
STOPANSKA BANKA AD -SKOPJE

DECISION

**on approval of the Corporate Governance Code
of Stopanska Banka AD – Skopje**

Skopje, May 2022

On the basis of Article 40 of the Statute of Stopanska Banka AD – Skopje (A.D.No.399/04.03.2020, revised text), the Supervisory Board on the meeting held on 13.05.2022, passed

DECISION

on approval of the Corporate Governance Code
of Stopanska Banka AD – Skopje

1. The Corporate Governance Code of Stopanska Banka AD - Skopje is hereby APPROVED.
2. The Corporate Governance Code is an integral part of this Decision.
3. This Decision shall enter into force on the day it is passed.

S.B. No.____
13.05.2022
Skopje

SUPERVISORY BOARD

Chairman
Marinis Stratopoulos



Explanatory Note

Following the relevant legislation (Law on Trade Companies, Law on Banks), in December 2008 the Shareholders Assembly of Stopanska Banka has adopted SB Corporate Governance Code (hereinafter: “the Code”). The Code was subject to annual review by the Supervisory Board.

In January 2022, the NBG Board of Directors approved new Group Corporate Governance Code, which significantly differs from the concept of the current SB Corporate Governance Code. Moreover, since November 2021 the Macedonian Stock Exchange passed a new Corporate Governance Code for the listed companies that should be applied by Stopanska Banka as well.

Due to this, the Bank decided to prepare a new Corporate Governance Code that will incorporate the Group standards, the requirements of the Corporate Governance Code for the listed companies and the relevant legislation.

SB already follows most of the provisions of the new Code, however, there are several novelties for which the Bank have action plan to implement within the SB operations and corporate governance framework.

The proposed Code is pre-approved by relevant NBG Compliance Division and shall be subject to annual review by the Supervisory Board.

Therefore, it is proposed the Supervisory Board to approve the new Corporate Governance Code of Stopanska Banka AD – Skopje.

Board of Directors

Stopanska Banka AD - Skopje

Corporate Governance Code

May 2022

Document Change History

Version No.	Prepared by	Approved by	Date of Approval	Description of amendments
1	Chairman's Office	Supervisory Board	13.05.2022	Based on the Group Corporate Governance Code approved on 28.01.2022 by NBG Board of Directors, which significantly differs from the concept of the current SB Corporate Governance Code, the Bank decided to pass new Code. The Local regulatory standards and Group corporate governance standards are followed.

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Preamble

The Corporate Governance Code (the “**Code**”) aims at providing a clear description of Stopanska Banka AD – Skopje (hereinafter: “SB”, “Stopanska Banka” and/or “the Bank”) system of corporate governance, seeking to uphold the Bank’s interests on a long-term basis for the benefit of depositors and customers, shareholders and other investors, employees and all other stakeholders, and at the Bank’s compliance with the applicable regulatory framework, including the Decision on good corporate governance in a bank by National Bank of Republic of North Macedonia, the Corporate Governance Code for Listed Companies of the Macedonian Stock Exchange and the NBG Group corporate governance standards. The Code sets out a framework, which promotes continuity, consistency and effectiveness in the way the Bank’s bodies function, and is an indispensable component of good governance in support and promotion of the business and reputation of the Bank.

By adopting the Code, the Bank aspires to align fully with the philosophy of these practices and to state in a clear way, how this philosophy is translated into everyday practice. In its efforts to ensure full transparency, the Bank, by means of its annual corporate governance report, discloses any cases of non-compliance with the Code and explains the reasons for such non-compliance. Furthermore, the management of the Bank issues a statement on application of this Code that shall be integral part of the annual report on operations.

The principles outlined in this Code not only require compliance with the law, but also ethically sound and responsible behaviour by all employees (**the “reputable businessperson” concept**).

The relevant local legislation requires dual board management system for the banks. Thus, the Code highlights the obligations of both the executive management (Board of Directors) and non-executive supervisory body (Supervisory Board) to ensure the Bank’s best interest. A balanced approach and attention in this Code is dedicated to both bodies.

Last, it is noted that the Code concerns the internal functions of the Bank and its bodies, and does not affect the powers of delegation, under law and the SB Statute, of its representative bodies in transactions with third parties.

Shareholders Assembly

Stopanska Banka is managed by holders of ordinary shares with right to vote through Shareholders Assembly. The Shareholders Assembly responsibilities and its operations, the convening, the voting procedure, etc. are regulated in more details in the Rules of Operations of the Shareholders Assembly and the Statute of SB.

1 Shareholders rights: a shareholder in SB can be any domestic or foreign individual or legal entity holding shares in accordance with the law. The shareholders’ rights come into force and shall be terminated from the date of registration/deletion in the Shareholders Book of SB kept in the Central Securities Depository.

1.1. The Bank guarantees all the rights of the shareholders as stipulated by the laws, the Statute of the Bank, the Rules of the Shareholders Assembly and the decisions on issuance

of the shares. All shareholders from the same class of shares have equal rights and are treated equally. The Bank guarantees its adherence to the “one share/one vote” principle.

- 1.2. The Bank has two types of shares: common shares with a right to vote and cumulative priority shares without voting rights.
 - 1.3. SB shareholders shall not be liable for SB’s obligations except in cases explicitly envisaged in the laws and the Statute of SB.
 - 1.4. SB website should contain separate section that includes information about the rights of the shares per type and class.
 - 1.5. SB shall, by its Statute or other internal acts, prescribe a procedure in which the acts and other documents of the Bank that each shareholder is entitled to examine in accordance with the Law shall be stipulated, identifying the manner of exercising this right. Where the Bank restricts access to requested documents in order to preserve the confidentiality of its operations or business interests, the reason shall be explained to the shareholder making the request.
- 2 Shareholding and control structure:** The nominal value of the initial capital (Basic capital) of SB amounts to MKD 3,602,219,798.00. The initial capital consists of 17,460,180 common shares with right to vote in nominal value of MKD 201.1 per share and 227,444 priority shares without right to vote in nominal value of MKD 400.0 per share.
- 2.1. Major shareholder of Stopanska Banka AD – Skopje is National Bank of Greece with 94.6% ownership of the ordinary voting shares. More details about the corporate governance and the structure of the Group may be find on NBG Group website.
- 3 Convening and voting on Shareholders Assembly meeting:** The Shareholders Assembly shall work at meetings held once a year (Annual Shareholders Assembly Meeting) and when needed (Extraordinary Shareholders Assembly Meeting).
- 3.1. The Annual Shareholders Assembly Meetings shall be convened by SB Supervisory Board and held before the expiration of six months of the calendar year regarding the previous year, or as an exception, in cases determined by Banking Law, the Annual Shareholders Assembly Meeting for the previous year may be held before the expiration of nine months of the calendar year.
 - 3.2. An Extraordinary Shareholders Assembly Meeting shall be convened by SB Supervisory Board, upon request by the shareholders, in accordance with the laws.
 - 3.3. The Shareholders Assembly may work (quorum for work), when authorized participants who hold at least majority of the total number of the voting shares are present at the Meeting.
 - 3.4. The Shareholders Assembly Meeting shall be held by physical presence. The Bank shall disclose whether shareholders have the ability to vote by means of communication technology and by correspondence, or to participate in the meeting by electronic means rather than in person, and if so provide details of how this can be done.
 - 3.5. The decisions of the Shareholders Assembly shall be passed by majority of the voting shares present or represented at the Shareholders Assembly Meeting, unless the laws or the Statute of SB stipulate greater majority or other conditions in relation to the majority for passing decisions of the Shareholders Assembly. The decision on Statute amendments shall be adopted by the Shareholders Assembly by a majority vote of the total number of voting shares.
 - 3.6. Decisions of Shareholders Assembly that requires to be passed with consent by the both class of shares:

- Decision on abolishing the priority shares: Consent by the owners of the priority shares shall be required for a decision that abolishes the priority right. Consent by the owners of the priority shares shall be required for the issuance of priority shares that have priority in the course of distribution of the profit or when making payment of part of the remaining from the liquidation, that is the bankruptcy assets of the company. The owners of the priority shares shall give their consent by a separate decision. The decision shall be adopted by a majority vote which cannot be less than 2/3 of the priority shares represented, unless the statute of SB determines a greater majority. Additional conditions for adoption of the decision can be determined by the statute;
- Decision on amending any right arising from certain type of shares: When by a decision of the assembly, that is by a decision for amending the statute, any right arising from a certain type of shares is changed, that is restricted, such decision shall be considered valid if the shareholders representing the relevant type of shares gave consent by adopting a decision for consent, with the majority determined in the Law on Trade Companies and SB statute. The shareholders shall adopt the decision for consent at a separate session (special assembly) or at the same assembly with other shareholders, but with a separate voting (separate voting);
- Decision for increase / decrease of basic (paid-in) capital: The increase of the basic capital shall be carried out with a decision of the assembly for increase of the basic capital. Unless a higher majority is determined in the SB Statute, the decision for increase of the basic capital shall be adopted by majority votes that cannot be lower than 2/3 of the voting shares represented at the Assembly. If there are more than one type of shares, the decision referred of this provision shall be valid if the shareholders of each type of shares gave their consent. The shareholders of each type of shares shall adopt the consent decision by majority votes that cannot be lower than 2/3 of the voting shares represented at the Assembly;
- Other decisions determined in the relevant legislation.

3.7. Members of the Supervisory Board and Board of Directors, and the external certified auditor shall be present on the Annual Shareholders Assembly Meeting in order to be available to shareholders for questions.

3.8. The decisions taken at the assembly meetings and the Q&A shall be published on SB' website and remain available for at least 5 years.

4 Agenda: The Supervisory Board decides the issues that will be on the Agenda of the Shareholders Assembly Meeting, in accordance with the applicable law. The Bank makes every effort to ensure that shareholders receive all the documentation and other information required regarding the items on the Agenda and the time the Agenda is published.

5 Shareholders' participation: the Bank should facilitate the participation of shareholders and ensure informed shareholder decision making at the Shareholders Assembly Meeting. Each shareholder has a right to participate and vote on the assemblies, either in person or by proxy. SB shall not impose any conditions for participating and voting on the assemblies except those set by the law.

Accordingly, the Bank' Secretary prepares and maintains Rules for the operation of the Shareholders Assembly. The Rules shall be publicly available on the SB website.

Shareholders that individually or jointly hold at least 5% of the total number of voting shares can, within 8 (eight) days from the date of publishing the Public Call or sending the invitation, propose a supplement/amendments to the proposed Agenda with new items or decisions on existing items, in accordance with the Law on Trading Companies. The proposal for

supplement/amendments to the proposed Agenda shall be submitted to the SB Supervisory Board. The approved proposal shall be sent or published on the same manner on which the Shareholders assembly meeting has been convened not later than 8 (eighth) days before the date of the Meeting. In case of revised Agenda the same shall be made available to the shareholders on the same manner of which the previous Agenda was made available, in time period not longer than 48 hours prior to the date of the Meeting.

SB shall allow its shareholders to submit questions on each Agenda item prior to the Assembly meeting. Where possible, these questions shall be answered at the Assembly meeting.

- 6 Share-related remuneration for senior management:** the Shareholders Assembly approves all share-related compensation plans, in line with the provisions of the legal and regulatory framework. The Supervisory Board, assisted by the Remuneration and Nomination Committee, submits a proposal to this effect. The main features of every plan as above are disclosed to shareholders at the time of publication of the Agenda of the Shareholders Meeting.
- 7 Communication with shareholders:** the Supervisory Board and Board of Directors shall ensure that all shareholders and potential investors have the opportunity to communicate with the Bank throughout the year. The Bank appoints person for communication with investors.
- 8 Annual Corporate Governance Report & Statement:** At the time of the publication of the Agenda of the Annual Shareholders Assembly, the Supervisory Board shall draft and submit to the Annual Shareholders Assembly an Annual Report on the Operations of the Bank, in which the Corporate Governance Report is included and signed Corporate Governance Statement by the Bank's management. The Board Secretary is responsible for preparing the Corporate Governance Report, which is approved by the Supervisory Board.

8.1. The Report should contain the following main components:

- Information and data on the composition, the competencies and the functioning of the Supervisory Board, Risk Management Committee, the Audit Committee, and other committees of the Supervisory Board (if established in accordance with the Statute of the Bank) and of the Board of Directors, highlighting changes in composition during the year;
- Information on memberships in other supervisory and/or management bodies of the members of the Supervisory Board and its committees and the members of Board of Directors;
- Brief bios of all Supervisory Board members including their professional background and current status, education, age, number of years on the Supervisory Board;
- Information on the method of selection, appointment and dismissal of members of the Supervisory Board and its Committees and the Board of Directors;
- The number of SB shares owned by each member of Supervisory Board and Board of Directors;
- The number of meetings and attendance record of the members of the Supervisory Board and its Committees;
- An overview of the activities of the Supervisory Board and its Committees during the year, on the basis of reports prepared by the chairmen of the Board Committees;
- Information and data on the organizational structure of the bank, including its subsidiaries, and any significant changes in the governance structure that occurred during the year;

- Information and data on the bank's shareholders structure - the title of the shareholders with qualified holding and their share in the total number of shares and the total number of issued voting shares and their representatives in the bank's Supervisory Board;
- Information and data related to the implementation of the bank's remuneration policy as required by item 59, paragraph 3 of the Decision on good corporate governance in a bank;
- The description of the main features of the Bank's internal audit and risk management systems, with respect to the process of preparing the financial statements;
- The results of the evaluation of the Board's effectiveness as a collective body and of its Committees;
- The Supervisory Board and Board of Directors nominees' selection criteria policy, in which the selection criteria are referred to; Information and data on the bank's policy on avoiding conflict of interests;
- Information on the use of services provided by outsourcers that are significant for the bank's entire operations;
- Any other issue provided for under the applicable legislation.

8.2.Statement on application of the Corporate Governance Code: Board of Directors includes a Statement on application of the Corporate Governance Code in a specific section in the Corporate Governance Report. The Statement, following the comply-or-explain principle, shall include:

- Information about the Corporate Governance Code that the Bank applies, as well as link to the text of the Code where is published;
- Information about the application of the Code, including the sections that are not specifically prescribed by the law; and
- Explanation about any departures from the Code.

Supervisory Board

9 Supervisory Board's mission: The Supervisory Board is responsible for setting strategy, overseeing management and adequately controlling the Bank, with the ultimate aim of enhancing the long-term value of SB and upholding the general corporate interest, corporate culture and values in accordance with the laws and corporate governance standards. The Supervisory Board has the ultimate responsibility to create conditions for good operations and management of the Bank and its stability. When carrying out its responsibilities, the Supervisory Board shall take into consideration the interests of the interested entities and shall provide conditions for maintaining an efficient cooperation with the National Bank of the Republic of North Macedonia and other regulatory authorities.

10 The Supervisory Board's key responsibilities: In accordance with the legal and regulatory framework on corporate governance and international best practices, the most important tasks and responsibilities of the Supervisory Board are the following:

- The Supervisory Board has overall responsibility for SB operations, including approval and supervision of the implementation of its strategic targets, strategic management, risk management strategy, corporate governance and corporate culture; the Supervisory

Board reviews and approves the strategic direction of the Bank, including the medium-term business plan, the annual budget of the Bank and the key strategic decisions.

- The Supervisory Board reviews and approves the strategic direction of the Bank, including the 3 year business plan, the annual budget of the Bank and the key strategic decisions, as well as mergers and acquisitions or creation of special purpose companies (following relevant proposal by the Board of Directors); it oversees management in deploying these actions, and provides guidance to management accordingly. Both regarding the business plan and the annual budget, their approval takes place the latest by end of Q1 for the ongoing year (or first year in the case of the three year business plan) which they concern, while monitoring of the implementation of the annual budget is carried out on a quarterly basis.
- The Supervisory Board reviews and approves SB's risk management strategy and risk appetite at least on an annual basis, following recommendation and approval by the Risk Management Committee, and ensures that it is consistent with SB's overall business strategy, capital planning, financial planning, recovery plan and budget.
- Assisted by Risk Management Committee, the Supervisory Board reviews and approves annually the risk appetite and the risk management policies of the Bank, and reviews regularly their implementation and the level of risks undertaken by the Bank.
- It discusses on equal terms with the executive management all strategic proposals, significant risk policies and significant operational matters.
- It ensures that there are strict and effective processes in place enabling monitoring of operational compliance with the agreed strategy, risk appetite and all applicable laws and regulations. In this context, it monitors and regularly reviews the effectiveness of the Bank's corporate governance framework.
- It supervises the effectiveness of the CEO and the Board of Directors in applying the Bank's business strategy in alignment with the SB's corporate governance principles and regularly monitors at least on a quarterly basis that the CEO and the Board of Directors pursue the implementation of the risk and capital strategy effectively.
- Assisted by the Risk Management Committee, it receives and reviews, timely and at least on a quarterly basis, detailed risk management reports that cover all key risks and provide a general outline of any key changes in the Bank's risk profile vis-à-vis its targets and risk appetite.
- Assisted by its Remuneration and Nomination Committee (RNC), the Supervisory Board ensures that the Bank adopt and implement policies to attract, retain, develop and promote executives and employees of the highest professional caliber and ethical standards; develop a meritocratic framework of fairly evaluating and rewarding performance; and forge and maintain a coherent, ethical system of values and incentives for human resource development throughout the Bank. Furthermore, supported by the RNC, it monitors the implementation of the Bank's Remuneration Policy, and especially its alignment with the applicable legal and regulatory framework.
- Together with the Board of Directors, the Supervisory Board aims to ensure the highest standards of ethics and integrity are applied throughout all of the activities of the Bank in accordance with international best practice and to make senior management more responsible and accountable for their conduct, actions and competence; oversees senior management's efforts to foster a culture of ethics and compliance within the Bank, to enhance the internal ethics culture and business integrity and to discourage unethical behavior; and enhances responsible company and management behavior towards sustainable growth and long - term value creation and corporate social responsibility. To this end, the Supervisory Board among others approves and reviews, whenever required,

the Bank's codes of conduct (such as the Code of Ethics) and other internal ethical policies and guidelines.

- The Supervisory Board approves the contract entered into by the Bank and the CEO. On the recommendation of the CEO and assisted by the RNC, it appoints and dismisses the other members of the Board of Directors, pursuant to the provisions of law and the SB Statute, and assisted by the RNC approves the contracts entered into by the Bank and the said individuals.
- Assisted by the RNC and on its recommendation pursuant to the relevant Policy regarding the evaluation of members of the SB bodies and the Remuneration Policy, the Supervisory Board approves the total remuneration received by each member of the Board of Directors.
- Assisted by the Bank's Secretary, the Supervisory Board approves and reviews on a yearly basis the Statute of SB and the Bank's organizational chart as well as any amendments thereof, in accordance with the applicable legislation, in a manner that ensures internal transparency throughout the Bank.
- The Supervisory Board takes into consideration the distinction between its own responsibility for setting up business directions, supervision and control, and executive members' and managing officers' responsibility for SB's operation, including the distinction between the Chairman's supervisory authorities and the CEO's executive authorities.
- Assisted by the RNC, the Supervisory Board ensures that its composition (including succession planning), organization, policies and processes fully meet the legal and regulatory framework governing the Bank and strives to ensure that global corporate governance best practices are deployed throughout the Bank. To this end, it regularly reviews the Code, the regulations and practices of the Board Committees. In the same context, assisted by the competent Board Committee per case, it approves the significant corporate governance policies of the Bank, such as Conflict of Interest policy, Related party transactions policy, Board/Committees self-assessment policy, as well as the rest significant policies of the Bank and the Group, such as the Bank Strategy, Policy and Governance regarding the management of Non-Performing Loans, Provisioning & write off policy, Sponsorship/donation policy, Outsourcing policy, as well as any amendment/review thereof.
- The Supervisory Board regularly reviews the SB's corporate/organizational structure, monitors any risks resulting from this structure and, assisted by the Bank's Secretary, ensures the coherence and effectiveness of the corporate governance system of the Bank, so as to remain in line with the spirit of the Code.
- Assisted by the Audit Committee, the Supervisory Board ensures that the Bank has an effective system of internal control, including financial control; approves and regularly reviews the Bank's policy regarding conflict of interests between the Bank and the management; evaluates the internal control system on a yearly basis, and ensures the effectiveness and independence of the Internal Audit and Compliance Divisions. It ensures the effectiveness of the accounting systems and financial reporting, including financial and operational audits and compliance with the law and relevant standards.
- Acting on proposal by the Audit Committee, recommendation by the CEO and with prior consent of the NBG Group Chief Audit Executive, the Supervisory Board appoints and, when necessary, dismisses the Internal Audit Division Manager. Concerning the managers of the other control functions (compliance and risk), the Supervisory Board is obliged to request the Board of Directors to undertake appropriate measures, including their dismissal in cases when these officers fail to adhere to the corporate culture and values, the acceptable level of risk and the risk culture of the Bank.

- Assisted by the Audit Committee, the Board reviews and approves the Bank's annual and consolidated financial statements and an annual report on transactions with related companies submitted to shareholders; ensures the due drafting of all financial and non-financial regular or ad hoc announcements; reviews quarterly results prior to their public disclosure.
- The Supervisory Board ensures that there is a clear policy governing relationships with Connected Borrowers and supervises implementation thereof.
- Together with the Board of Directors, the Supervisory Board ensures that the Bank has formulated and observe a strict Code of Ethics, especially paying attention of the code of conduct for senior executives and financial professionals of the Bank.
- The Supervisory Board oversees the appropriateness and the implementation of the Bank's policies and procedures regarding the lending decisions and the pricing of loans or other commercial policies within the normal course of business or operations.
- The Supervisory Board approves the Corporate Social Responsibility Policy of the Bank, the establishment of charitable foundations as well as non-profit associations and organizations.
- Approves transactions with related parties in amount of MKD 6.000.000. In any case, transactions with related parties are conducted in alignment with the provisions of the applicable regulatory framework.
- The Supervisory Board decides on any other issue, such as may be required by the provisions of law, Central Bank' regulations and SB Statute or which the Board's Chairman considers to be of material importance for the Bank.

11 Authorities of the Supervisory Board

- 11.1.** The Supervisory Board's authorities are defined in accordance with the applicable regulation and SB Statute.
- 11.2.** The Supervisory Board may decide to delegate part of its powers in specific areas to one or more of its members, to its Committees, or to executives and staff of the Bank. It is also entitled to delegate the right to the CEO, other executive directors or collective bodies of the Management to further confer delegated authorities to the staff of the Bank or to third parties, according to the specific provisions of the SB Statute and within the limitations set by the law.
- 11.3.** The delegations and structure of authorities are clearly outlined in the Organisation Chart and SB Statute, which is maintained by the Cabinet and HR Division, which also describes the Supervisory Board's non-transferable authorities.

12 The structure of the Supervisory Board

- 12.1. Size of the Supervisory Board:** The Supervisory Board is composed of a minimum of 5 and a maximum of 9 members. The exact number of members shall be decided with the Statute of SB which is adopted by the Shareholders Assembly. The mandate of the members is 4 years.
- 12.2. Supervisory Board Membership:** Only natural persons having full business capacity and fulfilling all criteria according to the applicable legislation and the members of the Supervisory Board must possess the qualifications as set out under article 6 herein below. At least 1/4 shall be independent members, who are not employed by the company and are not involved in the day-to-day running of its business. By law, all members of the Supervisory Board are appointed by the Shareholders Assembly. The

Bank shall take actions to promote at least 30% female members of the Supervisory Board.

12.3. The role and responsibilities of the Chairman of the Supervisory Board: The Supervisory Board elects its Chairman by absolute majority from among its members. The Chairman shall:

- 12.3.1.** Direct the Board's work and ensure that it fulfils its duties, duly plan its agenda, conduct effectively its meetings, and use efficiently the Board's time and competences; the Chairman of the Board cannot also be the chairman of the Board Risk Committee or the Board's Audit Committee.
- 12.3.2.** Direct the Board's efforts to improve, on an ongoing basis, its collective competencies, the caliber of its members, and its effectiveness as a collective body. To this end, he shall ensure that the Board's work is regularly evaluated.
- 12.3.3.** Convene and preside over the meetings of the Board, approve the agenda and guide the company secretary on all matters relevant to the Board.
- 12.3.4.** Ensure that the members receive accurate, timely and clear information.
- 12.3.5.** Facilitate the effective contribution of members, and particularly of independent members, to the Board's work.
- 12.3.6.** Develop a close relationship of confidence with the CEO and be available for frequent deliberation and consultation as to the implementation of the Group's strategy. Coordinates the process of evaluation of the CEO and the other Board members, pursuant to legislation and the regulatory framework and the Bank's internal Policies.
- 12.3.7.** Be at the disposal of shareholders in his or her capacity as the representative of the Supervisory Board together with the CEO.

12.4. Deputy Chairman of the Supervisory Board: The Supervisory Board may elect an independent member as Deputy Chairman. Should the Chairman be absent or impeded, he shall be substituted by the Deputy-Chairman and should the Deputy-Chairman be impeded, by the most senior member – in terms of tenure.

12.5. Supervisory Board Committees: The Supervisory Board establishes the following committees, which assists it in its work: the Audit Committee ("AC"), the Remuneration & Nomination Committee ("RNC"), and the Risk Management Committee ("RMC").

- 12.5.1.** The composition and the responsibilities of the SB bodies are presented in Annual Reports for operations of SB that may be found on https://www.stb.com.mk/en/the-bank/data-and-reports/#Annual_Reports.
- 12.5.2.** Through its Annual Corporate Governance Report and its website, the Bank publishes the charters and membership (members' full names) of all Board committees, as well as attendance of each Committee's members at its meetings.
- 12.5.3.** The members of the committees are elected by the Supervisory Board in accordance with the determined mandates of the members of committees/boards in the SB Statute and/or the appropriate Charter. The composition of each committee shall seek to balance evenly the need for knowledge and experience regarding the committee's sphere of competence and the need for renewal of its membership and acquisition of the widest possible experience by each member. Each committee operates on the basis of a Charter, which shall be approved by the Supervisory Board and considered to be an integral part of the Corporate Governance Code. In each case, the Rules shall set forth the committee's mission, goals and responsibilities as well as the

qualifications for membership of the committee, procedures for committee meetings and the committee's reporting framework to the Supervisory Board. Under the Rules, each committee shall evaluate, on a periodical basis, its performance as well as its Rules.

12.5.4. Committee Chairs: Committee Chairs lead the workings of the Committee which they preside, with the aim of safeguarding the accomplishment of the Committee's purpose and the effective oversight of risks under the Committee's competence, as these are stipulated in the Committee Charter. Committee Chair duties include:

- Planning and coordinating the workings of the Committee so as to adequately cover the scope of its activity as stipulated within the Committee Charter.
- Directing the Committee's work and ensuring that it fulfils its duties and its role in effectively supporting the Supervisory Board, as well as timely raising with the Supervisory Board important issues that could expose the Bank to risks.
- Cooperating with other Board Committee Chairs, arranging in collaboration joint Committee sessions as may be deemed appropriate, and referring issues to other Board Committees when required in relation to matters within the competence of other Board Committees.

12.5.5. The size and collective knowledge of the Committees shall reflect the business model and financial condition of the Bank. The composition of each committee shall seek to balance evenly the need for knowledge and experience regarding the committee's sphere of competence and the need for renewal of its membership and acquisition of the widest possible experience by each member.

12.5.6. Each committee operates on the basis of a Charter, which shall be approved by the Board and considered to be an integral part of the Corporate Governance Code. In each case, the Charter shall set forth the committee's mission, goals and responsibilities as well as the qualifications for membership of the committee, procedures for committee meetings and the committee's reporting framework to the Board.

12.5.7. Under the charter, each committee shall evaluate, on a periodical basis, its performance as well as its charter. Specifically, taking into consideration the legal and regulatory framework, as well as the Bank's policies, the Board conducts an annual self-assessment which includes the assessment of its Committees.

12.5.8. The Remuneration and Nomination Committee periodically, and at least annually, reviews and advises the Board with respect to the Board Committees' structure and membership taking also into consideration the results of the self-assessment carried out by the Committees.

12.5.9. The Remuneration and Nomination Committee assesses the structure, size, composition and performance of the Supervisory Board, the knowledge, skills, experience and good reputation of the individual members of the Board, as well as the collective efficiency of the Board, in order to ensure independence of mind and diversity in the decision taking procedure and in the effective challenge and monitoring of Management decisions.

12.5.10. The directors individual and the collective suitability of the Board are being assessed, on an on-going basis and in the assessment process, the Remuneration and Nomination Committee endeavors to follow the relevant regulation adopted by the National Bank of the Republic of North Macedonia, as well as to consider the Joint ESMA and EBA Guidelines.

- 12.5.11.** Besides its statutory Committees, the Board may, as and when it considers necessary, establish new permanent or ad hoc committees.

13 The workings of the Supervisory Board

- 13.1. Supervisory Board constitution:** The Supervisory Board constitutes itself into a body in its first meeting after a General Shareholders Meeting that elected one or more of its members, and if the post of Chairman or his/hers substitutes remains vacant for any reason whatsoever.

13.2. Meetings

- 13.2.1.** The Supervisory Board convenes at least once per quarter. At its first meetings of each calendar year, the Board adopts an agenda of meetings. Moreover, the Supervisory Board sets dates for discussion over the next twelve (12) months regarding issues which, according to the Code, fall under its direct supervision. The Supervisory Board Secretary forwards the final agenda to the Board members.
- 13.2.2.** At the Chair's discretion and following the Chair's order, the meetings of the Supervisory Board are convened by the Supervisory Board Secretary, on the basis of the annual rolling agenda. In addition, the Supervisory Board members are also entitled to request a meeting to be held, as per the Statute and relevant legislation. If at least two members file a request for a meeting to the Chair or his substitute, they are obliged to convene in due time a meeting so that it shall take place within 7 days of the request.
- 13.2.3.** All members shall be notified of the venue, time and date of each meeting by means of an invitation communicated to the Supervisory Board members at least five (5) working days before the meeting, unless the Chair decides not to forward same for a specific significant reason. The invitation must include, in perfectly clear terms, the items on the agenda. Otherwise, decision taking is allowed only if all the Supervisory Board members attend the meeting or are represented and none of them objects to the taking of decisions. The Agenda of each Supervisory Board meeting is set by the Chair and forwarded to the Supervisory Board members by the Board Secretary. Directors should receive adequate documentation for each item on the Board's agenda. The agenda and related documents should be distributed, if possible, at least five (5) working days before the meeting. Distribution by electronic means is considered valid. All proposals should be clear and include, whenever required, an executive summary of the item. All directors can request the Chair to include one or more items on the Agenda of the next Supervisory Board meeting. Upon request by two members, the Chair is required to include any item proposed for the Agenda at the first Supervisory Board meeting following submission of said request.
- 13.2.4.** The Chair of the Supervisory Board or his/her substitute presides over the Supervisory Board meetings, proposes the items on the agenda and guides its work.
- 13.2.5.** The Supervisory Board has the requisite quorum when more than half its members are present or represented. Under no circumstances, however, may the number of members attending be less than 4. If the meeting of the Supervisory Board takes place by teleconference or by phone, in its entirety or in part, the Supervisory Board members who participate via teleconference or phone shall be

considered as present for the purpose of ascertaining the required quorum. In any event, any member of the Board may request to participate in the meeting via teleconference, if he/she resides in a country other than that in which the meeting is held or for any other significant reason, such as illness or disability. Unless otherwise provided for by law or the Statute of SB, decisions are taken by absolute majority of those attending or represented.

13.2.6. The proceedings and decisions of the Supervisory Board and its Committees are recorded in its minutes, which can be kept in electronic form. A list of the names of the members present or represented at the meeting shall also be recorded in the said minutes. The minutes of each meeting shall be distributed and approved by the Supervisory Board at the next meeting. Supervisory Board minutes drafted and signed by all members thereof shall be equivalent to a Board resolution, even where no Supervisory Board meeting has been held. This provision applies also if all members or the representatives thereof agree to the recording of a majority decision within meeting minutes, without a meeting having been held. Board meeting minutes shall be signed in accordance with the law. Copies of and excerpts from the said minutes issued by the Supervisory Board Chairman or the Secretary of the Supervisory Board shall be official without further validation, as per the current legal and regulatory framework. The signing of meeting minutes by the members thereof may be replaced by the exchange of messages via e-mail or other electronic means.

13.2.7. To cover the eventuality of participation in a Supervisory Board meeting by phone or teleconference, the invitation to the directors must include the information necessary for such participation in the meeting. The members of the Board of Directors or other employees of the Bank may be called to participate on an ad hoc basis. The Chair may excuse at any point a non-member from the Supervisory Board meeting.

13.3. Annual Strategy Meeting: Once a year, the Supervisory Board shall devote an entire meeting to reviewing and discussing the SB's strategy. On this meeting the Budget and the Business Plan is reviewed and approved as well. All members of the Board of Directors shall attend the Strategy Meeting and outside experts on specific issues may also be invited to give presentations. The Chair is responsible for convening and setting the agenda of the Meeting, whose items should be prepared by the SB Executive Committee.

13.4. The Supervisory Board Committees meet on a regular and extraordinary basis. The extraordinary meetings for special and urgent issues (such as the approval of financial statements etc.) are held at the initiative of the Chair of the relevant Committee.

13.5. Evaluation of the Supervisory Board's performance: Assisted by the Remuneration & Nomination Committee, the Supervisory Board conducts an annual Board effectiveness review to evaluate its own performance as a collective body and its members' contribution in line with the Board evaluation procedure formulated by the Remuneration & Nomination Committee, taking also into consideration the applicable legal and regulatory framework.

13.6. The Supervisory Board Secretary: The Board Secretary is appointed by decision of the Supervisory Board and is responsible for observing the legal and regulatory framework regarding the effective functioning and support of the Board and its Committees, for proper communication and information flow between the Board and the rest of the Bank's and the

Group's bodies, for keeping the minutes of the meetings as well as for ensuring that the Bank's corporate governance rules and relevant provision of information to shareholders are upheld. The Board Secretary reports directly to the CEO.

Board of Directors (executive management)

14. Board of Directors mission: managing and representing the Bank in the best interest of the company, with the main objective of sustainable long-term value creation and taking into account the interest of all stakeholders.

15. The Board of Directors' key responsibilities: The Board of Directors shall manage the Bank and shall be involved in the implementation of the business policy, the establishment and promotion of corporate culture and values, the determination of the acceptable level of risk, the establishment and implementation of the internal control system and in providing conditions for operations of the bank in accordance with the regulations. In accordance with the relevant legislation, the NBG Group corporate governance standards and the SB Statute, the bank's Board of Directors shall be responsible for the following:

- 15.1.** Manages and represents SB and provides working conditions for SB in compliance with the regulations;
- 15.2.** Enables an adequate implementation of the decisions of the Shareholders Assembly and the Supervisory Board and the policies adopted by the Supervisory Board;
- 15.3.** Takes initiatives and gives proposals for promoting SB operations;
- 15.4.** Together with the Supervisory Board, determines the acceptable level of risk, taking into consideration the market competition, the regulatory requirements, the bank's long-term goals, the risk exposure and the risk-taking capacity, which means compliance of the acceptable level of risk with the business policy, the financial plan, the process of determination of the internal capital and the remuneration system;
- 15.5.** Is responsible for attainment and maintenance of proper level of own funds;
- 15.6.** Prepares SB business policy and development plan;
- 15.7.** Prepares SB financial plan / Budget;
- 15.8.** Maintenance of commercial and other books and business documentation of SB, compiling of financial statements and other reports in accordance with the regulations governing the accounting and accounting standards;
- 15.9.** Timely and accurate financial reporting;
- 15.10.** Regularity and accuracy of the reports submitted to the National Bank in line with the law and the regulations adopted on the basis of law;
- 15.11.** Undertaking of measures imposed by the Governor of National Bank against SB;
- 15.12.** Appoints and dismisses the persons with special rights and responsibilities pursuant to the provisions under the Banking Law and this Statute, and shall monitor their operations, shall provide conditions for their continuous training, shall determine their rights and responsibilities, and shall monitor the manner in which these persons define and assign the duties and responsibilities to the employees. In this manner, it prepares and implements the policy for appointing and dismissing the persons with special rights and responsibilities and monitoring their performance, except for the Internal Audit Division Manager who is appointed and dismissed by the Supervisory Board, the

members of the Supervisory Board, Audit Committee, Risk Management Committee and Board of Directors. The policy shall determine the manner in which the Board of Directors makes an assessment of the adequacy of the other persons with special rights and responsibilities.

- 15.13.** Proper functioning of the internal control system in all areas of the SB operations. More precisely, together with the Supervisory Board, the Board of Directors of the bank shall be obliged to ensure full independence of the control functions, by: (a) establishing an appropriate organizational structure of the control functions through their mutual separation and separation from the activities subject to their control; (b) appointing persons in charge of the control functions that are not subordinate to the persons in charge of the activities subject to their control; (c) providing adequate human and material resources for an independent, objective and efficient performance of the control functions; (d) structure of the functions that will enable avoidance of conflict of interests; (e) providing unrestricted access to all employees of the bank and to all information necessary for the efficient implementation of the appropriate control function; (f) establishing manner of remuneration of the persons involved in the performance of certain control functions which is not related to the success of the activities subject to their control; (g) establishing a mechanism for the smooth cooperation between the persons involved in the performance of certain control functions and other employees of the bank.
- 15.14.** Smooth operation of the Internal Audit Division of SB, i.e. make sure that the Internal Audit Division has an access to the documentation and to the employees of SB for the purposes of smooth conduct of its activities. Together with the Supervisory Board, the Board of Directors of the bank shall be obliged to provide efficiency of the internal audit in the bank, at least through: (a) full access of the employees in the Internal Audit Division to all documents, information, property and reports of all bodies of the bank, as well as possibility of direct communication with any employee of the bank; (b) engaging human resources in the Department, that together have the knowledge and experience appropriate to the activities performed by the bank and the risks it is exposed to; (c) full and timely information to the Department on the significant developments in the bank, the introduction of new products, activities and systems, and other changes; (d) timely and appropriate training of the employees in the Department; (e) timely acceptance of the findings and implementation of the recommendations of the internal audit; (f) objectiveness and neutrality in the implementation of the internal audit, by excluding the possibility for engagement of the employees of the Department in other activities in the bank; (g) application of the national and international professional standards for internal audit.
- 15.15.** Smooth operation of the Compliance Officer/Division i.e. make sure that the Compliance Officer/Division has an access to the documentation and to the employees of SB for the purposes of smooth conduct of its authorizations.
- 15.16.** Prepares the Annual Report on the SB operations and submits it to the Supervisory Board;
- 15.17.** Prepares the Code of Ethics of the Bank. Together with the Supervisory Board, establishes and promotes corporate culture and values in the bank;
- 15.18.** Gives previous consent and submits proposals for partial or write off in full of claims to the Supervisory Board;
- 15.19.** Passes decision on sale of claims; and
- 15.20.** Approves all other internal acts of the Bank, except the acts that are under the authority of the Supervisory Board in accordance with article 40 of this Statute, and performs other activities, in accordance with Law, this Statute and SB's enactments.

16. Authorities of the Board of Directors: The authorities of the Board of Directors are defined in accordance with the applicable regulation, SB Statute and the Charter of the Board of Directors.

- 16.1.** Each of the members of the Board of Directors is legal representative of SB and SB is at any time legally represented by two members of the Board of Directors out of which one mandatory should be the Chief Executive Officer/Chairman of the Board of Directors. During his absence, he can delegate this right only to another member of the Board of Directors.
- 16.2.** The Chief Executive Officer/Chairman of the Board of Directors is formal representative of SB in front of third parties and the public. This manner of formal representation of SB is in detail regulated in the Charter of the Board of Directors.
- 16.3.** The Board of Directors are liable for SB operations in accordance with the applicable regulations, and the internal acts of the Bank.
- 16.4.** The authorities of the members of the Board of Directors of Stopanska Banka AD – Skopje are segregated as follows:
 - CEO/Chairman: shall monitor and coordinate the operations of the Board of Directors, the Bank overall operations and organizational units that are performing the following functions: treasury and finance, operations, legal, collection and management of human resources.
 - Chief Retail Officer: shall be responsible for overall retail banking operations of all organizational units that are performing retail banking activities;
 - Chief Corporate Officer: shall be responsible for overall corporate banking operations and of all organizational units that are performing corporate banking activities;
 - Chief Risk Officer: shall be responsible for overall risk management operations and of all organizational units that are performing risk management activities.
 - The determination of organizational units (Divisions and Departments) responsible to a Senior Manager, member of the Board of Directors or to the Board of Directors shall be done with a separate Decision on organization of operations and segregation of authorities of SB, passed by the Supervisory Board.
 - The Internal Audit Division for its operation is responsible to the Supervisory Board of the Bank. The Compliance Officer – Manager of Compliance Division and the Information Security Officer, for their operation are responsible to the Board of Directors. The Bank Secretary for his/her operation is responsible to the Board of Directors.

17. The structure of the Board of Directors

- 17.1. Composition:** The Board of Directors is composed of a minimum of two and a maximum of seven members. The exact number of members is decided by the Shareholders Assembly, following a proposal by the Supervisory Board, i.e. with the Statute of SB. Currently, the Board of Directors is composed of 4 members appointed by the Supervisory Board, with mandate of 4 years with right to be re-elected.
- 17.2. Membership:** Only natural persons having full business capacity and at least 6 years successful working experience in finance and/or banking or at least 3 years working experience as person with special rights and responsibilities in a bank can be appointed as a member of the Board of Directors. The members of the Board of Directors should also fulfil all other regulatory and suitability requirements.

17.3. The role and responsibilities of the Chief Executive Officer: The Supervisory Board appoints and dismisses the Bank's CEO. He monitors and coordinates the operations of the Board of Directors, the Bank overall operations and organizational units that are performing the following functions - treasury and finance, operations, legal, collection and management of human resources. His relationship with the Bank is set out in a separate contract concluded with the Bank. Together with the other members of the Board of Directors, the CEO is responsible for the functioning of the Bank, with a view to achieving the strategic objectives formulated by the Supervisory Board. To this end, the Supervisory Board grants to him a broad range of powers and authorities, which he exercises under the Supervisory Board's control. The CEO's duties include:

- The formulation of proposals to the Supervisory Board regarding strategic issues of the Bank, including the annual budget. The CEO is accountable to the Supervisory Board with regard to the achievement of specific targets that have been set and with regard to his performance in general as the leader of the Bank's management team;
- The coordination of the competent executives for the formulation of proposals to the Risk Management Committee and the Supervisory Board regarding the overall risk appetite of the Bank, under the guiding principle of protecting depositors, customers and counterparties and controlling on a regular basis the level of the risks undertaken, within the risk appetite framework agreed upon by the Supervisory Board;
- The management of the day-to-day business of the Bank either by means of timely decision making or by providing instructions and advice to the Bank's top managers on all the key issues faced by the Bank. To this end, the CEO presides over the SB's Board of Directors, the composition and responsibilities of which he determines by virtue of the general authorization given by the Supervisory Board and the applicable regulations;
- Leading the Bank's managers, effectively supervising the evaluation of and reward for their performance, creating a top-class management team in the Bank, and submitting relevant proposals to the Remuneration and Nomination Committee and Supervisory Board regarding the appointment and remuneration of the other members of the Board of Directors;
- Maintaining close contact with the Bank's employees so as to foster an environment of mutual trust that is based on fair and equal treatment;
- Ensuring that there is an effective system of internal control and risk management, and that the Bank complies with the regulatory requirements, placing special emphasis on maintaining a transparent control environment at the top of the Bank. The system of internal control guarantees effectiveness in the assignment of authorities and responsibilities to executives. Accordingly, the CEO oversees the Bank's corporate structure;
- In cooperation with the Chairman of the Supervisory Board, the CEO ensures that the Supervisory Board receives full and timely information on matters pertaining to its spheres of concern;
- In cooperation with the Chairman of the Supervisory Board, he shall present to and discuss with the shareholders and other stakeholders the performance, strategic targets and other significant issues of concern to them, and duly provide the markets and the supervisory authorities with information on the Bank's results and any other event that should be disclosed under the law.

17.4. Other members of the Board of Directors: The Supervisory Board appoints and dismisses the other members of the Board of Directors as well, as in accordance with

the SB Statute and the Policy for selection, monitoring the operation and dismissal of members of the bodies of SB.

18. The workings of the Board of Directors

- 18.1. Meetings:** The operations of the Board of Directors is regulated with separate Charter that should be regularly reviewed and updated.
- 18.2. Corporate Secretary:** The Corporate Secretary is responsible for observing the legal and regulatory framework regarding the effective functioning and support of the Board of Directors, for proper communication and information flow between the Board of Directors and the rest of the SB bodies, for keeping the Minutes of the meetings as well as for ensuring that the Bank's corporate governance rules and relevant provision of information to shareholders are upheld. The Corporate Secretary reports directly to the CEO.
- 18.3. The organizational structure** of the Bank and its bodies is published on the website of Stopanska Banka under "Corporate Governance_Organizational Structure".

Qualifications and Independence of Supervisory Board and Board of Directors members (including Nomination, Evaluation and Remuneration principles)

- 19. Key qualifying criteria for Supervisory Board membership:** The Bank's Statute may provide for any shareholder(s) that owns more than 10% of the voting shares to propose a candidate for Board membership at the General Meeting of Shareholders. This right, according to the Law on Trade Companies, is also given to the Supervisory Board, which, assisted by the RNC, may also appoint new directors in replacement of departing directors if the number of members of the Supervisory Board falls under the statutory minimum, until the Shareholders Assembly is convened.
- 20.** In addition, the formulation of proposals by the Supervisory Board to the Shareholders Assembly is a corporate governance best practice, particularly in the case of banks whose board composition should meet the highest standards in respect of qualifications, ethics and skills. To this end, the Supervisory Board, assisted by the RNC, proposes to the Shareholders Assembly candidates for Board membership on the basis of a policy for the assessment of their suitability. This Suitability Policy is being developed by the RNC, on a proposal of the Company Secretary and is further approved by the Supervisory Board. The Suitability Policy is clear, well documented and transparent and incorporates all the principles and criteria for the individual suitability of the members of SB bodies and for the collective suitability of the boards/committees as well. Thus, in the suitability policy are included the following qualifying criteria:
 - 20.1.** The criteria and conditions set out in the Law on Banks, Law on Trade Companies and the National Bank' Decision on good corporate governance in banks;
 - 20.2.** The candidate's past record indicates that he or she is consistently committed to the highest ethical standards.
 - 20.3.** The candidate, in taking decisions, has a clear sense of the delicate balance between the interests and concerns of shareholders and the other stakeholders, and does not attempt to advance the interests of one particular constituency.
 - 20.4.** For the members of Supervisory Board, and especially the independent members, the candidate demonstrates the will and moral and intellectual stature to challenge

management during discussion of proposals regarding strategy, key risk policies and issues concerning SB, while at the same time working constructively and in a spirit of trust and team effort.

- 20.5.** The candidate is ready to devote sufficient time and energy to discharging his or her duties as a director. The attendance in the meetings, the preparation for the meetings and the active involvement, can be considered as indicators of the time that a director dedicates to perform his duties.
 - 20.6.** The candidate possesses the skills, experience and background that will serve to complement the respective qualities of the existing directors, as identified in the regular review of the Board's profile by the RNC.
- 21.** In discharging its nomination responsibilities and making relevant proposals to the Shareholders Assembly or in appointing new members in replacement of retired members, the Supervisory Board, assisted by the RNC, shall seek to propose candidates whose nomination ensures that the Supervisory Board as a collective body displays above all the following profile:
- 21.1.** Has a thorough knowledge of the financial industry, counting among its members individuals who are serving or have served in the past in leadership positions in financial institutions. More specifically, Board membership shall have the appropriate mix and experience in financial services or commercial banking and adequate time to provide effective oversight of SB that offers a diverse range of financial services and operates on an international scale. Some its members have significant long-time experience in financial management, accounting, and risk and capital management and control. Board members are also aware of the legal and regulatory requirements of the banking industry.
 - 21.2.** Has substantial business and professional experience, or academic experience, counting among its members individuals who are serving or have served in the past as chairmen, chief executive officers or senior managers of large organizations that are active in the areas of banking, audit, risk management or distressed asset management and have built a reputation that demonstrates the ability to make the kind of important and sensitive business decisions that the Board is called upon to make.
 - 21.3.** Has a full understanding of the structure and dynamics of SB's customer universe and of the principal markets in which the Bank is currently active.
 - 21.4.** Has substantial international experience and can contribute to the Bank's and the aspirations in the specific geographical region in which SB is active.
 - 21.5.** Ensures, as far as possible, adequate representation of both genders.
 - 21.6.** Reflects the business model and the financial condition of the credit institution.
 - 21.7.** Includes at least two experts as independent members with adequate knowledge and relevant experience (practical and/or academic) of at least ten (10) years in finance.
- 22.** The following professional capacities are incompatible with the position of Supervisory Board or Board of Directors at SB:
- 22.1.** An executive, Supervisory Board member or employee or any other capacity that implies a duty of loyalty to one of the Bank's competitors or any other corporations whose interests might conflict systematically with the interests of the Bank and its shareholders.
 - 22.2.** An employee or partner of an auditing firm that is appointed as an external auditor of the Bank or of other Group companies.

- 22.3.** The member does not have any restrictions applicable for high officials as prescribed in the Law on prevention of corruption and conflict of interest.
- 22.4.** The member is not a member of the National Bank Council, or an employee of the National Bank of Republic of North Macedonia,
- 22.5.** The member is not a person who has been imposed a misdemeanour sanction or ban on practicing profession, carrying out activity or duty; a person without reputation, thus compromising the safe and sound bank operations; or a person who fails to comply with the provisions of this Law and the regulations adopted on the basis of this law and/or failed or has failed to implement and/or acted or has been acting contrary to the measures stated by the Governor, that compromised or have been compromising the safety and soundness of the bank;
- 22.6.** The member is not a member of Supervisory Board, Risk Management Committee, Audit Committee and Board of Directors of another bank, or employee in another bank, or person who performed function of a person with special rights and responsibilities in a bank or another legal entity in which administration has been initiated, or against which a bankruptcy or liquidation procedure have been initiated, unless unambiguously determined on the basis of the available documentation and data that the person was not involved in any action that led to the introduction of administration, a bankruptcy or liquidation procedure or performed such function immediately prior or after the occurrence of the reasons that led to the introduction of administration, initiation of a bankruptcy or implementation of a liquidation procedure.
- 23. Definition of Supervisory Board members' independence:** In order to be considered by the Supervisory Board and to be proposed at the General Meeting as an independent member, the candidate should not have formed a relationship with the Bank and the Group that could interfere with the exercise of independent judgment in carrying out responsibilities as an independent member. Such a relationship should be held to exist when a member:
- Is him/herself not employed or a person with special rights and responsibilities in SB;
 - Is him/herself not a qualified shareholder in the Bank or does not represent qualified shareholder in the Bank;
 - Is him/herself or in conjunction with any of his/her affiliates a significant customer of the Bank. A significant customer is considered to be a customer who is ranked among the top 10 customers of the Bank, on the basis of either total value of credit outstanding, deposits or remuneration/fees paid during the previous calendar year and/or an organization that receives significant contributions/sponsorships by the Bank or its affiliated companies.
 - Has not any financial interest or business relations with SB in the amount exceeding the average of MKD 3,000,000 annually, over the last three years;
 - Has him/herself or his/her affiliates received or is receiving significant additional benefits from SB, other than compensation paid to independent members. Such additional benefits comprise in particular any participation in a stock options scheme provided by the Bank or any other profit-related scheme. However, it does not cover collection of fixed benefits in the framework of a pension scheme for services already rendered to the Bank.
 - Is or has been an external consultant to the Bank or a partner or employee in a firm that provides consulting services to the Bank over the year preceding his/her appointment.
 - Has served as an independent member of Supervisory Board for more than 3 consecutive terms.
 - He/she is not a shareholder with qualified holding (5% of shares) in SB or does not represent a shareholder with qualified holding in SB.

- He/she or his/her affiliates have been over the 3 years preceding his/her appointment a partner, associate or employee of SB's external auditor.
- He/she or his/her affiliates participates jointly with SB in any corporation, joint venture or other type of business partnership by an amount whose book value is equivalent to more than 2% of either of the two partners' annual revenues.
- Fulfils all other regulatory requirement for the persons with special rights and responsibilities prescribed in the laws.

24. Induction and ongoing professional development of Supervisory Board and Board of Directors members: New members participate in an induction programme provided by the Bank that includes presentations on risk management, financial management of the Bank's business plan, its key financial and accounting issues its compliance and corporate governance functions, its Code of Conduct, its management structure and executive officers, and its internal and external auditors. The induction programme may also include visits to key branches of the Bank. In addition, the Bank provides continuous professional development programmes for all members so as to enhance the Supervisory Board's supervisory capabilities and Board of Directors management skills. SB's training programme for directors is held regularly and falls within the framework of their ongoing training and updating in all the aforesaid matters related to SB's normal operations. The Supervisory Board Chairman and CEO, with support of the Bank Secretary, are responsible, respectively, for overseeing the design and implementation of these programmes.

25. Nomination of members of SB bodies

- 25.1.** The RNC formulates and manages the policy and the selection procedure for the directors that will be appointed by the Supervisory Board or will be proposed by the Board to the Shareholders Assembly.
- 25.2.** Members of the Supervisory Board are elected by the General Meeting for a term that should not exceed four (4) years, and can be re-elected for an indefinite number of terms. According to the relevant legislation, the mandate can be revoked by resolution of a General Meeting of Shareholders at any time. When considering proposals concerning the size and composition of the Board and election of Board members, one of the factors that is taken into account is the term of office of existing and candidate members, in case it is deemed appropriate to have different term expiry dates among members.
- 25.3.** The competent authorities confirm that the individual is fit and proper to act as a member and provide the relevant approvals, when required.

26. Term limits: The Bank does not place any term limits for its members of SB bodies, with exception of the independent members of the Supervisory Board.

27. Remuneration proposal: the Supervisory Board, on a proposal by the RNC, formulates the proposal to the Shareholders Assembly regarding the remuneration of its members for their services. The remuneration proposal shall be in line with the provisions of the applicable regulatory framework and SB Remuneration Policy, taking into account best practices in the industry, and should adequately reflect the time and effort the members are expected to contribute to the work of the Board while at the same time fostering Board efficiency. Supervisory Board members are remunerated on a monthly basis. They are also remunerated for their participation in the Board Committees or for any other ad hoc duties assigned to them by the Supervisory Board. No stock options are awarded to Supervisory Board members.

- 28. Transparency of Board remuneration:** The Bank fulfils the relevant disclosure requirements provided in the applicable regulatory framework. The Annual Corporate Governance Report/Statement contains information on the remuneration paid to each member of the Supervisory Board in his/her capacity as such, together with a breakdown of the items such remuneration comprises (remuneration in shares, cash payments etc.), as well as a breakdown of the remuneration paid to the members of the Board of Directors.

Rights & obligations of the members of SB bodies

Rights

29. The right to information:

- 29.1.** In addition to reviewing quarterly results prior to disclosure, members review, on at least a quarterly basis, the financial performance indicators relating to SB's business targets.
- 29.2.** In addition to information regularly received by the Board of Directors, Supervisory Board members have access to any company information, records, and books through the Chairman. Where the Chairman, in consultation with the CEO, considers that he has significant reasons to decline such a request, the matter is referred to the Secretary of the Board, which makes a relevant recommendation to the Board.
- 29.3.** In the course of carrying out their duties and in order to seek information and advice, directors should have access to any member of senior management of the Bank through the Chairman. Where the Chairman, in consultation with the CEO, considers that he has significant reasons not to accept such a request, the matter is referred to the Secretary of the Board, which makes a relevant recommendation to the Supervisory Board.
- 29.4. The right of access to the Agenda:** Any member may request that the Chairman include one or more items on the next Supervisory Board meeting Agenda. Two or more directors may require the Chairman to include one or more items on the next Supervisory Board meeting Agenda.
- 29.5. The right to record disagreement:** Members of the SB bodies are entitled to express any disagreement with a decision of the bodies whereas they are members, and to have their view recorded in the minutes. In any case, the views of the minority should be recorded in the Board's minutes in case there is no unanimous decision.
- 29.6. The right to data privacy:** Members of the SB bodies are entitled to confidentiality of all their disclosures to the Supervisory Board, its Committees and the Bank, insofar as such disclosures are not already in the public domain, unless the release of such information is required by the legislative and regulatory framework, the Bank's Statute, the present Code or specific Bank policies approved by the Supervisory Board.

30. Duties

- 30.1. Ethics and moral integrity:** Members of the Sup Board and its Committees and the Board of Directors should maintain and uphold the highest ethical standards and moral integrity. Any event that may adversely impact on their reputation and credibility

should be immediately reported to the Chairman of the BoD, who can make proposals to the Supervisory Board on the issue.

- 30.2. Honesty and integrity:** Each member shall act with honesty, integrity and due independence so that he will be able to understand and formulate arguments accordingly, during the deliberation of decisions taken by the senior levels whenever necessary, as well as to oversee effectively and monitor the decision-making process by the Bank's management.
- 30.3. Compliance:** Members should undertake to comply with all laws and regulations in all aspects of their public and private lives. Any ongoing litigation in which they are involved or real risk that litigation may occur should be immediately reported to the Chairman of the BoD, who can make proposals to the Supervisory Board on the issue.
- 30.4. Regular attendance:** On the responsibility of the Board Secretary, the attendance of each member, whether in person or via teleconference, should be recorded in the minutes and individual attendance levels should be reported in the Bank's regular disclosures on a yearly basis. Each member should attend at least the minimum number of Board meetings required by law, each time applicable. Absence from some meetings is allowed when reasonably justified. Attendance of at least one member of the Supervisory Board and the independent members in the General Meeting of Shareholders is desirable.
- 30.5. Diligence:** In accordance with law, members should apply the highest level of diligence in discharging their duties.
- 30.6. Protection and use of company assets:** All members should endeavour to protect the Bank's assets and ensure their profitable use. All SB assets must be used only for legitimate business purposes.
- 30.7. Fair dealing and equal treatment:** Members should treat fairly, as far as possible, all of the Bank's employees, suppliers, customers and competitors. Members should not take unfair advantage of anyone through, for instance, the use of insider information or concealment of information or misrepresentation of material facts.
- 30.8. Communication:** The Bank is represented in accordance with law and the Statute of SB. The CEO, the Supervisory Board Chairman and, depending on the case, other senior managers are responsible for the Bank's communication with investors. Other members may participate in meetings with investors, at the CEO's consent, without however legally representing the Bank.
- 30.9. Confidentiality:** Directors will take all reasonable measures and precautions to maintain the secrecy and confidentiality of all confidential information of the Bank and the Group. Any confidential information which may come to their knowledge in the performance of their duties as members of the bodies should not be disclosed either during their tenure or following termination (by whatever means) to third parties unless required by the legislative or regulatory framework or allowed under the applicable policies and procedures of the Bank. On termination of their appointment, Directors will deliver to the Bank all books, documents, papers and other property of or relation to the business of the Bank or any Group Company which are in their possession, custody or power by virtue of their position. Even after stepping down from the Sup Board and its Committees or BoD, members should maintain strict confidentiality of all information that has not been disclosed by the Bank and are under obligation not to disclose any of the Bank's information, data, reports or background information which came to their knowledge in the course of their duties, insofar as such information has not otherwise entered the public domain.

- 31. Conflicts of interest, third party transactions and relevant disclosures:** Members have a duty of loyalty to the Bank. They should strive to avoid conflicts of interests with the Bank and the NBG Group Companies, pursuant to the provisions of the relevant SB policies regarding avoidance of conflicts of interest. In particular, the members:
- should not exploit for personal gain opportunities or potential opportunities that may result from the use of corporate property, from information obtained as a result of their participation in the Supervisory Board/BoD or, in general, from their capacity as members of the Supervisory Board/BoD, without the consent of the Supervisory Board, which can be given on the basis of a recommendation by the Audit Committee. Members should advance the Bank's interests whenever the opportunity to do so arises.
 - should not become a Supervisory Board member, an executive or an employee of any of the Bank's major institutional shareholders engaging professionally in trading of the Bank's shares;
 - should not become a member of an undertaking or a professional organization between which and the Bank recently occurred or is about to occur a conflict in a form of judicial litigation, workers' mobilization, boycott, or other similar action, which may have a material impact on the results and/or the goodwill of the Bank and/or a Group Company.
- 31.1.** Members are strictly prohibited from using any information they obtain in the course of their duties to carry out transactions in SB shares whether by themselves or by third parties. To this end, members and their affiliates shall trade in SB's or other Group companies' securities in line with the provisions of the law and the Bank's relevant Policies.
- 31.2.** The Cabinet and the Compliance Officer notifies in detail the Supervisory Board members of their obligations arising under the legal and regulatory framework. Members should disclose annually to the Cabinet, via the Board Secretary, their main professional positions and activities, including their duties in non-profit organizations as well as the names of the legal entities in which they themselves or their affiliates are shareholders or possess holdings that allow them to control more than 10% of the voting rights in such entities. Members are under obligation to disclose to the Cabinet, via the Board Secretary in a timely manner, any changes to the above as well as any other event that might generate a conflict between their interests and SB interests or may alter their capacity as members of the Supervisory Board or BoD.
- 31.3.** Any business relationship and/or transaction between the Bank and a member of the Supervisory Board/BoD or related person (e.g., a business partnership, loan, deposit) should be integrated into the Bank's normal business framework and governed, *mutatis mutandis*, by the same conditions as those governing the Bank's current transactions with the rest of its customers, always in conjunction with the Bank's risk management rules. In any case, under the law, members are required to disclose to the Compliance Division all their current particulars and the transactions of a credit nature that they themselves and their relatives have with the Bank and other Group companies within 20 days of the end of the calendar year.
- 31.4.** In accordance with the detailed Policy for Transactions with Connected Borrowers and Related Parties to be set up by SB, any significant transaction between the Bank and a member of the Supervisory Board or related person should be discussed by the Supervisory Board pursuant to the applicable legislation and regulatory framework following a review and recommendation by the Compliance Officer, with a view to either submitting a proposal to the General Meeting of Shareholders, when the law so requires, or for decision by the Supervisory Board itself, when the approval of the

General Meeting is not so required. Members should disclose to the Cabinet, via the Board Secretary, any such transaction on a timely basis and before its conclusion. By “significant transaction” is meant a transaction or a number of transactions over a period of one year that is worth more than Euro 1 million or a transaction of any value that was conducted on terms that are substantially different from those prevailing at the time for comparable transactions with the Bank’s customers in general. Relatively speaking, the context of this obligation and the process of its application is the same as that provided for under the Policy for Avoiding Conflicts of Interest for Senior Executives of SB, which has already been approved by the Supervisory Board.

31.5. Directors should excuse themselves from the discussion and should not participate in decision making regarding any issue in which they may have an actual or potential conflict of interest with the Bank or the Group. When in doubt, they must consult with the Chairman of the body that decides on the matter or, in case of conflict with the Chairman, with the Chairman of the Audit Committee.

31.6. The Chairman may ask one or more members to abstain from the discussion and decision making if he/she considers that there is a conflict of interest on specific topics.

32. Other appointments/External directorships: The Bank and its member of the Board of Directors and Supervisory Board should comply with the provisions of Law on Banks, as regards the sitting on the boards of legal entities other than NBG Group companies. Member of the Board of Directors may at the same time be a member of not more than two supervisory bodies, i.e. non-executive member of the board of directors of not more than two non-banking financial institutions and non-financial institutions. Member of the Board of Directors is not allowed to be a manager, or an executive member of board of directors at any other domestic or foreign company. Members of the Supervisory Board may at the same time be a member of non-banking financial institutions or non-financial institutions, such as:

- In 1 additional managing body (perform a function of executive member), and 1 additional supervisory body (perform a function of non-executive member), OR
- To be a member of 3 additional supervisory bodies, i.e. to perform a function of non-executive member of board of directors.

33. Board of Directors members’ share ownership: In order to align their personal interests with the long-term interests of SB shareholders, directors may acquire SB shares. The process by which the members can acquire the said shares is determined by the Supervisory Board. In addition to other disclosure obligations related to the acquisition and disposal of SB shares, members shall disclose, on an annual basis, the number of SB shares they own and the number of SB shares they acquired and sold during the preceding 12 months, to the Manager of Compliance Division, who reports to the Supervisory Board annually on individual member share ownership and cumulative share dealings, as well as the **progress of each director with regard to the aforesaid SB share ownership commitment.**

Cooperation between the Board of Directors and the Supervisory Board

34. The Board of Directors and Supervisory Board cooperate closely to the benefit of the company. The cooperation between the Supervisory Board and the Board of Directors should particularly refer to the following: defining the Bank's business objectives; strategies for undertaking and management of risks; the Bank's risk profile; policies for fulfilment of the business objectives and the objectives relative to the Bank's risk profile.

35. The Board of Directors reports to the Supervisory Board at least on a quarterly basis through submitting a quarterly Board of Directors Report on the financial and commercial operations of the Bank. The report contains short info on macroeconomic movements in the reported period, info on key performance indicators, evaluation of budget/target achievements and info on major risk factors and report on operations in the reported period.
36. The Board of Directors members are encouraged to establish frequent communication with the Supervisory Board. At least once per year the Board of Directors submits a report to the Supervisory Board on the layout and the efficiency of the internal control system.
37. If a member of the Board of Directors deems that the decisions adopted by the Board of Directors conflict the business objectives, strategies and policies of the Bank, and conflict the responsibilities and the tasks of this body envisaged in the Banking Law and the Bank's internal acts, he states his opinion in writing together with appropriate explanation and the same shall be in full presented in the Minutes of that meeting. If a member of the Supervisory Board considers that the decisions adopted by the Supervisory Board conflict the business objectives, strategies and the policies of the Bank, as well as the responsibilities and the tasks of this body, stipulated in the Banking Law and the Bank's internal acts, he shall state his opinion in writing together with appropriate explanation, which is enclosed in the minutes from the meeting of the Supervisory Board.
38. Comprehensive observance of confidentiality by all boards' members is of paramount importance. The same applies for the employees in support functions who are preparing or presenting the materials on the boards' meetings.
39. The Board of Directors shall be obliged to regularly notify the Supervisory Board of all activities and changes in operations that are significant for the competences of the Supervisory Board, as follows: (a) changes in the risk management; (b) changes in the bank's solvency and liquidity position and its financial standing; (c) exceeding of the exposure limits and non-compliance of the operations with the regulations; (d) weaknesses in the internal control system and the manner of functioning of the control functions; (e) cases that may cause non-compliance with the legal or regulatory requirements; (f) cases related to the protected whistleblowing by a whistle-blower in the bank. The Board of Directors shall immediately notify the Supervisory Board on: 1) deteriorated Bank's liquidity or solvency, 2) reasonable grounds for revoking the founding and operating license or on a ban on performing certain financial activities as specified by law, 3) reduction of the own funds below the legal requirement, 4) the findings of the supervision and inspections of the National Bank, and 5) the findings of the Public Revenue Office and other regulatory bodies.

Corporate Social Responsibility

40. **Stakeholders:** The Supervisory Board and Board of Directors shall take the interests of the Bank's main stakeholders and the impact of its activities on them into consideration when carrying out their responsibilities.
 - The Board of Directors shall ensure that there are effective mechanisms in place for identifying the Bank's main stakeholders and understanding their views on issues of material importance to them. The Board of Directors shall ensure that there is regular engagement with these stakeholders, and that the Supervisory Board is

informed of the results of that engagement. A summary of the engagement that has taken place shall be published in the Annual Report.

- The Bank Secretary shall ensure that the Supervisory Board and Board of Directors are informed about all relevant legal changes regarding stakeholder rights.

41. Sustainability and social issues (CSR): The Supervisory and Board of Directors shall cultivate a corporate culture that encourages a responsible attitude towards the environment and social issues; approve a strategy to promote sustainability; and ensure that its business model and risk management systems take account of the potential environmental and social impact of its activities.

- The Bank shall have internal acts relating to its responsibilities for environmental and social issues and policies and procedures that enable it to identify material factors and assess the impact on the Bank's activities. These policies shall be regularly reviewed and published on the Bank's website.
- In the Annual Report, the Bank shall report on issues related to CSR based on the principle of transparency and in accordance with the relevant legal requirements and Group practices.

Outsourcing

42. Rules for outsourcing: the rules for outsourcing are determined in SB Outsourcing Policy adopted by the Supervisory Board. With respect to outsourcing any function (whether critical or not) to external providers, the Bank should ensure that:

- they still hold full responsibility for fulfilling all their obligations under Local regulations,
- outsourcing does not lead to the transfer of responsibilities of senior management, nor control functions of the Bank,
- outsourcing does not entail any change in their relationships with and obligations towards their customers,
- the terms, under which an operation license has been granted and remains as is, are not partly or fully compromised, modified or abolished,
- they make available to the competent authority, if requested, the information required to enable the authority to verify whether the performance of outsourced tasks complies with the requirements of the applicable legal and regulatory framework, specifically as per chapter 3.8 (Record-keeping of Outsourcing) hereof, and
- Especially in the case of managing and terminating any agreement for outsourcing of critical or important business functions, the Bank shall act with the required skill, care and diligence and take all the necessary measures to ensure proper outsourcing.

Final Provisions

- 43. Letter of appointment:** Upon their appointment and following the meeting at which the Supervisory Board and Board of Directors constitutes into a bodies of the Bank, all members receive and countersign a “Letter of appointment” from the Chairman of the Supervisory Board which states their responsibilities, rights and obligations, including their obligation to observe the present Code.
- 44. Exceptions:** Exceptions to any rights and/or responsibilities provided for in the present Code should be approved by the Supervisory Board on a proposal by the RNC. Following a proposal by the RNC, the Board may decide not to implement specific provisions of the Code for a certain reason. When the law so requires, the decision to adopt exceptions must be disclosed in the Annual Corporate Governance Report.
- 45. Review and amendments:** The present Code, together with the various other components of the Bank’s corporate governance framework, is reviewed annually. Any amendment to the present Code shall be duly disclosed.
- 46. Entering into force:** the Code shall come into effect on the date of its approval by the Supervisory Board of Stopanska Banka AD – Skopje.

13.05.2022

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