

**POLICY: CONFLICTS OF INTEREST GROUP POLICY**

**POLICY IDENTIFICATION**

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## 1. PURPOSE AND SCOPE OF POLICY

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BOC Group regards preventing conflict of interests as one of its priorities.

This document defines the overall approach to identifying, assessing, managing and mitigating any conflict that may arise and the aim is to disseminate widely the guiding principles.

The policy sets out procedures and arrangements that the Group has established, implements and maintains for the prevention, identification, documentation, escalation and effective management of COI in compliance with the legal and regulatory framework.

Failure to identify, escalate and appropriately manage actual or potential COI and to comply with relevant rules may expose the Group, the Board of Directors and its employees to criticism, fines, penalties, or may lead to increased indirect costs and may result in damage to the Group's reputation.

This policy applies to the Members of the Board, Senior Management and all employees of the Group in every country the Group operates, as well as, in relationship with the Group's contractors, agents and other Relevant Persons (see section 3 Definitions).

All entities of the Group must, as a minimum meet the requirements of this policy. In any country where the requirements of local legislation, directives or practices establish a higher standard, the corresponding Group Entity should follow those standards.

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## 2. ABBREVIATIONS

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Within this document, the following abbreviations are used:

Abbreviation	Definition
AC	Audit Committee
BOD	Board of Directors
BRC	Board Risk Committee
CEO	Chief Executive Officer
CLs	Compliance Liaisons
CMS	Compliance Management System (OneSumX)
COI	Conflicts of Interest
EBA	European Banking Authority
EU	European Union
ExCo	Executive Committee
GIC	Genikes Insurance
NCGC	Nominations & Corporate Governance Committee

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### 3. DEFINITION OF TERMS

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For the purposes of this policy, the terms listed below have the following meaning:

1. **“Bank of Cyprus Group/BoC Group”**

Means the Bank of Cyprus Ltd and its subsidiaries.

2. **Conflicts of Interest:** A COI arises when two or more persons have competing interests and a duty of care or trust exists between the persons. It can arise in any area of the Group’s operations during the provision of services to a client and which could be in favour of the interests of the Group or of the interests of any relevant person or of the interests of any other client and may be to the detriment of the interests of the first client. COI include: (a) actual conflict- there is a real, existing conflict (b) potential conflict- there is or could be a situation that may result in a conflict and (c) perceived conflict – there is or could be a situation that may appear to be a conflict even if this is not the case. Personal interests could be any benefit or potential benefit of a financial or non-financial nature.

3. **Chinese walls:** A Chinese wall is an established arrangement or series of arrangements, whereby confidential/sensitive information held by employees in one part of a Group entity is kept secret from individuals in other parts of the Group entity. This enables divisions of the same Group entity outside the particular Chinese wall to operate without regard to the information held within it.

4. **Clients:** The definition includes (a) existing clients of the Bank (b) potential clients (c) past clients where fiduciary or other duties remain in place.

5. **Inside/ Confidential Information:** Information which has not been made public, relating directly or indirectly, to one or more issuers of financial instruments and which if it were made public would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. This information includes any information that a reasonable investor may take into account when making his/her investment decision. Regarding the persons who are charged with the execution of orders concerning financial instruments, confidential information is considered as the information provided by a client regarding pending orders, which are directly or indirectly related to one or more issuers of financial instruments and which if made public would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. To facilitate the implementation of this principle the Group has issued (a) the Group-Wide Dealing Policy and (b) the Dealing Code.

6. **Obligated Persons**

- Members of the Board
- Divisional Directors reporting directly to ExCo
- Other Divisional Directors (including Heads of control functions)
- General Managers of major subsidiaries (Eurolife, GIC)
- Any other position that creates or may create potential COI as well as, in relation with the Group’s contractors, agents and other Relevant Persons (see section 4 Definitions).

7. **Personal Transactions:** Trade in a financial instrument effected by or on behalf of a Relevant Person, where that Relevant Person is acting outside the scope of the activities he/she carries out in that capacity and the trade is carried out for the account of the Relevant person or any person with whom he/she has family relationship or close links and the trade is forbidden under the Market Abuse framework or the trade will result to the abuse or the improper disclosure of confidential / inside information or could be in breach of the legal obligations of the Group.
8. **Qualifying shareholder:** A shareholder who holds 10% or more of the shares and/or voting rights in the Bank or can obtain rights to appoint the (majority of) the management board or other means of providing significant influence over the management of the Bank.
9. **Related party** as per the Internal Governance Directive means:
  - I) Spouse, partner as defined in the Civil Cohabitation Law of 2015, child or parent of a member of the management body.
  - II) A commercial entity in which a member of the management body or a close associate thereof referred to in i) above has a shareholding of 5% or more of the capital or voting rights in that entity or in which such persons may exercise significant influence or in which such person hold senior management positions or are members of the management body
10. **Relevant persons:** According to the Directive 2014/65/EU on markets in financial instruments a Member of the management body, Manager, Employee, Partner or any person that is participating to the provision of services by the Group which due to his/her position or due to his /her participation to certain Group Services or due to his /her relationship with the Group has access to specific information that is not widely known and his/her involvement in such services may give rise to a conflict of interest.

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## 4. GENERAL PRINCIPLES

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### 4.1 General Principles

BOC Group conducts its business according to the principle that it must manage COI fairly, both between itself and its clients and between one client and another.

Some COI are persistent and need to be managed on an ongoing basis, while others may arise in relation to a single event that can usually be managed by one-off measures.

### 4.2. Identification of COI

The Group sets procedures to identify the relationships, services, activities or transactions in which COI may arise. These procedures cover relationships:

- a) Between the Bank and its stakeholders, including:
  - i. Customers
  - ii. Shareholders
  - iii. Members of its management body (Executive and Non-Executive) (and family members)
  - iv. Members of staff (and family members)
  - v. Significant business partners and other external stakeholders
  - vi. Other related parties, such as its parent undertaking or subsidiaries; and

(b) Between different clients of the Bank.

All Bank stakeholders and especially Members of the management body, Senior Management and all Employees have a personal responsibility to disclose any COI and abstain (or take relevant measures) from a transaction that may involve a COI. This responsibility is explicitly stated in the Code of Conduct (part of the Employee Handbook), the Board Manual and other agreements with various stakeholders, service providers, suppliers etc.

To assist in the identification of COI **Appendix A** includes non-exhaustive lists of:

- i) Relationships where COI may arise and
- ii) COI scenarios

### 4.3. Management of COI

All COI should be managed pro-actively, promptly, and fairly. The Group utilises various means (which may be used individually or in combination) to manage a COI including:

- Organisational arrangements described in **Appendix C**
- Procedural and administrative arrangements described in **Appendix D**
- Disclosures designed to inform the affected parties of the COI and its likely impact on them.
- Avoidance of the service, activity or matter giving rise to the COI where the COI cannot be prevented or managed effectively using other means.

Each Group entity ensures that there is periodic review of the adequacy of the Group's arrangements in relation to conflicts of interest. All appropriate measures should be taken in order to address any deficiencies, e.g. overreliance on disclosure of conflicts of interest

This Policy is reviewed regularly, at least annually and/or whenever there is a significant change in the structure or activities of the Group and/or whenever deemed necessary.

### 4.4. Refusal to provide a service/disclosure to Clients

Where the Group cannot prevent or successfully manage a COI situation:

- a. It is possible that the Group will refuse to provide the requested service or
- b. Where confidentiality considerations permit, will disclose the general nature and/or sources of COI as well as the risks to the client before undertaking the business. The disclosure should be sufficiently detailed to enable the client to make an informed decision and the client's consent must be obtained in writing.

### 4.5. Breach of this policy

Breach of this Policy will not be tolerated and can lead to disciplinary measures.

Non-compliance issues will be assessed according to their materiality and impact on the Groups reputation and relevant measures will be put in place to also consider the impact on the capital adequacy and liquidity of the Bank.

## 5. GOVERNANCE

### 5.1 Roles and Responsibilities

Board of Directors	The Board of Directors is responsible to monitor compliance with the policy. Furthermore, it is responsible for informing the CBC where non-compliance with the policy (with regard to Members of the Board) occurs.
The NCGC	The Nominations and Corporate Governance Committee is responsible: <ul style="list-style-type: none"> <li>• To approve the policy</li> <li>• To examine and approve a member serving on the board of another entity to ensure that any such Board memberships do not create a COI.</li> <li>• To review the report submitted by CD</li> </ul>
Board members	Members must: <ul style="list-style-type: none"> <li>• Act in the best interest of the Group and must ensure that transaction between the Bank and/or other Group entities are generally undertaken only on an arm's length basis;</li> <li>• Provide annually a self-assessment to Compliance which then carries out its own assessment to ensure all COI are identified and all regulatory requirements applicable to the territories that the Group operates are taken into account;</li> <li>• Follow the review and consent process before they engage in certain activities such as serving on another entity's management body, to ensure such new engagement would not create COI;</li> <li>• Refrain from holding directorships in competing institutions, unless they are within institutions that belong to the same institutional protection scheme<sup>1</sup>, credit institutions permanently affiliated to a central body<sup>2</sup>, or institutions within the scope of prudential consolidation;</li> <li>• Disclose any COI and abstain from participating in the decision-taking or in voting on any matter where they may have a COI (as described in the Board Manual).</li> </ul>
Line Managers	Line Managers should: <ul style="list-style-type: none"> <li>• Identify, mitigate and document COI in their area of responsibility, through the CMS;</li> <li>• Assess any COI reported to them to determine if a COI exists;</li> <li>• Determine in cooperation with Compliance, the best way to resolve, manage or avoid the COI, including further escalation;</li> </ul> Review on an ongoing basis any reported COI to ensure these are being managed as determined.
Human Resources	<ul style="list-style-type: none"> <li>• Incorporate anti-bribery and corruption principles to the Code of Conduct and Ethics;</li> <li>• Ensure proper COI controls are in place with regards to selecting and appointing new employees or selecting current employees (through the internal opportunities process) i.e. close personal or familial relationships of prospective candidates with existing members of staff are requested to be recorded, members of staff involved in recruitment and selection process (external or internal) that have close personal or familial relationships with an applicant must declare this and avoid any involvement in the process and decision making);</li> <li>• Ensure proper COI controls are in place with regard to the performance appraisal process;</li> <li>• Train employees on anti- bribery and corruption issues;</li> </ul>

<sup>1</sup> Article 113(7) of Regulation (EU) No 575/2013

<sup>2</sup> Article 10 of Regulation (EU) No 575/2013



	<ul style="list-style-type: none"> <li>• Design and implement disciplinary procedures where needed;</li> <li>• Monitor and/or manage cases of close personal or familial relations between members of staff (as recorded in ESS/MSS Fiori), as needed.</li> </ul>
Compliance	<p>Compliance Division should:</p> <ul style="list-style-type: none"> <li>• Review and revise the Policy at least annually and/ or more frequently whenever there is a significant change in the legislation and / or regulation;</li> <li>• Advise staff / obliged persons on how to avoid and/or mitigate COI;</li> <li>• Provide training to staff with regard to this policy;</li> <li>• Review self-assessments of COI by members of the management body and ExCo and carry out its own assessment;</li> <li>• Escalate COI to the NCGC or AC accordingly for resolution where necessary.</li> </ul>
Internal Audit	<p>Internal Audit includes the management of conflicts of interest as an area of the Risk &amp; Audit Universe and as such it is subject to a risk assessment, as part of the annual audit plan. Audits relevant to conflicts of interest are included in IA's Annual Audit Plan, based on risk assessments and relevant regulatory requirements</p>
Obligated persons	<p>Complete a self-assessment annually or whenever a potential COI occurs and submit to CD.</p>
Organisation Department	<p>Organisation Department drives and coordinates the maintenance and updating of the procedures as set out in circular OE148.</p>
Senior Management	<p>Senior Managers are responsible to put in place a framework and should:</p> <ul style="list-style-type: none"> <li>• Implement procedures and controls to identify, escalate and manage COI;</li> <li>• Encourage the appropriate culture which emphasises the importance of ethical treatment of clients and fair handling of COI;</li> <li>• Raise awareness and promote adherence in completing regular training.</li> </ul>
All employees	<p>Employees are responsible for identifying and managing COI on an ongoing basis and should:</p> <ul style="list-style-type: none"> <li>• Comply with this policy and relevant procedures;</li> <li>• Act with integrity and exercise good judgement and discretion in line with the Code of Conduct and Code of Ethics;</li> <li>• Avoid, whenever possible, situations giving rise to COI due to any of the following; <ul style="list-style-type: none"> <li>➢ Personal financial interest;</li> <li>➢ Family members or close personal relationships;</li> <li>➢ Previous, current or potential future involvement in an activity (whether in the Bank or externally);</li> <li>➢ Different roles and responsibilities at the Group which might compromise or otherwise call into question their judgement, ability to act objectively or properly discharge their duties and responsibilities owed to the Bank and/or clients, or otherwise give rise to the risk of reputational damage to the Bank including the risk of the appearance of impropriety around the manner in which business is awarded to or by the Bank or of the Bank having obtained an improper advantage or treatment.</li> </ul> </li> <li>• Notify their manager and Compliance of the existence and general nature of a COI;</li> <li>• Record close personal or familial relations in ESS/MSS Fiori in a timely manner;</li> </ul>



	<ul style="list-style-type: none"> <li>• When participating in committees, disclose to the chairperson any COI and remove themselves from the decision-making process and not seek to influence such decisions any further;</li> <li>• Not be in supervisory, subordinate or control relationship with closely related persons;</li> <li>• Not misuse information obtained in the course of working at the Bank;</li> <li>• Manage work related information on the basis of the need-to-know principle;</li> <li>• Comply with applicable rules which require transactions and arrangement between the Bank and a related party to be carried out on an independent arms-length basis.</li> </ul>
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## 5.2 Supporting Documentation

- Self-assessment of the Obligated persons
- Assessment by the Bank of Cyprus of conflicts identified

## 5.3 Reporting

All conflicts identified by CLs or Compliance Division across the Group are input in the CMS and relevant information is presented to the AC quarterly. Conflicts identified at management level and Board level is reported to the NCGC for decision-taking.

Conflicts identified during management committee meetings are recorded in COI registries and submitted once a year to the CD for review.

## 5.4 Legal Framework

- Directive to Credit Institutions on Internal Governance in Credit Institutions 2021.
- The law which provides for the provision of investment services, the exercise of investment services, activities, the operation of regulated markets and other related matters Law 87/17.
- Cyprus Securities and Stock Exchange Law 14(I)/93
- EU Regulation 596/2014 on Market Abuse (Market Abuse Regulation, MAR).
- Directive on the Assessment of the Suitability of members of the management body and key Function Holders 2020.
- Any laws that relate to the management of COI.
- Group Policies: Anti- Bribery, Fraud, Group Wide-Dealing Policy, Board Manual, MiFID Conflicts of Interest, Corporate Governance Policy, Procurement Policy, Whistleblowing Policy etc.
- Code of Conduct and Code of Ethics

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## 6. EXCEPTION APPROVAL PROCESS

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Non-compliance with the Conflict of Interest Procedure at Board level has to be reported to the Central Bank of Cyprus immediately.

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## 7. IMPLEMENTATION PROCEDURES (KEY PROCESSES)

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- The CLs of each unit maintain the Conflict-of-Interest Registry by recording all Conflicts identified in their area in OneSumX, the CMS maintained by Compliance Division.
- Compliance Division emails self-assessment questionnaires to all obliged persons annually and collects the information for assessment and evaluation.

- Conflicts identified at any committee meeting (Board or management level) are recorded in a COI registry by the secretary of the Committee and are submitted to CD once a year for recording in the system.

## Appendix A

### Non-Exhaustive List of common types of what may be considered as COI

Within a financial institution COI may arise in a variety of situations. Possible areas include:

- Portfolio management
- Investment services
- Corporate banking
- Personal accounts
- Loan Restructuring
- Sale of Loans
- Performance appraisals
- Interviews (internal or external)

### Client-Related Conflicts

COI relating to clients can be broadly described as scenarios where the Bank, an Employee or a third-party representative:

- i. Might have a financial gain or might avoid financial damage at the expense of the client;
- ii. Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is different from the interest of the client in that outcome;
- iii. Has a financial or other incentive to favour the interests of a client or group of clients at the expense of the interest of another client;
- iv. Carries on the same business as a client;
- v. May receive from a person (other than the client) an inducement in relation to a service provided to the client in the form of monies, goods or services, other than a standard commission or fee for that service (e.g. entertainment or hospitality the cost of which is in excess of what is considered reasonable and accepted business practice);
- vi. Has a financial or other incentive to favour the sale of a particular product or service to a client which is not in the best interest of the client;
- vii. An entity of the Group may provide investment advice or discretionary portfolio management services to its clients and the Bank may also recommend or sell products issued by itself or affiliated companies.

### Bank-related conflicts

COI relating to the Bank can be broadly described as scenarios where:

- i. An Employee's member's of staff or member's of the Board (or related party) interest in the outcome of a particular activity or transaction differs from the Bank's interest;
- ii. A member of staff or member of the Board (or related party) receives a financial or other significant benefit as a result of the person's position in the Bank which is inappropriate in nature;
- iii. A member of staff or member of the Board has the opportunity to influence the Bank granting business or making administrative or other material decisions in a manner that leads to personal gain or advantage for that person or a family member;
- iv. A member's of staff or member's of the Board (or related party) existing financial or other interest or previous engagement in a transaction or activity or relationship with another person, impairs or could impair his/her judgment or/and objectivity in carrying out his/her duties and responsibilities to the Bank;
- v. A unit of the Bank favours its interest over another unit of the Bank which is inconsistent with the best interest of the Bank including in connection with the selection of vendors;

- vi. A COI arises in connection with a transaction or arrangement entered into between the Bank and a material shareholder or between Group entities due to the close relationship between the parties;
- vii. Members of staff that were involved in the loan granting decision are also involved in a decision relating to the restructuring of that loan.
- viii. When pursuing transactions or arrangements between the Group and a client or other stakeholder which could:
  - a. Run contrary to the Group's approved ESG strategy
  - b. Promote short-term oriented undue ESG-related risk-taking including greenwashing and mis-selling of products.

### **Personal conflicts**

Such conflict may be:

- To encourage business transactions / dealings with a company where a close contact / relative holds an important position,
- To be involved in a decision to recruit a family member / give loan to a family member / restructure a loan for a family member etc;
- To have personal or professional relationship with external stakeholders eg.to have second employment in a competitor / supplier /service provider/ close associate or previous employment within the last 5 years;
- To hold investments in a company demanding a great deal of time which may interfere with professional responsibilities in the BOC Group;
- To have economic interests such as shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights;
- To have membership in a body or ownership of a body or entity with conflicting interests to the Group
- To have personal or professional relationship with the owners of qualifying holdings in the Group;
- To have personal or professional relationship with other staff of the Group;
- To have political influence or relationship.



## Appendix B

### Description of organisational arrangements relating to Conflicts of Interest

#### I. Corporate Governance

The Bank maintains a corporate governance framework aligned with international standards and legal requirements. This is achieved through well defined, transparent and consistent lines of responsibility and authority limits and clear reporting lines which are documented in the Board Manual and its appendices.

All members of the management body and other obliged persons are asked to self-assess each year and submit their questionnaire to Compliance Division which will then carry out its own assessment before submitting a report to the NCGC. (See Managing COI procedure attached as **Appendix E.**)

#### II. Group entities

Appropriate controls are in place to identify and manage COI among Group entities and other business entities related to the Group. Additionally, periodic reviews are performed on the adequacy of the system of internal controls.

The Group considers and balances the interests of all of the subsidiaries, assessing how these interests contribute to the common purpose and interests of the Group as a whole.

#### III. Independence, separate supervision and distinction of operations

The Group operates a clear structural segregation of business divisions and legal entities to allow for the independent running of businesses and to establish information barriers and takes organizational measures (including physical separation of certain units) to ensure separate supervision and distinction of its employees' operations in order to avoid possible COI.

Each business division reports to a Director on the Executive Committee who is responsible for overseeing and managing the business division.

The Bank also operates an internal control system underpinned by the Three Lines of Defence which is described in the Control Functions Common Operation Framework.

#### IV. Executive/ Operational Bank Committees

Each Committee of the Bank is required to have terms of reference in place. These terms must include the requirement for members of committees to consider potential COI when determining the composition of the committee, taking into account the tasks and responsibilities of that Committee. All members of Committees must disclose any COI and abstain from participating in the decision-making or from voting on any matter where they may have a COI

- a) Prior to the commencement of any meeting of such committees the acting chairperson of the meeting is required to read all items on the agenda and request that each participant, including himself/herself and the members of such committees, states clearly whether there is an interest or a COI or a potential COI and if so to take all relevant measures to mitigate the possibility of crystallization of any such potential COI.
- b) Any member of these Committees should make sure that he/she strictly adheres to the provisions of this Policy and declares such a perceived/potential conflict when discussing an item coming from his/her direct RRD sector. At the same time, the secretary of any of these Committee should assess,

and the Chairperson of the Committee should ensure / decide, depending on the cases to be discussed and the risk that each case entails (monetary or not), whether, to the best of their knowledge, the presence of a member may constitute a potential or perceived COI due to their role in which case the member must leave the room without participating in the discussion and the voting for that particular item either in person or via proxy.

In the case of Credit Committees and the ADC:

- i. any representative of a Line requesting the restructuring of a loan, can only present the case without participating in the voting process either in person or via proxy.
  - ii. If a Committee member was involved, as a member of the deal team, in the original approval process of a loan and this loan was subsequently brought to the Credit Committee for any form of restructuring, then this member is not conflicted provided a) he or she declares their original involvement and that they have no interest or COI.
  - iii. A Committee member who was in the original Committee that approved the loan and is also a Committee member reviewing a subsequent restructuring of the same loan, is not conflicted provided a) he or she declares their original involvement and that they have no interest or COI-
- c) (c) In the case of a single approving authority then any subsequent restructuring should be approved by a different authority.

The above should be recorded in the respective meeting minutes and the COI registry maintained by the Secretary of each Committee.

## V. Financing – credit applications

The Directors, Senior Executive Management and the Bank’s employees (regardless of rank) must not engage in any way in the evaluation or handling of applications for financing where there is a conflict of interests between themselves and the Bank or between themselves and the Bank’s customers/associates.

## VI. COI and Outsourcing

The Bank exercises appropriate due diligence when selecting outsourcing service providers which includes:

- The identification of any COI or potential COI due to the fact that the outsourcing service provider constitutes a group of connected persons with:
  - Any member of the Group’s senior management or management body
  - The Bank’s external auditors or
  - The Bank’s external legal advisors

## VII. Sale of Loans

The Bank should establish appropriate measures to ensure that all possible COI that may arise from the sale of loan process are properly identified and managed. including any COI risks arising during the negotiations, before the agreement, during the process of transfer of accounts, resources etc. as well as after the completion of the agreement. Such measures include:

- i. All sale of loan transactions must be conducted at arm’s length, all internal control procedures to be followed, binding and relevant approvals from the Management Body to be obtained etc.
- ii. Members of the Management Body or Senior Staff should refrain from holding directorships or other executive positions in institutions connected with the buyer. All cases should be identified



and properly managed and should be handled at Management Body level e.g. if an exception is required.

- iii. When the Bank takes the decision to initiate a sale of loan transaction a proper project governance structure should be established taking into account all the provisions of this policy. This should include:
  - a. A steering committee to be established in the context of the required confidentiality and all members should declare possible or actual COI and record them in the respective meeting minutes. External or conflicted persons (i.e. persons that have declared a COI) should not be permanent members of the committee and should participate only by invitation.
  - b. A COI registry of all possible COI relating to the specific sale of loan transaction should be maintained in the required confidence and with relevant measures and controls in place.
- iv. Possible or actual COI during the negotiations should be declared by all parties to the other parties. This obligation should be reflected in the clauses of all contractual agreements such as the sale agreement and the NDA agreements as well as in the after-sale services agreement if such agreement will exist.
- v. When the buyer or potential buyer wishes to contract with sub-contractors (consultants, auditors, lawyers etc.) the consent of the Bank as to the contractors selected maybe necessary to avoid possible conflicts. Also access to confidential privileged information to such parties should be given with care and extra due diligence and relevant market abuse Bank policy procedures should be followed.
- vi. In cases that there is an agreement for the operation of the accounts post sale, measures should be in place to manage COI of sub-participation accounts and anticompetitive process and communications should be strictly avoided.
- vii. In cases where the gradual transfer of a portfolio involves also the transfer of human resources, robust COI measures and a proper governance framework-should be put in place aiming at the early identification and mitigation of obvious, perceived or potential conflicts of interest. The framework will be decided based on the circumstances of each case but, in general, it is expected to include measures such as the application of cooling period, signing of NDAs etc.
- viii. In cases where the sale of loans agreement provides for a potential temporary transfer of a member of staff, his/her responsibilities as an employee should still apply.

## Appendix C

### Description of policies procedures, systems and controls relating to COI

#### I. Related parties transactions

Adequate procedures have been established for transactions with related parties (including material shareholders), (e.g. requiring transactions to be conducted at arm's length, requiring that all relevant internal control procedures fully apply to such transactions, requiring binding consultative advice from independent members of the management body, requiring the approval by shareholders of the most relevant transactions and limiting exposure to such transactions).

#### II. Segregation of duties:

The Group ensures that conflicting activities or transactions are entrusted to different persons. The Principle of Segregation of Duties is the basis upon which the roles in the Group are founded and is the principle by virtue of which each role maintains its boundaries and its independence precisely.

Each role in the Bank should be precisely defined, should act freely and should independently express its opinion without being influenced by any expediency that may seek its own benefit or interest for the benefit of third parties.

#### III. Information Barriers and Chinese Walls

The Group respects the confidentiality of information about its clients and complies with all applicable laws with respect to the handling of the information. Access to confidential information is restricted to those who "need to know" and is consistent with the legitimate interest of a client or the Bank.

The Group maintains information barriers also known as "Chinese Walls". Chinese Walls are put in place to restrict information flows between different areas of the Bank. The application of Chinese Walls provides the Group and its employees with the possibility to offer clients services without being affected by other information possessed by the Group which could result in COI that may harm the interest of a client.

#### IV. Gifts and personal benefits

The accepting and offering of gifts and other personal benefits is regulated by the relevant policies and procedures of the Bank (Code of Conduct & Anti-Bribery policy). Members of staff are allowed to accept gifts of small value as per circular OE148. The responsible LCO records in OneSumX all gifts received and offered irrespective of amount and whether approval was obtained (where applicable).

#### V. Training and Communication

The Group provides constant training and information in relation to matters of COI in order to build awareness around COI and develop the knowledge and understanding of employees and promote a culture of transparency.

#### VI. Remuneration Policies

The Bank recognizes that remuneration is a factor that may influence the conduct of Employees. The Bank has in place remuneration policies and procedures which set out appropriate governance to prevent remuneration structures which may incentivize an Employee to act contrary to their responsibilities, regulatory requirements or the Bank's Code of Conduct. Remuneration policies for Group employees prohibit situations that will give or potentially could give rise to COI, e.g. profit share, success fees etc.



## VII. Inducements and Research independence

This policy should be read together with MiFID Conflicts of Interest Policy where inducements and research may create COI.

Research publications /recommendations are internally distributed exclusively at the same time as they are distributed to the clients.

## VIII. Relevant persons

An approval process is in place to identify and manage cross-board memberships and outside business interests of Relevant Persons.

Relevant Persons may be asked to step aside from working on a specific transaction or participating in the management of a COI, where necessary.

Relevant Persons are subject to personal account transaction rules which are fully described in the MiFID Conflicts of Interest Policy of the Group;

## IX. Group-Wide Dealing Policy

All Directors and Employees:

- Can engage in financial instrument transactions, of so long as these are allowed by the legislative and regulatory framework, as well as professional ethics and comply with the Group-Wide Dealing policy and relevant Group policies and procedures;
- Must not deal in any BOC securities if they are in possession of inside information relating, directly or indirectly to BOC securities and/or securities of the Group's customers, and which, if they were made public, would be likely to have a significant effect on the prices of these securities;
- Must seek approval from the Group CEO before executing a transaction by filling in the appropriate form, as per the BOC Dealing Code;
- Must not unlawfully disclose any confidential information about the Group or other group of companies, except where they are required to do so as part of their employment or duties.

## X.Procedures at management body level

COI that may impede the ability of members of the management body to take objective and impartial decisions that aim to fulfil the best interest of the Group must be identified and managed. The Group should take into consideration that COI can have an impact on the independence of mind of members of the management body.

Any measures to mitigate such COI must be documented, including the rationale for how effective they are to ensure objective decision-making.

All actual and potential COI individually and collectively, shall be adequately documented, communicated and discussed, decided on and duly managed by the management body.

## XI.Key Function Holders

The existence of NPEs of a key function holder, including its related parties, may raise doubts about the independent and impartial judgment of the KFH in the performance of his/her duties. Therefore, KFH should not present at the time of their appointment loans belonging to the category of non-performing loans.

The Group shall handle and rapidly eliminate cases where loans granted to a key function holder, including its related parties, have become non-performing loans following his/her appointment. Such cases will be reported to the AC for monitoring and setting a clear timetable of normalization.

## **XII. Vendors**

The Bank's Procurement policy governs the management of relationships with vendors and all employees are expected to comply with it

The Bank ensures there are arrangements in place that prevent staff who are also active outside the Group from having inappropriate influence within the Group regarding conflicting activities.

All persons are expected to recognize when they have, potentially have, or could be perceived as having, a COI. All persons should consult the Bank if in doubt about what circumstances might create a COI.

## **XIII. External Valuers**

Every external Valuer to whom Valuations and Premises Department submit a request for valuation of properties to be used as collateral to credit applications, has to declare any possible Conflicts such as having valued a property for a different credit institution in the recent past, or having close family/friendly relationship with the owners of the property etc.

## **XIV. COI recording**

The Group records all its activities which have given or could potentially give rise to a COI as per circular OE.148. The member of staff involved, the type of conflict of interest and related mitigating measures taken to must also be recorded. The information contained within the Bank's OneSumX facilitates the effective identification, escalation and management of potential conflicts of interest and provides a basis for accountability and monitoring implementation of the policy.

## **XV. Whistleblowing**

COI arise all the time, and there are many "grey areas" where it is often hard to discern whether there is a real or potential COI. The appearance or perception by others of a COI can often be as detrimental as a COI. It is therefore important that Group employees be alert to situations that could lead to COI. Promptly disclosing and dealing with any conflict is critical to avoiding potentially serious consequences for the effectiveness and integrity of the Group. It should be emphasised that even if in doubt the possibility of a COI should be reported.

The Group encourages its employees to report any activity that may violate this policy. If any member of staff becomes aware that a conduct which has taken place is in breach of the provisions of this policy, they have a duty to report it. Any such incidents should be reported to a Supervisor/ Line Manager or via the Whistleblowing line. Omitting to report violations of this policy can be considered as a disciplinary offence.

## **XVI. Escalation**

The Group operates internal escalation processes for Conflicts of Interest by escalating timely through CD to the management body any material COI for appropriate resolution. CD will submit a report to the NCGC or the AC accordingly, once it completes its own assessment whenever necessary for the resolution of any COI.