4\) or controlled\(^5\) by that Director.

The above specified notification duty shall, however, not apply to agreements (transactions) falling within MMB’s ordinary course of business.

A failure to make the respective notification shall constitute a breach of the Director’s duty to act with due managerial care.

A member of the Management Board is required to notify the existence of the Conflict of Interest to other members of the Management Board as well as to the Supervisory Board. On the other hand, a member of the Supervisory Board is required to notify other members of the Supervisory Board. However, each Director may also fulfil his/her notification duty by informing directly the General Meeting; in such a case no further notification is required.

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\(^3\) e.g. Payment system fraud exemption under Section 38 sub. 11 of the Bank Act, creditworthiness assessment exemption under Section 38a sub. 1 of the Bank Act or prudential banking exemption under Section 38b of the Bank Act.

\(^4\) A person is deemed an influential person (in Czech: vlivná osoba) if he/she/it directly or indirectly uses in a specific case his/her/its influence in the company to influence in a decisive and significant manner the behaviour of such influenced company (in Czech: ovlivňovaná osoba).

\(^5\) A person is deemed a controlling person (in Czech: ovládající osoba) if he/she/it is capable (e.g., as a majority shareholder) of exercising, directly or indirectly, his/her/its decisive influence in a controlled company (in Czech: ovládaná osoba) on a long-term basis (not coincidentally or on a one-time basis).
The notification of the Conflict of Interest needs to contain a brief summary of the essential details, including the terms and conditions of the respective agreement (or arrangement, if applicable), establishing such a Conflict of Interest.

The Supervisory Board or the General Meeting, as the case may be, may decide to (i) suspend, for a specific period of time, the notifying Director from performing his/her position (in case of a Conflict of Interest under point a) above), or (ii) prohibit the execution of the respective agreement (transaction) which is not in MMB’s interest (in case of a Conflict of Interest under point b) or c) above).

Should the notification of the Conflict of Interest be lodged by the notifying Director with the Supervisory Board, the Supervisory Board has the duty to inform the General Meeting of any such notification it received, as well as of any prohibitive decision it adopted in connection therewith. In general, any decision of the Supervisory Board related to the Conflict of Interest may be overruled by a decision of the General Meeting.

Regardless of the existence of the Conflict of Interest, each Director is also required to disclose any situation where his/her actions as a Director of MMB are influenced by a person influencing or controlling MMB (see footnotes 4 and 5 above). In such a case, the Supervisory Board or the General Meeting may suspend the notifying Director from performing his/her position for a specific period of time.

3.3.2.4 Prohibition of competitive conduct

In general, the Directors may not engage in any activity which could compete with the interests of Moneta Group. Unless a resolution of General Meeting or the respective Director’s service contract provides for further restrictions, a Director shall not:

a) Conduct any business activity within the scope of business of Moneta Group, including the activity for benefit of third parties;
b) Act as an intermediary for other parties in transactions with Moneta Group;
c) Act as a member of a statutory body of other entity having an identical or similar scope of business as MMB or in a similar position (this prohibition, however, does not apply to entities belonging to the same group in Czech: koncern); or
d) Participate in any business activity of another entity as a member (a shareholder) with an unlimited liability or as a controlling person of an entity having an identical or similar scope of business as Moneta Group.

The prohibition on competitive conduct may, however, be lifted in case:

- A Director notifies in writing the respective corporate body of MMB of its contemplated competitive conduct; and
- A corporate body of MMB either gives its consent to the Director’s competitive conduct or does not express its disagreement with such conduct within 1 month after being properly notified.

MMB may request the Director who breached the prohibition on competitive conduct to return any benefit obtained as a result of such breach or to transfer to MMB any rights arising therefrom. This shall not affect the right of MMB to claim damages against the concerned Director.

3.3.2.5 Equal treatment of shareholders

The Directors shall ensure that MMB treats all of its shareholders having the same position arising from the ownership of the shares equally and that it protects the shareholders’ rights as well as their legitimate interests.

In general and simplifying somewhat, any legal act aimed at providing an unjust preferential treatment by MMB to any of its shareholder, to the detriment of MMB or other MMB’s shareholder(s) shall be disregarded.

3.3.2.6 Duty to inform of termination of office

The office of a Director shall be automatically terminated in case the Director loses his/her statutory capacity to perform his/her position (see point 4.3.1 hereof). In such a case, the Director shall inform MMB without undue delay accordingly.

A Director may also resign from his/her office; however he/she may not do so at a time inappropriate for MMB.

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4 Such a suspension shall be recorded in the Commercial Registry.

7 A member of the Supervisory Board shall notify the General Meeting. A member of the Management Board shall notify the Supervisory Board.
3.3.3 Duties of Directors ensuing from banking regulation

In addition to the statutory provisions of general corporate law, MMB is subject to additional banking regulations (in many cases harmonized under applicable EU legislation). Therefore, each Director is, pursuant to the Bank Act, also required to perform his/her position:

- Honourably;
- Independently; and
- Devote sufficient time to perform his/her duties as a Director of MMB, provided that he/she may simultaneously hold positions in corporate bodies of other entities only in so far that his/her duties towards MMB are not affected.

The supervision over the Czech financial market, including the banking sector, is carried out by the CNB which may impose various fines as well as remedial measures in which it may, in particular, demand that MMB restricts some of its permitted activities or replaces some of its Directors, or even temporarily ban any of MMB’s Directors from performing their position in MMB.

3.3.3.1 Prudential requirements

Pursuant to the Bank Act, MMB is required to conduct all its activities with prudence and, in particular, pursue its business in a manner which does not endanger its safety and stability and which is not detrimental to the interests of its clients in respect of the recoverability of their deposits. Furthermore, MMB may not conclude any agreement under conditions that are conspicuously disadvantageous for it; such an agreement shall be invalid. Additionally, various specific duties of MMB and its Directors related to the prudential requirements are particularly set forth in the Bank Act and the Prudential Requirements Decree.

Under the Bank Act, MMB shall implement a management and control system. The management and control system of MMB comprises all MMB’s means and processes aimed at pursuing MMB’s intentions and achieving its goals. The management and control system of MMB shall ensure, in particular, compliance of MMB’s activities with applicable law and its internal rules, the functioning of MMB’s risk management, efficiency of MMB’s business activities, and availability of reliable information on MMB’s economic situation for purposes of its management, as well as for the third parties (for more details on the management and control system, see sections 4.7 and 4.8).

3.3.3.2 Transactions with persons having a special relationship to Moneta Money Bank

Any transaction entered into between MMB and any of its Directors shall comply with the arm’s length principle, i.e. MMB shall not enter into any transaction with any of its Directors which would otherwise, owing to its nature, purpose or risk, not be entered into with other MMB’s clients. In addition, MMB may provide loans to, and secure debts of, its Directors only upon the obtaining of a prior approval of the Management Board which shall, prior to giving such an approval, properly analyse the respective transaction as well as the applicant’s financial standing.

The above-mentioned rules shall also apply to the following persons having a special relationship to MMB:

- Members of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee of MMB;
- Persons controlling MMB, persons having the Qualifying Holding in persons controlling MMB and members of the management of those persons;
- Persons who are closely related to Directors, to members of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee of MMB, and to persons controlling MMB;
- Entities in which any of the persons listed in (a), (b) or (c) above have the Qualifying Holding;
- Persons having a Qualifying Holding in MMB, and any entity controlled by those persons;
- Members of the Bank Board of the CNB; and
- Entities controlled by MMB.

3.3.3.3 Know-your-structure principle

The Directors are required to be familiar with and fully understand the operational structure of MMB and ensure that it is in compliance with its approved business strategy and risk profile. The Directors should ensure that the structure is justified and does not involve undue or inappropriate complexity, and ensure that MMB is able to produce information in a timely manner.

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8 Particularly the CRD IV and the CRR.
9 Stricter rules apply to banks considered as being significant in terms of their size, internal organization and the nature, scope and complexity of their business, which is not currently the case of Moneta.
3.3.3.4 Effective interaction between the Supervisory Board and the Management Board

The Supervisory Board and the Management Board shall interact effectively as well as provide each other with sufficient information in order to ensure the good governance of MMB and to be able to manage the respective risks.

3.3.4 Duties of Directors ensuing from capital markets regulation

As a listed company, MMB is also subject to Czech and EU capital markets regulation.

Under the capital markets regulation, there is a general statutory prohibition on market abuse with the respective rules being set forth in the Capital Markets Act and the Market Abuse Regulation. The prohibition on market abuse encompasses unlawful behaviour in the financial markets and, for the purposes of the Capital Markets Act and the Market Abuse Regulation, it consists of insider dealing, unlawful disclosure of inside information and market manipulation.

3.3.4.1 Insider dealings and unlawful disclosure of inside information

With respect to MMB, “inside information” means any information which:

- Relates to MMB and/or the shares;
- Is unavailable to the public;
- Is of the precise nature; and
- Is likely to have a significant impact on the price of the shares.

An insider, i.e. a person who has access to inside information and is aware, or should be aware, that the information is inside information, has the following duties:

- Insiders are prohibited from directly or indirectly acquiring or selling shares or attempting to do so (for their own account or for the account of a third person);
- Insiders are prohibited from providing a direct or indirect investment recommendation in relation to the shares; and
- Insiders are required to keep the relevant inside information confidential, unless they are required to provide a third person with such information under employment or other contract, or law.

MMB must, in respect of each piece of inside information, draw up and update a separate list of persons having access to that relevant inside information and send it to the CNB without undue delay after its completion or update; in addition to maintaining an insider list identifying specific piece of inside information, MMB is also allowed to draw up and keep up to date a supplementary section of the insider list, referred to as the permanent insiders section, which includes those persons who, due to the nature of their function or position, have access at all times to inside information.

3.3.4.2 Market manipulation

Market manipulation is the forbidden practice of interfering with the free and fair operation of the market to create a misleading impression as to the share price or volumes of offers or acceptances or other manipulation with the share price.

Market manipulation shall mean any activity which may:

- Distort the view of capital market participants of the value of, supply of or demand for, a financial instrument; or
- Otherwise distort the price of a financial instrument.

Pursuant to the opinion of the CNB, market manipulation shall include the following activities:

- Giving misleading signals to the market;
- Creating artificial price levels;
- False or misleading conduct; and
- Dissemination of false, misleading or incomplete information.

MMB shall notify the CNB, without undue delay, of any transaction which might constitute market manipulation and keep such notice confidential.

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10 It is presumed that persons who obtain access to inside information, inter alia, in connection with their employment or position are aware that such information is an inside information.
3.3.4.3 Managers’ transactions

Pursuant to the Capital Markets Act, any person discharging managerial responsibilities at MMB, such as a Director as well as any person associated with him/her (e.g., a spouse, relatives or entities controlled by such person) shall notify the CNB of any transaction (e.g., a sale, a purchase, an option, lending or a pledge) relating to the shares and conducted for their account. The transactions may also be notified to the CNB by MMB on behalf of the respective person (on the basis of a written power of attorney).

The notification duty is triggered in case the total market value of the manager’s transactions made within one calendar year reaches the amount of EUR 5,000; in such a case, all transactions made in the respective calendar year must be notified to the CNB.

Any person discharging such a managerial responsibility is also obliged to inform the Investor Relations Department (by sending a completed form attached to the internal policy “Rules of inside information and disposition of MMB’s investment instruments” to investors@moneta.cz) giving details of any such transactions. In addition, the respective employee can give the MMB the power to notify the CNB of such manager transactions on his/her behalf.

The above specified transactions must be notified to the CNB within three business days after their conclusion, provided that the persons concerned are required to notify MMB. MMB also must draw up and maintain a list of all persons being required to report manager transactions and inform them in writing of their duties.

Furthermore, there is a closed period of thirty days prior to the disclosure of MMB’s interim financial reports (i.e. semi-annual report and both quarterly reports) and annual report, during which all employees of Moneta Group entities are prohibited from participating in any transactions with MMB shares.

In addition to the rules for insiders and the closed period of thirty days prior to MMB’s disclosure, all employees of Moneta Group entities are obliged to notify the Chief Compliance Officer of MMB regarding planned and executed purchases or sales of MMB shares.

3.3.5 Service contracts and remuneration of Directors

Each Director shall perform his/her position on the basis of a service contract entered into by him/her and MMB. Service contracts with members of the Supervisory Board must be approved by the General Meeting, service contracts with members of the Management Board (elected by the Supervisory Board) must be approved by the Supervisory Board.

A service contract with each Director must contain details of his/her remuneration, e.g. a specification of the form of remuneration, its amount or a method of its calculation, a specification of all remuneration components and benefits to which the Director may be entitled, and details on any stock option plan being in place (including any remuneration to be provided by any person being influential with respect to MMB), if any.

Under Czech banking law, MMB is required to have in place remuneration policies that do not encourage or reward excessive risk taking by its staff. MMB shall also comply with requirements concerning the ratio between fixed and variable components of remuneration, provided that such components shall be appropriately balanced and the variable component shall not exceed 100% of the fixed component of remuneration. However, the General Meeting is entitled to set (in case of the members of the Supervisory Board), or instruct the Supervisory Board to set (in case of the members of the Management Board), a proportion between fixed and variable components of remuneration of Directors at a level higher than 100%, provided that the total variable component shall not exceed 200% of the fixed component of total remuneration.

Additionally, Directors belong to staff whose professional activities have a material impact on MMB’s risk profile. Therefore, Directors’ remuneration shall comply with special requirements prescribed by the Prudential Requirements Decree concerning the structure and deferred maturity of variable components of Directors’ remuneration.

Remuneration shall not be paid to a Director if he/she, in performing his/her position, is found to have contributed to the adverse economic results of MMB. However, the corporate body of MMB which approved the Director’s service contract may decide otherwise.

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9 A profit share may be paid to members of the Management Board and the Supervisory Board.
The Business Corporation Act also requires a Director who failed to take all necessary and reasonably foreseeable steps to prevent the insolvency of MMB, while knowing that MMB was facing an imminent threat of insolvency to return, under certain circumstances and upon the request of the appointed insolvency administrator, any consideration received under his/her service contract as well as any other consideration received from MMB during a period of two years prior to the ruling on the insolvency of MMB.

### 3.4 Supervisory Board

#### 3.4.1 Duties and responsibilities of the Supervisory Board

As mentioned above, certain duties and responsibilities arising under applicable law and the Articles of Association are, to some extent, common to all Directors. However, the major part of their duties and, in particular, their responsibilities vary due to their distinct roles in MMB.

The MMB’s Supervisory Board is a separate body that oversees the exercise of powers by the Management Board and MMB’s business, and informs the General Meeting accordingly on its results.

The MMB’s Supervisory Board may not, under the Business Corporation Act and the Articles of Association, take management decisions. However, certain key decisions of the Management Board are subject to the prior consent of the Supervisory Board.

### 3.5 Management Board

#### 3.5.1 Duties and responsibilities of the Management Board

The Management Board is a statutory body of MMB, represents MMB in all matters and is responsible for MMB’s business management. The Management Board manages MMB’s day-to-day operations and has the power to decide on all MMB’s matters save for matters reserved for other corporate bodies by applicable law or the Articles of Association. In addition, certain key decisions of the Management Board are subject to the prior consent of the MMB’s Supervisory Board.

### 3.6 Business and Risk Strategy

#### 3.6.1 Strategic consideration

Strategy discussions are tailored to the specific needs of MMB, that is, they depend on a strategy perspective specific to MMB:

- **Strategy as planning:** when strategy serves to establish the organisational vision, mission, values and purpose. It helps define MMB’s long-term objectives, action programs and resource allocation priorities;
- **Strategy as redefining the MMB’s competitive domain:** when strategy is used to address the industry boundaries, the key players, where MMB stands and how the industry might be transforming;
- **Strategy as a focused response in order to overcome a key challenge:** when strategy consists of diagnosing the nature of the key challenges, developing an overall approach to overcome the obstacles and designing a set of coordinated actions to accomplish the defined approach. The challenge may come from the risks and opportunities in the economic and business environment, from changes in the competitive landscape, organisational structure which does not allow full value creation. As such, the strategy will have a focused approach and co-ordinated actions derived from identifying, assessing, managing and structuring the risks and opportunities that result from a key challenge;
- **Strategy as identifying and reinforcing core competencies:** in this case, strategy is a vehicle for achieving long-term sustainable competitive advantage and profitability; and
- **Strategy as optimizing the value contribution to stakeholders:** strategy consists of defining, monitoring and optimizing how the company maximizes benefits for its customers and other stakeholders.

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11 A profit share may be paid to members of the Management Board and the Supervisory Board.
12 Pursuant to the Insolvency Act, an insolvency of a debtor shall mean a situation where a debtor is either cash-flow insolvent or balance-sheet insolvent. A debtor is cash-flow insolvent if: (i) it is thirty days or more overdue in relation to payables owed to two or more creditors; and (ii) is unable to meet such obligations (which will be the rebuttable presumption if: (a) the debtor has ceased to make payments in respect of a material amount of its obligations; or (b) the obligations are three or more months overdue). A debtor is balance-sheet insolvent if: (i) it has two or more creditors; and (ii) the sum of all its obligations (whether due and payable or not) exceeds the value of its assets taking into account the reasonably anticipated proceeds of the continued business activity.
13 An imminent threat of insolvency occurs when, given all the circumstances, it may be reasonably assumed that a debtor will not be able to duly and timely pay a substantial part of its debts.
3.6.1 Strategic perspectives
For these different perspectives, an adequate focus is provided to both strategy design and its implementation. For all of the perspectives, at least the following dimensions must be considered:

- **Context & competition** – internal and external forces for and against the strategy, tactics to overcome potential downsizing solutions for equipping MMB to adapt to changes, including any regulatory limitations;
- **Innovation** – research and development can represent a key driver e.g. creating new business models, improving customer experience, launching new services/products, etc.;
- **Financial soundness** – all relevant factors need to be considered, including costs and benefits which may be difficult to quantify. The sustainability of MMB’s strategy on the basis of its ability to generate acceptable returns over a forward-looking period of at least 3 years based on its strategic plans and financial forecasts needs to be considered (also for regulatory purposes);
- **Risks** – business strategies/tactics should be accompanied by an adequate identification of risk and strategic impact on the overall risk profile of MMB. Strategies need to be assessed also in the context of worst case scenarios (e.g. in terms of potential downfalls or impact on capital);
- **Human resources** – integration of human resources policies with strategic implementation needs, e.g. objectives, controls, integration mechanisms, incentives for implementing the strategy within MMB’s capabilities; and
- **Incentives and controls** – the assignment of responsibilities and methods to motivate and control performance with regards to strategy implementation

3.6.2 Strategic decisions
Strategic decisions taken by the Management Board are marked by six characteristics:

- They are based on a systematic, comprehensive analysis of internal attributes and factors external to MMB. Decisions that address only part of MMB, for example a single functional area, are usually not considered as strategic decisions;
- They can have a material impact on MMB’s financial position or capital adequacy. Decisions that relate in general to material transactions, e.g. sale or acquisition of assets which are not necessarily directly related to an external factor. Materiality can be established as a percentage of net assets or own funds, but should be also in line with the thresholds established within MMB’s internal framework for operations which can be performed only with the prior consent of the Supervisory Board;
- They are long-term and future-oriented but are built on knowledge of the past and the present. In general, the long term is considered to be between seven and ten years. However, given the volatile environment in financial services, three years can be also considered a sufficient horizon for strategic decisions;
- They seek to capitalize on favourable situations outside MMB. In general, this means taking advantage of opportunities that exist for MMB, but it also includes taking measures to minimise the effects of external threats as well; and
- They involve choices. Most decisions involve a certain degree of trade-off, at least in the short run.
- They are considered comprehensively with other aspects of MMB governance, especially the risk strategy to ensure that the business strategy is coherent with the risk strategy of MMB.

3.6.3 Oversight over the process of Business and Risk strategy development
The process of Business and Risk strategy development is subject to oversight of the Supervisory Board, whose oversight is in accordance with following principles.

**Strategy oversight**
When performing its oversight, the Supervisory Board:

- Provide insight and advice based on its expertise and skills and objectivity at the strategy design and approval phase, ensuring that the key goals are within the agreed risk appetite;
- Monitor the implementation of the strategy and its achievement through specific quantitative and qualitative information;
- Consider if the Management Board monitors the internal and external environment constantly to ensure identification of changes which could materially affect the achievement of the strategy, and
- Assess and approve changes to the strategy.
Risk strategy oversight

When performing its oversight, the Supervisory Board:

- Assess MMB’s key drivers of success and the risks inherent in the business strategy;
- Consider whether the risk management system – including people and processes – is appropriate and has sufficient resources to support the strategy;
- Maintain a risk dialogue including a willingness to challenge the underlying assumptions, for example with regards to emerging and interrelated risks;
- Monitor critical alignments of strategy, risk, controls, compliance, incentives and people;
- Assess quantitatively the development of risk materialisation and exposures against financial performance; and
- Discuss with the Management Board to understand and agree on the types (and format) of risk information that the Supervisory Board requires in order to perform its oversight.

The role of the Committees

Each the Supervisory Board’s and the Management Board’s committees exercise, to some extent, oversight over the implementation and fulfilment of MMB’s strategy in the areas for which the Committees are responsible.

There are set objectives for each business area that contribute to the fulfilment of MMB’s strategy. The Committees ensure that the objectives set for the relevant business area are achieved, hence MMB’s strategy is attained. When the objectives of a relevant area are not achieved or their implementation is not duly fulfilled, the Committee should inform the Management Board in that manner with the anticipation of taking remedial action.

The implementation and fulfilment of MMB’s strategy is assured further through the link between fulfilling the strategic objectives and total annual remuneration of the members of the Management Board.

3.7 Internal Control System

3.7.1 Design of the internal control system

Internal control framework

MMB maintains a strong and comprehensive internal control framework, including specific independent control functions with appropriate standing to fulfil their mission in order to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported or disclosed both internally and externally, and compliance with laws, regulatory and internal regulations.

In order to implement a strong internal control framework, the business and support units have the main responsibility for establishing and maintaining adequate internal control policies and procedures.

All individuals in MMB and its subsidiaries have responsibility for internal controls to a certain extent. All personnel must understand their role in internal controls and the importance of supporting the control system through their own actions.

All employees produce information used in the internal control system or take other actions needed to perform controls. Also, all personnel are responsible for the communicating/escalating of problems in operations, non-compliance with the code of conduct, or other policy violations or illegal actions.

Ensuring internal controls in MMB involves:

- The existence of a sound internal control framework, which covers the whole activity, including the activities of all business, support and control functions, ensured by:
  a) A definition of the role and responsibilities of the management body concerning internal controls;
  b) Identification, assessment and monitoring of significant risks;
  c) Control activities’ definition, assurance of segregation of duties and avoidance of conflict of interest;
  d) Assurance of a transparent framework for information and communication; and
  e) Continuous monitoring of activities and correction of identified deficiencies.
- Each business activity must be complemented by an internal control component. Control mechanisms (such as the “four-eye principle”, controls performed by systems) must be adequate for the business activities. The four-eye principle is considered in the analysis of MMB’s main activities and consists in the segregation of duties, cross-checking, dual control of assets and dual signature. The internal control system has to ensure a strict segregation of duties and assignment of authority; in addition to a clear, transparent and well documented decision-making process; and
The existence of independent control functions, established at an adequate hierarchical level with a direct line of reporting to the management body. The Moneta Group control functions oversee also the Subsidiaries’ control functions. Internal control functions cannot be outsourced.

Structure of the internal control system
The internal control system is organised in accordance with the ‘three lines of defence’ model.

The three lines of defence model distinguishes between three groups involved in effective risk management separating functions that:
- Own and manage risks;
- Oversee risks; and
- Provide independent assurance.

First line of defence
Control activities are implemented throughout the organization at all levels and in all functions (business/operational). These include activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

Process owners will determine the type of transaction, the threshold above which dual control is necessary, as well as the applicable control type, considering the embedded risks, as well as the risk/efficiency report in case of transaction processing.

All operational units have the responsibility to manage risks that could affect the activity of MMB and its financial performance, and is translated in the following requirements:
- Elaborate different types of internal regulations specific to the activity area under their responsibility in order to ensure that Management Board decisions are carried out;
- Elaborate and implement the internal control procedures/processes specific for each activity area;
- Propose organizational measures and allocation of responsibilities necessary to provide a prudent administration of the co-ordinated activity, reflected in the Operational Book and the job descriptions of personnel;
- Propose optimization measures of the activity and, if necessary, readjustment of the IT application in its activity field;
- Define the process related to the co-ordinated activity, create the control steps, establish the input and output interfaces and their integration in the end-to-end process; define measurement indicators for the process;
- Perform regular risk and control self-assessments with the support of the risk management function; and
- Monitor the process efficiency and propose measures to improve the process.

Second line of defence
The Risk Management and the Compliance functions complement the first line’s risk activities through their monitoring and reporting responsibilities. They facilitate and monitor the implementation of effective internal control practices by firstly ensuring they are embedded in the specific internal policies and procedures and complied with.

Third line of defence
The Internal Audit function provides assurance on the effectiveness of processes and controls. This should consider business processes from ‘front to back’, the effectiveness of control functions and the overall effectiveness of the combination of the first and second lines of control/defence.
Independence of the internal control functions

In order for each of the control functions to be regarded as independent, the conditions provided by applicable law should be met.

3.7.2 Risk management function

3.7.2.1 The risk management principles and its framework

Risk management principles

The aim of the risk management framework is to ensure that all risks assumed in pursuit of the business objectives are recognized at an early stage and are properly managed in accordance with the stated risk appetite.

This is achieved by fully integrating risk management into daily business activities and strategic planning and developing the business consistently within the defined risk appetite. This allows the achievement of sustainable growth and brings value to shareholders in a controlled environment.

Risk management in MMB is effective and efficient and fully covers the following areas:

- Determining appropriate policies, internal regulations, procedures and limits for sound risk management;
- Acting in accordance with the principles of risk management, compliance with internal regulations, procedures and limits in this area, timely and effective reporting of risk management;
- Proactive risk identification, monitoring and management of all risks;
- Ensuring the necessary capacity, expertise, management and control processes;
- Creation and maintenance of adequate reserves in relation to the risks incurred;
- Accepting only those risks that contribute value to MMB;
- Compliance with all capital and other legal requirements.

Internal Capital Adequacy Assessment Process (ICAAP)

The objectives of ICAAP are ensuring that MMB and Moneta Group is in compliance with capital regulatory requirements and for ensuring the continuity of its business while maximizing the returns for shareholders through the optimization of its debt and equity position.
ICAAP is based on relevant legal and regulatory requirements governing the process and comprises of the:
- Identification and quantification of relevant risks;
- Calculation of the economic capital requirement;
- Elaboration of the capital plan and capital outlook;
- Measurement of indicators used in the process;
- Monitoring and reporting; and
- Measures for the capital management and control mechanisms.

The ICAAP planning period is three years. At least on an annual basis, MMB elaborates its capital plan and capital outlook on a MMB and a Moneta Group basis. On a quarterly basis, MMB calculates the economic capital requirement at the one-year horizon level.

Risks for the purpose of ICAAP are identified through the economic capital requirement internal model (ECAP) and Workshop P2.

The ECAP model calculates the economic capital requirement for the each identified risk; the aggregation of the calculated economic capital requirement for each risk and the allocation of the aggregated amount to individual exposures or group of exposures.

For the determination of the economic capital requirement for certain risks, MMB uses an expert estimate. For this purpose, the Workshop P2 is designated. The Workshop is attended by the Chief Officers and the Senior Manager of Internal Audit. At the Workshop, material negative events that can arise in the 3-year horizon are identified, and their severity is estimated. Identified risks are discussed with relevant units, based on which the potential impact is estimated and corrective measures for mitigation are proposed. Accordingly, the economic capital requirement is proposed by the Enterprise Risk management unit and approved by the Enterprise Risk Management Committee.

ICAAP is designed to support MMB’s management in proactively managing the risk portfolio and should ensure a level of capital adequacy reflecting the nature and level of MMB’s risk portfolio at all times.

**Stress testing**

Stress testing in MMB is an integral part of the Risk management function. MMB uses different types of stress tests based on the type of used stressed scenarios in the test, whose common feature is the simulation of negative impact events on the business of MMB. MMB’s uses:
- **ICAAP stress test** (using the macroeconomic stress scenario and internal scenarios concentrated on risks identified at the Workshop P2) – elaborated for a 3-year horizon;
- **Recovery stress test** (using the stress scenario defined by relevant regulation, comprising of idiosyncratic, systematic and combined scenarios) – elaborated for a 3-year horizon;
- **One-time stress tests as requirement of the regulation authority** (using the ČNB’s stress scenario);
- **Stress tests based on regulatory requirements**; and
- **One-time internal stress tests**.

**3.7.2.2 Reporting**

**Regular reporting**

The Risk Management function performs regular reports both at an individual material risk level and at a bank-wide risk exposure level (i.e. a complete view of the whole range of risks) to the Management Board and Enterprise Risk Management Committee. This ensures that risk aspects are considered within the decision-making process of MMB.

Reports include information on aspects such as:
- Risk management and the system of internally determined capital;
- Capital adequacy and the risks undertaken;
- Enterprise risk appetite and fulfilment of its goals and limits and corrective measures in case of the breach of set limits;
- Risk exposures and their development;
- Key risk indicators evolution and specific limits;
- Results of the stress testing exercises.
Annual reporting
The Risk Management function reports, on at least an annual basis to the Credit Committee, Asset & Liability Committee and Enterprise Risk Management Committee, which are the relevant committees of the Management Board, on the internal capital adequacy of MMB both on a static and forward-looking perspective (i.e. capital planning).

3.7.3 Compliance function

3.7.3.1 Organisation

Organisation
The Compliance function is performed in MMB by the Compliance Division, coordinated by the Chief Compliance Officer.

The Compliance function is ensured by the following departments:
- Anti-Money Laundering & Anti-Fraud;
- Regulatory Compliance;
- Compliance Governance, Monitoring & Reporting;
- Business Conduct Review.

Compliance charter
The Compliance function is granted sufficient authority, stature, independence, resources and access by the Management Body. In this regard, the Compliance Function has a charter that:
- Articulates the purpose, standing and authority of the compliance function within MMB in a manner that promotes an effective compliance function;
- Empowers the compliance function to investigate and challenge any activity, action or resolution which could give rise to compliance risk and to have access to all documents and information required to carry out its responsibilities; and
- Ensures that required resources will be made available to the compliance function both in terms of adequate staff and in terms of access to external experts when needed.

Independence
Independence is ensured by applying the independence criteria applicable to all internal control functions.

Resources
The staff of the Compliance function must have the necessary qualifications, experience and professional and personal skills to enable them to carry out their responsibilities effectively.

Compliance programme
The Compliance function carries out its responsibilities based on a compliance plan which considers at least the following aspects:
- The implementation and review of specific policies and procedures;
- An annual compliance plan;
- A compliance risk assessment;
- A process of compliance monitoring, escalation and reporting;
- Trainings to staff members on compliance matters;
- Appropriate escalation and reporting;
- The correction of compliance breaches and analysis of the root cause;
3.7.3.2 Role

The main roles of the Compliance function are:

- Developing and implementing a compliance policy which is communicated to all staff, ensuring that:
  a) Compliance requirements are communicated to employees so that they are implemented within their day-to-day activities and that their adherence is controlled; and
  b) Employees have the responsibility to acknowledge their obligations with regards to compliance and their impact on their day-to-day activities, to understand and abide by them.

- Ensuring MMB’s activity is in general compliance with applicable legal and regulatory requirements;

- Verifying that the compliance policy and code of ethics are observed;

- Ensuring personnel training programmes in areas of Compliance and AML;

- Assisting the Management Board in identifying, assessing, monitoring and reporting effectively on the compliance risks faced by MMB (including those resulting from conflicts of interest, anti-money laundering and know-your-customer regulatory requirements);

- Providing consultancy to the Management Body of Moneta Group on laws, rules, regulations and standards that Moneta Group needs to meet

- Assessing the possible impact of any changes in the legal or regulatory environment on MMB and its Subsidiaries activities;

- Establishing a system of responsibilities, policies, norms and procedures on internal controls at MMB and the Moneta Group level;

- Verifying that new products and new procedures comply with the current legal environment and any known forthcoming changes to legislation, regulations and supervisory requirements; and

- Acting as a key contact point in the relationship with the supervisory authorities, including regulatory, law enforcement bodies and foreign experts.

3.7.3.3 Reporting

Regular reporting

The Chief Compliance Officer reports regularly to the Management Board, Audit Committee, Compliance & Anti-Fraud Committee and the Supervisory Board on the activity of the Compliance function and the management of compliance risk, ensuring that compliance risk is considered within the decision-making processes of the Management Body.

Annual reporting

The Compliance function on at least an annual basis reports to the Management Board, Compliance & Anti-Fraud Committee and the Supervisory Board on its control activity over the period and the management of the compliance risk (i.e. controls performed, main findings and status of implementation of recommendations).

3.7.3.4 Interaction with the Legal function

Within MMB, the Compliance function is responsible for managing compliance risk while the legal function is responsible for the management of legal risk, where:

- **Compliance risk** - the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards which can lead to fines, damages and/or the voiding of contracts and can diminish MMB’s reputation; and

- **Legal risk** - risk of loss as a result of fines, penalties, or sanctions resulting from the fact that MMB does not apply or applies in a defective manner the legal or contractual provisions and also from the fact that the contractual rights and obligations of MMB or of its counterparty are not set in an adequate manner.
3.7.4 Internal Audit function

3.7.4.1 Organisation

Organisation

Internal Audit (hereinafter “IA”) is an independent assurance and consulting activity focusing on adding value to and improving internal processes while bringing a systematic, methodological approach to assessments and improvement of the functionality and efficiency of risk management, control and governance processes.

The main objectives of the Internal Audit Department (hereinafter “IAD”) activities are:

- The performance of assurance and consultation engagements;
- The on-going risk monitoring of activities, processes and information systems of the Moneta Group;
- The IAD planning process, including a risk assessment of processes and activities.

Internal Audit activities are stipulated and performed in accordance with the provisions of CNB Decree No. 163/2014 Coll. on the performance of activity of banks, credit unions and investment firms, as amended and in accordance with the International Professional Practices Framework (IPPF).

The IA function in the Moneta Group is performed by the IAD, which is led by the Head of Internal Audit (hereinafter “HIA”) in the position of Senior Manager, Internal Audit.

The HIA cannot be a member of the Management Board, MMB’s Supervisory Board or the Audit Committee. The HIA cannot be a member of any governing or supervisory body of the Moneta Group entities.

In the organizational structure, the IAD is placed under the CEO and reports to the Audit Committee.

Internal Audit charter

The Internal Audit charter provides:

- The objectives, rationale and scope of the IAD
- Scope of activities and competences of the IAD
- Character of assurance and consulting activities performed by internal auditors and their output
- Internal audit planning process
- Methods of communicating internal audit results, including proposed remedial actions
- Method of dealing with comments on internal audit results and settlement of disputes
- Method of imposing remedial actions based on internal audit results.

The proposal of the Internal Audit charter is discussed by the Audit Committee and then approved by the Management Board.

Independence

The Audit Committee monitors the effectiveness of internal audit and its functional independence. The IAD shall retain its independence from all executive functions of the Moneta Group entities. Independence shall be present in all stages of its activities.

As part of its report on IA activities, the HIA confirms the organizational independence of the IA function to the Supervisory Board and Audit Committee at least once a year.

The HIA is responsible for informing the Management Board and the Audit Committee of any potential or real compromising of IA’s independence or objectivity (on an individual or a departmental level).

When performing audits, internal auditors are particularly obliged to ensure there is no compromising of independence or objectivity during IA activities even when an employee from another division is invited to take part in an Internal Audit engagement.

Internal auditors are prohibited from participating in activities, which could lead to a weakening of their independence. Their activities and relationships shall always be conducted in such a manner that does not compromise their independence.
The MMB Supervisory Board will express its opinion regarding the nomination of the person proposed as the HIA or their subsequent dismissal, following a prior discussion with the Audit Committee. The HIA cannot be dismissed without the prior consent of the MMB Supervisory Board and the Audit Committee.

Following a prior discussion with the Audit Committee, the MMB Supervisory Board shall set out the remuneration principles for the HIA, unless such an action is within the scope of competence of the General Meeting.

**Professional standards**

Internal audit activities are stipulated and performed in accordance with the International Professional Practices Framework (IPPF).

Internal auditors are obliged to follow the International Internal Audit’s (hereinafter “IIA”) Code of Conduct.

The objective of the IIA’s Code of Conduct is to support the ethical conduct and culture in the field of IA. The Code of Conduct is therefore important and indispensable for the IA profession, as it is founded on trust which is part of the objective assurance provided by this profession in the area of governance and administration of the company, its risk management and its control governance framework.

A periodic external IA quality assessment shall be carried out at least once every five years by a professional and independent external assessor or external assessment team.

**Resources**

The HIA is responsible for informing the Management Board and the Audit Committee of possible impacts stemming from potentially limited IAD resources.

When performing audits, internal auditors are obliged to continuously improve their level of qualifications and expertise thorough professional training and education.

**Access**

During an auditing engagement, internal auditors are authorized to:

- Have access to all relevant MMB persons, premises, devices, information and documents;
- Deal with all MMB employees and members of MMB bodies and obtain information from them regardless of their role within the company;
- Request verbal or written explanations regarding audited activities and discovered facts and, where necessary, request information from third parties;
- Use direct passive access to any MMB information systems, accounting systems and partial agendas maintained via electronic computing devices and obtain any necessary data from them.

All employees of the Moneta Group entities are obliged to allow internal auditors, upon request, access to all information corresponding to the authorization of internal auditors as detailed herein and provide co-operation in the extent necessary for the performance of the IAD activities without any undue delay.

Representatives in statutory bodies of other Moneta Group entities shall ensure that all employees of these companies allow access and provide co-operation.

**Internal Audit plan**

The planning of activities and distribution of capacities of internal auditors is based on a risk analysis.

The risk analysis measures the amount of risk connected with the individual activities of Moneta Group entities in such a way that it takes into account the probability of a failure in the control governance framework in individual areas and the extent of possible loss resulting from such a failure.

The IAD performs its risk analysis at least once a year and prepares a written output of this analysis. The HIA submits the output to the Management Board and to the Audit Committee for discussion. Any difference of opinion between these bodies regarding the outputs of the risk analysis must be duly recorded.

The goal of planning IA’s activities is to set out its tasks for a specific time period, based on an assessment of risks in the Moneta Group entities.
The IAD prepares the plan primarily based on:

- A risk analysis of RCSA activities and the performance of the Risk Assessment itself;
- The strategy of the Moneta Group entities;
- Inputs from SMTs, the Management Board and the Audit Committee,
- Regulatory requirements,
- Contents of reports by Supervisory bodies,
- Newly implemented activities,
- Ongoing risk monitoring of activities, processes and information systems,
- Analyses of other sources of information.

The main IA objectives and priorities are stated in the IA Strategic and Periodic Plan.

The Strategic plan frames the focus and periodicity of IA activities for a period of four years in line with the areas of activities carried out by the Moneta Group. The Strategic plan ensures an effective distribution of IA activities for the respective period. It also ensures that the strategic decisions of the Management Board are taken into account, including the level of risk and periodicity of individual activities carried out by the Moneta Group. The HIA ensures the annual update of the strategic plan following the performed risk assessment.

The Periodic plan is created by the IAD for the period of one year. The Periodic plan sets out the objective, rationale and dates of planned audits. In addition, it determines the distribution of IAD capacities for planned audits, unscheduled audits, monitoring, training and other IAD activities. The Periodic plan distributes capacities according to the severity and materiality of risks related to individual products, applications and activities in the Moneta Group.

The plans of IA activities are, prior to their approval by Management Board, submitted to the Audit Committee for review. A similar process occurs in the case of any significant changes in the plan. Significant changes include the removal of a scheduled audit from the periodic plan for a given year. The HIA records the reasons for changes in the IA plans and informs the Management Board and the Audit Committee on any unscheduled audit or audit performed as per SMT member’s request.

### 3.8 Disclosure & Transparency

#### 3.8.1 Types of disclosures

**Mandatory disclosures**

MMB will ensure appropriate disclosures and transparency towards its stakeholders in line with the applicable regulatory requirements:

- Market participants: through the publication of the financial statements and the Pillar 3 report (i.e. the report prepared in accordance with Part Eight of the EU Capital Requirement Regulation 575/2013);
- Shareholders: additional disclosures in line with specific applicable regulatory requirements for shareholders (i.e. disclosure and reporting arising from 256/2004 Capital Market Undertakings Act);
- Customers: additional disclosures in line with the specific laws and regulations (e.g. on consumer protection, lending activity);
- Employees: Strategies and policies communicated to all relevant staff throughout MMB to the level needed to carry out their specific duties (internal disclosures);
- Supervisory authorities: in line with specific regulatory requirements and directly addressed requests; and
- Business partners/ sub-contractors: additional information required for the performance of the business relationship; the information provided must be protected though non-disclosure agreements.
3.8.2 Pillar 3 Disclosure Process

Guiding principles with regards to disclosures

MMB considers the following principles with regards to its disclosures:

- **Disclosures should be clear** - important messages should be highlighted and easy to find. Complex issues should be explained in simple language with important terms defined. Related risk information should be presented together;

- **Disclosures should be comprehensive** - disclosures should describe MMB’s main activities and all significant risks, supported by relevant underlying data and information;

- **Disclosures should be meaningful to users** - disclosures that do not add value to users’ understanding or do not communicate useful information should be avoided. Furthermore, information which is no longer meaningful or relevant to users should be removed; and

- **Disclosures should be consistent over time** - additions, deletions and other important changes in disclosures from previous reports, including those arising from a bank’s specific, regulatory or market developments, should be highlighted and explained.

**Materiality, Proprietary or Confidential information**

When disclosing information, MMB will assess and apply materiality, proprietary and confidentiality waivers as follows:

- **Materiality** - if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions;

- **Proprietary** - if disclosing it publicly would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution’s investments therein less valuable; and

- **Confidentiality** - if there are obligations to customers or other counterparty relationships binding an institution to confidentiality.

If MMB chooses not to disclose information for confidentiality or proprietary reasons, it must disclose instead:

- A statement that the specific items of information are not disclosed;

- The reasons for non-disclosure; and

- More general information about the subject matter of the disclosure requirement, except where these are to be classified as proprietary or confidential.

The materiality waiver and the waiver for proprietary or confidential information must be applied independently. Even if it is material, there is no obligation to disclose confidential or proprietary information.

**Frequency of disclosures**

MMB acknowledges mandatory disclosures of information (in line with Part Eight of EU Capital Requirement Regulation 575/2013) on its website on a quarterly basis and in conjunction with the date of publication of the financial statements.

**Assurance of Pillar 3 data**

The information provided under the Pillar 3 report must be subject, at a minimum, to the same level of internal review and internal control processes as the information provided by MMB for its financial reporting (i.e. the level of assurance must be the same as for information provided within the management discussion and analysis part of the financial report).

3.8.3 Disclosure Policy

MMB has implemented a formal policy in order to ensure:

- Identification of all regulatory requirements related to public disclosures (e.g. Decree 163/2014, 21/1992 Act on Banks, 256/2004 Capital Market Undertakings Act, CRR and supplementing EU regulations, IFRS standards, IAS 34)

- The disclosure is in accordance with all applicable standards, regulatory requirements and applicable law stated in the paragraph above

- Disclosure content, format and roles and responsibilities with regards to disclosure development for meeting the regulatory requirements;

- Assessment of the appropriateness of disclosures, including their verification and frequency;

- With regards to Pillar 3 disclosures, an assessment of whether the disclosures convey the risk profile comprehensively to market participants; and

- Where disclosures do not convey the risk profile comprehensively to market participants, MMB publicly discloses the information necessary in addition to that required in accordance, but not proprietary or confidential information.
3.8.4 Oversight of disclosure process

The role of the Supervisory Board and the Management Board

The Supervisory Board and Management Board are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures. They must also ensure that appropriate review of the disclosures takes place.

As a part of maintaining an effective internal control mechanism over the disclosure of financial information, the Audit Committee oversees the financial statements’ closing process and the process of the external statutory audit.

The Management Board is responsible for the implementation of the disclosure policy which sets out the internal controls and procedures for disclosure of information to the public. Public disclosures are approved by the Management Board.

The Supervisory Board must approve the Pillar 3 report taking into account review results issued by the Internal Audit department.

The Management Board thereof is responsible for making a final decision as to:
- Whether an item of information which needs to be made public based on regulatory requirements should be omitted (‘waiver’); and
- If the frequency of the Pillar 3 disclosures should be considered as appropriate, after taking into consideration appropriately justified proposals made by the relevant organisational unit tasked with implementing the policies on materiality, proprietary and confidentiality and on disclosure frequency.

The role of the Investor Relations’ department

MMB, as a public traded company, is obliged to disclose certain information that are to be accessible to shareholders in line with the 256/2004 Capital Market Undertakings Act and which are to be reported to regulators. To ensure that shareholders are treated equally and non-divisively and that the reporting obligation towards the regulators is duly fulfilled, MMB established the Investor Relations’ department.

The Investor Relations’ department oversees the disclosure under the Capital Market Undertakings Act and ensures that MMB acts in line with regulatory requirements. Further, the Investor Relations’ department is responsible for:
- The protection of insider information with regard to investor relations and finance;
- Disclosure of insider information in co-operation with the Management Board (the manner, conditions of postponement of the disclosure, principles for the disclosure);
- The procedure when a breach of insider information occurs, identifying the cause of the breach and the implementation of corrective measures;
- Maintaining and updating of the list of personnel with access to inside information, its preservation, protection and its forwarding to the regulator;
- Maintaining and updating of the list of MMB shareholders;
- Creation of reporting calendar;
- Disclosure of financial reports; annual reports and the interim financial report;
- Communication with shareholders (set up of the meetings with the Management Board members, resolving ad-hoc shareholder queries, preparation of presentations for shareholders, participation on roadshows and conferences, documentation of the communication with shareholders, etc.);
- Communication with analysts (preparation of presentations, solving ad-hoc queries, cooperation on analyst presentations, documentation of communication with analysts, etc.);
- Recording and reporting of manager transactions;
- Monitoring of MMB’s stock trading;
- Reporting to regulators;
- Training of employees with regard to shareholder relations and solving their queries.
4. APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES TO THE SYSTEM OF DECISION-MAKING

Decisions within MMB can be made at different levels of the organisational chart. The type of decision, its discussion, approval, delegation and cascade mechanism may vary depending on the nature and applicability of the said decision and at the level on which it was taken. The next section provides an overview of the decision-making processes depicting these nuances together with a description of roles and responsibilities within the process.

4.1 Overview of the decision-making process

4.1.1 Decision-making levels

General Meeting
A decision can be taken at the level of the General Meeting. The General Meeting (with a confirmed quorum) can take a decision by a simple majority of the votes of the shareholders’ present, unless a different, qualified majority is required by law or by MMB’s bylaws.

The General Meeting is authorized to decide in all matters stated in [4.2.5.1]. Through the decisions of the General Meeting, the MMB shareholder rights are being executed.

Supervisory Board
Another decision-making level is the Supervisory Board. The Supervisory Board may take a decision by a simple majority of its members present at the meeting (with a quorum confirmed).

The Supervisory Board is entitled to decide on all matters stated in [4.4.1]. Decision taken by the Supervisory Board are conducted in co-operation with the Supervisory Board’s Committees which fulfil their advisory role in the decision-making process, depending on the nature of the decision.

Management Board
The Management Board may take decisions in line with its function of managing the MMB business. The Management Board may take decisions by a simple majority of votes of its members present at the meeting (with a quorum confirmed).

The Management Board has established a number of Management Board Committees which fulfil their advisory role to the Management Board, and operate in consultation with the Management Board and at the same are responsible for the execution of decisions in their respective area.

The Management Board delegates specific decisions to its Committees, depending on the nature of the decision and the area in which they operate.

Below is a list of Management Board Committees and the areas of their decision-making competences:

- **Asset & Liability Committee** - decides on matters in the area of assets & liability management, market risk and liquidity risk management, both for MMB and the Moneta Group;
- **Credit Committee** - decides on matters in the area of credit risk, both for MMB and the Moneta Group;
- **Enterprise Risk Management Committee** - decides on matters in the area of risk management framework, internal control system, internal capital adequacy assessment process (ICAAP), operational risk and model risk management, both for MMB and the Moneta Group;
- **Business Review Committee** - decides on matters in the area of rates and fees, both for MMB and the Moneta Group;
- **Compensation Committee** - decides on matters in the area of compensation and benefits, both for MMB and the Moneta Group;
- **Compliance and Anti-Fraud Committee** - decides on matters in the area of internal controls, compliance risk and anti-fraud management, both for MMB and the Moneta Group;
- **Cluster & Projects Investment Committee** - decides on matters of project management issues, project tollgates approvals and the detailed allocation of human resources to individual projects, both for MMB and the Moneta Group;
- **Capital Committee** - decides on matters in the area of capital management, both for MMB and the Moneta Group;

Members of Management Board’s Committees are Chief Officers, Senior Managers and Managers of relevant functions. Members of the Management Board Committees are divided into voting and non-voting members. Decisions are made by a simple majority of votes of its voting members at the meeting (with a quorum confirmed). The Chairman and Vice-Chairman of certain Management Board Committees have a veto right.

**Senior Management Team**

The Senior Management Team of MMB consists of the Chairman and members of the Management Board, Chief Officers of MMB’s divisions and specific Senior Managers.

The decisions at the executive/operational level are taken by members of Senior Management Team. Members of Senior Management Team are responsible for the sound management of the function they manage and make decisions in their competence area and in areas which were delegated from the Management Board and/or relevant Committee.

Members of Senior Management Team may further delegate decisions to other senior staff – Directors and managers of organizational sections, units, departments, branches, etc. in line with organizational and competence charters.

The Chief Executive Officer decides on the establishment and abolition of divisions and departments and job positions that are directly subordinated.

Chief Officers decide on the establishment and abolition of subordinated departments, units and job positions. The Chief Retail Growth Officer decides on the establishment and abolition of the branches in the retail branch network.

Members of the Senior Management Team decide, approve and have signature authority within the scope stated in the respective internal policy on Organizational and Signature Rules.

### 4.1.2 Principles of decision-making

The Management Board follows the decisions taken by the General Meeting. The Supervisory Board, through overseeing the Management Board, ensures that the decisions taken by the General Meeting are fulfilled appropriately.

The Management Board typically takes decisions at a strategic level, whereby the decisions taken at the Committee level are specific to their functional role. Committees may further delegate decisions to Senior Management as well as to managers of individual operational lines, departments, sections, units, etc.

Directors and managers of individual operational lines, departments, sections, units, etc. may also delegate competence unless the relevant Senior Manager decides otherwise.

A decision taken on any organizational level has to be taken and then realised in line with generally applicable legal regulations and internal regulations of the Moneta Group.

Employees engaged in relevant processes are to be follow the decision taken by the process owner which is usually represented by the Directors and managers of individual operational lines, departments, sections, units, etc.

The decision competences are distributed through internal guidelines. The decision competence can be delegated to certain employees or functions or to a group of employees. Delegation/distribution of the competence is made either in writing or in oral form.

The decision-making or approval of competences are at each level restricted by approved limits and are in line with the respective internal policy on Organizational and the Signature Rules (in Czech: Organizační a podpisový řád). When a limit is likely to be exceeded, the decision-making competence of a higher level is required.
4.2 Roles and hierarchy of responsibilities

The next section states the main principles of roles and hierarchy of responsibilities within the main functions in MMB. Detailed descriptions are included in the respective dedicated internal guideline.

Credit risk and business area

Credit decision can be made only by employees who were assigned with the competence. Each credit proposal or application shall be subject to a ‘four-eye’ principle, i.e. have to be agreed by the relevant employee of the business division and the competent employee from the credit risk department. Employees from the credit risk department may be replaced by a scoring system.

Within the credit area, job positions are assigned a maximum limit of the credit for which they have decision-making competence. If the limit for the job position is exceeded, the credit application shall be transmitted for an approval to the job position of a higher approval limit.

The limits differentiate based on the type of business, type of job position and seniority of the job position. Every decision with regard to a credit transaction is subject to the approval of the business unit and the division and the competent employee from the credit risk department.

Every competent employee from the credit risk department can exercise its competence within its local and material scope.

MMB defines the type of transaction (associated with higher risk) for which the different approach shall be applied in the manner that is appropriate to level of the risk.

Decisions in specific business areas are divided by decisions within the retail and commercial area. Both areas are managed by an individual Chief Officer. The decision-making process for both areas is separate.

Human Resources area

Organizational changes are proposed by the responsible employee and are to be consulted with the HR department. Proposals with regard to the establishment or abolition of a division, unit, section, and department are submitted by the relevant Chief Officers, whilst proposals with regard to the establishment or abolition are submitted by the responsible manager. Decisions with regard to such proposals (approval or disapproval) are made by the Management Board (in the first mentioned case) or the relevant Chief Officer (the second case).

Decisions regarding the recruitment of new employees or employee dismissal are taken by the relevant Manager based on the job position which is to be hired/dismissed. Regardless of the job position, the decision is to be taken jointly by the responsible HR department employee and the direct supervisor of newly hire/dismissed employee.

The position of Senior Manager, Internal Audit position is elected by the Management Board with the approval the Supervisory Board.

The Chief Human Resource Officer position is elected by the Management Board.

Decisions with regard to planning and the taking of vacations are in the competence of the direct supervisor of the employee.

Decisions of other types (e.g. planning and taking of holidays, training and education, salaries and benefits) are governed by the relevant internal policy on Organizational and Signature Rules.

Legal area

Important documents, contracts and submissions relating to MMB, which are created or controlled by the Legal department are approved by the Chief Legal Officer.

Other documentation which is being created or controlled by the Legal department, but does not relate to MMB as a whole are approved by the relevant employee with assigned competence.

Legal actions or court submissions are further subject to the approval of the Chairman of the Management Board.
5. GROUP GOVERNANCE

The Moneta Group consists of MMB and its Subsidiaries. At the same time, entities included within the Moneta Group are subject to consolidated regulatory supervision and regulatory requirements arising from applicable laws and regulations.

Furthermore, the Moneta Group fulfils the Czech corporate law principle of a Holding (in Czech: koncern) as defined in the Business Corporation Act.

5.1 Moneta Holding (in Czech: Koncern)

A holding (in Czech: koncern) is an economic unit in which the so-called dependent entities (in Czech: řízené osoby) are under common management (in Czech: jednotné řízení) of the so-called dominant entity (in Czech: řídící osoba).

The Moneta Group consists of (i) MONETA Money Bank, a.s. (hereinafter “MMB”), as the dominant entity, and (ii) the following MMB controlled subsidiaries as dependent entities:
- MONETA Auto, s.r.o.;
- MONETA Leasing, s.r.o.;
- MONETA Leasing Services, s.r.o.; and
- Inkasní Expresní Servis s.r.o.
(Also referred to as the “Subsidiaries”).

Moneta Holding is put into effect through the influence exercised by MMB over the Subsidiaries. Exercising such an influence enables the effective assertion of common business interests of the Moneta Holding which prevail over the individual business interests of MMB and the Subsidiaries. The ensuing business and other advantages and disadvantages are shared within Moneta Holding so that all members benefit from being part of Moneta Holding. Details on the functioning of Moneta Holding are set forth in the Moneta Holding governance rules.
6. LIST OF CRITICAL INTERNAL GUIDELINES

Following on from the description of all the corporate governance principles valid for the Moneta Group, below is a list of the key internal guidelines where all of the Corporate Governance principles are anchored:

I. Policy on Governance of the Moneta Group
II. Policy Regulation of the Moneta Group
III. Organisational Rules
IV. Signature Rules
V. Statutes and Rules of Procedures of the Supervisory and Management Boards
VI. Statutes and Rules of Procedures of the Supervisory and Management Boards’ Committees
VII. Statute and Rules of Procedures of the Audit Committee
VIII. Conflict of Interest Policy
IX. Whistleblowing Policy
X. Inside Information Management Policy
XI. Remuneration Policy
XII. Business Continuity Management Policy
XIII. Moneta Group Code of Ethics