



ČESKÁ EXPORTNÍ BANKA
C Z E C H E X P O R T B A N K

Code of Governance of Česká exportní banka, a.s.

1. Preamble

Česká exportní banka, a.s. (hereinafter the “Bank”) is a specialised financial institution established to finance the export of Czech exporters. It is owned by the Czech state. As the Czech Republic is an open economy, exports constitute an important part of its economic growth and employment, especially in industrial sectors. The Bank is the only Czech bank authorised by Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, as amended (hereinafter the “Act”), to finance exports with state support under the conditions stipulated by the Act and the conditions which the Czech Republic, like other OECD countries, has undertaken to meet in this area.

2. Method of conducting business

2.1. Fundamental values of a successful business

As part of its activities, the Bank honours the core values of a successful business:

- a) Providing timely, complete and truthful information about its activities to shareholders, businesses, public authorities, investors and, last but not least, to its employees and other stakeholders;
- b) The application of
 - ba) the principle of suitability deriving from the nature of its business,
 - bb) the principle of proportionality, having regard to the nature, scope and complexity of the area of financing of exports with state support,
 - bc) the principle of precedence of content over form;
- c) The use of best practices and principles published by recognised publishers in the given sector;
- d) A clear formulation of powers and responsibilities by the Articles of Association of Česká exportní banka, a.s. (hereinafter the “Articles of Association”) and internal regulations of the Bank;
- e) Rejection of any unfair practices in acquiring new trades and customers, such as offering any benefits or taking bribes in establishing a business relationship;
- f) High demands on ethical behaviour of its employees in all job positions;
- g) Due and timely fulfilment of all its statutory obligations as a commercial company and financial institution.

2.2. Compliance with the OECD Principles of Corporate Governance in the Bank

The Bank’s principles of corporate governance are based on the OECD’s general corporate governance principles; not even the legal status and shareholder structure of the Bank can change the main principles. The Bank’s governance is based on the following main pillars:

- Exercise of shareholders’ rights
- Fair treatment of shareholders
- The role of stakeholders in the governance of the Bank
- Openness and transparency
- Responsibilities of the Board of Directors and the Supervisory Board

2.2.1. Exercise of shareholders’ rights

2.2.1.1. Fundamental rights of shareholders

The majority shareholder of the Bank is the Czech state, which exercises its shareholder rights through the relevant organisational unit of the state - the Ministry of Finance of the Czech Republic (hereinafter the “Ministry”). At the General Meeting of the Bank, the state exercises its shareholder rights directly, in proportion of the votes to the shares held by the Ministry, and indirectly through Exportní garanční a pojišťovací společnost, a.s. (hereinafter “EGAP”); at least two-thirds of the shares of the Bank must be held by the state. EGAP exercises its shareholder rights through its governing body or other persons authorised to do so in writing. The Bank’s shares are non-marketable, dematerialised and registered. A transfer of the shares may be effected only if the statutory conditions reflected in the Articles of Association are met.

The General Meeting makes decisions to amend the Articles of Association, which regulate the powers of the General Meeting, the Supervisory Board and the Board of Directors and determine their powers and responsibilities as well as the internal structure and organisation of the Bank. The state and EGAP have the same right to vote and the weight of their votes corresponds to the value of the Bank’s shares held by them.

2.2.1.2. Right to participate in decision-making on substantial changes in the company

The General Meeting is held at least once a year, but no later than four months after the last day of the accounting period. The powers of the General Meeting include decisions on matters which are included in the powers of the General Meeting by Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Business Corporations Act) (hereinafter the “Business Corporations Act”), and the Articles of Association.

The General Meeting has the right to elect and remove members of the Board of Directors and the Supervisory Board.

The General Meeting decides on any increase of the registered capital by issuing new shares. New shares in the value of the increased capital are distributed between the state and EGAP by agreement of the shareholders.

The General Meeting approves the distribution of the Bank’s profit; the basic principles of its use are laid down by the Business Corporations Act.

2.2.1.3. Ensuring the right of shareholders to be properly informed about, attend and vote at General Meetings

All shareholders are informed of the date and agenda of the General Meeting within the time limit set by the Business Corporations Act and, together with the invitation to the General Meeting, always receive materials for the particular General Meeting. The Articles of Association guarantee shareholders the right to modify the agenda set out in the invitation and to request the inclusion of other items in the meeting agenda.

2.2.1.4. Disclosure of capital structures for the purpose of controlling the Bank commensurate with share ownership

The Bank duly publishes the shareholder structure in its annual reports and any changes thereto during the calendar year on its website.

2.2.1.5. Effective and transparent functioning of markets dominated by the Bank

The Bank’s ownership interest in other companies is determined by both the Act and Act No. 21/1992 Coll., on Banks, as amended (hereinafter the “Act on Banks”). Pursuant to the

relevant legal provisions, the Bank may not have an ownership interest in legal entities, except

- a) Legal entities whose business is the provision and transfer of interbank payments and the transfer of interbank information,
- b) Ownership interests in legal entities acquired and held by the Bank within one year of their acquisition in connection with the exercise of collateral agreed to secure the repayment of the provided supported financing,
- c) Fixed-term legal entities to secure the provision of supported financing and to obtain financial resources where the Bank is or is to be a majority shareholder at the time of the acquisition of the ownership interest; in order to acquire an ownership interest in such a legal entity, prior approval of the Ministry is required.

The Bank publishes all information on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity in which it participates in its annual report.

- 2.2.1.6. The shareholders of the Bank – the state and EGAP – decide on changes in the amount of the registered capital. The General Meeting approves the distribution of the Bank's profit, in accordance with the principles set out in the Business Corporations Act, and the Financial and Business Plan and its changes, including other decisions falling under the powers of the General Meeting in accordance with the Articles of Association.

2.2.2. Fair treatment of shareholders

2.2.2.1 Equal treatment of shareholders of the same class

The shareholders of the Bank are the state and EGAP under the conditions stipulated by the Act. Shareholders' rights at the General Meeting are entrusted to representatives of the Ministry referred to in the Act and representatives of EGAP according to the ratio in which they hold the Bank's shares. The share in voting rights at the General Meeting corresponds to the share in the registered capital determined by the Articles of Association.

2.2.2.2. Prohibition of insider trading and abuse of trades for own benefit

The Bank is aware of the possibility of misusing information about its activities, especially about upcoming transactions, by its own employees, members of the Board of Directors or members of the Supervisory Board. As part of its activities, the Bank has issued its Code of Ethics for employees of Česká exportní banka, a.s., which it updates as necessary and monitors the compliance with it.

The Bank's internal regulations prohibit its employees from trading in shares and similar securities representing a stake in the Bank's client or securities replacing them and in entities that form an economically related group with the Bank's client. This prohibition also applies to persons related to them¹.

The Bank has implemented a system for identifying inside information and protecting it against misuse.

¹ A direct relative, sibling and spouse or partner under another registered partnership law; other family or similar persons shall be deemed to be related to one another if the harm suffered by one of them is reasonably felt by the other as their own. Close relatives are also considered to be in-laws and persons who live permanently together (*see Section 22 of Act No. 89/2012 Coll.*)

2.2.2.3. Disclosure of substantial interest of members of the Board of Directors, members of the Supervisory Board and managers in transactions or matters relating to the Bank.

It is important for the Bank's activities that no decision-making is affected by the possible interest of decision-makers involved in the decision-making process, members of the Board of Directors or members of the Supervisory Board. Therefore, before commencing the decision-making process, those persons are obliged, if that is the case, to announce that they are interested in its outcome and not to participate in the decision-making process any longer.

2.2.3. The role of stakeholders in the governance of the Bank

2.2.3.1. Respect for the statutory rights of stakeholders²

The Bank bases its business on a transparent relationship with stakeholders and respect for their statutory rights.

2.2.3.2. Compensation for infringement

The contracts used by the Bank guarantee equal and non-discriminatory position for all contracting parties.

Investors' interests and rights arising from bonds issued by the Bank, the interests of other banks providing the Bank with loans, the interests of entities providing the Bank with deposits and the interests of entities trading with the Bank on the financial markets are protected by the Act, which guarantees the repayment of such obligations of the Bank by a state guarantee. Deposits of entities that make use of deposits with the Bank are insured under the Act on Banks. The Bank is a participant in the financial market guarantee system, which includes a deposit insurance fund and a crisis resolution fund to which the Bank makes regular contributions. The Bank is also a member of the Securities Traders Guarantee Fund.

The Bank has a system of handling complaints and claims submitted by its current and potential clients, regulating the rules for their registration, the way of handling and monitoring the effectiveness of the measures taken.

The Bank's employees are obliged to report any actual or potential breach of legal regulations, internal standards or procedures of which they become aware. In all alerts and suggestions, all employees are guaranteed anonymity and protection.

2.2.3.3. Mechanisms focused on increasing performance with the participation of stakeholders

The Bank is a specialised financial institution operating in a specific export financing sector under the conditions laid down by international rules for such financial support. Similar financial institutions operating in OECD countries, which form the first stakeholder group, have voluntarily agreed to respect such rules. The OECD Consensus is transposed into EU law through Commission Delegated Regulation (EU) 2018/179 amending Regulation (EU) No 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits, which is directly binding on the Czech Republic and therefore also on the Bank. It is in the interest of the state that the Bank consistently fulfil its mission for which it was established, namely to finance the export of goods to countries with a higher and high territorial risk and with a longer maturity of payment for delivery.

Effective participation of the Bank in the implementation of individual projects related to the implementation of the Government's objectives in the area of export support is focused on exporters as the second of the segment of parties interested in the Bank's performance. In

² For identification and access to stakeholders see Chapter 3.

addition, it is a natural interest for the Bank to be a reliable partner to domestic exporters in individual negotiations on the supply of their goods with potential customers or the Bank's participation in business missions to countries with untapped potential for importing Czech goods.

The last group that significantly affects the Bank's performance comprises its senior and ordinary employees. The Bank is fully aware of the contribution of each individual employee and places particular emphasis on an appropriate determination of individual incentive indicators of each employee. In planning its activities, the Bank sets individual incentive indicators and their target values, which are approved by the Supervisory Board and the General Meeting. The Bank supports systematic education and training of its employees as an effective tool for increasing its performance. An individual development plan is prepared for individual employees, which is regularly evaluated.

2.2.3.4. Access to information supporting the Bank's performance

The Board of Directors submits a proposal for the Bank's long-term strategy to the Supervisory Board, which expresses its opinion on the proposal. The General Meeting decides on the Bank's overall strategy. The General Meeting also approves the Bank's Financial and Business Plan, which is in line with the Bank's long-term business strategy, objectives, values and long-term interests, and its changes. The Bank's specific long-term objectives are used as a basis for short-term quantitative and qualitative indicators, the fulfilment of which is a precondition for the payment of a variable component of remuneration of the Bank's employees. The principles of remuneration of the Bank's employees are regulated by an internal regulation, the content of which employees are obliged to acquaint themselves with.

The Bank considers the use of the widest possible range of information channels directed at the business community as one of the most important tools for increasing its performance. Therefore, in addition to its website, it actively participates in selected fairs, exhibitions, seminars and workshops, both in the Czech Republic and abroad, especially those with official state participation. In addition, members of the Board of Directors of the Bank participate in official business trips of the President of the Republic and members of the Government to countries where interesting business opportunities can be obtained for Czech exporters.

2.2.4. Openness and transparency

The Bank fulfils its statutory disclosure duty, under which it emphasises the timely, accessible, sufficient and balanced provision of information on its current activities and on anticipated developments. It also considers it important to provide information to the business community, public authorities and, last but not least, to its employees based on the same principles. Disclosure of all relevant information on this basis is considered by the Bank as an effective tool for the fulfilment of its statutory obligations and as a basis for building its reputation.

2.2.4.1. Information content

The Bank publishes information with high informative value in accordance with the relevant legal regulations. It emphasises that the published information gives its recipients a comprehensive overview of

- a) Financial results of the Bank,
- b) Ownership structure,

- c) Strategic direction of the Bank and fulfilment of goals through which the Bank's strategy is fulfilled,
- d) Structure and degree of risks undertaken,
- e) Public contracts for which the Bank is the contracting authority,
- f) Policy of remuneration of employees with significant influence on the Bank's overall risk profile; and
- g) Its relationship with the Bank's employees and other stakeholders.

The Bank publishes on its website the current version of the Articles of Association, the Code of Governance of Česká exportní banka, a.s. and the Code of Ethics for the employees of Česká exportní banka, a.s.

2.2.4.2. Ensuring the quality of provided information

The Bank processes all information for decision-making with the utmost care and with an emphasis on ensuring that the relevant information is up-to-date, reliable and comprehensive. With the same care, the Bank also treats information for publication.

The Bank relies on international financial reporting standards in the preparation of financial information for publication. The quality of the information is based on regular consultations with an independent auditor in order to obtain reasonable assurance about the soundness of its accounting procedures.

2.2.4.3. Annual audit by an independent auditor

The Bank proceeds in accordance with Act No. 563/1991 Coll., on Accounting, which requires it to subject its annual financial statements to examination by an independent auditor. The independent auditor expresses an opinion upon the examination of the annual financial statements. The financial statements, together with the report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity, are an integral part of the annual report for which the independent auditor also issues its opinion as a whole. The Bank's cooperation with the independent auditor is based on maximum openness and access to all information that the independent auditor considers essential in order to be able to express an objective opinion on all documents which the auditor audits.

2.2.4.4. Once a year, the Bank reports to the Chamber of Deputies on the supported financing. That information includes, in particular:

- a) Information on the Bank, in particular the amount of its registered capital, the Ministry which exercises the shareholder rights of the state, changes in the composition of the Board of Directors and the Supervisory Board, and the Bank's balance sheet,
- b) Information on the operation of supported financing, in particular an analysis of that financing, including the territorial and sectoral structure, the use of state budget funds, data on the relationship between the demand for supported financing and the Bank's ability to meet that demand, as well as information on the anticipated developments in privileged financing.

2.2.5. Responsibilities of the Board of Directors and the Supervisory Board

- 2.2.5.1. The Board of Directors of the Bank has 3 members and its composition is determined by the Articles of Association and the relevant provisions of the Business Corporations Act. Members of the Board of Directors are elected by the General Meeting for a period of 5 years and removed by the General Meeting. Any member of the Board of Directors may be re-elected by the General Meeting.
- 2.2.5.2. The Supervisory Board has 5 members. Members of the Supervisory Board are elected and removed by the General Meeting based on a written proposal of a shareholder or the Board of Directors. The term of office of the Supervisory Board members is 5 years. Members of the Supervisory Board may be re-elected by the General Meeting.
- 2.2.5.3. The Board of Directors of the Bank is responsible to the shareholders for
- Strategic management of the Bank reflected in security, business and personnel policies, risk management strategy, remuneration policy and compliance policy, with senior management being responsible for their implementation,
 - Creation and evaluation of the management and control system, while permanently maintaining its functionality and efficiency,
 - Compliance of the management and control system with legal regulations and providing for related activities with due professional care,
 - Establishing human resources management principles, including the setting of qualification, experience and knowledge requirements for each position and determining the manner of their demonstration and verification.

A detailed definition of the powers and responsibilities of the Board of Directors is set out in the Articles of Association.

- 2.2.5.4. The Supervisory Board oversees the performance of the Board of Directors and the Bank's business activities. The Supervisory Board, in particular:
- Supervises whether the management and control system is functional and efficient and regularly evaluates this,
 - Regularly discusses the strategic direction of the Bank and issues related to channelling the risks to which the Bank is or may be exposed,
 - Participates in the direction, planning and evaluation of internal audit activities and evaluation of compliance,
 - Approves and regularly evaluates summary remuneration policies of selected groups of employees whose activities have a significant impact on the Bank's overall risk profile.

A detailed definition of the powers and responsibilities of the Supervisory Board is set out in the Articles of Association.

The Bank has an Audit Committee. Its members are appointed and removed by the General Meeting. The Bank does not set up any remuneration committee based on the principle of proportionality.

3. Relationship of the Bank to stakeholders

The Bank understands the following parties as stakeholders:

- Customers, which are clients of the Bank in the position of debtors, exporters and producers,
- Employees of the Bank,
- Public administration entities,

- d) The related community, i.e. other banking entities, including creditor banks, the regulator, investors in issues of securities issued on the capital markets, specific-interest and professional associations of entrepreneurs and foreign entities involved in formulating international export financing rules.

3.1. Relationship of the Bank to customers

The Bank is aware that the Bank's relationship with its customers must be built on the principle of mutual benefit and honest treatment of the customer not only during negotiations on transaction conditions but also during the transaction and after its termination as proof of the Bank's interest in further and ideally long-term cooperation with the customer.

A customer to whom the Bank is a reliable partner in the execution of the customer's export intentions may rely on the Bank's obligations under the contractual documentation if the customer also fulfils its contractual obligations.

The Bank undertakes that the contractual relationship with the customer will not result in any other obligations towards the Bank other than those contained in the contractual relationship with the customer.

3.2. Attitude towards employees

Employee satisfaction depends on the creation of suitable working conditions. The Bank is also aware that its good financial results are based primarily on the ongoing motivation of its employees to perform high-quality and professional work, on their initiative and use of their best abilities.

The management of the Bank considers feedback from its employees as an important source of information that contributes to the employees' satisfaction and confirms that they have an influence on the Bank's activities and development. The Bank creates conditions for suggestions and notifications by employees about situations in which the conduct or actions of other employees deviate from ethical standards, and addresses such suggestions and notifications without delay. The anonymity of those who point out deviations from ethical behaviour is guaranteed.

If there is a complex ethical problem and the Bank's management or employees are unsure of the solution, the Bank will use external assistance. In such a situation, it will be aware that appropriate independent consultation, avoiding a possible conflict of interest, can significantly help to solve such a problem.

The Bank creates room for employees to continuously improve their professional competencies by providing continuous education and training. The Bank cares for a quality and safe working environment and provides preventive health care.

Remuneration of employees with base salary for work performed is based on the employees' qualifications to perform work activities in specific job positions and corresponds to their knowledge and experience taking into account the current situation on the labour market and the base salary of other Bank employees in similar positions. Employees are remunerated regardless of gender, sexual orientation, age, race, religion or political orientation.

The Bank ensures regular provision of up-to-date, reliable and comprehensive information on the developments of its financial results. The principle of determining the variable salary component is based on the fulfilment of selected annual indicators, which employees are acquainted with in advance. The indicators are designed to eliminate the preference of short-term results and objectives that are not in line with the Bank's overall strategy.

3.3. Attitude to public administration

The cornerstones of building a relationship with the public administration and the Bank's shareholders are sound management of the Bank based on transparent accounting, quality and timely reporting to supervisory authorities, proper and timely fulfilment of statutory obligations and regularly notifying the shareholders about the Bank's economic situation based on up-to-date, reliable and comprehensive information. Building the Bank's reputation is a continuous process based on compliance with all legal regulations applicable not only in the Czech Republic, but also with regard to the Bank's competence in the area of export financing in countries where the contractual relationship is based on the laws of the country of one of the parties.

3.4. Attitude to the related community

The Bank has a special position in relation to other banks operating on the domestic banking market, arising from the Act. The Bank's mission is not to be a competitor to other commercial banks that are also involved in export financing. Institutional investors on the capital markets and banks constitute an important group with which the Bank has close ties. It obtains part of its resources in the form of bond issues on the capital markets and other resources in the form of loans and advances from other banks. On these markets, the greatest value is the care for reputation based on transparency and maximum openness, which leaves no doubt as to timely, reliable and comprehensive information and data based on which these entities make their decisions concerning the Bank.

The relationship with exporters as a group of potential customers is characterised by a continuous effort to raise awareness of the Bank's competence in the field of state-supported export financing.

This Code of Governance of Česká exportní banka, a.s. was considered and approved by the Board of Directors on 11 September 2019 with effect as of 16 September 2019. The Code repeals and replaces the Code of the same name effective as of 1 September 2017.