


Approved

By the resolution of the Board of

TBC Bank Group PLC

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Chairman of the Board

Date: December 8, 2022

## **Group Risk Appetite Statement related to Financial Crime**

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TBC Bank Group PLC is incorporated in England and Wales and included in premium listing segment of the Official List of the UK's Financial Conduct Authority and admitted to trading on London Stock Exchange Plc's Main Market for listed securities (the "Premium Listing"). TBC Bank Group PLC's main subsidiary JSC TBC Bank is incorporated and conducts its operations in Georgia. JSC TBC Bank is the largest commercial bank in the country which is licensed and regulated by the National Bank of Georgia. The Financial Crime program for TBC Bank Group PLC is therefore based on respective laws of the European Union, United Kingdom and Georgia.

### The Group's Financial Crime Program

The Group assumes responsibility to protect its customers, shareholders and society from financial crime and any resulting threat. The Group complies with EU, UK, Georgian laws and regulations related to financial crime as well as relevant legislation of other countries where Group member Financial Institutions operate. It is also fully committed to comply with respective industry best standards. The Group has implemented internal policies, procedures and detailed instructions to prevent itself from being used or involved in money laundering, financing of terrorism or in other unlawful activities such as bribery, corruption or tax evasion.

The Group has zero tolerance for financial crime, regulatory breaches and any attempt to circumvent Group's financial crime policies and controls. The Group adheres to the following core principles:

- To show zero tolerance for facilitation of financial crime and fraud;
- To avoid knowingly conducting business with individuals or entities believed to be engaged in an inappropriate and unlawful activity;
- To avoid risks that could jeopardize the Group's strategic plans, including activities that could make the Group vulnerable to any type of public or private litigation or enforcement that could be damaging to the Group's reputation and cause deterioration of relationship with regulators;
- To avoid or cease operating of any product/service or customer segment line, for which the management believes that Group's control mechanisms cannot protect the Group from risks that exceed the tolerance threshold;

The Group's risk management framework is aimed at ensuring effective processes for Enterprise and Group wide risk management. Risk management is integral to all aspects of the Group member's activities and is the responsibility of all staff. Managers at all levels have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk of all business processes.

## Risk Governance

Under the Group's risk management framework the Board of Directors, through the Risk Committee, sets risk appetite, oversees the establishment of robust enterprise-wide risk management policies and processes, and defines risk limits to regulate risk-taking within the Group.

The Group has established rules and procedures for escalation and solving of problems with due respect to confidentiality. The process is aimed at revealing potential wrongdoings in a timely manner. Such escalation processes are followed by analysis and respective disciplinary sanctions. Identified breaches and non-compliances are addressed as soon as practicable.

## Prohibitions

The Group is committed to conduct business with reputable customers and counterparties. Therefore the Group has no risk appetite for customers and contractors who are engaged in any illegal activity.

The Group does not serve and does not have business with persons/entities, if it has information that they:

- Are involved in or associated with illegal manufacturing and trading of weapons, arms and munitions;
- Are involved in financing of proliferation of weapons of mass destruction;
- Are involved in or associated with human trafficking, illegal production and distribution of drugs, creation and distribution of pornographic products, smuggling or other criminal activity;

- Are engaged in any field of regulated activity without having appropriate permission/license;
- Are perpetrators of tax crimes;

The Group reserves the right to terminate relationship with any customer, refuse payment, deed or business that is not consistent with the Group's risk appetite.

### **Sanctions (financial sanctions, trade embargos or similar measures) Policy**

The Group has no appetite for establishing or maintaining a customer or counterparty relationship with an entity or individual under applicable sanctions regimes. In order to be in line with requirements of international sanctions Group member FIs are obliged to undertake screening of business partners, customers, their authorized persons, beneficial owners and counterparties in the transactions against sanctions lists:

For Group member FIs it is obligatory to use lists of following sanctions:

- UN Sanctions Lists;
- EU Sanctions Lists;
- French Sanctions List (Ministère de l'Économie et des Finances);
- OFAC Sanctions Lists;
- UK Sanctions Lists.

Additionally, Financial Institutions should use other sanctions lists defined by local legislation and/or lists that are relevant to jurisdiction or field of activity of the Financial Institution.

For all Group member FIs it is strictly prohibited to enter into business relations or provide services to persons, which are under sanctions established by UN Security Council Resolution #1373 (2001). Other prohibitions and restrictions arising from various sanctions regimes are established by internal regulations of Financial Institutions in accordance with local legislation, requirements of sanctions, identified risks and resources to manage those risks.

The Group is committed to refrain from entering into relationship with an entity or individual having the nexus to the governments of sanctioned countries.

### **Restrictions and enhanced controls**

The Group has enhanced controls in relation to types of industries and jurisdictions as set out below (non-exclusive list) and reserves the right to restrict activities in relation to:

- Businesses related to forex/binary option;
- Crypto-related businesses;
- Cash intense businesses;
- Payment service providers/money transmitters;

- Companies registered in offshore jurisdictions;
- Shell and shelf companies;
- Companies registered in Free Industrial Zones;
- Companies with no operational connection to Georgia;
- Companies incorporated in or with connections/major counterparties to jurisdictions with increased risk;
- Non-residents without the reasonable purpose of banking in Georgia;
- Gambling companies (except of skilled-based games);
- Business related to antiques, precious stones and metals;
- Companies that issue bearer shares (except of listed companies);
- Political organizations;
- Charities;
- PEPs and companies under PEPs control;
- Other persons the service of which places a significant money laundering and reputational risk on the Group

At the very least, the Group may require the individuals and entities falling into above group to disclose additional documents and information for better understanding of the nature of the business and type of transaction.

In case the provided information is not satisfactory for the Group the business relationships may be terminated.

In order to perform enhanced monitoring over relationship with customers and identify dubious or suspicious activity the Group uses respective IT tools and a range of measures implemented with participation of skilled analysts.

## **Fraud and Corruption**

The Group has no appetite for any fraud or corruption committed by, or any appearance of fraud or corruption, shown by its staff or third parties acting on behalf of the Group and Group member companies.

The prevention, detection and reporting of any forms of corruption and fraud is the responsibility of all those working for or on behalf of the Group.

The Group takes all facts of suspected fraud or corruption very seriously and responds fully and fairly.

The Group has Anti-Bribery and Anti-Corruption Policy approved by the Board of the Directors. The Policy prohibits bribery in any form, whether direct or indirect and emphasizes that books

and records must be fair and accurate. The Employees are required to ensure that appropriate due diligence and control measures are applied to any third party they engage with to ensure that the parties comply with applicable anti-bribery legislation and regulation;

The Group's Anti-Bribery and Anti-Corruption Policy focuses on the high risk areas, therefore the Policy involves special requirements for sponsorship, receiving or offering gifts, hospitality, as well as dealing with third parties and sets the list of prohibited behavior for employees.

The Group keeps financial records, which will evidence the business reason for giving and/or receiving payments from/to third parties.

Controls are implemented and redesigned based on information obtained from risk assessments.

The Group also maintains clear whistleblowing policy and process to ensure that individuals can confidentially and with no fear of retribution raise concerns through number of channels.

#### Tax evasion

The Group has a zero tolerance for tax evasion or the facilitation of tax evasion. The Group will not tolerate any of employees, agents or business partners knowingly assisting or encouraging tax evasion.

The Group is strongly committed not to be engaged in transactions aimed or somehow related to tax evasion.

#### Financial Crime Policies

The Group's policies and procedures directed on prevention of financial crime establish efficient mechanisms to combat money laundering, terrorist financing, facilitation of tax evasion, bribery and corruption and adhere to relevant Sanctions regimes. The Group's AML/CTF, Sanctions, and Anti-Bribery & Corruption policies cover following areas:

- Identification and verification of customers and counterparties;
- Obtaining and retention of satisfactory information and evidences on customers and counterparties;
- Identification of potential financial crime risks relevant to each business area;
- Monitoring of customers' transactions and financial behavior;
- Customers classification according to the financial crime risk level;
- Applying risk based due diligence procedures towards customers and their transactions as well as with regard to business partners and counterparties;

- Maintaining and keeping appropriate records for the period defined by the relevant legislation;
- Establishing rules of escalation problematic issues and submission of the appropriate information to Group's and/or Financial Institution's management and relevant units;
- Provision of training and awareness programs related to prevention and detection financial crime risks and matters.

These policies and procedures are subject to annual review.

### Risk Culture

The Group recognizes that a strong risk culture, facilitated through regular risk awareness trainings, is an integral part of a good business-wide risk-management. The Group does not have an appetite to retain employees who do not possess the basic and sufficient knowledge and awareness of risk mitigation. The Group has a robust staff training program that applies to new and existing employees at all levels. Considering the risk-based approach, trainings are delivered either through the e-learning system, or conducted face to face (in class or using remote communication technologies). The training program also envisages

- complete post training assessments or attestations, and
- keeping records on delivered trainings, assessments and attestations.

### Review

This Risk Appetite Statement is reviewed annually, or whenever there is a significant change to the Group's operating environment. Review is coordinated by the Compliance Department of TBC Bank. Proposed changes are subject to consideration and approval by the Group's Risk Committee.