

GOOD PRACTICE GUIDELINES OF THE LATVIAN FINANCIAL INDUSTRY



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Updated¹: September 24, 2020
Updated²: September 22, 2022

¹ On September 25, 2015, the Association adopted the Social Charter of Banks, these guidelines are a renewed and updated version of the Social Charter of Banks, changing its name to create legal clarity.

² On September 22, 2022, the Association adopted changes that apply this document also to leasing companies and investment management companies.

1. PURPOSE



To create a reliable, responsible and sustainable financial system in Latvia, which creates prerequisites for a balanced operation of banks and other financial institutions (in the sense of the law on the prevention of money laundering and financing of terrorism and proliferation), as well as for their customers' financial management and long-term wealth growth.

2. ANNOTATION



The Good Practice Guidelines of the Finance Latvia Association (hereinafter – the Guidelines) provide for that a bank or other financial institution is a responsible, open member of society and economy focused on sustainability, cooperation and innovation.

The standards mentioned in the guidelines are observed by all members of the Finance Latvia Association, which are banks (hereinafter – bank) and associate members, which are pension funds, investment management companies (if they know the participants of their investment plans – natural or legal persons) or leasing companies (hereinafter referred to as institutions together with banks), according to the “comply or explain” principle (that is, if an example of good practice mentioned in the guidelines is not followed, the institution can argue why and how it does not apply to the activity of the particular institution).

OPERATIONAL STANDARDS OF THE FINANCIAL SECTORS

3. COMPLIANCE WITH CUSTOMER RIGHTS



The institution takes care that the relations between the customers and the institution are fair. The institution provides customers with the necessary information about its products and services in an easy-to-understand manner and ensures that customers not only understand their nature, but also the risks associated with their use.

4. BALANCED, RESPONSIBLE, LONG-TERM DEVELOPMENT-ORIENTED INDUSTRY ACTIVITY



4.1. The institution understands its role in the national economy and implements it responsibly. The institution is aware that its products and services are essential for ensuring the well-being and sustainability of both, customers and the country, respectively, the availability of lending, pensions and other financing services, ensuring compliance with the principles of responsible lending and investing, helps the development and sustainable growth of companies, as well as raising the well-being of private individuals. At the same time, the institution's duty, according to its size and the specifics of its operation, is to ensure the safety and availability of the financial assets of the depositors, investors or members of investment or pension plans entrusted to it, as well as a diligent and trustworthy management of entrusted money, financial instruments and other values.

4.2. The institution continuously evaluates the impact its products and services have on society and the economy in a whole.

4.3. The institution is looking for opportunities to offer products and services that would solve the social and economic problems of society.

4.4. The institution identifies the consequences that may arise from irresponsible, thoughtless or incorrect use of its products and services, and takes care to prevent incorrect use of its products and services.

5. BUSINESS ETHICS



5.1. The institution is socially responsible, ensuring that the relations between customers, employees and suppliers are based on clearly defined and practical standards of professional ethics.

5.2. The institution operates in accordance with the applicable laws and ethical norms. The institution carries out all the actions specified in the legislation to prevent criminal and dishonest behavior of its employees, customers and cooperation partners.

5.3. The institution implements a zero-tolerance attitude towards criminal offences, especially financial crimes and corruption.

5.4. The institution applies high standards of compliance culture. The institution cooperates with law enforcement agencies to the best of its ability. The institution refrains from deliberately ignoring violations.

5.5. The institution organises its activities in accordance with the requirements of legal acts, standards of good corporate governance and ethics, its internal regulatory documents, as well as in accordance with the conditions of contracts concluded with customers. The solution must not only comply with legislation, but also with the highest standards of compliance culture.

6. SUSTAINABLE BUSINESS



The institution provides financial services while conducting commercial activities, namely, economic activities for the purpose of making a profit. At the same time, the institution undertakes to:

6.1. address issues related to sustainable operations, accepting them as an integral part of daily operations to ensure the institution's financial stability and respect for public interest;

6.2. develop an environmental, social and corporate governance (hereinafter – ESG) risk management system within the institution or within its group;

6.3. ensure that financial services are offered responsibly, protecting customers, participants of the financial system – cooperation partners and society from ESG risks;

6.4. promote ESG investments, offer customers – consumers and companies sustainable solutions (transition to sustainable energy sources, energy efficiency of buildings, sustainable consumption, sustainable transport, equipment).

7. GOOD PRACTICE GUIDELINES



7.1. The guidelines are followed in mutual relations with employees and cooperation partners, and in relations with customers and society.

7.2. The guidelines set out the minimum standards of performance that an institution undertakes to adhere to, but each institution may choose to implement even higher standards for its staff, customers, partners and the public.

7.3. The guidelines are not a comprehensive list of rules governing the relationship between the institution and its customers. Each product and service provided by the institution to its customers has its own rules, which must be followed by both the institution and its customers, and these are defined in mutual agreements and terms of use of services.

7.4. The activity of the institution is determined and regulated by the legislation of the Republic of Latvia, the European Union and the country in whose territory the institution operates, as well as international practice.

7.5. The guidelines create prerequisites for more successful cooperation between the institution, its employees, cooperation partners, society and customers, helping customers to build balanced financial management and long-term prosperity.

7.6. In order to make the guidelines freely available to the institution's employees and the customers, they are published:

7.6.1. on the websites of members and associate members of the Finance Latvia Association;

7.6.2. on the Finance Latvia Association website: www.financelatvia.eu.

7.7. The institution acts in accordance with the guidelines even in those situations where the legal norms determine only the minimum standard, and the guidelines – a higher one.

7.8. The institution regularly and openly informs the public about its activities in accordance with the procedures specified in legal acts.

7.9. The institution promotes compliance with the guidelines in business practice in general.

8. CONTRACTUAL RELATIONS



- 8.1.** The customer has the right to freely choose the institution and the institution's services.
- 8.2.** The relationship between the institution and the customer is based on a voluntary agreement between the parties, which stipulates the rights, duties and responsibilities of both parties.
- 8.3.** When providing and offering its services, the institution does not allow different treatment of customers due to their gender, race, skin color, nationality, language, sexual orientation, social origin, age, ethnic political or religious affiliation, disability or other discriminatory reasons.
- 8.4.** The institution's terms of service must be expressed in clear language, in writing, and provide an open, fair and balanced account of the relationship that exists between the customer and the institution.
- 8.5.** If the potential cooperation may lead to a violation of the guidelines or legislation, the institution has the right to refuse the initiation of cooperation.
- 8.6.** The institution provides services only if it is able to effectively manage the risks arising from cooperation and the service corresponds to the institution's business model.

9. CONSIDERATION OF CUSTOMER COMPLAINTS AND PROCEDURES FOR RESOLVING DISAGREEMENTS



- 9.1.** The institution provides an opportunity for the customer to express his opinion or proposals.
- 9.2.** The institution undertakes to consider the complaint and provide an answer within a reasonable time, as well as develops an internal procedure for fair and timely consideration of customer complaints.
- 9.3.** The institution ensures that the employees directly related to customer service are informed about the complaint handling procedure of their institution and help the customer by providing information on the procedure for submitting and examining complaints, as well as on the possibilities of filing a complaint about the institution's decision.
- 9.4.** Information on the complaint handling procedure is freely available at the institution's customer service points and is provided to the customer upon request. Additional information on the complaint handling procedure can be posted on the institution's digital channels and is freely available to the customer.
- 9.5.** The institution undertakes to make an objective, fair and reasoned decision on each complaint and to communicate it to the customer, insofar as it is not limited by legal requirements.
- 9.6.** If the complaint or problem situation has not been resolved, the institution undertakes to provide the customer with the necessary contact information so that they can apply to the ombudsman of the Finance Latvia Association.

10. RESPONSIBLE MARKETING AND ADVERTISING



- 10.1.** The institution's communication about its financial products and services or activities that promote cooperation with partners are legal, truthful and objective, and comply with general ethical principles. If the law is unclear, the authority chooses the approach least likely to be interpreted as an aggressive commercial practice.
- 10.2.** The institution fulfills the promises made to customers in marketing communication materials.
- 10.3.** The institution responsibly communicates with existing and potential customers in order not to encourage the use of products and services that are not suitable for them or pose excessively high risks.
- 10.4.** The institution does not promote such activities that would be contrary to the principles of ethics and good commercial practice, or that could be interpreted as unfair, restrictive commercial practices, in relation to cooperation partners, including those that provide the institution with attracting customers.

11. ACQUISITION, USE AND PROTECTION OF CUSTOMER DATA



11.1. Before starting cooperation, the institution, in accordance with the requirements of legal acts and its internal procedures, performs customer identification. It is the customer's responsibility to provide accurate and truthful information to the institution.

11.2. The institution ensures honest and legal processing of information obtained from the customer.

11.3. The institution ensures non-disclosure of the customer's financial and private information, with the exception of disclosures made in accordance with legislation and/or in the cases specified in the institution's privacy policy.

11.4. In order for the institution to ensure the confidentiality of customer data, customers are invited to observe caution and all information related to bank accounts, transactions performed, products and services used, means of authentication and authorization, including usernames, passwords, personal identification numbers (PINs), etc. to keep them in a safe and inaccessible place for other persons, and do not disclose them to third parties.

12. CONTINUITY OF DAILY FINANCIAL SERVICES



12.1. The institution understands how the customer can be affected by the sudden unavailability of a product or service, so it takes a responsible approach to ensuring the continuity of services.

12.2. If the product, service or way of providing it is discontinued or changed, the institution offers suitable alternatives to the customer as far as possible.

12.3. The institution takes care and, in accordance with its operational strategy, ensures that basic financial services and products are available to a wide range of customers, taking into account the needs of various groups of society, including the requirements for accessibility of services, which are determined by legal acts or documents of the Finance Latvia Association.

12.4. The institution continuously improves its product and service offer and, following the development of technology, introduces relevant innovations. Therefore, it creates products and services that are more accessible and more convenient for customers, with the aim of reducing its own costs and those of customers.

13. RESPONSIBLE LENDING



13.1. An institution that provides credit services shall, as far as possible, grant financial funds and other financial products with credit risk to all customers who request it, if it meets the criteria provided for in the institution's credit policy. Institutions that provide financial resources do not allow customers to engage in irresponsible borrowing.

13.2. The institution evaluates the impact of its strategy on the economy and takes it into account in the formation of its investment and credit policy.

13.3. Before providing a financial service with credit risk, the institution is obliged to evaluate the customer's financial situation and make sure that the financial situation of the recipient of the financial service allows him to undertake the obligations provided for in the loan agreement or other financial service agreement with credit risk.

13.4. The institution may refuse to provide a financial service with credit risk if it does not comply with the institution's credit policy (for example, if it is foreseeable that the customer's financial situation will not allow him to fulfill his obligations or will significantly weaken his financial sustainability; if in communication with the institution the customer has not been honest regarding his financial situation, or for other reasons specified in the internal regulatory documents of the institution).

13.5. The institution carefully evaluates the collateral, and also explains to the potential borrower, principal and mortgagor their expected obligations and risks.

13.6. Loan, guarantee, pledge agreements, as well as other financial service agreements are prepared in the simplest possible language so that the customer (consumer) can perceive and understand them.

14. COMMUNICATION AND COOPERATION



14.1. Taking into account the specifics of the question and the service, the institution with the customer and the customer with the institution choose to communicate using remote communication options as much as possible.

14.2. An open and honest conversation about a mutually acceptable solution to the situation is important in the relationship between the institution and the customer. Institutions follow the basic principles of customer service, including ensuring that employees are responsive, kind and positive towards the customer and avoid creating conflict situations.

14.3. Communication between the customer and the institution is based on mutually honest, open communication, understanding of the use of financial services and awareness of the risks associated with the use of the institution's products and services, as well as taking responsibility.

14.4. Customers are advised to report changes in their financial situation to the institution as soon as possible and openly, which may cause difficulties in paying for products or services or meeting credit obligations on time.

14.5. In order to be able to take full advantage of the institution's products and services and to be aware of the risks, customers are invited to carefully read the description of the product and service, terms and conditions and the agreement with the institution, as well as to ask the institution's employees for an explanation of all unclear nuances.

14.6. Customers are advised to use only those products and services of the institution whose value and usefulness they clearly understand.

14.7. The institution ensures that information about its financial products and services is easily and conveniently accessible and understandable to various customer groups, and also ensures the ease of the communication process for all its customers.

14.8. The institution ensures that information about changes in the use of products and services is understandable and available to the customer in a timely manner.

14.9. When commencing cooperation, the institution explains to customers the terms of use of financial products and services, including the costs and risks associated with their use, in an easy-to-understand manner. At the request of customers, the institution also provides additional information.

14.10. Customers are provided with the right to agree or refuse to receive information about other products or services of the institution.

14.11. If the institution uses commercial agents, cooperation partners or other persons (e.g. car dealers, trading companies) to provide the service, it ensures that equivalent standards are observed in communication with customers, as far as the use of financial services is concerned.

14.12. In their communication about other Institutions, Institutions treat other Institutions with respect, do not speak offensively, and do not provide false, incomplete or distorted information about other Institutions or their services.

15. RELATIONS WITH CUSTOMERS IN FINANCIAL DIFFICULTIES



15.1. The purpose of the Institution is to build long-term relations with its customers, therefore it is interested in restoring the solvency of customers and undertakes to help customers in financial difficulties in finding the most suitable solution as far as possible.

15.2. In order for the Institution's help to be effective, honest and open participation and action of customers is necessary in solving customers' financial problems, including in the collection and insolvency process, if the customer's financial problems could not be solved by mutual agreement.

16. MAINTAINING REPUTATION



16.1. The institution refrains from any actions, including violations of ethical principles, which could worsen the overall reputation of the institution and the financial industry. In its communication, the Institution is based on facts, is open and provides information in a timely manner, as far as the law allows.

16.2. The institution makes sure that its employees are aware that in their daily communication, both in their workplace and outside, they are the builders of the institution's reputation. The institution is aware that its operation can also be affected by the behavior and attitude of cooperation partners.

16.3. Before starting cooperation, the institution carefully evaluates the reputation of the cooperation partners.

16.4. The institution encourages cooperation partners to also comply with legal acts and ethical norms.

16.5. The institution perceives its cooperation partners as equals, treats them fairly and openly, sets clearly understandable and achievable work tasks and cooperation goals for them.

16.6. The institution resolves conflicts with cooperation partners openly, fairly and in a good faith.

17. COMPLIANCE WITH COMPETITION AND FAIR COMMERCIAL PRACTICES



17.1. The institution does not support measures aimed at restricting competition and observes the principles of fair competition.

17.2. The institution does not insult its competitors, presents comparative information about them or their products truthfully, openly and honestly.

18. PREVENTION OF MONEY LAUNDERING, TERRORISM AND PROLIFERATION FINANCING, INTERNATIONAL FINANCIAL SANCTIONS



18.1. In its activities, the institution implements the principle "Know your customer", according to which, among other things, it conducts customer research and stores the documents, data and information obtained in the course of it.

18.2. The institution implements measures to implement the "Know your customer" principle to ensure that the institution is not used for money laundering, terrorism or proliferation financing, or circumventing or violating international financial sanctions.

18.3. Institutions actively support the fight against money laundering, financing of terrorism and proliferation, comply with international financial sanctions. The institution refrains from taking risks that it cannot effectively manage.

19. COOPERATION AND EXCHANGE OF INFORMATION WITH STATE INSTITUTIONS



The institution cooperates and provides information to state institutions in accordance with the procedures established by legal acts. Voluntary exchange of information between the public and private sectors is encouraged, as long as it does not violate the provisions of the law.

20. CONFLICT OF INTEREST PREVENTION



20.1. Successful cooperation with customers depends on the institution's strategy, mutual trust and operational ethics. The institution provides financial services, ensuring general and fair management of conflicts of interest between the institution, cooperation partners, employees and customers, and also determines ethical principles of conflict of interest management for its employees.

- 20.2.** The institution refrains from nepotism - abusive use of the position held. Employees of the institution do not use customer information for personal and financial interests.
- 20.3.** The institution ensures that its internal documents contain an explanation of the concept of "conflict of interest" and rules for its prevention.
- 20.4.** It is forbidden for employees of the institution to accept gifts on behalf of both the employee and the bank, if according to the law, these guidelines or the institution's internal regulatory enactments, it could be assessed as unacceptable or illegal behavior.
- 20.5.** The institution expects that its customers and cooperation partners will not take actions that would encourage dishonest or unethical behavior of the institution's employees.
- 20.6.** The institution is aware of and respects the need to protect whistleblowers and promotes the fact that employees know and use whistleblowing in accordance with the procedures specified in legal acts and internal documents.

21. FAIR PAYMENT OF TAXES



- 21.1.** The shadow economy threatens the well-being and development of the country and society. The institution actively supports honest economic activity and full payment of taxes, as well as does not engage in activities intended to avoid the payment of taxes.
- 21.2.** The institution shall honestly pay all taxes in accordance with the laws established in the country.

22. PROTECTION OF INTERESTS



- 22.1.** The institution honestly and openly implements the defense of its interests in accordance with the procedures laid down in legal acts, also respecting the interests of the public, including through the Finance Latvia Association.
- 22.2.** The representation of interests is politically neutral and is implemented in an institutional form, so that the institutions and the Finance Latvia Association are considered a reliable cooperation partner.
- 22.3.** Representation of interests is as open as possible, providing information about it publicly, including on the website of the Finance Latvia Association.

23. WORK ENVIRONMENT AND HUMAN RESOURCES



- 23.1.** The institution takes care of a good and safe working environment for all its employees.
- 23.2.** The institution takes care of ensuring the balance between private and work life of employees.
- 23.3.** The institution carefully selects its employees, monitors their work, regularly raises their qualifications to ensure high-quality and honest service provision.
- 23.4.** The institution does not restrict the transfer of employees to a competitor.
- 23.5.** The institution recognises freedom of association and the right of collective cooperation of employees.
- 23.6.** The institution actively advocates for the eradication of all forms of forced and compulsory employment, the prohibition of child labor, modern slavery and human trafficking in violation of the law.
- 23.7.** The institution continuously improves its work environment and human resource management standards to prevent discrimination in the work environment.



24. FINANCIAL LITERACY

24.1. The institution makes sure that customers understand the services they use, as well as the risks associated with them.

24.2. The institution carries out educational and informative activities in order to raise the level of financial literacy of its customers both in terms of lending, savings culture, and security against fraud, including considering and determining appropriate risk mitigation measures.

24.3. The institution continuously encourages customers to take care of their financial stability, financial security and financial sustainability.

24.4. Before concluding a contract for the use of financial products or services, the institution ensures that customers have the opportunity to clarify the terms of their use, including costs, security requirements, as well as risks.

24.5. Before starting to use a product or service, customers should independently and objectively evaluate their previous financial experience, if necessary, asking the institution's employees for help in assessing risks.

24.6. Customers should plan responsibly their budget and cash flow to ensure their long-term financial stability.

24.7. To the extent possible, institutions promote and popularise the creation of a culture of savings, so that every customer can take care of their financial stability by creating safety savings.