

Charter of the compliance and integrity function DNB (2024)

1. INTRODUCTION

De Nederlandsche Bank (DNB) seeks to safeguard financial stability and thus contributes to sustainable prosperity in the Netherlands. At DNB, we help build public confidence by focusing on our various tasks, inspired by our core values: committed, open, dependable and alert. We work to ensure stable prices, smooth and safe payments, and robust and reliable financial institutions. In a word: a strong financial system.

Integrity plays a central role in DNB's operations, which are informed by an ethical organisational culture¹. We believe it is important for everyone at DNB to be aware of their behaviour. Because, as it says in our Code of Conduct: "Integrity is the basis of trust; sound conduct breeds trust, both within our own institution and in the social and economic sphere."

As part of the Compliance, Integrity & Administrative Sanctions (CIBS) department, the independent Compliance & Integrity function (C&I function) contributes to a culture where employees² feel comfortable and safe at work, and where they are able to carry out their work independently. Everyone working at or for DNB must comply with [DNB's Code of Conduct and integrity regulations](#), and with the integrity rules derived from them.

The C&I function is tasked with promoting the integrity of DNB and its employees in order to strengthen public trust in our organisation and protect our reputation. It advises on and monitors compliance with our integrity policy³. In doing so, it encourages the desired behaviour and promotes the importance of an ethical culture at DNB.

This Charter describes the governance, duties and responsibilities of the C&I function, and the responsibilities of the Executive Board, management and staff when it comes to ensuring an ethical culture and compliance with DNB's integrity policy.

The Executive Board approved the Charter⁴ on 21 May 2024. The Supervisory Board approved the Charter on 31 May 2024.

2. MISSION AND PURPOSE OF THE C&I FUNCTION

Mission and purpose

Promoting the integrity of DNB's organisation and employees⁵ with the aim of creating a robust ethical culture.

"The C&I function aims to promote trust in DNB by ensuring a robust ethical culture."

¹ An ethical culture denotes a climate and atmosphere in which people, in a broad sense, behave or act in a way that is respectful, and in such a way that they can explain and account for their behaviour. It is a culture in which this professional individual responsibility is stimulated and valued, and which not only respects the letter of the law but also its spirit.

² Employees under contract with DNB are civil servants in accordance with the Dutch Public Servants (Standardisation of Legal Status) Act (*Wet Normalisatie Rechtspositie Ambtenaren – Wnra*).

³ Integrity policy: DNB's Code of Conduct and integrity regulations, as well as the policies derived from them.

⁴ This Charter replaces that of 28 January 2014.

⁵ This includes external staff.

The guiding principle of the C&I function's work is compliance with the internal integrity policy as well as with laws and regulations. DNB is committed to the common standards framework as applied within the European System of Central Banks (ESCB), the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM). As a minimum, DNB also aims to meet the standards generally applicable to the institutions it supervises – where possible and appropriate given its particular governance role and duties.

3. C&I FUNCTION'S GOVERNANCE AND RESPONSIBILITIES

Governance

To ensure that the C&I function can perform its duties autonomously, it needs to be independently embedded within DNB's organisation. This is why C&I reports directly to DNB's Executive Board and Supervisory Board. These prerequisites for the independent performance of C&I's duties are also central to the Ethical Guidelines issued by the European Central Bank.

C&I's independence is safeguarded in several ways. For example, C&I is not responsible for executive line operations, nor may it be held responsible for these activities. Moreover, it acts impartially and avoids conflicts of interest, taking measures to ensure this.

For operational management, the C&I function falls under Compliance, Integrity and Administrative Sanctions (CIBS) and its head of department. The CIBS department, in turn, is part of the Legal Affairs division. However, when it comes to the content of its work, the C&I function's team – which consists solely of compliance officers – operates with complete independence from all other departments and divisions. It carries out its duties and responsibilities autonomously and on its own initiative.

With regard to the C&I function, CIBS's head of department has independent reporting authority and direct and unrestricted access to the President in case of confidential integrity matters, and to the Chair of the Supervisory Board for matters concerning the Executive Board.

Duties and responsibilities

Compliance and integrity concern DNB as a whole. Everyone at DNB bears responsibility for this, which also means setting the right example. The manner in which we do so is key to DNB's overall integrity culture.

DNB staff have primary responsibility and accountability for their own conduct. They are free to make their own decisions, within the parameters set by DNB's integrity policy. If they have any questions or dilemmas, they discuss these with their manager and/or a compliance officer.

*Overview of responsibilities by position and body***Responsibilities of the Chair of the Supervisory Board**

Supports DNB's strategy and policies on compliance and integrity in order to foster an ethical culture at DNB ("tone at the top").

Discusses current developments on ethical culture, compliance and integrity with the head of department responsible for the C&I function at least once a year.

Is familiar with DNB's integrity policy and specifically the integrity regulations that apply to the Executive Board and Supervisory Board, and acts accordingly.

Obtains advice from one of the compliance officers regarding proposed ancillary positions or ancillary activities of members of the Executive Board and Supervisory Board if the position or activity is potentially incompatible.

Reports C&I incidents to the head of department responsible for the C&I function.

Responsibilities of the Supervisory Board

Supports DNB's strategy and policies on compliance and integrity in order to foster an ethical culture at DNB ("tone at the top").

Acts in accordance with DNB's integrity policy.

Ensures that DNB's Executive Board and management take decisions and manage the organisation with integrity.

The Supervisory Board decides on proposed ancillary positions or activities of members of the Executive Board and Supervisory Board if the position or activity is potentially incompatible.

Is responsible for overseeing the Executive Board's implementation of the integrity policy within DNB:

- is familiar with the content of C&I's periodic reports and discusses these reports at its meetings;
- is familiar with DNB's integrity programme.

Immediately reports C&I incidents to the head of department responsible for the C&I function.

Is consulted regarding decisions on the dismissal, suspension and/or disciplinary measures concerning the head of department responsible for the C&I function.

Responsibilities of the President

Actively promotes DNB's strategy and policy on compliance and integrity in order to foster an ethical culture at DNB ("tone at the top").
Discusses current developments with the head of department responsible for the C&I function at least four times a year.
Immediately reports C&I incidents to the head of department responsible for the C&I function.
Bears ultimate responsibility for appointing, dismissing, suspending and/or disciplining the head of department responsible for the C&I function.

Responsibilities of directors

Actively promotes DNB's strategy and policy on compliance and integrity in order to foster an ethical culture at DNB ("tone at the top").
Bears ultimate responsibility for DNB's compliance and ethical culture.
Plays an active, guiding and facilitating role in promoting integrity in the business unit under their responsibility, and in setting the right tone. Is responsible for creating an open and safe environment in which employees feel the freedom to discuss integrity issues or other dilemmas.
Approves the DNB's strategy and policy on compliance and integrity.
Ensures the effective internal management of matters related to integrity, compliance and ethical culture in general.
Acts in accordance with DNB's integrity policy.
Is familiar with the compliance and integrity risks and determines DNB's risk appetite for each risk.
Approves C&I's annual and/or long-term plans and informs the Supervisory Board about them.
Oversees the budget for setting up and maintaining the C&I function, ensuring that it has sufficient resources.
Approves the priorities regarding the implementation of the C&I function.
Approves exceptions to DNB's integrity policy.
Immediately reports C&I incidents to the head of department responsible for the C&I function.

Responsibilities of managers⁶

Are responsible for the integral management of compliance and integrity risks in general and within their own domain, within frameworks set by the Executive Board. This includes:

- Ensuring staff awareness of obligations arising from DNB's Code of Conduct and integrity regulations, and encouraging compliance;
- Knowing, analysing, reporting and controlling C&I risks for the relevant divisions and business units;
- Promptly reporting C&I incidents to a compliance officer and taking appropriate action to prevent or remedy incidents.

Play an active, guiding and facilitating role in promoting integrity in the relevant business unit, and in setting the right tone. Are responsible for creating an open and safe environment in which employees feel the freedom to discuss integrity issues or other dilemmas.

Talk to other managers and employees when they observe behaviour that is not in line with DNB's integrity policy.

Incorporate "acting with integrity" as a topic of discussion in employees' annual HR evaluation cycle.

Are responsible for imposing disciplinary sanctions in line with DNB's Sanctioning Procedure in case of a violation of the integrity policy.

⁶ Division directors, department heads and section heads.

Responsibilities of the C&I function
Advises the Executive Board on DNB's strategy and ambitions with regard to integrity, a safe and ethical culture, compliance and integrity management ⁷ and the DNB integrity programme ⁸ .
Creates support and awareness at DNB regarding ethical behaviour and compliance, and promotes an ethical organisational culture.
Offers solicited as well as unsolicited advice to the Executive Board, management, employees and, in certain cases, the Chair of the Supervisory Board on the application of DNB's Code of Conduct and integrity regulations.
Bears second-line responsibility for mapping C&I risks within DNB.
Monitors compliance and reports on non-compliance with DNB's Code of Conduct and integrity regulations.
Handles whistleblower reports and other reports about compliance, integrity and fraud incidents.
Conducts integrity investigations (including special investigations) impartially and independently.
Is jointly responsible for preparing sanction proposals in accordance with DNB's Sanctioning Procedure.
Is responsible for the implementation (directly or indirectly) of new or updated integrity rules, and for keeping employees informed about integrity rules.
Is responsible for coordinating, directing and monitoring the implementation of the integrity programme, and for developing it.
Reports periodically to the Executive Board and Supervisory Board on the implementation of the integrity programme, management of integrity risks by the first line, incidents and relevant developments in the field.

4. REMIT OF THE C&I FUNCTION

Ethical culture

Integrity and an ethical culture are central to the DNB organisation. The C&I function sees it as its duty to promote an ethical culture, both with regard to the actions of the organisation as a whole and those of individual employees.

An ethical culture denotes a climate and atmosphere in which employees, in a broad sense, behave or act in such a way that they can explain and account for their behaviour. It is a culture in which this professional, individual responsibility is stimulated and valued, and which not only respects the letter of the law but also its spirit.

Compliance with laws and regulations

The C&I function monitors the actions of DNB as an organisation as well as those of individual employees to foster ethical behaviour and an ethical culture. The standards for these actions are set out in DNB's Code of Conduct, Code of Good Manners, integrity regulations and the resulting internal rules and instructions as

⁷ Integrity management focuses on promoting, monitoring and securing integrity and compliance within organisations.

⁸ The C&I function's annual and long-term plans.

well as applicable external laws and regulations on integrity. The first line is responsible for compliance with applicable laws and regulations and must act accordingly.

The C&I function has a second-line role with regard to advising on laws and regulations that are relevant to integrity at DNB. It ensures the implementation of new and adapted integrity rules and monitors compliance. In cases where non-compliance with integrity rules poses a risk to the integrity and reputation of DNB (or its employees), the C&I function has the authority to conduct integrity investigations (including special investigations) in an independent and impartial manner and, if necessary, to propose a sanction in accordance with DNB's Sanctioning Procedure. Integrity incidents resulting from non-compliance with integrity rules are reported by the C&I function.

Risk management

With regard to compliance and integrity risks, a risk-based approach is applied, which means that available capacity is allocated to the highest-risk areas. Where specific knowledge or skills are lacking, the C&I function may seek external support.

The risk appetite with regard to compliance and integrity is determined by the Executive Board and recorded in DNB's Risk Appetite Statement on Operational Risks.

Definition of compliance

Promoting and monitoring compliance with integrity laws and internal as well as external rules (written and unwritten) regarding the integrity of DNB as an organisation, its employees and relevant stakeholders involved by DNB⁹.

Definition of integrity

- Acting in accordance with one's professional responsibility as well as with integrity laws and regulations, respecting not only the letter but also the spirit of the law.
- Carefully weighing the interests of all relevant stakeholders (within and outside of the organisation) when making decisions.
- Being prepared to account for the decisions taken (transparency).

Definition of fraud

An intentional act of deception used to gain an unlawful or illegal advantage.

Compliance and integrity risk

The risk that the independence and reputation of DNB and/or its staff may be harmed, or a financial loss may arise, as a consequence of non-compliance with integrity laws and regulations, standards of conduct imposed by society and by DNB itself, including insufficiently careful, justifiable and consistent consideration of the rights and interests of DNB's stakeholders. Compliance and integrity risk also includes fraud risk.

Fraud risk

The risk of damage, loss or reputational harm and/or failure to achieve business objectives (or failure to do so on time) as a result of an intentional act of deception by an internal and/or external party to obtain an unlawful or illegal advantage.

Compliance, integrity and fraud incidents (C&I incidents)

⁹ Such as contract partners and their employees.

A C&I incident is a breach of internal or external laws, rules or basic values which constitutes or may constitute a risk to the integrity and reputation of DNB and its employees. This includes violations where an employee's trustworthiness may be at stake.

Not every incidental violation of standards or rules needs to be brought to the attention of the C&I function. C&I only handles those cases where non-compliance with rules could materially¹⁰ jeopardise DNB's reputation and integrity. From its second-line role, the C&I function can provide solicited and unsolicited advice in this context.

5. INTERNAL, NATIONAL AND INTERNATIONAL COOPERATION

In fulfilling its duties and responsibilities, the C&I function actively seeks collaboration with other departments, especially in matters related to its second-line responsibility. Accordingly, the C&I function periodically consults with these departments about its work, developments and task alignment. This includes the departments and bodies responsible for risk management, internal auditing, human resources, legal affairs and security (physical and IT). Periodic coordination also takes place with other members of staff and bodies (such as confidential advisers, the Employees Council and the complaints committee).

The C&I function has formal and informal consultations within the ESCB/SSM and with other European agencies, fellow supervisors, public bodies and ministries. The C&I function contributes to the Technical Cooperation programme to support other central banks (including those of IMF constituency countries).

¹⁰ Rule of thumb to determine materiality: an incident may be material to the C&I function if at least the following criteria are met:

- has a significant impact on business objectives or statutory duties;
- 3-6 days of media attention and/or reputational damage lasting 3-12 months;
- involves a financial loss of at least €100,000.