



IMPLEMENTATION OF THE DUTCH BANKING CODE AT DHB BANK

October 2024

1 Sound and ethical operation

- *To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility. A bank chooses its positioning such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.*

DHB Bank's mission is 'Delivering quality through transparent and fairly priced products and services to our clients in a select number of countries in order to foster mutually beneficial long-term relationship for sustainable business success in favour of all our stakeholders and society in general'.

The bank's strategy is derived from this corporate purpose. Its aspects are developed throughout the organization, including the formulation of the risk appetite framework (yearly reviewed in keeping with the changing environment), in the risk yearly appetite statement, yearly budgeting and general planning, all in the name of ensuring the long-term sustainability of its activities for the benefit of all its stakeholders.

- *The executive board and supervisory board are –with due regard for each other's duties and powers – responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.*

The corporate governance of DHB Bank is set up by the Supervisory Board (SB) and executive Board (Managing Board – MB – at DHB Bank) in view of the requirements of Financial Supervision Act (Wft) and other applicable laws and regulations in the Netherlands in particular and in the EU in general, Capital Requirements Directive IV ("CRD IV") as well as the Dutch Banking Code that have been implemented in Dutch legislation. In addition to the legal requirements, DHB Bank follows the EBA Guidelines on Internal Governance (EBA/GL/2021/05 - 2 July 2021), and voluntarily adheres to the Dutch Corporate Governance Code to the extent applicable. Both the SB and MB members display professional attitude and set an example in their interaction with the bank's employee's.

The bank's corporate governance, its social responsibility and business interests form an integral part of its mission.

The bank's governance framework is built on the below pillars:

- Governing Bodies & Organizational Structure
- Control Units
- Human Resources Management
- Risk Culture & Business Conduct
- Main Processes & Mechanisms
- Relations with Stakeholders
- Governance Documentation



These pillars are embedded in the bank's corporate culture and supported and substantiated by various policies, procedures, measures and practices.

- *The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the executive board and supervisory board. The executive board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.*

DHB Bank strives to adhere to the highest standards of integrity and morality in all its transactions and relationships. To avoid integrity failures, the bank's integrity risk policy is based on ensuring that a general culture of high ethical standards prevails throughout the bank and that integrity risks are efficiently managed. The general approach is top-down, and the process starts with a strong ethical stance at the top.

The bank's standards on integrity and morals are set up in the Integrity Risk Policy and Code of Conduct documents. Leadership is encouraged in the day-to-day activities. Through tone at the top, responsible behaviour and healthy culture is promoted throughout the organisation. The interests of the customers and other stakeholders are embedded in the mission statement and vision statement of the bank.

DHB Bank's entire organization is based on checks and balances. This starts with the MB members having different primary areas of responsibilities (apart from their overall joint responsibility) and continues throughout the bank at different levels and departments - including the three-lines-of-defense system in the risk management area. As an example, credits department comprises 3 different functions, namely (1) credit analysis, (2) credit risk monitoring and control, and (3) corporate loans (responsible for the loan documentation). As another example, front offices are not allowed to conduct any operational transaction related to their asset generation activities. The compliance function's independence is safeguarded through the direct communication line of compliance (and risk management and internal audit) with the Supervisory Board.

- *A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter. All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for this. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this. The executive board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.*

The promotion and maintenance of standards in the bank with regard to integrity, morality and leadership, as well as the development, promotion and maintenance of standards in the bank



with regard to integrity, morality and leadership form the regular working principles of the SB and MB. These are also included in the SB and MB policies.

The MB promotes responsible behaviour and a healthy culture in all its deliberations, decisions and actions. Furthermore, the bank has in place, among other policies, a “Corporate Social Responsibility and Sustainability Policy” that covers the bank’s adherence to the principles of social responsibility and sustainability in all the decisions made and in all the activities undertaken, and a “Client First Policy” intended as a guideline for the management and staff in decision-making and client interaction, These principles are followed both in text and spirit by the bank.

The bank has a Social Responsibility and Sustainability Policy that aims to ‘contribute to sustainable development, including health and the welfare of society; take into account the expectations of stakeholders; be in compliance with applicable law and consistent with international norms of behaviour; and integrated throughout the organization and practiced in its relationships’. In addition, through different policies and as part of its corporate culture, DHB Bank traditionally:

- Pays utmost attention for his customers and society in general to be able to count on reliable, service-oriented and transparent products and services.
- Strives to ensure the continuity and reliability of its services and focuses in its operations on the interests of customers and other stakeholders.
- Is transparent about the costs and strives to inform customers about the risks involved in the transaction in question.
- Has a risk policy that is characterized by an integral approach (covering all types of related risks) and which is transparent and aimed at both the short and long term.
- Requires integrity, expertise and professionalism from its employees.
- Guides its employees to draw a careful balance between the interests of all its stakeholders, with due attention to duty of care towards the customers.

The responsibility of the SB for the employees being aware of and continuing to observe all rules, values and norms applicable to the bank and continuing to focus on them is covered in the SB Policy.

- *All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are—with due regard for each other’s duties and powers – responsible for this. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.*

Including all the staff, all the SB and MB members also took and signed the new bankers’ oath, setting another example for all the bank’s employees who followed suit in taking the oath when first introduced in the Netherlands. All the employees have to comply with the rules set out in the Code of Conduct and Staff Handbook documents.

The bank’s Staff Handbook, applicable to all the employees, is a guideline for their actions, and covers, among others, their compliance requirement with formal regulations and observance of all rules, values and norms applicable to the bank. Furthermore, for the purpose of strengthening DHB Bank’s corporate culture, the Staff Handbook addresses clearly the seven elements of an ethical culture, including the values of balancing interests, balanced actions, consistent actions, openness for discussion, leading by example, feasibility and transparency. DHB Bank’s Code of Conduct supports the endeavours of striving for a corporate culture whereby the bank’s values and standards of professional conduct are maintained at every level



of the organization and in all the activities in all countries. All employees are required to comply with all the stipulations in the Code of Conduct, and those newly joining the bank are required to state their adherence to these rules in writing. Contracts of the new employees also include reference to the principles set forth in the Staff Handbook.

In these respects, the SB annually reviews and assesses the MB members' performance from many angles. Similarly, the MB members conduct a performance appraisal of the managers that report to them based on several criteria, which is cascaded down throughout the organization.

2 Supervisory Board

- *The supervisory board will be composed in such a way that it is able to perform its tasks properly. It will form a risk committee and an audit committee. The members of the supervisory board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent. Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders. There are specific competence and experience requirements for members of the supervisory board's risk and audit committees. Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.*

All the SB members are professionals with very long years of experience and diverse backgrounds, expertise, cultures and social sensitivity. In this respect, their exemplary role in their activities and behaviours is additionally covered in the SB Policy. Composed of members with diverse backgrounds, expertise, experiences, cultures and social sensitivity, the SB has a collegial working structure, and as per the bank's Articles of Association (AoA), each member is entitled to cast one vote. The SB members allocate sufficient time to fulfil their duties. The 'critical' characteristic of SB members is a feature of their activities and responsibilities and is a requirement of the SB Policy. The brief resumes of the SB members are presented in the bank's annual reports.

The Supervisory Board has a Risk and Audit Committee (RAC) comprised of 3 of its members who are experienced professionals in the field, having extensive experience and knowledge on risk and audit related subjects. As per the SB Policy and RAC Policy, the RAC members should – and do – possess sound knowledge of the financial aspects of risk management; experience in identifying and thoroughly assessing the risks involved in the bank's activities; sound knowledge of accounting principles, financial reporting and IFRS; knowledge of international auditing standards; and experience in the internal control, compliance and audit areas or in managing these processes.

The RAC assists and advises the SB in fulfilling its oversight responsibilities with regard to risk and audit issues. The RAC discusses the bank's risk profile and assesses, at a strategic level, whether capital allocation and liquidity level in the general sense are in line with the approved risk appetite, among other subjects. The RAC convenes periodically, at least three times a year. The SB ensures that the bank's internal audit, risk management and compliance functions continue to be independent, for which purpose the respective heads of these departments will have access to the RAC and/or SB - and will attend once every year a RAC and/or SB meeting, and without the presence of the MB where required.

Given its size, DHB Bank does not have separate risk committee and audit committee, and has combined these functions under a single committee.



Taking into account the geographical coverage of the bank, the member members are familiar with the socio-economic and political culture and the social environment of the bank's main markets, thus contributing further to the fulfilment of the duties and responsibilities of the SB and to the public functions of the bank. In fulfilling its responsibilities, the SB considers the balanced interests of all the stakeholders and the duty of care towards clients as a guiding principle and a particular attention point, as also stipulated in the SB Policy.

- *The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.*

DHB Bank has in place a lifelong learning policy that describes the necessary qualifications for the members of the SB – and the MB – and the methods by which their knowledge base will be maintained to fulfil their respective responsibilities via lifelong learning sessions. Throughout the year, all the MB and SB members in office take part in lifelong learning sessions relating to governance, and to the developments in the bank and the banking sector. The annual lifelong learning programs are determined jointly for the SB and MB.

As per the SB Policy, subjects of lifelong learning programmes are:

- relevant developments at the Bank and in the financial sector,
- corporate governance in general and in the financial sector in particular,
- the duty of care towards and interests of the client,
- applicable rules and regulations,
- integrity,
- ICT systems,
- compliance,
- risk management,
- accounting principles and financial reporting and
- audit.

In addition, the SB members have separate budget for individual trainings that they would like to follow.

- *In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board will be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.*

As per the SB Policy "The SB members will annually provide the chairman of the SB with a self-evaluation in writing of their performance as a SB member of the Bank. The assessment of the effectiveness of the lifelong learning shall be part of this self-evaluation." A similar stipulation is present in the "Lifelong Learning Policy" as well. "Each SB member shall be able to express his views confidentially during the reviews". The respective evaluation has been completed for each financial year since 2012 via closed sessions.



As per the SB Policy "The performance of SB members shall be assessed under independent external supervision once every three years". Based on the members' self-assessment and individual interviews conducted by experts on corporate governance as facilitator, the three-yearly independent evaluation of the SB started in 2013 (with some being yearly) and the latest being in 2024. The outcome of these evaluations was discussed among the members with the respective facilitator in closed sessions. The SB is of the opinion that such evaluations further cement the already constructive working principles of the Board by providing an additional open and congenial discussion platform, with a view to constantly adapting to the continuously changing banking environment.

- *Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.*

As per the SB Policy "Each member of the SB shall receive suitable compensation for the time spent. The remuneration of the SB members is a fixed amount and determined in the General Meeting of Shareholders and is not dependent on results of the Bank. The remuneration of the SB members is disclosed in the annual reports of DHB Bank.

3 Executive Board (Managing Board at DHB Bank)

- *The executive board will be composed in such a way that it is able to perform its tasks properly. Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.*

The Managing Board of DHB Bank (MB) consists of three members with different but complementary and long-term backgrounds and experience in the banking sector. They all have strong awareness pertaining to a bank's economic and social roles. All the deliberations, strategic planning and day-to-day management of the MB are conducted on a collegial basis, also with a view towards balancing the interest of all of the bank's stakeholders. Adhering to these guiding principles, the MB frequently consults the senior management of the bank as well, and a majority of the resolutions are taken following discussions and deliberations at various bank committee meetings. Apart from such regular and frequent meetings, the MB also convenes weekly to discuss generic agenda items. The brief resumes of the MB members are presented in the section "Corporate Governance" of the bank's annual reports.

- *One member of the executive board will have the duty of preparing decision-making by the executive board on risk management. This member will be involved in good time in the preparation of decisions that are of material significance for the bank's risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas. Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.*

While being jointly responsible for the management of DHB Bank, the members of the MB have separate primary responsibilities based on the three lines of defense model. In this respect, in terms of organization, one member is responsible for the second line function, including risk management and credits. Along this organizational set-up, the MB member whose primary responsibilities include, among others, the commercial activities of the bank, is not directly involved in risk management decisions (but involved in risk management via committees and also as part of the first line of defence function).



The utmost care is jointly taken not to deviate from the risk appetite statement, and slight deviations are tackled under consultancy with the SB if/when they occur. The continuity of DHB Bank is the core driver behind risk management. Going beyond the production and review of detailed management information system reports, risk management is a continuous process handled via the different committees of the bank, some of which are Asset and Liability Committee, Risk Management Committee.

The effect that systemic risks may have on the risk profile of the bank is an attention item frequently discussed at, for example, ALCO and Credit Committee meetings, and is also part of the bank's annual exercise in relation to ICAAP and ILAAP.

- *The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care toward customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements for lifelong learning.*

DHB Bank has in place a lifelong learning policy that describes the necessary qualifications for the members of the MB – and the SB – and the methods by which their knowledge base will be maintained to fulfil their respective responsibilities via lifelong learning sessions. The main subjects of lifelong learning sessions are:

- relevant developments at the Bank and in the financial sector.
- corporate governance in general and in the financial sector in particular.
- the duty of care towards and interests of the client.
- integrity.
- ICT-systems.
- compliance.
- risk management.
- accounting principles and financial reporting.
- audit.

The Chairman of the Managing Board determines at the beginning of each year the subjects of the lifelong learning session along with his fellow Managing Directors.

Since 2011, all the MB members in office took part in lifelong learning sessions relating to many subjects concerning banking such as governance, reporting, accounting, risk management, i.e. developments related to the bank and the banking sector.

4 *Risk Policy*

- *A bank's risk policy is characterized by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.*

DHB Bank's risk policy as laid out in its yearly revised Risk Appetite Framework and Risk Appetite Statement (RAS), and applied throughout the whole organization and in different contexts such as budgeting and strategy development, is characterized by an integral approach and is aimed at both the short-term and long-term. RAS consists of many dimensions



(and sub-dimensions) on, but not limited to, capital, strategy & profitability, credit and credit concentration, climate risk, market risks etc.

The risk policy also takes into account reputational risks and non-financial risks, such as regulatory risks, and comprises both quantitative and qualitative metrics.

- *A bank's executive board will be responsible for its risk policy and ensure proper risk management. The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.*

The MB is responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy, as is also more extensively set out in the MB Policy.

The continuity of DHB Bank is the core driver behind risk management. Going beyond the production and review of detailed management information system reports, risk management is a continuous process handled via the different committees of the bank, some of which are Asset / Liability Committee, and Credit Committee. The MB members are also members of these committees. Decisions that are of material significance for the risk profile, the capital allocation or the liquidity are always taken by the MB.

The yearly risk appetite framework and risk appetite statement of DHB Bank is proposed by the MB and approved following deliberations by the SB. Not only interim material changes but also, if and when they occur, slight deviations are submitted to the SB for review and approval.

- *The supervisory board will supervise the risk policy pursued by the executive board. As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the supervisory board will be advised by its risk committee.*

The SB exercises its oversight of risk management principally through the Risk and Audit Committee (RAC), whose members are elected from the SB members. The RAC meets periodically, analyses the bank's risk profile and assesses at a strategic level whether capital allocation and liquidity impact are in line with the approved risk appetite. Through planning and assessments conducted and reports prepared by Risk Management Department, Internal Audit Department (IAD), Compliance & Legal Department, Credits Analysis Department, Information Security and Financial Control Department, RAC is also responsible for the oversight of policies and processes by which risk assessment and management are undertaken within the governance structure, all in the framework of the bank's approved risk appetite statement.

Furthermore, through periodical SB meetings regularly also attended by the MB members, direct communication lines between the SB and MB members, and periodical management information reports or ad hoc reports, depending on the topic, which are relayed to the SB, the MB systematically provides the SB with relevant information for its assessment in such a way that the SB is equipped to form a sound opinion.

5 **Audit**

- *A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations. To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the executive board*



and also have a direct reporting line to the chairman of the supervisory board's audit committee.

DHB Bank has in place an Internal Audit Charter (IAC) that describes the purpose, function, authorities, responsibilities and the organization of the Internal Audit Department (IAD). As per the IAC, the MB ensures that IAD is provided with information necessary to conduct a systemic and independent audit, among others.

The head of internal audit reports does not report to the chairman of the managing board (but, from an organizational line, to another MB member), to ensure that the bank's three lines of defense model is not compromised as the chairman of the MB oversees the first line of defense. The head of internal audit has direct access to the chairman of the supervisory board's audit committee.

- *The internal audit department, external auditor and supervisory board's audit committee will consult periodically.*

The Supervisory Board's Risk and Audit Committee meetings (RAC), which are prescheduled annually and periodically, are regularly attended by internal audit department, external auditors, the MB – and other departments.

Among its many responsibilities, the IAD has the task to assess every year whether the internal control measures have been designed properly, and whether they are present and working effectively. This assessment includes the quality and effectiveness of the system of governance, risk management and the bank's control processes. The IAD reports its findings to the MB and to the RAC.

- *The internal audit department will take the initiative in arranging talks with DNB (the Dutch central bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.*

These meetings are arranged annually for the mentioned purposes.

6 **Remuneration Policy**

- *The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.*

DHB Bank's Bonus Plan and Remuneration Policy, which possess clear and non-ambiguous characteristics, was approved by the General Meeting of Shareholders (GMS) in April 2011. It was further developed in subsequent years with respect to new regulations in this area. It is composed of 4 sub-policies that have separate stipulations for the members of the MB, for the members of senior staff, for other staff engaged in risk management and control functions, and for staff members.

The body overseeing the remuneration of the MB members is the GMS with the recommendation of the SB. With the prior approval of the SB, the MB decides on the variable remuneration for the staff mentioned in the above paragraph. Fixed remuneration above a certain level requires the prior approval of the SB.



This policy and plan are based on the applicable regulations, and amongst others, include stipulations concerning fixed and variable remuneration, with claw back and deferral payment rules. According to a general rule stipulated in the Bonus Plan, variable remuneration does not exceed the maximum of 20% of the gross yearly fixed salary of an employee, and consists of a 50% cash component and a 50% non-cash component. Part of the variable remuneration is granted unconditionally (60%), while the remaining part is granted pro rata over a period of 3 calendar years (deferred).

The remuneration of SB and MB members is reported in the annual reports of the bank.

- *The remuneration policy will have a primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account.*

The remuneration policy stipulates criteria according to many financial and non-financial objectives, all reflecting the bank's long-term strategies and risk policy. From these objectives, performance targets are derived for staff members throughout the organization. Like all the related policies and practices of the bank, it takes into account the expectations of the various stakeholders and social acceptance.

- *The total income of a member of a bank's executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context. The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.*

When the new Managing Board members were appointed in 2013, the salary proposals were benchmarked against national and international standards (a similar exercise was conducted subsequently).and resulted consequently in a salary level that meets the requirements of the Banking Code.

As per the bank's Remuneration Policy "The variable remuneration of the members of the MB is linked to predefined, assessable and influence-able criteria, taking into account the performance of the member of the MB concerned and the results of the Bank as a whole. The most important expectations regarding the performance of the members of the MB are sustainable long-term financial strength of the Bank, sustainable earnings at levels of return expected by the SB and application of sound Risk Management practices, including – but not limited to – the avoidance of unnecessary reputational risk, rather than increasing short-term profits. A substantial portion, and in any event at least 40% of the variable remuneration has to be conditional and deferred over a period of at least three years which is consistent with the business cycle, the nature of the business, its risks and the activities of the member of the MB concerned".

=====