

Citadele Terms Against Prohibited Conduct

This document sets forth the list of certain activities prohibited by AS Citadele banka (“Citadele” or “the Bank”) and its group companies, hereafter referred to as “Citadele Group”, with the purpose of preventing and deterring Prohibited Conduct (as defined below).

Citadele Group is committed to ensuring that its funds are used for the purposes intended and the Clients and Service Providers (as defined below) are obliged not to engage in Prohibited Conduct in its business and operations, as well as to implement necessary measures to address and to combat Prohibited Conduct. In this context, the Citadele Group shall endeavour to ensure that its Clients’ and Service Provider’s activities and operations are free from Prohibited Conduct.

1. General Principles

- 1.1. The Citadele Group does not tolerate any kind of Prohibited Conduct and expects a similar attitude and conduct from its clients and business partners.
- 1.2. Any suspicion of Prohibited Conduct must be reported promptly to Citadele Group. If determined relevant, it shall be investigated thoroughly and fairly. Those who have been found to be engaged in Prohibited Conduct shall face such liability as specified in documents establishing transaction relations with the respective Client or Service Provider, as well as under applicable law. Appropriate legal steps may be taken to recover misapplied funds as well as to terminate the business relationship with the party involved in the Prohibited Conduct.
- 1.3. The Citadele Group shall also assist and support the investigations and prosecutions of the competent authorities.

2. Definitions

- 2.1. **Prohibited Conduct** includes corruption, fraud, coercion, collusion, obstruction, money laundering and financing of terrorism, proliferation and Sanctions violations and/or evasion, artificial arrangements aimed at tax avoidance, and tax crimes, defined as follows:

A **corrupt practice** means offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly (e.g., misusing a person’s formal position, powers, or exceeding such powers) the actions of another person.

A **fraudulent practice** means act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, any person intended to result in financial or personal gain or to avoid an obligation including an illegal act aimed at acquisition of property and information or the right to acquisition of such property or information using trust in bad faith or deceit.

A **coercive practice** means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of a person to compel or prevent the person from performing or refusing to perform actions to which that person has a legal right;

A **collusive practice** means an arrangement between two or more persons designed to achieve an improper purpose, including influencing improperly the actions of another person.

An **obstructive practice** means (a) destroying, falsifying, altering or concealing of evidence material to the investigation, or making false statements to investigators, with the intent to impede the investigation; (b) threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (c) acts intended to impede the exercise of the Citadele Group’s contractual rights of audit or inspection or access to information.

Artificial arrangements aimed at tax avoidance means wholly artificial (abusive) arrangements (transaction, scheme, action, operation, agreement, grant, understanding, promise, undertaking or event), created aimed at circumventing the application of applicable legislation with the purpose to avoid tax and leads to a tax benefit (e.g., artificial transfer of profits or establishment of a subsidiary with a sole purpose of tax avoidance, circular transactions).

Money laundering, financing of terrorism and proliferation each have the meaning defined in the AML Directives and applicable legal acts.

General meaning of money laundering is:

- (i) the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person's action;
- (ii) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such an activity;
- (iii) the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such an activity; and
- (iv) participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions referred to in the foregoing points.

General meaning of financing of terrorism is the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, with the aim to finance terrorism. Terrorism means blasting, firing, use of nuclear and chemical, chemical, biological, bacteriological, toxic or other types of weapons of mass destruction, mass contamination, epidemics, dissemination of epizootics, hijacking of persons, hostage taking, hijacking of air, land or water transport vehicles, or other acts, if perpetrated with the aim to intimidate population or compel a country, its institutions or international organisations to perform an action or refrain from it, or to injure the interests of a country, its population or an international organisation. It shall not be necessary that the funds be in fact used, in full or in part, to commit, or to contribute to the commission of any of those offences, nor shall it be required that the offender knows for which specific offence or offences the funds are to be used.

General meaning of financing of proliferation is the direct or indirect collection or transfer of financial resources or other property by any form with a view to use or with the knowledge that these resources will be fully or partly used to fund manufacture, storage, movement, use, or proliferation of weapons of mass destruction.

For this purpose:

"AML Directives" means the 4th and 5th AML Directives and the AML Criminal Law Directive.

"4th and 5th AML Directives" means Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, as amended by Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849, and as further amended, supplemented or restated.

"AML Criminal Law Directive" means Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law, as amended, supplemented or restated.

"Sanctions" means any financial, civil or other restrictive measures and/or embargoes (including "sectorial sanctions"), implemented fully or partially, directly or indirectly against particular persons, goods or services, countries or territories or any other entities or activities by:

- a) United Nations Security Council;
- b) European Union;
- c) Latvia, Lithuania or Estonia;

- d) United States of America (including U.S. Department of the Treasury Office of Foreign Assets Control (OFAC));
- e) by any other country with regards to any person, business relationship, transaction, dealing or other activity involving nexus with the particular country; and/or
- f) any public institution of the aforementioned countries or organizations.

2.2. For Clients, whose financing is provided or supported by EIF, EIB or any EU institution, the Prohibited Conduct includes also fraud and other illegal activity against the financial interests of EIF or EU as defined in the PIF Directive.

For this purpose:

“**PIF Directive**” means Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law as amended, supplemented or restated.

3. Scope of these terms

- 3.1. These terms apply to all operations and activities implemented on behalf of and/or financed by the Citadele Group using its own or third-party resources and corporate procurement of Citadele Group, as well as in other agreements with whom there is a respective reference to these terms. These terms apply to the following individuals and entities:
- a. corporate clients of Citadele Group, i.e. any corporate entities with whom Citadele Group has established transaction relations, as well as their officers, representatives, shareholders and beneficiary owners) (referred to herein as “Clients”);
 - b. tenderers, contractors, suppliers, service providers and other persons or entities procured by the Citadele Group, as well as other persons who are obliged to follow these terms under their agreement concluded with Citadele Group (referred to herein as “Service Providers”).

4. Measures to Prevent Prohibited Conduct

- 4.1. Both, the Clients and Service Providers are obliged to take such measures that are necessary to prevent any Prohibited Conduct. Such measures, depending on the nature and size of business of each respective Client or Service Provider may include (but not limited to):
- a. adopting respective policies and/or principles;
 - b. implementing respective internal documentation, instructions or guidelines;
 - c. provide regular trainings for officers and employees; and/or
 - d. control of the respective measures.

5. Principles for the conduct of investigations

- 5.1. Each Client and Service Provider is required to report to Citadele any allegation of Prohibited Conduct immediately after becoming aware of the matter.
- 5.2. A report can be made:
- by sending a letter addressed to AS "Citadele banka", Compliance department, Republikas laukums 2A, Riga, LV-1010, Latvia; or
 - by email to notifications@citadele.lv, or
 - person, which acts as contact person with the respective Client or Service Provider (if any), or
 - by filling in an [electronic report form](#).
- 5.3. Clients, whose financing is provided or supported by EIF, EIB or any EU institution, who alleges a case of maladministration (as explained below) by EIF, EIB or any EU institution in its decisions, actions and/or omissions can lodge a complaint with Citadele, who will further process the complaint to respective EU complaints mechanism. The latter cannot handle allegations of Prohibited Conduct.
- 5.4. Maladministration means poor or failed administration. This occurs when EIF, EIB or any EU institution fails to act in accordance with the applicable legislation and/or established policies, standards and procedures, fails to respect the principles of good administration or violates human rights. Some examples of maladministration, as set by the European Ombudsman, are:

administrative irregularities, unfairness, discrimination, abuse of power, failure to reply, refusal of information, unnecessary delay.

- 5.5. All allegations of Prohibited Conduct will be treated by Citadele confidential (subject to disclosure rights as specified below, in mutual contracts or under law), and may be made anonymously.
- 5.6. In certain cases Citadele may carry out a proactive review on relevant Client's operation or activity (or inactivity). Without prejudice to the rights of Citadele Group specified in relevant contracts with the Clients or Service Providers, the objectives of such review are to:
 - a. help prevent and detect Prohibited Conduct at an early stage;
 - b. determine if contracts were implemented according to their terms; and
 - c. recommend improvements to policies, procedures and controls so as to mitigate the opportunities for Prohibited Conduct in current and future operations and activities.
- 5.7. Having received any public or third party information, a report or complaint on alleged or suspected Prohibited Conduct, Citadele Group, working in close collaboration and full transparency with respective governmental and EU authorities (if necessary), shall have the following rights:
 - a. to request and receive any information, documents, explanations and reports of alleged or suspected Prohibited Conduct, including visiting and inspecting premises;
 - b. to assess and investigate such matters and to cooperate directly with relevant EU institutions, if necessary;
 - c. to require termination of any Prohibited Conduct and reasonable elimination of its consequences, if such is possible; and
 - d. to report its findings and recommendations to respective authorities, if the alleged Prohibited Conduct may have consequences of criminal offence, or to EU institutions or authorities, if financing to the Client is provided or supported by EIF, EIB or any EU institution, and to the respective Client or Service Provider, unless the report or complaint on alleged or suspected Prohibited Conduct has been anonymous and such disclosure of findings is not prohibited by law.
- 5.8. Citadele Group may refer suspected Prohibited Conduct to national authorities within and/or outside the EU for further investigation and/or criminal prosecution and provide further assistance as may be requested.
- 5.9. If there is evidence that any Prohibited Conduct has been carried out by the Client or Service Provider, Citadele Group has right to apply such additional measures, which are mentioned in the relevant contract with the Client or Service Provider or which are provided in the applicable law.
- 5.10. In the event of an investigation by judicial authorities, law enforcement, administrative, legal or tax authorities, Citadele Group may decide to await the results of such an investigation and request a copy of their findings before taking further action.
- 5.11. The processing of personal data for the purposes of activities mentioned herein shall be managed in keeping with the principles and rules provided for in the regulations and policies applicable to Citadele Group.