

**CORPORATE GOVERNANCE CODE  
OF ALPHA BANK AD SKOPJE**

## **PREAMBLE**

The Code of Corporate Governance of Alpha Bank AD Skopje (hereinafter “the Code”), adopted at the General Meeting of Shareholders of the Bank on 30.10.2008 and revised on 19.05.2010, was prepared according to the provisions from the Banking Law of the Republic of Macedonia (Official Gazette of RM no. 67/2007) and the Decision on the basic principles of corporate governance in a bank, adopted by the National Bank of the Republic of Macedonia (Official Gazette of RM no. 159/2007).

This Code shall set the basic principles of good corporate governance at the Alpha Bank AD Skopje.

Corporate governance represents sum of mutual relations between the Bank’s shareholders, Supervisory Board, Board of Directors, other persons with special rights and responsibilities in the Bank and other interested entities.

The aim of this Code is to set governance and control system at the Bank designed and managed to establish sustainable and long-term value of the Bank. The purpose of the Code is to satisfy the needs of all interested parties whose well being depends on the Bank’s success. The Code is adopted in order to increase the degree of transparency for all interested parties.

All information on the application of the Code, including data for the amendments to the relevant Bank’s Policy, as well as explanations of the cases of abandonment from the rules of good corporate governance, occurring during certain business year in the Bank, will be incorporated in the Report on Corporate Governance in the Bank, which represents an integral part of the Annual Report on the Bank’s performance, prepared by the Board of Directors at the end of the business year.

The Code and its upcoming amendments and supplements shall be published on the Bank’s web-page.

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## ***I. BASIC PRINCIPLES***

The corporate governance is a system of policies, customs, procedures, laws, and institutions which affect the direction of the Bank, the manner in which the Bank is administrated or controlled. The corporate governance also refers to the relations between the shareholders and the set goals directed by the Bank.

### ***Guaranteeing the rights and interests of shareholders***

Alpha Bank guarantees to all its shareholders realization of the rights from shares stipulated by the legal regulations and the Bank's Statute.

All shareholders may equally take part in the decision-making process on the General Meeting of Shareholders, be nominated and elected member, nominate members to the Bank's bodies.

Shareholders have right to be informed by the Board of Directors about the Bank's activities and performance.

Voting shares realize the right to vote according to the principle "one share-one vote".

### ***Ownership structure transparency***

The Bank's ownership structure, the structure of the Supervisory Board and the Board of Directors and all significant events important to future investors, clients, suppliers and all interested parties shall be published on Alpha Bank's web-site.

The information about securities issued by the Bank shall be announced in the media in the country and on the web-site of Alpha Bank AD Skopje.

Alpha Bank AD Skopje shall notify the NBRM about all changes in its ownership structure.

### ***Social responsibility and development of partnerships with shareholders***

The Bank supports the principles of corporate social responsibility.

The main occupation of the Bank consists of business activities directed towards following these basic obligations:

- ⇒ As per its clients - the Bank is devoted towards complete satisfaction of its clients and continuous improvement of the quality of the offered services and information creating a welcoming environment for its clients.
- ⇒ Regarding its shareholders - the Bank's permanent determination is to create value and reasonable return of the investment
- ⇒ Towards its employees - the Bank is devoted to maintaining a fair compensation, optimal working conditions and a career opportunity according to the merit as well as equal treatment free of discrimination
- ⇒ Towards society - the Bank is obliged to actively contribute to the process and support the basic elements of social cohesion, such as culture, education, health, and living environment.

The Bank accepts the responsibility for its corporate activities towards its shareholders, clients, business partners, the society and the state and respects individuals, their rights and freedoms.

The Bank and its representatives participate in the work of the social organizations, associations and other non-profit institutions.

### ***Efficient management***

One of the most important elements of the principles of corporate governance implemented at the Bank is the adoption of the Business Policy and Development Plan of Alpha Bank AD Skopje.

The indicators for accomplishing the strategy shall be set by the Supervisory Board and the Board of Directors of the Bank on annual basis.

The General Acts of the Bank determine the qualitative and the quantitative indicators for accomplishing the targets of the strategy.

### ***Division of authorities***

The division of authorities between the bodies performing supervision and control and the bodies managing the Bank's operations provides successful implementation of the corporate governance system, established by this Code, respecting the Check and Balance principle.

### ***Efficient control of financial and economic activities***

All operations of Alpha Bank AD Skopje are based on the "four eyes principle for each banking activity".

The Bank has an Internal Audit Department, whose primary goal is to ensure efficiency and adequacy of the Bank's internal control system and its branches. The Internal Audit Department acts preventive and instructive and performs its work independently.

The Bank has established a Section for Control on Compliance which is responsible for identification and monitoring the compliance risk of the Bank. As per the other bank risks, the Bank has also established a Risk Management Department which is responsible for control and management of the models for managing all other types of bank risks.

Annual financial statements are checked and assessed by an audit company, which prepares a report on the conducted audit.

The General Meeting of Shareholders elects annually an audit company which is independent and unrelated to the Bank and its shareholders. An audit company may perform no more than five subsequent audits to the annual financial statements of the Bank.

In order to give priority to coordination of the Bank's risk management, the organizational structure of the Bank includes Risk Management Committee that establishes the policies for risk management, analyses the effectiveness of the current methods of identification, measuring (evaluating) and optimizing the level of Bank's exposure.

### ***Abiding by laws and moral standards***

Alpha Bank AD Skopje acts in accordance with the valid legal regulations in the country and the established corporate and business ethics.

The Ethics Code adopted by the Supervisory Board of Alpha Bank AD Skopje sets the standards of business conduct of the employees, thereby contributing to increasing the reputation, financial stability, efficiency and profitability of the Bank.

### ***Communication and public relations***

Alpha Bank AD Skopje publishes the annual account and financial statements, after being adopted on the General Meeting of Shareholders, on the web-site of Alpha Bank AD Skopje ([www.alphabank.com.mk](http://www.alphabank.com.mk)), in accordance with the Decision on reports and data disclosure by the bank (Official Gazette no. 134/2007).

The Bank strives to provide unrestricted and easy access for its shareholders, investors and other interested parties to the Bank's information, strategy, plans, goals and developing expectations.

When publishing information, the Bank maintains reasonable balance between the need for transparency of information, the commercial interests of the Bank, and information representing business secret or confidential information in terms of price, according to the obligation of preserving confidential information, in the interest of economic safety of the Bank.

The Bank limits the possibility of conflict of interest and shall prevent any misuse of internal information.

The accessibility, efficiency, correctness and kindness should guide all persons referred to in this Code in their public relations.

The information disclosed in public, as well as any reason not to deliver the information should be provided clearly and intelligibly.

All persons implied in this Code should refrain from giving interviews or submitting unofficial information (i.e. information not available to the public) upon their initiative or initiative of the media, without previous permission.

### ***Confidentiality of data***

Employees at Alpha Bank AD Skopje are obliged to keep confidential the information they may access. They have continuous obligation to keep these information confidential regardless of the type of their engagement at the Bank i.e. the type of contract they have concluded with the Bank.

The data is processed by the Bank and shall be considered confidential in accordance with the Bank's policies and practice and the legal provisions in the country.

Personal information on client and employee identification may be delivered upon request of the institutions, stipulated by Article 112 from the Banking Law, upon previous approval by the Board of Directors provided that all legal conditions are met.

### ***Protection of client personal data***

Personal data at the Bank are processed according to the Law on personal data protection by collecting specific, clear and legally stipulated goals in a manner compliant to these goals.

The Bank ensures confidentiality, integrity, personal data protection, according to the legal regulations and the provisions from the Rulebook on the protection of personal data at the Bank and the commitments from the Policy of the Bank's IT system security.

Personal data holders may withdraw the free consent for personal data processing and report violation of the principles of data protection at any time.

Employees at Alpha Bank AD Skopje shall take due care of personal data protection according to the legal regulations and the Bank's internal acts.

Employees at the Bank shall report all cases of violation of personal data protection to the responsible person for information security.

### **Avoiding potential conflict of interests**

**"Conflict between the personal and the Bank's interest"** takes place when the performance of professional or other action directly or indirectly affects the material and non-material interest of the employee or of their family members.

**"Conflict of interests"** shall mean the condition when the personal interest of employees is contrary to the Bank's interest or when personal interest affects or could affect employees' impartiality in the performance of actions for the Bank's interest.

Employees shall respect the principles of legality, equality, efficiency, confidence, impartiality, fairness and professionalism during the performance of their professional authorities and duties and shall act conscientiously, professionally, without discrimination and with total respect for human rights, freedoms, human dignity, without private interest.

During the performance of working authorities and duties, employees shall not be influenced by personal, family, religious, political and ethnic interests, pressures, and promises from the superiors.

Employees may not perform the following:

- Obtain or requests benefit from performance of their duties
- Abuse the rights arising from the performance of working tasks
- Receive reward or other benefit from performance of works which are part of the professional authorities and duties
- Requests or obtains reward or service for influencing on the adoption of decision by a body or person for gaining personal benefit or for the benefit of related persons
- Promise employment or realization of another right by receiving gift or promise for a gift

During the performance of working authorities and duties, employees may not perform any activity that could affect the impartial performance of working tasks and the protection of the Bank's interest.

In case of any doubt of conflict of interest, employees shall undertake all necessary measures to prevent the influence of private interest.

If an employee discovers existence of conflict of interest, they shall request exclusion, cease their action and inform their superior.

### ***Effective common acting with the employees and legal reimbursement***

The Bank, recognizing that the investing in qualified personnel is basis for long-term success, forms Human recourse section that undertakes the continuous care for educating the employees, motivation, social security and personal development of the employees.

In order to motivate the employees to reach higher standards due to fulfilment of the professional duties and obligations as well as to minimize the operational expenses and losses and due to fulfilling the principle for creating optimal expenses the Bank adopted rules for rewarding and bonuses.

The Bank shall direct its attention towards improving and enhancing the corporative and professional culture of its personnel.

### ***Diligence and responsibility***

The employees in Alpha Bank AD Skopje are always expected to perform the duties carefully, diligently, effectively and in the best manner in accordance with their expertise, knowledge, capabilities, responsibilities and the given tasks. It is also expected to be cautious and aware of the importance of their duties and responsibilities, to continuously take care of their moral attitude and to act in a manner that will contribute for maintaining and increasing the trust and the Bank's reputation.

### ***Independence***

The principle of independence is not related to receiving and accepting any fees, premiums, rewarding with gifts from any source i.e. from the Bank or outside the Bank regardless of the fact if the same are in cash or non cash form and that are related to the function in any manner.

If the persons to whom this Code implies, have activities outside the Bank regardless of the fact if the same are with contributions or not, shall not and must not have any negative influence on their obligations and will not harm the Bank's image.

### ***Loyalty and cooperation***

For the employees in Alpha Bank AD Skopje, loyalty refers not only to the fulfilment of the assigned duties by their superiors and the obligations as of the legal and sub legal regulations but also includes helping, advising, transparency and openness of the relationship with the managers and the colleagues. For an ongoing activity, each employee should inform the concerned colleagues.

The persons with special rights and responsibilities shall give the colleagues clear and intelligible verbal or written instructions for the manner of cooperation and communication.

## **II. PROCEDURE FOR CALLING GENERAL MEETING OF SHAREHOLDERS, VOTING PROCEDURE AND SHAREHOLDER'S RIGHTS**

The Bank's General Meeting of Shareholders meets at least once a year.

It is compulsory to hold an annual General Meeting of Shareholders of the Bank which refers to the previous year before the expiry of 6 months of the calendar year.

The General Meeting of Shareholders of the Bank calls the Bank's Supervisory Board with the majority of votes by its members, on its own initiation or upon request by a Bank's shareholder in accordance with Article 385 from the Law on Trade Companies.

The General Meeting of Shareholders shall be called with an invitation sent to all shareholders which shares are recorded in the Shareholder's register, on a manner that enables confirmation that the invitation has been sent to each shareholder.

The General Meeting of Shareholders can be also called by publishing the call to the shareholders in at least one media.

The time period as of the day of sending the invitation i.e. publishing the call for participation on the General Meeting of Shareholders until the day of holding the Meeting must not be shorter than 21 days and must not be longer than 50 days.

Request for adding one or several new points in the agenda of the called Shareholders Meeting is sent to the person that calls the meeting within 8 days as of the day of the sent invitation i.e. as of the day when the call for participating on the General Meeting Shareholders was published.

The request for adding new points in the agenda sent upon the expiration of the time period shall not be taken in consideration.

The request for adding one or several new points in the agenda shall be sent to all shareholders with voting privilege i.e. shall be announced on the same manner on which the invitations have been sent/on the manner on which the call for participation on the General Meeting of Shareholders was published and at least 8 days before the General Meeting of Shareholders shall be held.

The materials regarding the decisions for the General Meeting of Shareholders must be available to the shareholders as of the day of sending the invitation i.e. publishing the call.

All shareholders have the right to discuss and give suggestions upon the points of the Agenda while the shareholders that own voting shares are only eligible to vote on the points of the Agenda.

The General Meeting of Shareholders can decide only upon the issues that have been placed on the Agenda.

### **SHAREHOLDERS RIGHTS**

The shareholders have the following rights and obligations:

- To be informed for the activities and the operations of the Bank as well as to participate in the meetings of the General Meeting of Shareholders and decide for issues from the Agenda
- To participate in the discussion, to propose solution and amend the acts upon which decisions are brought
- To vote for each proposal
- To ask questions and give initiations and proposals

The Bank protects the rights of the minority shareholders particularly: the right to call for a Meeting, proposing points of the Agenda, asking questions referring to the points of the Agenda, participation in discussion, give remarks to the General Meeting of Shareholders and the same to be recorded in the minutes.

## **GENERAL MEETING OF SHAREHOLDERS OPERATIONS**

The General Meeting of Shareholders operates through meetings. In cases when the subject of determining is a business secret, the General Meeting of Shareholders can decide to exclude the public from the meeting.

The General Meeting of Shareholders of the Bank can bring decisions only if the majority of the shareholders with voting shares are present on the meeting.

The General Meeting of Shareholders brings decisions with the majority of the votes from all present or represented shareholders unless the Bank's Statute or the Law stipulates different majority.

The General Meeting of Shareholders brings the following decisions: amendments of the Statute, increasing/decreasing the capital assets and decision for issuing shares with 2/3 majority of the voting shares presented on the meeting.

If the General Meeting of Shareholders does not provides quorum the meeting shall be called again within 15 days and decisions upon the points of the agenda from the previous meeting shall be brought. On the rescheduled meeting decisions shall be brought regardless the number of present shareholders with voting shares or the number of shares they own, unless for issues that are determined with the Bank's Statute or Law i.e. majority of the votes is stipulated.

The Agenda shall be adopted when the shareholders or their representatives/deputies i.e. representatives of the shareholders that provide the majority of the votes on the meeting shall state their opinion.

Upon the adoption of the Agenda each point shall be reviewed, discussed and decisions shall be brought.

## **VOTING PROCEDURE**

Upon the discussion for each point of the Agenda, the content of the act, decision, conclusion and the recommendation is determined.

If upon the submitted proposal there is proposal for amendment or supplement the Chairman can give short break due for its analysis.

In case when there is proposal for amendment of the Act, decision is primarily brought for the amendment hence for the final content of the Act.

All shareholders are treated equally in accordance with the rights arising from the class and the type of the shares.

The voting shares practice this right in accordance with the principle one share – one vote.

The shareholders that own ordinary shares recorded in the shareholders register have the right to vote and give proposals at the General Meeting of Shareholders.

The voting is public and the same in conducted by raising hand.

If this manner of voting is not reliable, the Chairman can determine the voting to be made by calling by name according to the list of shareholders where the number of votes in accordance with the shares is recorded.

Upon the voting, the Chairman determines and announces the result of the voting.

The General Meeting of Shareholders brings the decisions in accordance with the majority stipulated by the Bank's Statute.

The informing, form and the manner of publishing the decisions by the General Meeting of Shareholders are made on a manner determined by the Bank's Statute.

The General Meeting of Shareholders monitors the implementation and conducts annual review of the Bank's Code on corporate governance.

### ***III. OBLIGATIONS AND RESPONSIBILITIES OF THE SUPERVISORY BOARD, THE BOARD OF DIRECTORS AND OTHER BODIES, AND THEIR METHOD OF OPERATING***

#### **SUPERVISORY BOARD**

The Supervisory Board is responsible for supervision of the activities of the Board of Directors, approving the policies for conducting financial activities and monitoring their implementation. The Supervisory Board provides support to the Board of Directors in the process of Bank management and it provides assistance particularly in the process of making decisions that are of crucial importance.

The Supervisory Board within the frames of its authorisations is responsible for providing good operating, management and stability of the Bank as well as prompt and accurate financial reporting to the NBRM.

The Supervisory Board of the Bank consists of five members out of which two are independent members.

The term of office of the Supervisory Board members is four years.

The Supervisory Board shall elect one of its members as president.

The Supervisory Board meets at least once a month.

The Supervisory Board nominates and releases from duty the members of the Board of Directors and has the right to terminate their employment.

The Rules of Procedure of the Supervisory Board and the Board of Directors shall define the diversification of the responsibilities and the method of cooperation between the members of the Board of Directors and the Supervisory Board.

The Rules of Procedure of the Supervisory Board shall consist of the provisions in relation to establishing committees and the scope of their competences.

The Supervisory Board approves the Code of Ethics of the Bank that is prepared by the Board of Directors. The Code of Ethics represents a set of professional standards and corporate values that will be equally applied on all members of the Supervisory Board, the Board of Directors, the persons with special rights and responsibilities and the employees of the Bank. This Code shall regulate the following:

- ✓ avoiding conflict of interests
- ✓ avoiding corruption and other illegal and unethical behaviour
- ✓ avoiding transactions with persons connected to the Bank, and
- ✓ keeping a business secret.

The Board of Directors based on the principles established with the Code of Ethics of the Bank, prepares policy and procedures which are approved by the Supervisory Board. These policies and procedures identify the potential conflicts of interests and define the measures and the activities that will be undertaken in case of conflict of interests.

The Supervisory Board and the Board of Directors are obliged to establish policies and procedures with which the employees of the Bank will be provided with unobstructed communication and possibilities for reporting each case of corruption and other illegal or unethical behaviours and

activities, where protection of the rights of the employees who reported the occurrence of these activities, will be provided.

The Supervisory Board and the Board of Directors are obliged to provide the reports of the employees which refer to corruption to be submitted by the employees to the Internal Audit Department and the Compliance and Information Security Department.

The Supervisory Board, at least once a year, conducts individual and collective self-assessment and notifies the General Meeting of Shareholders about the same.

## **BOARD OF DIRECTORS**

The Bank's Board of Directors presents and represents the Bank and manages its operations. The Board of Directors is comprised of two members – First General Manager and Second General Manager.

The Board of Directors is fully responsible for the management of the Bank and for its representation; the Board of Directors is also obliged to take in consideration the interests of all shareholders, employees and all interested parties, in its operations.

The Board of Directors is responsible for implementation of the decisions by the General Meeting of Shareholders, the Supervisory Board and the decisions that shall be brought by the Board of Directors.

The Board of Directors shall be fully responsible for tasks within the scope of communications that influence the Bank's reputation.

The Bank's Board of Directors is also responsible for:

- ✓ providing conditions for Bank's operations in accordance with the regulations;
- ✓ managing and monitoring the risks to which the Bank is exposed in its operations;
- ✓ achieving and maintaining adequate level of own funds;
- ✓ functioning of the internal control system in all areas of the Bank's operations;
- ✓ continuous operations of the Internal Audit Department;
- ✓ managing trade books and other business records of the Bank, preparation of financial and other reports in accordance with the accountancy regulations and standards;
- ✓ prompt and accurate financial reporting
- ✓ continuous operations of the Compliance and IT Security Department of the Bank
- ✓ prompt and accurate reports submitted to the NBRM, in accordance with the law and regulations as well as conductance of the measures said by the Governor to the Bank

The Supervisory Board is obliged to immediately inform the Supervisory Board for the following:

- ✓ deteriorated liquidity or solvency of the Bank;
- ✓ possibility for cancellation of the licence for operation or ban for performing individual financial activity in accordance with the law;
- ✓ decrease of the own funds under the minimum stipulated level in accordance with this law;
- ✓ the findings by the supervision and the audit by NBRM as well as on the findings by the Public Revenues Office and other controlling bodies.

Member of the Supervisory Board are obliged to immediately inform the Supervisory Board if they or a connected person to them, acquire control at other legal entity.

If the persons with special rights and responsibilities determine that the decision by the Bank's bodies is opposite of the legal and sub legal acts or their content can endanger the Bank's liquidity or its stability and safety, then they are obliged to inform the Supervisory Board and NBRM in written.

## **RISK MANAGEMENT COMMITTEE**

The members of the Risk Management Committee are First General Manager, Manager of Risk Department and Manager of Credit Department.

The Risk Management Committee meets at least once a week and reports to the Supervisory Board at least once a month. It notifies the Audit Committee upon issues from the scope of its activities at least quarterly.

The Risk Management Committee shall deliver a report on the transactions with the persons related to the Bank, to the Supervisory Board at least quarterly.

The Risk Management Committee, at least once a year, conducts self-assessment on individual and group basis and delivers the report for reviewing to the Supervisory Board.

## **AUDIT COMMITTEE**

The majority of the members of the Audit Committee shall be elected from the members of the Supervisory Board, taking into consideration the fact that the other members have to be independent.

At least one member of the Audit Committee has to be an authorised auditor.

The Rules of Procedure prepared by the Audit Committee shall be approved by the Supervisory Board.

The Audit Committee meets at least quarterly unless the Supervisory Board requires it to meet more frequently.

The Audit Committee, at least once a year, conducts self-assessment and delivers annual report for its activities to the General Meeting of Shareholders and the Supervisory Board.

## ***IV. COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS, THE TYPE, TERMS AND THE MANNERS IN WHICH THE BOARD OF DIRECTORS SUBMITS INFORMATION AND DOCUMENTS TO THE SUPERVISORY BOARD; THE MANNER OF ACTING IN CASE OF CONFLICT OF INTERESTS***

The Board of Directors and the Supervisory Board of the Bank have close cooperation while determining the most important issues from the Bank's operations, particularly about:

- ✓ defining the Bank's business targets;
- ✓ strategies for undertaking risks and risk management;
- ✓ the risk level profile of the Bank;
- ✓ policies for achieving business targets and the targets referring to the profile of risk for the Bank;
- ✓ the Board of Directors and the Supervisory Board hold regular meetings (at least on monthly basis);
- ✓ the Board of Directors and the Supervisory Board communicate written proposals for improving the corporate management of the Bank;

The Board of Directors submits to the Supervisory Board: detailed information for all relevant issues referring to the development of events in the business area, including assessment of dominant risks and the risk management in the Bank as well as in the companies where the Bank has shares. This is done periodically and promptly.

If an event of great significance occurs, the Board of Directors informs the president of the Supervisory Board.

The Supervisory Board is immediately informed about any circumstances that could have material effect on the profitability, solvency or the liquidity of the Bank (ad hoc report).

In accordance with the principle of good corporate management, the management of the Bank is achieved through an open discussion between the Board of Directors and the Supervisory Board as well as internally within the bodies.

The Board of Directors shall agree with the Supervisory Board about the Bank's strategic directions and occasionally shall open discussion for the improvement of the implementation of the strategy determined with the business policy, the Bank's development plan, the development, financial plan of the Bank and the system of internal control.

The Supervisory Board and the Board of Directors in accordance with the scope and type off the activities provide understandable, transparent and documented procedure for brining and implementing the decisions as well as clear and consistent spilt of rights and responsibilities.

Cooperation between the Supervisory and the Board of Directors is based on permanent and documented basis, particularly for the following:

- ✓ adopting Rules of Procedure for the Board of Directors where the working procedure of the Board of Directors will be defined;
- ✓ adopting Rules of Work of the Supervisory Board where the working procedure of the Supervisory Board will be defined;
- ✓ requests from the Supervisory Board to the Board of Directors for analyzing certain issues as well as for preparing reports upon the same, preparation of proposal – acts, giving proposals for their improvement;
- ✓ preparation of minutes from held meetings;
- ✓ the right of each member of the Supervisory Board to review the overall documentation from the operations of the Board of Directors and the other bodies in the Bank;
- ✓ preparation of regular and ad hoc reports for the Supervisory board, i.e. the General Meeting of the company;
- ✓ preparation of regular (monthly) reports by the Board of Directors regarding its operations and submitting them to the Supervisory Board;

Of particular importance of the established system of good corporate governance is the following: each member, if they consider that the brought decisions by the Supervisory Board i.e. the Board of Directors are opposite of the business targets, strategies and the Bank's policies are opposite of the responsibilities and the tasks of this body, has the right to express its opinion in written form to the respective body. In any case, they have right to request this remark to be inserted in the Minutes from the meeting of the Supervisory Board or Board of Directors.

The Board of Directors at least once a year submits to the Supervisory Board an Annual report on the Bank's operations and Report on the placement and the efficiency of the system for internal control.

In order the members to be prepared for constructive discussion on the meeting, the materials and the documents as per the Agenda, should be prepared and submitted for disposal to all members of the Supervisory Board at least one week before the respective meeting.

The members of the Supervisory Board and the Board of Directors when reaching the decisions are voting without being lead from personal interests or from the interests of individual shareholder, i.e. shareholders that own controlling package of shares. The decisions shall be based on the facts and in accordance with the regulations in force.

## **CONFLICT OF INTERESTS**

The persons with special rights and responsibilities are obliged to deliver written statements for existence and non-existence of a conflict of their personal interest with the interest of the Bank, regularly, each six months.

The personal interest of the persons includes also the interests of the persons related to them.

A conflict between the personal interest and the interest of the Bank exists when the processes of making decisions, concluding contracts or conducting other business activities affects the material

or any other type of business or family interests of the persons with special rights and responsibilities.

Realisation of material, business, and family interest understands realisation of direct or indirect financial or other type of benefit for the person with special rights and responsibilities.

The persons with special rights and responsibilities are not allowed to attend the process of reviewing and making decisions, they are also not allowed to conclude contracts or to perform other business activities if their objectivity is brought into question due to the existence of a conflict between their personal and the interest of the Bank.

A written statement on the existence of conflict of interests shall be also provided prior to holding the meeting for reviewing and making decisions, concluding contracts or performing other business activity.

The written statements are delivered to the Supervisory Board and the Board of Directors of the Bank. The statements include the basis for the conflict between the personal and the interest of the Bank.

If the person with special rights and responsibilities conceals an existing conflict of interests, the NBRM or other entity which has legal interest before the competent court may request annulment of the legal matters in accordance with the law.

The members or persons may not participate in the decision making if their objectivity is brought into question due to existence of mutual interest or conflict of interests with persons related to the relevant contract or the legal matters.

A statement shall be issued for the existence of mutual interest or conflict of interests prior to the reviewing of the relevant case.

A member or a person with special rights and responsibilities who has material interest or material connection is obliged to walk out of the meeting at which the relevant case is being reviewed and they have to refrain themselves from voting upon any matter related thereon.

Each interest shall be considered material if the members or persons realise material benefit, i.e. business or family interests or if they realise material benefit on behalf of other legal entity of which they are direct or indirect owners or realise mutual interest or manage the legal entity.

If there is a case of concealment of an existing material interest or conflict of interests in accordance with these provisions, the competent court may suspend the contract or the legal matter upon a request by the Bank or by a shareholder of the Bank.

## ***V. CRITERIA AND RULES FOR NOMINATING MEMBERS OF THE SUPERVISORY BOARD AND METHOD OF REWARDING***

When nominating the members of the Supervisory Board, the General Meeting of Shareholders of the Bank shall take care of the balanced presence of know-how and adequate qualification of the members of the Supervisory Board.

The Supervisory Board shall meet at least once a month and shall assess its operations at least once a year. The assessment is reported to the General Meeting of Shareholders of the Bank.

The members of the Supervisory Board may not be members of the Board of Directors, Supervisory Boards, Audit Committees, and Risk Management Committees in other banks in the country. Members of the Supervisory Board may not be persons nominated by company – net debtor of the Bank.

The members of the Supervisory Board shall meet at least the following criteria and qualifications:

- ✓ University degree

- ✓ Knowledge in regulations on banking and/or financial operations, knowledge in financial industry and the environment in which the Bank operates
- ✓ Experience contributing to stable, secure and efficient management and supervision of the Bank's operations
- ✓ Honesty, competence and capability for independent assessment and strong personal integrity
- ✓ Understanding the Bank's risk profile
- ✓ Understanding their role in the corporate governance and efficiently performing the Bank's supervision
- ✓ Knowledge in the regulatory environment and taking care of establishing and maintaining the professional relations with the NBRM and other authorized supervisory and regulatory institutions
- ✓ Displaying loyalty and concern for the Bank;
- ✓ Avoiding conflict of interest or possible conflict of interest.

**VI. CRITERIA AND RULES FOR NOMINATING MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, MEMBERS OF THE RISK MANAGEMENT COMMITTEE AND OTHER BODIES OF THE BANK**

**BOARD OF DIRECTORS**

The Supervisory Board shall define the profile of the members of the Board of Directors and shall take it as basis when nominating members of the Board of Directors.

The Supervisory Board shall pay due attention to planning successors for the members of the Board of Directors.

The Supervisory Board shall ensure that the nominated member of the Board of Directors meets at least the following criteria:

- ✓ At least 6 years of successful working experience in the area of finance or banking or 3 years working experience as a person with special rights and responsibilities in a bank, with activities related to the Bank
- ✓ Be familiar with the risk profile of the Bank
- ✓ Be well acquainted with the regulations from the area of banking operations
- ✓ Be fair, reputable, professional, capable of organizational operations, independent when assessing and making decisions, with strong personal integrity
- ✓ Express willingness and ability to comply with the highest standards of ethical behaviour
- ✓ Conduct their function honourably, independently, impartially and discretely
- ✓ Possess quality to be loyal to the Bank
- ✓ Take care for the reputation and the successful performance of the Bank and avoid conflict of interest or possible conflict of interest
- ✓ Member of the Board of Directors may not be member of a managing body or Supervisory Board of another company
- ✓ At least one of the members of the Board of Directors must know Macedonian language and its Cyrillic alphabet and have permanent residence in Macedonia

The members of the Board of Directors shall be regularly employed with the Bank.

The Supervisory Board adopts the Policy for rewarding the members of the Board of Directors. The reward is comprised of fixed salary and variable part in relation with the successful performance. The Supervisory Board determines the rules and the criteria for the fee, the annual bonuses and other non financial income.

**RISK MANAGEMENT COMMITTEE**

Members of the Risk Management Committee are elected from the persons with special rights and responsibilities employed in the Bank. One of the members of the Board of Directors shall also be a member to this Committee.

The Supervisory Board must ensure that nominated members of the Risk Management Committee meet at least the following criteria:

- ✓ At least 3 years of working experience in the area of banking and finance
- ✓ University degree;
- ✓ Knowledge in regulations on banking and financial operations
- ✓ Ability for independent assessment, honesty and strong personal integrity;
- ✓ Readiness to put the Bank's interests before own interests and to avoid conflict of interests.

## **AUDIT COMMITTEE**

Majority of the members of the Audit Committee are selected among the members of the Supervisory Board and other members are independent members. At least one member of the Audit Committee must be authorized auditor.

In appointing the members of the Audit Committee, the General Meeting of Shareholders must meet at least the following criteria:

- ✓ To be qualified, experienced and competent in understanding the role and the responsibility that the committee has within the Bank;
- ✓ To be independent, neutral and objective in its work;
- ✓ To have good knowledge of the operations of the Bank, its products and services;
- ✓ To have good knowledge of the risks to which the Bank is exposed;
- ✓ To have good knowledge of the internal control systems and the risk managing policies of the Bank;
- ✓ To have good knowledge in accounting and auditing.

## **LIMITATIONS**

Member of the Supervisory Board, Board of Directors, Audit Committee and Risk Management Committee as well as other persons with special rights and responsibilities may not be the following persons:

- ✓ Person convicted in prison for criminal offence in banking and finance sphere;
- ✓ Person who has been passed offence sanction or imposed punishment for exercising his profession, activity or duty;
- ✓ Person without reputation thus jeopardizing the reliable and stable operation of the Bank;
- ✓ Person not acting in accordance with the measures imposed by the Governor, hence jeopardizing the safety and stability of the Bank;
- ✓ Member of the Supervisory Board, Board of Directors, Audit Committee and Risk Management Committee, or employee of another Bank or person that is connected person, with legal entity where Bank participates;
- ✓ Person that conducted function with special rights and responsibilities in a bank or other legal entity upon which a liquidation or bankruptcy procedure is initiated.

## **VII. ROLE, IMPORTANCE AND SCOPE OF OPERATIONS OF INTERNAL AUDIT, EXTERNAL AUDITOR AND COMPLIANCE AND INFORMATION SECURITY DEPARTMENT**

### **INTERNAL AUDIT DEPARTMENT**

The Supervisory Board of the Bank established and organized Internal Audit Department as independent organizational unit of the Bank, whose employees perform activities only for the needs of the Department. At least one of the employees must be authorized auditor.

Internal Audit Department exercises full review of the legality, regularity and efficiency of the Bank's operations as well as regular review of the implementation of professional standards and corporate values in the Bank.

The role of the Internal Audit Department has the target to improve the efficiency of the risk management, control Bank's management by a systematic, disciplinary approach. This is done by conducting audit on all functions and activities of the Bank. Discontinuity in the process of providing services can cause discontinuity or disturbance in the business process and that could eventually be the cause for expressing loss.

The Internal Audit Department prepares Annual work plan which is approved by the Supervisory Board. The Department is obliged to prepare semi annual and annual reports for its operations that are hence submitted to the Supervisory Board, Board of Directors and Audit Committee.

The Supervisory Board is obliged to submit the Annual report prepared by the Internal Audit Department to the General Meeting of the Bank and the NBRM.

For its operations and activities the Internal Audit Department will follow the principles of:

- ✓ Continuity in conducting the function.
- ✓ Independence in conducting the function.
- ✓ Professional competence.
- ✓ Policies and procedures for internal audit.
- ✓ Objectivity.

Internal Audit Department conducts regular and complete audit on the legality, regularity and efficiency of the Bank's operations, by:

- ✓ assessing the position of the informational system, including the electronic informational system, electronic banking services and IT system for managing purposes;
- ✓ testing implementation of certain transactions and procedures of internal control;
- ✓ verifying and testing the accuracy, validity and the promptness of the reporting, in accordance with the regulations;
- ✓ assessing the economic and general efficiency of Bank's operations;
- ✓ conducting particular investigations in the Bank;
- ✓ assessing the adequacy and the efficiency of the system for internal control;
- ✓ assessing implementation of the policies, procedures and methodologies for risk management and position of capital adequacy in relation to the assessed risks;
- ✓ assessing the accuracy and the validity of the Trading Registry and the financial reports;
- ✓ assessing the systems for money laundering prevention;
- ✓ assessing compliance with the regulations, Code for Corporate Management, Code of Ethics and Bank's policies and procedures;
- ✓ assessing the services received from the outsourcing agencies of the Bank
- ✓ Providing consultations, recommendations and opinions within the scope of its operations, to the Managers of the Organizational units of the Bank and the Board of Directors.

Employees in the Internal Audit Department have the right to an unimpeded access to all data and documents of the Bank, to all informational systems and free entrance in all business premises, regardless of the manner and the place where they are kept or the level of confidentiality.

Internal Audit Department of the Bank collaborates with external audit by exchanging information on matters of common interest, opinions about the audit techniques, methods of work, interpretation of terminology and provides the reports that are produced as a result of performing the duties of the internal audit and so on.

## **EXTERNAL AUDIT**

External audit on the financial reports and the Trade Registry of the Bank shall be implemented in accordance with the internationally recognized audit standards, Code of Ethics for professional accountants verified by the International Federation of Accountants as well as other regulations which regulate the operations of the external audit.

The independence of the selected Audit Company is crucial for conducting profound and impartial audit i.e. presence of partiality and subjectivity is not allowed.

The auditor shall instantaneously inform the President of the Supervisory Board about any reasons that can potentially create grounds for exclusion or subjectivity which they will be informed about during the audit, unless the same are removed.

Prior to submitting the proposal for audit company appointment to the General Meeting of the Shareholders and prior to the appointment of auditors by the General Meeting of the Shareholders, the auditor must give a written statement that would confirm the fact that there are no reasons for his exclusion provided by the Banking Law.

The external auditor shall conduct special analysis on the functioning of the internal control and internal audit systems, trade registers maintenance, adequacy of the accounting policies and procedures of the Bank, evaluation of the on-balance and off-balance assets and liabilities, risk management systems, security of the information system and all the employees of the Bank, the members of the Board of Directors, the Supervisory Board and especially the Internal Audit Department shall be utterly cooperative.

The Internal Audit Department of the Bank cooperates with the external audit in the following manner: exchange information for the activities of mutual interest, opinions in relation to the techniques of audit, methods of working, interpretation of the terminology and makes available all the reports created as a result of conducting the duties of the internal audit.

External auditor, despite preparing Report on the performed external audit to the Board of Directors of the Bank, shall submit a letter that will highlight the weaknesses that were discovered by the audit. Also in the letter, the external auditor will make an assessment of the effectiveness of risk management of the Bank and the findings will be submitted to the Board of Directors. The Board of Directors will submit this letter to the Supervisory Board of the Bank and the Internal Audit Department.

The report for the conducted external audit of the Bank shall be prepared by the Audit company along with the remarks on the report and the annual account on financial reports, which shall be published by the Bank in at least one newspaper within 15 days from the day when the same was adopted by the General Meeting of the Bank.

The Bank's bodies cooperate with the authorized persons from NBRM that conduct supervision. This is done through periodical meetings, where information of mutual interest is provided and compliance and implementation of the recommendations from the supervision, internal audit and the external auditor are discussed.

## **COMPLIANCE AND INFORMATION SECURITY DEPARTMENT**

The Board of Directors organized the Compliance and Information Security Department of the Bank.

The Department is responsible for identifying and monitoring risks of non-conformity of the Bank's operations with the regulations. Risk of non-compliance with the regulations comprises risk measures imposed by the NBRM concerning financial losses and reputational risk which results from coordination oversight in the operation of the Bank and the regulations.

Employees of the Department are independent in performing the activities under their authorization.

The Board of Directors shall prepare, and the Supervisory Board shall approve and supervise the written policy for continuous and efficient implementation of the control of the Bank's compliance with the regulations. With this policy, the position of the Department shall be provided and access to all information necessary for its operations as well as mechanism for undisturbed activities of the Department in relation to the persons obliged to cooperate with the Department shall be established.

In order to have quality performance of the obligations stipulated with this Code and the adopted policy, the employees in the Compliance and Information Security Department have obligation to:

- ✓ monitor the regulations in relation to the Bank's operations;
- ✓ identify the risks which the Bank will be faced with due to non compliance of the Bank with the regulations;
- ✓ immediately inform the Board of Directors for the type of changes and the consequences which the Bank might be faced with, due to non compliance
- ✓ give advices to the Board of Directors in relation to the changes of the regulations;
- ✓ inform and conduct training for the employees of the Bank in order to comply their operation with the changes in the regulations;
- ✓ monitor Bank's compliance with the regulations and to conduct assessment on the compliance of the new products of the Bank as well as the business process of the Bank, and

- ✓ fulfil other obligations stipulated by the law and other regulations.

Employees of the Bank are obliged to allow insight in the documentation they have and give all necessary information to the employees of Compliance and Information Security Department.

The Head of the Department submits monthly report about their activities to the Board of Directors and delivers quarterly report about their activities for review to the Audit Committee after which the same report is delivered to the Supervisory Board for verification.

### ***VIII. FINAL PROVISIONS***

This Code for Corporate Governance shall enter into force on the day of approving the same by the General Meeting of Shareholders of the Bank. Amendments and supplements to this Code shall be made in accordance with the Decision by the General Meeting of the Bank.

The Bank, in accordance with the interests of its shareholders, creditors, clients, business partners and all interested entities, shall constantly monitor and control the compliance of its activities with the provisions of this Code.

The Bank shall update, change and amend the provisions of this Code in accordance with the changes of the regulations, the Statute of the Bank and the standards of safe and sound corporate management that are common in the international business practice.

Information on the implemented system of good corporate governance in Alpha Bank AD Skopje shall be delivered on the web-site of Alpha Bank [www.alphabank.com.mk](http://www.alphabank.com.mk).

General Meeting of Shareholders  
ALPHA BANK AD SKOPJE

Konstantinos V. Mouroutsos  
Chairperson