

**POLICY: GROUP CORPORATE GOVERNANCE POLICY & FRAMEWORK**

**POLICY IDENTIFICATION**

<b>Title</b>	Group Corporate Governance Policy & Framework
<b>Policy Number</b>	RC14.1.010
<b>Revision Number</b>	10
<b>Classification</b>	Internal Use
<b>Applicability</b>	Group – Staff members
<b>Owner</b>	Compliance Division
<b>Reviewer(s)</b>	Risk Management Division, Company Secretary
<b>Approved by</b>	Nominations & Corporate Governance Committee
<b>Issuing Date</b>	20/01/2015
<b>Effective Date</b>	20/01/2015
<b>Related Policies and Circulars</b>	Group Board Nominations Policy and the Group Policy on the suitability of members of the management body and key function holders

**Revision Table**

Version	Approval Date	Initiator	Approver	Description / Changes
1.0	20/01/2015	Group CD	Board of Directors	Initial Write up
2.0	17/12/2015	Group CD	Board of Directors	Revision
3.0	1/02/2016	Group CD	Board of Directors	Revision
4.0	4/10/2016	Group CD	Board of Directors	Revision
5.0	11/12/2017	Group CD	Board of Directors	Revision
6.0	27/11/2018	Group CD	Board of Directors	Revision
6.1	25/6/2019	Group CD	Board of Directors	Revision
7.0	25/11/2019	Group CD	Board of Directors	Revision
8.0	26/11/2020	CD	Board of Directors	Revision
9.0	30/11/2021	CD	Board of Directors	Revision
10.0	29/11/2022	CD	Board of Directors	Revision

---



---

## TABLE OF CONTENTS

---



---

TABLE OF CONTENTS .....	2
<b>1. PURPOSE AND SCOPE OF POLICY .....</b>	<b>3</b>
<b>2. ABBREVIATIONS .....</b>	<b>3</b>
<b>3. DEFINITION OF TERMS .....</b>	<b>4</b>
<b>4. GENERAL PRINCIPLES.....</b>	<b>5</b>
<b>5. GOVERNANCE.....</b>	<b>5</b>
<b>6. EXCEPTION APPROVAL PROCESS .....</b>	<b>46</b>
<b>7. IMPLEMENTATION PROCEDURES (KEY PROCESSES) .....</b>	<b>47</b>

## 1. PURPOSE AND SCOPE OF POLICY

The Group Corporate Governance Policy is an internal corporate governance regulation of the Group and all members of the Board and Senior Managers are required to apply it on an individual and on a collective basis to ensure the independence of the Board and its ability to effectively supervise management's operation of the Group.

The purpose of this policy is to set the guidelines on corporate governance and afford transparency on the relevant arrangements throughout the Group with a view to maintaining strong leadership, a positive culture and robust risk management that encourages and reinforces behaviour that ensures Group representatives act to protect the long-term interests of the Group and its shareholders.

This Policy applies throughout the Group, to the members of the Board of Directors, Senior Management and other Key Function Holders, Material Risk Takers of the Bank and its subsidiaries.

## 2. ABBREVIATIONS

Within this document, the following abbreviations are used:

Abbreviation	Definition
AC	Audit Committee
Bank	Bank of Cyprus Limited
CBC	Central Bank of Cyprus
CEO	Chief Executive Officer
CGCO	Corporate Governance Compliance Officer
CISO	Chief Information Security Officer
Company	Bank of Cyprus Holdings plc
CSE Code	Corporate Governance Code of the CSE
CSE	Cyprus Stock Exchange
CySEC	Cyprus Securities and Exchange Commission
CRO	Chief Risk Officer
CCO	Chief Compliance Officer
DTRs	UK Disclosure and Transparency Rules
ECCC	Ethics, Culture and Conduct Committee
Group	Company and all of its subsidiaries (including the Bank)
HRRC	Human Resources & Remuneration Committee
KFHs	Key Function Holders
IA	Internal Audit
Listing Rules	Listing Rules of the United Kingdom Listing Authority
MRTs	Material Risk Takers
NCGC	Nominations & Corporate Governance Committee
RC	Risk Committee
TC	Technology Committee
UK Code	UK Corporate Governance Code

---

### 3. DEFINITION OF TERMS

---

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. **'Board of Directors'** is the management body acting in its supervisory function and overseeing and monitoring management decision-making and the implementation of strategy.
3. **'Key Function Holder' is:**
  - A member of the Executive Committee
  - The Head of a control function i.e:
    - Internal Audit;
    - Risk Management;
    - Compliance; and
    - Information Security
  - The CFO;
  - The Outsourcing Officer
  - Other persons, who may include the heads of significant business lines, branches within the European Economic Area/European Free Trade Association and subsidiaries in third countries
  - Other MRTs; and
  - Persons to be appointed or elected to any such position of the Bank and its Regulated subsidiaries.
4. **'Member'** is a proposed or appointed member of the Board of Directors.
5. **'Material Risk Takers (MRTs)'** is staff whose professional activities have a material impact on the institution's risk profile as per art. 3 & 4 of Delegated Regulation 604/2014. In the Group, MRT staff include the following positions:
  - General Managers of material subsidiaries (Eurolife, General Insurance Cyprus).
  - Other key personnel whose total annual fixed remuneration exceeds €120.000 (currently n/a).
  - Other Risk Takers (based on position and as defined by the Bank and approved by the NCGC, including members of credit committees and persons with open approval). Exceptionally for this category given the particular risk involved approval takes place by the Risk Committee.

---

## 4. GENERAL PRINCIPLES

---

The Group, as a leading organisation and publicly traded financial institution, recognizes the need for compliance with the UK Governance Code, the CSE Code, the CBC Internal Governance Directive 2021 and adherence to best practices on corporate governance. Sound corporate governance policies are important for maintaining the confidence of stakeholders and creating shareholder value. Effective corporate governance ensures that the Board and executives are able to:

- Interact effectively and deliver an agreed strategy;
- Share a clear understanding of the related risk appetite;
- Establish a robust control framework to manage risk effectively across the business; and
- Rely on management to be open and transparent in providing timely, accurate, complete and relevant management information to facilitate decision-making in fulfilment of its duties and responsibilities

The Board of Directors, management and staff of the Group shall comply with the provisions of this Policy which shall act as a guide to principles, actions and responsible conduct.

The Policy in conjunction with the Articles of Association of the Bank, and the Terms of Reference of the Board Committees forms part of the key high-level documents for governance of the Group and its operations and complements:

- The Integrated Risk Identification Framework
- The Risk Appetite, which sets out the level of risk which the Board is prepared to tolerate for the Group to achieve its business objectives; and
- The Risk Management Division charter which describes the Risk Management Framework, which sets the approach to risk for the Group and defines the roles and responsibilities of members of staff and directors, executive and non-executive in identifying, measuring and monitoring risk in order to maintain it within the appetite of the Group.

---

## 5. GOVERNANCE

---

### 5.1.1 Shareholder Structure

On 18 January 2017, the Bank of Cyprus Holdings Plc (BOCH) became the sole shareholder of BOC PCL and its subsidiaries.

On 19 January 2017, BOCH was admitted to listing and trading on the London Stock Exchange ('LSE') and the CSE. BOCH has no shareholders with holdings above 10%.

A common Board and committee structure applies with the same Directors sitting on the Board of Directors of BOCH and on the Board of Directors of BOC PCL and on the committees of each of the two Boards.

#### 5.1.1.1 Shareholder Rights

The Board as a whole is responsible for ensuring that there is a satisfactory dialogue with shareholders based on the mutual understanding of objectives.

The Board shall use general meetings to communicate with investors and to encourage their participation and shall be transparent and fair in the conduct of the annual and special shareholders' meetings.

Accurate and timely information shall be made available to the shareholders to enable them to make sound judgments on all matters brought to their attention for consideration or approval.

The Group shall arrange for the Notice of the AGM and related papers to be sent to shareholders at least 21 working days before the meeting. For other general meetings this should be at least 14 working days in advance.

At any general meeting, the Group shall propose a separate resolution on each substantially separate issue, and shall, in particular, propose a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a vote 'withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution. The Group shall ensure that all valid proxy appointments received for general meetings are properly recorded and counted.

For each resolution, the Company should ensure that the following information on voting results is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Company:

- a) the number of shares for which votes have been validly cast;
- b) the proportion of the Company's issued share capital at close of business on the day before the meeting represented by those votes;
- c) the total number of votes validly cast, and
- d) the number of votes cast in favour of and against each resolution; and if counted, the number of abstentions

A separate resolution is proposed at the Annual General Meeting for each substantially separate issue and, in particular, that a separate resolution is proposed relating to the report and accounts, the Remuneration Report, the Remuneration Policy (if applicable) [*i.e., usually approved every 3 years*] and the financial statements.

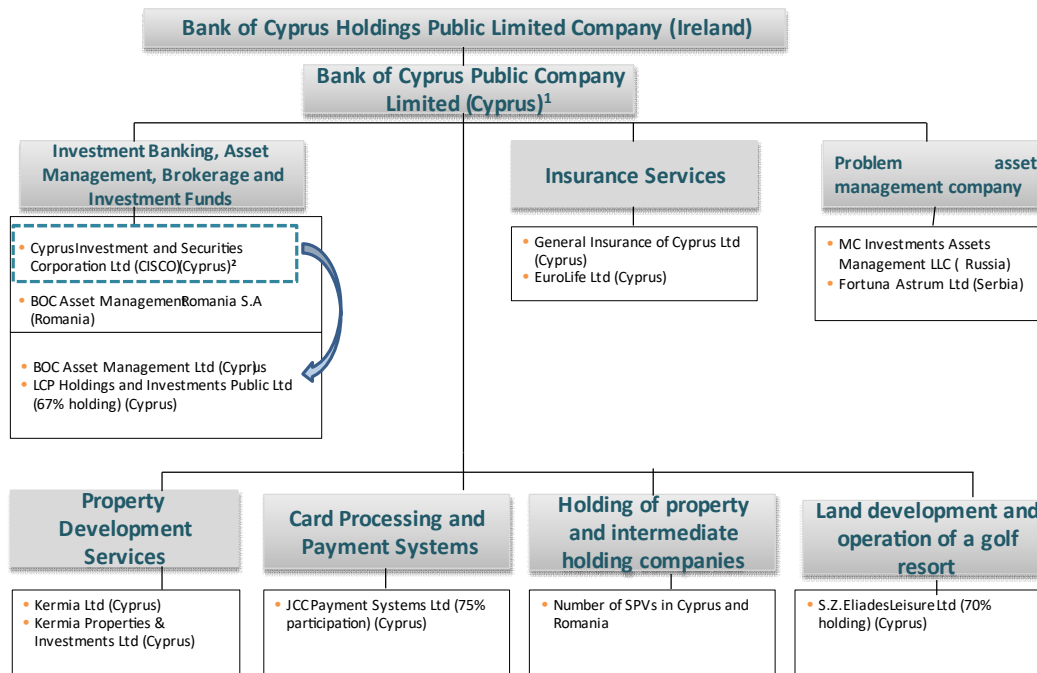
When 20 % or more of votes have been cast against a resolution at any general meeting, the company shall explain when announcing the results of voting what actions it intends to take to consult shareholders in order ~~to~~ to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

The Chairperson of the Board of Directors shall ensure that the Chairpersons of the AC, the HRRC and the NCGC are available to answer to questions at the Annual General Meeting, and that all Directors attend.

Proposals submitted to an Extraordinary General Meeting, or proposals considered to be of unusual nature, shall be adequately and clearly explained to shareholders, who should be given sufficient time before the date of the meeting in order to evaluate them (being at least 21 working days for AGMs and at least 14 working days for extra-ordinary general meetings). This also applies in cases where the proposals submitted to general meetings pertain to the assignment to the Board of Directors of the right to issue and grant shares at its absolute discretion.

### **5.1.2 Group Structure**

The Bank is a significant credit institution for the purposes of the SSM Regulation and has been designated by the CBC as an "Other Systemically Important Institution" ("O-SII"). The Group is subject to joint supervision by the ECB and the CBC for the purposes of its prudential requirements. The ECB has approved BOCH's application for an exemption under Article 21a of CRD IV, such that it is not required to seek regulatory approval as a financial holding company under that Article.



<sup>1</sup>All subsidiaries mentioned above are 100% unless otherwise stated  
<sup>2</sup> Indirect shareholding in BOC Asset Management Ltd and LCP Holdings and Investments Public Limited

The Board is responsible to ensure that the legal, organizational and operational structure of the Group is in line with its approved business and risk strategy and risk appetite. It is responsible for the approval of sound strategies and policies for the establishment of new structures, ensuring that the creation of many legal entities within the Group, their numbers and in particular, the interconnections and transactions between them shall not pose challenges for the design of its internal governance, and the effective management and oversight of the risks of the Group as a whole. It ensures that the Group is able to produce information on the Group in a timely manner, regarding the type, the characteristics, the organizational chart, the ownership structure and the businesses of each legal entity and the Bank complies with all supervisory reporting requirements on an individual, sub-consolidated and consolidated basis.

### 5.1.3 Composition & Functioning of the Board of Directors

#### 5.1.3.1 Composition

According to the Articles of Association of the Bank, the Board is given the authority to determine the number of members which should be of sufficient size to meet the requirements of the business.

The Members may elect a Chairperson and a Vice-Chairperson, both non-executive members of the Board, who hold their office until the next Annual General Meeting, unless the Board of Directors

otherwise determines. If at any meeting the Chairperson or the Vice-Chairperson (who fulfils the roles and responsibilities of the Chairperson in the latter's absence) are not present at the time appointed for holding the meeting the Members present may choose one of their numbers to be Chairperson of the meeting.

At least two executive members are required to participate (but not more than 25% of the members rounded down), one of which must be the Chief Executive. The majority of the members and the Chairperson should be independent non-executive members so that:

- The assignment of multiple roles and duties to the same individual, which could result in over reliance on a person or a small group of people, is avoided
- Any material conflicts or interests are appropriately dealt with

The Group has adopted the Director Independence Criteria as defined in the CSE Corporate Governance Code and the CBC Suitability Directive, as supplemented by the relationships and circumstances relevant to the independence determination as set out in the UK Code (**Appendix 2**).

Members may not appoint alternate members to represent them in their absence. Heads of control functions may not be appointed to the Board of Directors.

The Board must have and must maintain both as individual board members and collectively suitable experience, competencies and personal qualities such as professionalism and integrity. It must have the appropriate balance of skills, experience, independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. As per the Group Board Nominations Policy, the Board shall be sufficiently diverse as regards age, gender and educational and professional background to reflect an adequately broad range of experiences and facilitate a variety of independent opinions and critical challenge. The Board has set its target of gender diversity to achieve and maintain 40% female representation.

The Board of Directors appoints one of the independent non-executive Members, being neither the Chairperson nor the Vice-Chairperson, to be the Senior Independent Director, who should be available to shareholders if they have concerns which have not been resolved through the normal channels.

The Senior Independent Member will chair the Board when considering the succession of the Chairperson and ensure an orderly succession process, unless he/she is a candidate. In that case, the Member with the longest tenure on the Board of Directors will chair the meeting for the election of the Chairperson and Vice-Chairperson. This Member is considered the Chairperson of the meeting but does not have a secondary or casting vote.

All independent non-executive Members of the Board of Directors have the right to be candidates. Each non-executive Member of the Board of Directors can be a candidate for only one of the positions i.e. either the position of Chairperson or Vice-Chairperson. In the event that for a particular position only one candidacy is submitted, the specific candidate is considered as elected and no voting is necessary for the specific position.

The elections for the positions of Chairperson and Vice-Chairperson are conducted at the same time. The voting is conducted via secret ballot. The ballots for the election of the Chairperson and Vice-Chairperson are separate, and the names of the candidates are in alphabetical order.

Candidates are considered elected where they obtain more than 50% of valid votes. In the event that there are more than two candidates and no candidate has obtained more than 50% of the votes, the voting is immediately repeated between the two candidates who obtained the most votes. In the event



of a tie, the voting is immediately repeated between the tied candidates, and if they are tied again, a draw is conducted. A blank vote is considered void.

A Chairperson may serve in that position for a maximum of six cumulative years whether consecutive or not.

### **5.1.3.2 Functioning of the Board**

It is essential to the Board's strategy for success to follow good governance practices for its own work as a board and to provide effective oversight of competent, strong and independent internal control functions which must support its work.

The primary role of the Board of Directors is to provide ethical leadership and promote the Group's vision, values, culture and behaviour, within a framework of prudent and effective controls, which enables risk to be assessed and managed.

The Board must lead in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group and ensures that its obligations to its shareholders and others are understood and met. Through its oversight, monitoring and review functions, the Board ensures the Group is being run in a sound and prudent manner on a going concern basis in order to fulfil its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies. It should integrate sustainability into the way business is conducted and should ensure that it is embedded into the corporate governance framework, ensure that the necessary financial and human resources are in place for the Group to meet its objectives and should review management performance.

The Board must exercise objective, independent and solid judgment in all matters before it and in the best interests of the Group. It must maintain sound risk management and ensure the integrity of the accounting and financial reporting systems, including financial and operation controls and compliance with the law and relevant standards.

The Board reviews the disclosure procedure and the announcements to the external interested parties and to the responsible authorities. The Board has a responsibility to present a fair, balanced and understandable assessment of the Bank's position and prospects, including in relation to the annual and interim financial statements and other price-sensitive public reports and reports required by regulators and by law.

The Board defines, oversees and is accountable for the implementation of the governance arrangements including for the provision of investment services and activities and ancillary services and the segregation of duties and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interest of the clients. Such arrangements shall ensure that the Board, defines, approves and oversees the policies, procedures and the arrangements for the provision of services and activities taking into account the nature, scale and complexity of its business and all requirement the Company has to comply with, including remuneration, resources and the skills, knowledge and expertise of the staff providing investment services and activities.

The Board should be informed of the results of the business-wide ML/TF risk assessment; oversee and monitor the extent to which the AML/CTF policies and procedures are adequate and effective and take appropriate steps to ensure remedial measures are taken where necessary; at least once a year review the activity report of the AML/CTF compliance officer and obtain interim updates more frequently for activities that expose the Group to higher ML/TF risks; at least once a year, assess the effective functioning of the AML/CTF compliance function, by taking into account the conclusions of any AML/CTF

related internal and/or external audits that may have been carried out, and the appropriateness of the human and technical resources allocated to the AML/CTF compliance officer.

In order for the Board to discharge its obligations it should have access to the activity report of the AML/CTF compliance officer, the report of the internal audit function, the findings and observations of external auditors, where applicable, as well as the findings of the competent authority, relevant communications with the Financial Intelligence Unit (MOKAS) and supervisory measures or sanctions imposed.

Decisions critical for the Group, especially in maintaining an effective organisational structure and internal control system or because of strategic, financial or reputational implications or consequences are taken at Board level (where appropriate, following consideration and recommendation from the relevant Committee of the Board). Such responsibilities are:

- To approve, oversee and review the implementation of the Group's long-term strategic objectives, and strategic policy of the Group.
- To implement a process for the appointment of Board members, on merit and against objective criteria, who can add value and contribute independent judgement to the formulation of corporate strategies and policies within the objective of maintaining an appropriate balance of skills, experience, independence and knowledge and ensuring progressive refreshing of the Board.
- To carry out arrangements aimed at ensuring that the individual and collective suitability assessment of the Board effectively, that the composition and succession planning of the Board are appropriate, and that the Board performs its functions effectively
- To evaluate the Bank's actual operating and financial results against forecast results, in light of the Bank's business objectives, business strategy and business plans.
- To establish arrangements that enable it to ensure that the information presented is fair, balanced and understandable.
- To set, approve and oversee the overall risk strategy, including the Company's risk appetite and its risk management framework and measures to ensure that the Board devotes sufficient time to risk issues; It should allocate roles and responsibilities to its members and/or sub-committees for climate-related and environmental risks.
- To oversee liquidity and funding management, the amounts, types, distribution of both internal and regulatory capital to adequately cover the risks of the Group. The Board shall establish appropriate and prudent capital management policies for the Bank.
- To ensure that policies to identify conflicts of interest are developed and implemented and if these conflicts cannot be prevented, are appropriately managed. The Board should have formal, written conflicts of interest policy and an objective compliance process for implementing the policy.
- To assess the governance structure periodically to ensure that it remains appropriate in light of growth, increased complexity etc.
- To approve:
  - Annual and three-year budgets and business plans;
  - Significant capital expenditures;
  - Unusual transactions;
  - Mergers, acquisitions and disposals of a significant part of the Company's assets;
  - A selection and suitability assessment process for key function holders;

- Remuneration Policy following recommendation by the HRRC
- To decide whether to declare a 'Recovery Emergency Situation' following recommendation by the RC, decision for the execution of recovery options, delegation of authority to Crisis Management Response Committee to execute Recovery Options and notification of the competent authority.
- To ensure that there is a satisfactory dialogue with shareholders and that General Meetings are used to communicate with investors and to encourage their participation.

The delegation of any other matters than those described to any of its Committees (please see **Appendix 1**), does not under any circumstances discharge the obligations and responsibility of the Main Body in relation to these matters. For this reason each Committee Chairperson will be responsible for presenting in summary to the Main Body of the Board the various decisions taken on matters delegated by it.

### 5.1.3.3 Board meetings

The Board meets sufficiently regularly to discharge its duties effectively. It is the standard policy of the Board of Directors to meet not less than 6 times a year.

Members are expected to attend meetings of the Bank's shareholders, Board meetings and meetings of Committees on which they serve, and to spend the time needed to prepare for and to meet as frequently as necessary to properly discharge their responsibilities.

A Member, and (on the request of a Member) the Secretary, may at any time, request a meeting of the Directors, after communicating with the Chairperson.

Questions arising at any meeting are decided by a majority of votes. In case of an equality of votes the Chairperson has a second or casting vote.

Proxy voting is permitted for absentees but not more than 1 proxy for each member attending and members who vote by proxy are accountable for their proxy vote. (**Appendix 6**)

No other person is present unless formally invited to attend for a specific item on the agenda. Any such person is present only during the discussion of the specific item and leaves the meeting room immediately after, without participating in the decision-making process.

The Company Secretary keeps minutes of all General Meetings of the Company and of all meetings of Directors and Committees. Any such minutes of any meeting, once signed by the Chairperson of such meeting, or by the Chairperson of the next succeeding meeting, are conclusive evidence. A resolution in writing signed by all the Members is as valid and effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted.

The minutes of all meetings of the Board of Directors and its Committees should accurately and in detail record the decisions taken and the issues material to the decisions. Minutes must be finalized not later than fifteen (15) business days following the meeting and formally approved by the next meeting and must record:

- the time of the meeting, the location at which it is held, the attendees including invitees, physically and via electronic media;
- the reasoning for inviting persons to attend the meeting, the relevant item(s) on the agenda and their views and/or opinions;
- all items on the agenda and the respective discussions, decisions, voting results, opinions and views of the minority, as well as concerns not resolved; and

- the statements recorded separately under the title ‘Identification of interests or conflict of interest or potential interests or conflicts of interest’.

#### **5.1.3.4 Quorum Requirements**

As per the Articles of Association 50% of the members of the Board plus 1 rounded down physically present shall be a quorum unless otherwise determined. The members of the Board should aim to attend all meetings either in person or via telephone/ teleconferencing and every effort should be made at least once a year to hold one meeting with the physical presence of all members. The arrangement of attending scheduled or special meetings via teleconferencing must not be abused but used with caution.

Members are expected to attend at least 3/4 of Board and Committee meetings (regular and extraordinary) held in a fiscal year and any continuous absences not to exceed 2 in number.

Where a Member believes that he/she cannot fulfil the above minimum attendance requirements then he/she should notify the Board of Directors accordingly, giving his/her resignation from the relevant body.

Where a Member is not in a position to fulfil the above minimum attendance requirements because of force majeure reasons or illness then he/she notify the Chairperson as soon as possible who in turn will inform the Board of Directors. After examining each case, the Board may provide an exemption from the above regulation.

#### **5.1.3.5 Agenda and Materials**

The Chairperson in consultation with the Company Secretary shall establish the agenda for each Board meeting. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

The Chairperson of the Board ensures that:

- a) the Agenda appropriately addresses the issues that require the Board’s attention and keeps the Board focused on its primary oversight responsibilities;
- b) the Board is proactive in setting its agenda; and
- c) the members of the Board receive accurate, timely and clear information relevant to the matters on the Agenda.

The Board of Directors has established a process by which Members can, for the purpose of better fulfilling their duties, have access to independent professional advice, if necessary, at the Company’s expense where they judge it necessary. Such request should be in writing to the Company Secretary. The Secretary ensures that the request of the Member or Members is presented at a meeting of the Board of Directors. The request is accepted if it is supported by 1/3 of the Members of the Board of Directors.

Management has an obligation to provide the Board of Directors with timely, reliable and accurate information, especially with regard to facts which changed or may change the prospects or financial condition of the Company. In the event that such information volunteered by management is insufficient, the Members should make further enquiries. The Chairperson should ensure that all Members are suitably informed on issues arising during Board meetings.

All Members should also be informed in good time of any extraordinary meetings. The minutes of all meetings of the Board of Directors should accurately record the decisions taken and should be at the disposal of all Members the soonest possible after a meeting and definitely before the next Board meeting.

All Members shall have access to the services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are complied with.

#### **5.1.3.6 Executive Sessions of Non-Executive Board members**

The non-executive members of the Board will meet as needed and at least semi-annually in executive session with the external auditor and the Heads of internal audit, compliance, risk management and information security functions other than in meetings of the Audit and Risk Committees. These sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the non-executive members may deem appropriate.

The Senior Independent Director will chair meetings and executive sessions of the independent and non-executive Board members. The agenda of the meetings shall be determined by the Senior Independent Director in consultation with the other independent and non-executive Board members. He/she will communicate to the Board Chairperson and the executive members the results of the discussions and consensus reached at the meetings.

The non-executive members of the Board, under the leadership of the Senior Independent Director, will meet without the Chairperson at least annually to appraise the Chairperson and on such other occasions as are deemed appropriate.

#### **5.1.3.7 Board and Board Member Effectiveness**

The Board shall maintain, and periodically update, organisational rules, by-laws, or other similar documents setting out its organisation, rights, responsibilities and key activities. The Board shall structure itself in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, sufficiently deep review of matters, and solid, critical challenge and discussion of issues.

Furthermore, the Chairperson of the Board shall be responsible for ensuring the assessment of performance of individual Board members, the Board as a whole and its Committees at least once a year and for preparing and submitting the evaluation report to the Board of Directors.

Every three years the review and evaluation of the composition, effectiveness and efficiency of the Board must be assigned to an independent external consultant having regard to the requirements of the CBC Directive on Internal Governance, to bring an objective perspective and share leading industry practices. Such advisors must be rotated after 2 consecutive appraisals.

The NCGC shall assess annually the structure, size, composition, performance and effectiveness of the Board and submit recommendations and initiate the renewal and replacement processes of the Board Members. The Committee shall also assess the skills, knowledge and expertise of the members of the Board annually.

The evaluation process must cover the following:

- Performance of the Board as a whole, of Committees and of individual Members;
- Contribution of the Board as a whole, of Committees and of individual members to:
  - Developing the business objectives, risk appetite and strategies
  - Setting and overseeing the risk and compliance management frameworks
  - Establishing and maintaining consistent organizational and operational arrangements and internal control mechanisms;
- Composition of the Board and its committees;

- Communication with management, shareholders and competent authorities;
- The roles of Chairperson, Company Secretary and Senior Independent Member of the Board;
- Time commitment of non-executive Members and capacity to critically review information;
- Evaluation of the suitability of each member based on the applicable criteria of the Suitability Policy (**Appendix 13**) and in particular the independence of each independent member.

The Chairperson appraises each non-executive Member individually, having taken soundings from other Members.

The Board annually obtains and reviews the report on the assessment of Board performance of the major subsidiary boards and takes appropriate action.

#### **5.1.3.8 Access to management**

Members of the Board shall have full and free access to Senior Management and other employees of the Group. Contact or meetings may be arranged for Members of the Board through the CEO, the Company Secretary or directly by the Members of the Board.

The Board invites attendants at Board meetings to provide inputs on specific Board agenda items, as the need arises.

### 5.1.3.9 Board Member Education

Members need to be well informed about the Group's operations, and the external environment in which the Bank and the Bank's subsidiaries operate and should possess a deep knowledge of issues relevant to the Bank's business.

The Group shall assist members to acquire, maintain and deepen their knowledge, skills and familiarity with the Group in order to fulfil their responsibilities. Each new member is provided with written information about the Group and his/her duties and responsibilities as member and attends an induction course as per the Group Board Induction and Training Policy (**Appendix 5**). All members have access to seminars and presentations on aspects of the Group's business activities and opportunities to familiarise themselves with the Group's strategic plans, enterprise risks, group structure, compliance programs, Code of Conduct and corporate governance arrangements. As part of this, members of the Board should avail themselves of opportunities to meet major shareholders. The Chairperson shall prepare an annual training program for the members in coordination with the Company Secretary.

### 5.1.3.10 Other Directorships

The NCGC will consider amongst other things, whether a potential member candidate fulfils the criteria for Suitability as described in the relevant CBC Directive and is able to devote the requisite time and attention to the Group's affairs, prior to the Board's approval of the individual's appointment.

The CBC Suitability Directive stipulates that a Board member cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships
- Four non-executive directorships

For the purposes of the above, the following shall count as a single directorship:

- Executive or non-executive directorships held within the same group
- Executive or non-executive directorships held within
  - i. Institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113(7) of Regulation (EU) no 575/2013 are fulfilled; or
  - ii. Undertakings (including non-financial entities) in which the institution holds a qualifying holding

According to the CBC Suitability Directive, the Central Bank may, in exceptional cases and taking into consideration the nature and complexity of the business of the Group, authorise members of the Board of Directors to hold one additional directorship.

Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of the above guidelines.

The Board also reviews cross-directorships to determine whether any common Board memberships impair the ability of the involved members to exercise independent judgement as members of the Board. No more than two members may sit on the same company Board without the consent of the NCGC.

No member of the Board shall also be a member of the Board of Directors of an unaffiliated financial institution, without the prior approval of the NCGC.

### 5.1.3.11 Confidentiality

Every Board member shall, prior to his/her appointment, make and sign a declaration of secrecy pledging not to reveal or make known any of the matters which may come to his/her knowledge in relation to transactions of any member of the Group or the state of account of individuals and matters relating

thereto, unless required by court of law or by any General Meeting of the Bank. This is without prejudice to each Board member's statutory duty of confidentiality owed to the Group.

Members of the Board shall observe the confidentiality of non-public information acquired by reason of their position as members even after the termination of their service. A sample Confidentiality Declaration is provided in *Appendix 3*.

#### **5.1.3.12 Director compensation**

The Board approves the overall remuneration policy of the Group (including for Executive Board members) as recommended by the HRRC, which must be aligned with the Group's capital and liquidity availability; the interests of its shareholders; does not encourage excessive risk taking and ensures an appropriate balance between fixed and performance-related, immediate and deferred remuneration; and oversees its effective implementation. Non-executive Members are not included in the beneficiaries of performance related remunerations.

The remuneration of Board members in their capacity as members of the Board of Directors shall be approved by the shareholders at a General Meeting. Executive Members are not compensated in their capacity as members. In the case of termination of appointment /employment contracts of executive Members notice periods should be set at one year or less.

- The remuneration of the Chairperson and Vice Chairperson's as recommended by the HRRC; and
- The remuneration of the non-executive Board members as recommended by the Chairperson are approved by the Board.

The remuneration of non-executive members in their capacity as members of the Committees of the Board, is determined by the Board itself and should be in accordance with the time they devote to the affairs of the relevant Committee(s) and the decision-making for the issues before them, but should not be related to the short-term performance of the Group.

The Bank's annual reports and information statements shall include a clear, concise and understandable disclosure of all compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO, and the Group's Executive Committee.

In the cases of members who receive Shares, Warrants, Rights, etc. as remuneration or their remuneration is related to the price of shares, this is subject to shareholders' approval through a resolution at a General Meeting prior to the adoption of the said schemes. Any acceptance thereof pertains to the scheme as a whole and not to each member individually.

Members are entitled to non-salary benefits and allowances in accordance with policies recommended by the HRRC and approved by the Board.

#### **5.1.3.13 Number and Selection of Board Members**

As per the Internal Governance Directive the number of Members shall not be less than seven (7) nor more than thirteen (13). The Group has adopted a formal, rigorous and transparent procedure for the nomination, selection, re-appointment and succession of Members to the Board. The Board has approved to this effect the Group Board Nomination Policy (*Appendix 4*)

The persons proposed for appointment to the post of non-executive Member should have, as a consequence of their professional capacity, specialized skills and/or knowledge in, for example, accounting, finance, banking, law, business administration, risk management including environmental and climate-related risks, to enhance the collective knowledge of the Board, and to have knowledge on financial matters, including understanding financial statements and financial ratios. Non-executive



Members must disclose their other significant commitments before appointment, with a broad indication of the time involved.

Once a proposal for the appointment of a person as a non-executive Member is recommended by the NCGC and approved by the Board, the Company will address a letter/proposal of appointment to the proposed person providing information, in sufficient detail, on his/her duties, responsibilities and obligations, on the expected contribution from him/her as well as on the time he/she is expected to devote for this purpose, to which the person concerned will be requested to formally reply on whether he/she accepts the appointment to that position. Non-executive Member should undertake that they will have sufficient time to meet what is expected of them.

On appointment of a non-executive Member, the terms and conditions of that appointment must be available through the Company Secretary.

Non-executive Members are appointed for a specific term of three (3) years, (subject to re-election and shareholders' statutory power to remove), and their re-election should not be automatic. Newly appointed Members are subject to election by shareholders at the first annual general meeting after their appointment. A retiring Member is eligible for re-appointment for more terms (i.e. three (3) years). The total service of any Member in any Board of the Group should not exceed a maximum of twelve (12) cumulative years.

In the context of determining whether to recommend to the Board that any incumbent member be submitted to the shareholders for re-election, the NCGC should also consider the results of the most recent self-assessment of the Board and the Chairperson's evaluation of the individual member, the member's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

New Members' appointments do not apply until the consent of the European Central Bank in relation to the appointment is received.

In relation to any proposal to shareholders to re-elect a Member, such proposal must be accompanied by sufficient biographical details and any other information to enable shareholders to take an informed decision on their election and explain why the Board believes that person should be re-elected.

#### **5.1.3.14 Specific Duties and Responsibilities of Individual Members of the Board**

The non-executive Board members are required to scrutinise the performance of management in achieving agreed objectives and monitor the reporting of performance. They should constructively challenge and help develop proposals on strategy. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They (primarily through the HRRC) are responsible for determining appropriate levels of remuneration of executive Board members and have a prime role in appointing and removing executive Board members, and in succession planning.

A member of the Board shall conduct his/her business transactions with the Group fairly and ensure that personal interest does not bias Board decisions. Specific duties and responsibilities are as follows:

- To devote the time and attention necessary to properly carry out his/her duties and responsibilities and acquire, maintain and deepen his/her knowledge and skills to fulfil his/her responsibilities.
- To act judiciously. Every member of the Board shall thoroughly evaluate the issues, ask questions and seek amplifications and clarifications in relation to information provided by management or when necessary.

- To contribute significantly to the decision-making process of the Board, to exercise diligence and to demonstrate proper skill and care in the performance of his/her duties.
- To exercise independent judgment. A member shall view each problem objectively. When a disagreement with others occurs, he/she shall carefully evaluate the situation and state his/her position. In consequence, he/she shall support plans and ideas that he/she thinks are beneficial to the Bank.
- To ensure his/her concerns about the direction of the Group that cannot be resolved are recorded in the Board meetings minutes.
- To have a working knowledge of the statutory and regulatory requirements affecting the Group, including the contents of the Company's and the Bank's Articles of Association, the requirements of the UK Code, the CSE Code, the Listing Rules, the DTRs, CBC, CySEC, CSE and, where applicable, the requirements of other regulatory agencies, such as the Irish Companies Law and, in particular, of the points pertaining to the position held by the Member.
- To ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment.
- To act with honesty and loyalty and in the way which he/she considers, in good faith, would be most likely to promote the success of the Group for the benefit of all its shareholders as a whole and, in doing so, have due regard on the impact of Board decisions on all stakeholders such as the Bank's depositors, investors, borrowers and other clients in the general public, including (amongst other matters):
  - The likely consequences of any decisions in the long term
  - The long-term interests of the Group's employees and the viability of the Company
  - The need to foster the Group's business relationships with suppliers, customers and others
  - The impact of the Group's operations on the community and the environment
  - The need of the Group to maintain a reputation for high standards of business conduct and
  - The need to act fairly between stakeholders of the Company
- To have a clear understanding of the Group's governance arrangements and his/her role in them.
- To remain fit and proper for the position for the duration of his/her term and disclose to the Company any matter that may result, or has resulted already, in a conflict of interest or in a non-compliance of the Suitability Directive.

Each member submits to the Company Secretary a statement (Declaration Notifying any Changes of Circumstances), at least once a year, clarifying whether there were any changes concerning him/herself that may be affecting or appear to be affecting the suitability of the member. This statement should be submitted in January of each year or earlier in the event of any changes relating to the criteria.

- To conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions.
- To declare any interest in any proposed transaction or arrangement involving a stakeholder or subsidiary company of the Group.
- To disclose details of any contract or business relationship that he/she may have with the Bank.
- To avoid situations where conflicts of interest or the appearance of conflicts of interest arise with regard to other members of the Board, any subsidiary companies of the Group, their clients or shareholders. A Conflicts of Interest declaration must be signed on appointment. (See *Appendix 4a*)

- To comply with and avoid any challenges that may arise under the Protection of Competition Law/Competition Law Compliance Manual and complete a report each year to this effect.
- To notify the Company (i.e CD) of any personal transactions in financial instruments relating to the Company's clients. The MiFID Code on Personal Transactions is sent by CD to each Member personally upon appointment, for their obligations as relevant persons and the procedures to follow to meet such obligations under the Markets in Financial Instruments Directive (MiFID);
- Not to accept benefits from third parties. To this effect each member must sign an annual declaration. A sample Anti-Bribery declaration is provided in *Appendix 11*.

Each Member (or person with whom the Member has a close relationship) must apply in writing and obtain pre-approval from the Chairperson of the Board (or from the executive member of the Board assigned by the Chairperson of the Board) before executing any transactions in relation to the securities of the Bank. The BoC Dealing Code explaining the Market Abuse obligations is sent by GCD to each Member.

The Chairperson of the Board obtains pre-approval from the Vice-Chairperson.

In the event of a notifiable transaction on BoC securities, the person making the transaction must notify in writing the CD as soon as possible and in any event within one business day of the transaction date and the relevant Competent Authority (Central Bank of Ireland) within three business days of the transaction date, once a total cumulative threshold amount of €5.000 has been reached within a calendar year.

No approval can be provided to a Member (or a person closely related to the Member) to transact in the securities of the Bank during a prohibited period.

All Members shall attend periodically a seminar on corporate governance conducted by the Corporate Governance Compliance Officer.

#### **A Independent Board members**

As required by the CBC Suitability Directive, the UK Code and the CSE Code, the Board annually, must make a determination with respect to each member's independence. The Board, after receiving the recommendation of the NCGC, determines whether each member is independent in character and judgment, and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the member's judgment. The outcome of the evaluation is recorded in a report which refers to each independent non-executive Member separately with reference to and adequate documentation for each one of the independence criteria. Extracts of this report are included in the Board Performance Evaluation report and is submitted to the Board of Directors. Any corrective actions and changes necessary, emanating from the above report, should be completed within two months at the latest, from the submission date of the above report to the Board of Directors.

The independent non-executive Board Member should:

- maintain, under all circumstances, his/her independence of thought and opinion when analysing, deciding and acting for the Bank;
- not seek or accept any unreasonable advantages which could be considered as compromising his/her independence;
- clearly express his/her opposition to any decisions of the Board of Directors which may harm the interests of the Bank;

The members who are considered independent must submit to the CSE with the Corporate Governance Report a signed declaration of independence confirming that they comply with the Code's Independence Criteria.

An independent non-executive Member who disagrees with any decision of the Board of Directors may notify the Central Bank of Cyprus, if it considers this to be appropriate. In the event that an independent non-executive Member decides to resign, he/she should address a letter, stating his/her reasons of resignation, to the Board of Directors, the Audit Committee, the external auditors of the Bank and the competent supervisory authorities (the Central Bank of Cyprus and / or the Cyprus Securities and Exchange Commission).

The independence criteria of the Group can be found in Appendix 2.

## **B Executive members**

At least two executive members are required to participate in the Board of Directors. They are responsible for proposing strategies to the Board and for executing the agreed strategies to the highest possible standards.

Their participation in the Board of Directors terminates if for whatever reason they are no longer members of the Senior Executive Management.

Executive Members should not take on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.

The Board delegates the responsibility for the day-to-day management of the Group to the Chief Executive Officer who is responsible for leading the Executive Members and for making and implementing operational decisions. The Chief Executive Officer is supported by the Group Executive Committee, which he/she chairs.

## **C. Non-Executive members**

Non-executive Members are responsible for monitoring executive activity and contributing to the development of strategies. Prior to appointment, candidates must satisfy themselves that they have the knowledge, skills, experience and time to make a positive contribution to the Board. They should assume a primary role in the following areas:

- Constructively challenge the Bank's existing strategy and contribute to the development of strategies;
- Scrutinize the performance of Senior Management in meeting agreed goals and objectives and monitor the reporting of the performance;
- Satisfy themselves on the integrity of financial information and that the systems of financial controls, compliance and risk management frameworks and the internal control framework are robust and defensible;
- Determine appropriate remuneration of executive Members (primarily through their role on the HRRC) and have a prime role in appointing, and (where necessary) removing, senior management and key personnel in internal control functions and in succession planning;
- Provide objective views on resources, appointments, standards of conduct and have a prime role in establishing and overseeing the remuneration policy of the Group;
- Uphold high standards on integrity and probity. They should support the Chairperson of the Board and executive Members in instilling the appropriate culture, values and behaviour in the operation of the Board;
- Take steps to understand, and take into account, the views of shareholders and stakeholders;

- Participate from time to time in meetings with shareholders, provided these are organised by the Bank's IR team and in accordance with the Terms of Reference of the NCGC. Members will present on annual basis to the NCGC, details of all such meetings held;
- Declare any conflicts of interest and abstain from the meeting during which the conflicted issue is under discussion.

As part of the evaluation process non-executive Members must regularly self-appraise their individual skills, knowledge and expertise and determine whether further professional development would help them develop their expertise and fulfil their obligations.

### **5.1.3.15 Independent Checks and Balances**

The Bank supports the principle and regulatory mandate of checks and balances across the entire Group by observing the segregation of authorities and the independence of internal control functions. It has established the Three Line of Defence model as a framework for effective risk and compliance management and control. This framework defines the responsibilities in the management process of risk ensuring adequate segregation in the oversight and assurance of risk. The framework is described in detail further down in Section 5.1.6.1. In the context of good governance, the following roles are defined as follows:

#### **A. Role of the Chairperson**

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. The roles of the Chairperson and the CEO are clearly separate and distinct from each other in order to achieve a balance of authority, clear accountability and capacity for independent decision making by the Board.

The Board Chairperson and the CEO collectively are responsible for the leadership of the Group. The Chairperson's primary responsibility is for leading the Board and ensuring its effectiveness (including the setting of strategy) while the CEO is responsible for running the Group's business with a view to delivering the strategy. Independent Chairperson

The Board is committed to always having an independent Chairperson (who is not a former Chief Executive Officer of the Group). The Chairperson plays a crucial role in the proper effective functioning of the Board.

The Board Chairperson creates the conditions for the effectiveness of the Board and its individual members, demonstrates the highest standards of integrity and probity, and sets clear expectations regarding the Group's culture, values and behaviour, and the style and tone of Board discussions.

The duties of the Chairperson include the following:

- To provide leadership to the Board of Directors, and ensure the effective functioning of the Board on all aspects of its role, including by:
  - Demonstrating ethical leadership
  - Holding frequent Board meetings
  - Running the Board as an effective team
  - Setting the agenda, taking into account the issues and concerns of all Board Members and ensuring that priority is given to issues of strategic significance.
- Ensuring that the members of the Board receive accurate, timely and clear information, to enable them to carry out the Board's management and supervisory functions.

- Ensuring that the Board determines the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy.
- Ensuring that the members of the Board have sufficient time to consider strategic complex or contentious and other critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making. Where appropriate, arranging for informal meeting beforehand to enable thorough preparation for the Board discussion.
- Encouraging the active participation of members of the Board.
- Ensuring conflicts of interests are disclosed and members abstain from participating in the decision-making and voting on any matter on which they may have a conflict of interest;
- Setting the style and tone of Board discussions to promote effective decision making and constructive debate;
- Promoting a culture of openness and debate by facilitating the effective contribution of non-executive members in particular and ensuring constructive relations between executive (particularly the Chief Executive Officer) and non-executive members of the Board.
- Being accessible to the Chief Executive Officer, and the rest of the Executive Members, for support, questions, challenge and counsel.
- Ensuring minutes are kept in accordance with regulatory requirements
- Regularly considering succession-planning of Board and senior management levels
- Ensuring that the size and composition of the Board remain appropriate for the structure of the Group
- Acting on the results of Board evaluation, including by recognising the strengths and addressing the weakness of the Board and, where appropriate, proposing the appointment of new Members or seeking the resignation of Members.
- Maintaining regular and effective lines of communication and information between the Board and senior management of the Bank.
- Ensuring that the Board's Committees are properly structured with appropriate terms of reference.
- With the assistance and advice of the Company Secretary and/or the Corporate Governance Compliance Officer, advising the Board on all governance matters and promoting high standards of corporate governance.
- Ensuring that the Chairperson of the HRRC maintains contact as required with the Company's principal shareholders about remuneration.
- Maintaining effective communication with supervisory authorities, shareholders and other stakeholders and ensuring that their views, issues and concerns are communicated to the Board as a whole.
- Ensuring that new members of the Board participate in an induction programme and that the training and development needs of individual members as well as the Board as a whole (including their skills and knowledge of the Company) are met so as to ensure that members of the Board possess at all times sufficient knowledge and skills to perform their duties and role, on the Board and on its Committees.
- Consulting with the Senior Independent Director on Board matters

- Discussing governance and strategy with major shareholders
- Arranging for the Chairperson of the AC, HRRC and NCGC to be available to answer questions at the AGM.
- Establishing effective governance arrangements to ensure that the Bank's Management Information System (MIS) is able to provide information necessary for resolution planning and execution on a timely basis.

#### **B. Role of the Senior Independent Director**

An independent non-executive Board member (who is neither the Chairperson nor the Vice-chairperson) shall be appointed as the Senior Independent Director and he/she will be available to shareholders if they have concerns which have not been resolved through the normal channels.

The role of the Senior Independent Director must be set out in writing and include the following:

- To provide a sounding board for the Chairperson of the Board, providing support for the Chairperson in the delivery of his/her duties.
- To serve as an intermediary for the other members when necessary.
- To attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop the Board's balanced understanding of the issues and concerns of major shareholders.
- Be available to shareholders if they have concerns that have failed to be resolved through the normal channels of Chairperson, the CEO or other executive Members or for which such contact is inappropriate.
- To chair a separate meeting of the non-executive Members (without the Chairperson of the Board present) at least annually to review the Chairperson's performance (taking into account the views of the executive Members). Minutes of the meetings should be kept by a non-executive Member and the Company Secretary should not be present.
- To chair a meeting of the non-executive Members without the presence of the Chairperson to enable
  - the non-executive Members to relay to the Senior Independent Director any issues, concerns or observations they may have;
  - the Senior Independent Director to relay to the non-executives Members his/her observations and any views he/she may have received from major shareholders after relevant briefing of the Chairperson; and
  - To maintain a register of minutes of the executive sessions, which he/she hands on to the following Senior Independent Director when he/she steps down his/her position.
- To chair the Board when considering the succession of the Chairperson and ensure an orderly succession process.
- To work with the Chairperson and other Members and / or shareholders to resolve significant issues, including when:
  - there is a dispute between the Chairperson and the CEO;
  - shareholders or non-executive Members have expressed concerns that are not being addressed by the Chairperson or the CEO;
  - the strategy being followed by the Chairperson and the CEO is not supported by the entire Board;

- the relationship between the Chairperson and the CEO is particularly close and decisions are being made without approval of the full Board; or
- succession planning is being ignored.

### **C. Role of the CEO**

In fulfilling his/her executive role, within the delegated authority vested in him by the Board, the CEO acts to: <sup>1</sup>

- Develop and present to the Board the strategy of the Group, medium- and long-term plans and recommend annual operating and capital expenditures budgets;
- Report to the Board the monthly actual operating performance of the Group versus approved budgets and to the shareholders the state of affairs of the Bank for the preceding year at the annual shareholders' meeting;
- Make decisions on all matters affecting the operations, performance and strategy of the Group's business with the exception of those matters reserved for the Board;
- Recommend and approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board;
- Receive instructions from the Board and ensure full compliance; and
- Explain the executive Members' views to the Board as a whole, indicating in a balanced way any divergence of views amongst the executive Members and senior management;
- Accept accountability for the performance of the management team and the delivery of the strategy agreed by the Board.
- Lead the senior management team in the day-to-day running of the Bank's business;
- Set an example to the Group's employees and communicate to them the expectations of the Board in relation to the Group's culture, values and behaviour;
- Report to the Board the views of employees on issues of relevance to the business of the Group;
- In conjunction with the Chairperson, represent the Group to clients, regulators, shareholders, financial industry and the general public;

#### **5.1.4 Governance Structure**

In a group structure the Board of the parent company has the overall responsibility for adequate corporate governance across the Group. Bank of Cyprus applies the Corporate Governance Policy on a Group basis, having a central Board of Directors which supervises, whether directly or through Committees incorporated for this purpose, all the operations of the Bank and its subsidiaries and affiliate companies.

The Board should take into account the material risks and issues that might affect both the Bank as a whole and its subsidiaries. Adequate oversight should be exercised over the Bank and its subsidiaries, while at the same time respecting the independent legal and governance responsibilities that might apply

---

<sup>1</sup> Inclusive of Matters reserved for the Board



to the Bank and regulated subsidiaries. The nature, scale and complexity of the different risks to which the Group and its subsidiaries are exposed should be taken into account.

The Board should ensure that enough resources are available for each subsidiary to meet Group standards and local governance standards and should have the means to monitor and ensure that each subsidiary complies with all applicable internal governance requirements. Reporting lines should be clear and transparent especially where business lines do not match the legal structure of the Group.

The Board is responsible to set, approve and oversee the implementation of: an adequate and effective internal governance and internal controls framework that includes a clear organisational structure and well-functioning independent internal risk management, information security, compliance and audit functions that have sufficient authority, stature and resources to perform their functions; Arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards.

#### **5.1.4.1 Board Committees**

Under the Articles of Association, the Board may delegate all or any of its powers where appropriate to a Committee of Directors. For its proper and effective operation, the Board of Directors has established the following regulated Committees as a minimum:

- Nomination & Corporate Governance Committee
- Human Resources and Remuneration Committee
- Audit Committee
- Risk Committee

The Board has also established the Technology Committee - to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the overall role of technology in executing the business strategy of the Group - and the Ethics, Conduct and Culture Committee - to assist the Board in its responsibilities with regard to nurturing an ethics culture in the Group. The Terms of Reference of all Committees, specifying their role and the authority delegated to them by the Board of Directors, is available to the main shareholders, stakeholders and the Central Bank of Cyprus.

Each Committee reports directly to the Board. Subject to their availability, each non-executive member should serve at the most on two regulated Board committees. Committee members and Chairs are appointed by the Board on the recommendation of the NCGC, after consultation with the individual members. Committee chairs and members are rotated at the recommendation of the NCGC.

On an annual basis, a statement drafted by each Committee regarding their composition, the number of their meetings and attendance over the year and their main activities is documented in the Annual Report.

The Terms of Reference are reviewed regularly, and at least annually, by each Committee to ensure continued appropriateness; the reviews are documented and include, where necessary, recommendations to the Board of Directors on revisions. The ToRs shall set forth the qualifications for committee membership, procedures for committee member appointment, committee structure and operations and reporting to the Board.

All of the Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding upon chairmanship and membership of Committees. Cross committee membership must ensure that no individual exercises excessive influence or control; in any case, a member of the Board of Directors must not be a member of more than 2 regulated Committees.

The Board of Directors must establish a process for the co-ordination and communication among its different Committees.

The key duties of the Board Committee Chairperson should include:

- Provision of effective leadership to the Committee (e.g. promotes a team spirit, facilitates effective running of the Committee and constructive debates by Committee members etc.);
- Effective chairmanship of meetings (e.g. effectively manages debates, encourages Committee members to challenge issues, ensures appropriate induction of the Committee appointees and ongoing training etc.); and
- Reporting to the Board in an effective and high quality manner.

The Chair of each Committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the Committee's charter. The Chair of each Committee, in consultation with the other members of the Committee and Senior Management shall develop the committee agenda. Each Committee shall annually establish a schedule of major topics to be discussed during the year.

Each Committee shall have the power to form a sub-committee or to otherwise delegate specific responsibilities as such committee sees fit and in compliance with applicable laws and regulations.

The Board may from time to time, establish or maintain additional Committees as necessary or appropriate. The Board shall ensure that all Committees are provided with sufficient resources to fulfil their duties.

#### **A. Audit Committee**

The Audit Committee (AC) monitors the integrity of financial reporting and provides oversight of the Group's compliance, internal and external audit functions. The AC must comprise at least three independent non-executive members. The Chairperson of the Committee must be independent and must have a strong understanding of internal control procedures and accounting issues relevant to the Committee. The Committee as a whole must have competence relevant to the sector in which the Group operates. The Chairperson of the Board of Directors may not be a member of the AC.

The AC is responsible for monitoring and assessing on an annual basis the adequacy and effectiveness of internal control and information systems, based on the reports from Group Internal Audit, and observations and comments of external auditors and competent supervisory authorities and submitting proposals to the Board for addressing weaknesses identified.

The AC is responsible for overseeing that the Group Compliance Division and the Group Internal Audit Division have unfettered access and functional reporting line to the Committee.

The AC recommends to the Board and shareholders for their approval, the appointment, re-appointment, compensation, terms of engagement and substitution or rotation of external auditors, reviews and approves the audit scope and frequency. It receives key audit reports and liaises with external auditors in relation to their audit findings. It must ensure that Senior Management is taking necessary corrective

actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors.

The AC reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process. It provides advice to the Board on whether the annual report and accounts are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The responsibilities of the AC are described in detail in its Terms of Reference (**Appendix 9**). The Board has delegated authority to the Committee as referred to above (including such matters that may be considered and reviewed independently from the executive Board members). However, the Board as a whole retains ultimate responsibility for the Group's approach to internal financial control and nothing in these Terms of Reference adjusts or limits such responsibility or should be interpreted as a departure from the principle of a unitary Board. Moreover, it should be clarified that it is the function of management to prepare the financial statements and of the external auditors to plan and conduct the statutory audit of the Group.

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

## **B. Risk Committee**

The Risk Committee (RC) plays a key role in setting the risk appetite and strategy of the Group and ensuring compliance with risk management strategy, policies and regulations. The Committee is also responsible for the development of an internal risk management framework and its integration with the decision-making process of the Group and the Bank, covering the whole spectrum of the Group's activities and units as well as subsidiaries.

The RC must consist entirely of independent non-executive members and must have appropriate knowledge, skills, and expertise to fully understand and monitor the risk strategy and the risk appetite of the institution and to embed stronger review and proactive challenge.

The Chairperson of the Board of Directors may not be a member of the RC. The chairperson of the RC may not chair any other statutory Committee. The members of the Committee should have, individually and collectively, the appropriate knowledge, skills and expertise to fully understand and monitor the credit institution's risk strategy and risk policy, as well as risk management and control practices.

The RC is responsible for overseeing that the Group Risk Management Division and the Information Security function have unfettered access and functional reporting line to the Committee.

The responsibilities of the RC are described in detail in its Terms of Reference (**Appendix 10**). Although the Board delegates authority to the RC as referred to above (including such matters that may be considered and reviewed independently from the executive Board members), the Board as a whole retains ultimate responsibility for the risk management of the Group (including the assessment of applicable risks and setting the Group's risk appetite) and it should reach its own conclusions regarding the reports and recommendations it receives.

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

### C. Nominations & Corporate Governance Committee

The Nominations & Corporate Governance Committee (NCGC) leads the process for Board appointments and (under the overall responsibility and supervision of the Chairperson) evaluation, and plays a key role in assisting the Board to fulfil its responsibilities in relation to Board members' development and succession planning, and corporate governance policy and compliance. The NCGC must engage a broad set of qualities, competences, skills, and academic or professional qualifications when recruiting members and re-appointing existing members to ensure expertise and conformity with the regulatory requirements and for that purpose they must put in place a policy promoting diversity on the Board;

The NCGC must consist entirely of non-executive members of whom the majority must be independent members. The Chairperson of the Committee must be the Chairperson of the Board or an independent non-executive Board member. The members of the Committee should individually and collectively possess appropriate knowledge, skills and experience relevant to the candidate selection process and their suitability requirements.

The NCGC shall review the Bank's senior level organisational structure and the Bank's management succession plan, including succession planning for the Bank's internal control function heads, at least once a year. The RC and the AC shall provide input to the NCGC on the succession planning for the control function heads that these Committees oversee.

Further the NCGC defines the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity and social equity for the Group and its stakeholders.

The responsibilities of the NCGC are described in detail in its Terms of Reference (**Appendix 7**).

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

### D. Human Resources & Remuneration Committee

To avoid potential conflicts of interest, the Board of Directors sets up an HRRC consisting exclusively of independent non-executive Members to make recommendations to the Board of Directors, within agreed terms of reference, on the framework and level of executive Member remuneration. The Human Resources & Remuneration Committee (HRRC) plays a key role in assisting the Board to fulfil its responsibilities including (in particular) by:

- considering, recommending to the Board and keeping under review the overall policy for the remuneration of all officers and employees across the Group, making sure it is aligned with the Group's capital and liquidity availability and that practices are consistent with the risk appetite of the Group, prevent conflicts of interest and promote sound and effective risk management.;
- within that policy (as approved by the Board), setting the level and structure of remuneration of executive members, Senior Executive Management and other key personnel;
- recommending to the Board for approval the remuneration of the Chairperson and the Vice-chair; and
- preparing the annual Remuneration Report.

Within the overall remuneration policy referred to above (as recommended by the Committee and approved by the Board), the Committee is responsible for preparing decisions regarding remuneration, including those which have implications for the risk and risk management of the Group.

The Chairperson of the Board may also be a member of the Committee (but not the Chairperson) if he/she was considered independent on appointment. The members of the Committee should collectively

possess appropriate knowledge, expertise and professional experience in remuneration policies and practices, risk management and control activities, in particular as regards the mechanism for aligning the remuneration structure with the risk and capital profile of the Group.

The responsibilities of the HRRC are described in detail in its Terms of Reference (**Appendix 8**).

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

#### **E. Technology Committee**

The Technology Committee (TC) drives the digital transformation of the Bank. It has oversight responsibilities with respect to the overall role of technology in executing the business strategy of the Group including, but not limited to, major technology investment, technology strategy, operational performance and technology trends that may affect the Group's client portfolio and/or affairs in general.

The TC must consist entirely of non-executive members the majority of whom must be independent.

The TC focuses its attention to the following four main areas:

- review and approval of the IT strategy including the digital transformation and any significant technology investments;
- overview of operational matters;
- monitoring trends in technology with the assistance of the selected IT Strategic Partner; and
- playing a role in Information Security on the operational aspects of risks and other aspects identified by the RC and AC.

The responsibilities of the TC are described in detail in its Terms of Reference (**Appendix 10a**).

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

#### **F. Ethics, Conduct and Culture Committee**

The ECCC supports the Board in promoting its collective vision of values, conduct and culture, oversees management's efforts to foster a culture of ethics and appropriate conduct within the Group and the way the Group conducts business focusing on developing a customer-centric culture which achieves profitability, operating in a fair, ethical and lawful manner.

The ECCC must consist entirely of non-executive members the majority of whom must be independent.

The Committee shall conduct a self-assessment and report its conclusion and recommendations for improvements and changes to the Board.

The responsibilities of the ECCC are described in detail in its Terms of Reference (**Appendix 7a**).

##### **5.1.4.2 Executive Committee**

The function of the Executive Committee is to support the effective management of the Bank and improve the level of cooperation and cross-divisional knowledge of its key executives. Both, the CEO and the Executive Committee need to promote the Group's collective vision of values, conduct and culture and set the tone at the top.

The principal duties of the Executive Committee are to monitor and supervise the management of the Group, report to the Board and make recommendations which include:

- Objectives and strategy of the Group for consideration by the Board;
- Development of detailed business plans for all Group companies, setting out the principal business objectives, profit, capital expenditure and cash flow budgets for the year;
- Monitoring of operating and financial performance;
- Ensuring the adequacy and integrity of management and financial information and all other reporting and control systems;
- Overseeing the day-to-day management of the Bank by ensuring alignment of the Bank's activities and operations with the strategic objectives, risk strategy, corporate values and policies;
- Establishing a management structure and hierarchy that promotes accountability and a clear line of reporting.
- Ensuring that duties are effectively delegated to their respective direct reports through written job descriptions and oversee the performance of these delegated duties;
- Promoting and strengthening checks and balances in the Bank through sound internal controls, avoiding activities that compromise and violate them and giving due recognition to the importance of risk management, compliance, internal audit and external audit functions; and
- Encouraging non-executive members of the Board to test their proposals and be open to constructive challenge.
- Implementing and monitoring the risk management policy within the limits as approved by the Board.
- Determining specific risk limits and responsibilities for each operational unit in managing its risk and the assessment of each unit's performance
- Implementing the appropriate and effective organisational and operational structure necessary to comply with the AML/CTF strategy adopted by the management body, paying particular attention to the sufficient authority and the appropriateness of the human and technical resources allocated to the AML/CTF compliance officer function.
- Ensuring implementation of internal AML/CTF policies and procedures
- Reviewing the AML/CTF compliance officer's activity report, at least annually
- Ensuring adequate, timely and sufficiently detailed AML/CTF reporting to the competent authority.

#### **5.1.5 Key Function Holders**

##### **A. Role of the Chief Compliance Officer**

The Bank's Compliance Division provides independent oversight of the management of the Bank's compliance with laws, regulations, guidelines and internal rules relevant to the activities of the Bank in the jurisdictions in which it operates.

The CCO shall be appointed or replaced with prior approval from the Board. On termination of the CCO's services the CBC must be informed. The Head of Compliance function shall report functionally to the AC and administratively to the CEO.

The CCO shall have commensurate skills and expertise to provide appropriate guidance and direction to the Bank on the development, implementation and maintenance of the appropriate compliance standards.

The role of the Head of Compliance function includes the following:

- Oversee, coordinate, monitor and facilitate compliance with existing laws, rules and regulations through the implementation of the Bank's compliance system and program in accordance with the requirements of the CBC and other regulatory authorities, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- Track and evaluate all new regulations or amendments to existing regulatory issuances and disseminate these immediately to the implementing units for their information and action;
- Monitor compliance with the Market Abuse Policy of the Group (including the Members' share dealing code as per the Policy);
- Initiate requests for policy pronouncements or revisions to ensure new regulations are made part of the Bank's policies and procedures;
- Provide guidance, advisories and training to employees on significant laws and regulations;
- Report to Senior Management and to the Board on significant compliance issues;
- Liaise with the regulatory authorities and appear before their bodies upon summons to clarify matters related to the compliance system; and
- Annually prepare a report to the CBC on the Bank's compliance with the Central Bank's Directives.

#### **B. Role of the Chief Risk Officer**

The Bank's Risk Management Division ensures that all material risks are identified, measured and properly reported. The Division is actively involved in elaborating the institution's risk strategy and in all material risk management decisions.

The CRO shall be appointed or replaced with prior approval from the Board of Directors. On termination of the CRO's services the CBC must be informed. The Board shall also ensure the independence of the CRO by providing him with direct access to the Board and the RC without any impediment.

The CRO shall be independent from executive functions, business line responsibilities, operations and revenue generating functions. The CRO reports directly to the RC and administratively to the CEO.

The role of the CRO includes the following (list is not exhaustive):

- Ensure the Group promptly identifies all risks;
- Assist the RC, Board of Directors and Senior Management to establish and communicate the Bank's risk management objectives and direction;
- Assist the Board RC and Senior Management to develop and communicate management policies;
- Facilitate in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks;
- Monitor and assess decisions to accept particular risks whether these are consistent with Board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures;
- Report to Senior Management, the RC and the Board the results of the assessment and monitoring of risk exposures;
- Have sufficient expertise and operating experience enabling the challenging of decisions that affect the institution's exposure to risk;

- Annually prepare a report to the CBC presenting key issues and developments within the Bank and review of the main risk areas;
- Submit as necessary reports to the Board and relevant Committees and attending their meetings to present these reports and provide additional information and/or classification or assistance on managing the issues raised;
- Be involved in the preparation of any changes to the institution's strategy, risk appetite framework and risk limits;
- Prepare and recommend the Group's risk appetite to the Board through the Risk Committee;
- Develop, operate and maintain a comprehensive risk management framework to monitor and manage the risk profile of the Group against the approved risk appetite and provide accurate and timely risk reporting to Senior Management, the RC and the Board of Directors;
- Oversee the effectiveness of the implementation of the Group's Risk Management policies; and
- Review and recommend appropriate limits for all identified risks.

### **C. Role of the Chief Information Security Officer**

The Information Security function is responsible and accountable for the development and implementation of the information security framework.

The CISO shall be appointed or replaced with prior approval from the Board of Directors. On termination of the CISO's services the CBC must be informed. The Board shall also ensure the independence of the CISO by providing him with direct access to the Board and the RC without any impediment.

The role of the CISO includes the following (list is not exhaustive):

- Advise and provide recommendations to the Board on the development of an information security policy in line with the institution's size and complexity of activities and information distribution channels;
- Advise and provide recommendations to Senior Management on the development and implementation of the institution's information security program in the form of security policies, standards, guidelines, procedures and processes;
- Oversee the dissemination and implementation of the information security program institution-wide;
- Develop and implement in cooperation with the risk management Division, an information security risk assessment and management program;
- Plan, organise and coordinate information security assessment activities throughout the institution; and
- Monitor compliance with information security policies, standards, guidelines, processes and procedures.

The CISO must submit an annual report to the Board, through the RC which will include among other things a summary of the most important information security risks the institution faces at the time of reporting and a list of all important information security incidents and corrective actions taken to prevent recurrence.



#### **D. Role of the Head of Internal Audit function**

The Bank shall have in place an independent Audit Function, through which the Bank's Board, Senior Management and shareholders may be provided with reasonable assurance that its key organisational and procedural controls are effective, appropriate, and complied with.

The Head of Internal Audit shall be appointed or replaced with prior approval from the Board of Directors. On termination of the Head of Internal Audit's services the CBC must be informed.

The Board shall appoint a Head of Internal Audit to carry out the audit function and shall require the Head of Internal Audit to report to the AC that will allow the internal audit function to fulfil its responsibilities without impediment.

The role of the Head of Internal Audit function includes the following:

- Develop and implement an effective annual internal audit program to be approved by the AC that covers the entire operations of the Bank including subsidiaries and affiliates;
- Submit to the AC an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and Senior Management;
- Conduct an independent assessment of the adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Bank including subsidiaries and affiliates;
- Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment;
- Examine and analyse the organisational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities; and
- Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.

#### **5.1.3.1 Other Key Functions**

##### **A. Role of External Auditor**

The External Auditor shall be appointed by the shareholders at the Annual General Meeting. The appointment is subject to approval by the CBC and the maximum consecutive engagement duration is 9 years. The External Auditor is tasked to conduct an independent audit of the Group's financial statements and render an opinion thereof based on the results of the audit. In performing this task its role includes the following:

- Update its understanding of the Group's internal accounting controls and reporting processes;
- Perform an overall audit risk assessment process to determine management's area of concerns and to identify audit risks and focus areas;
- Present an audit plan to the Board AC in relation to the Groups' audit requirement;
- Review internal audit work and findings to assess their impact on the audit of the financial statements;

- Perform tests of transactions of the Group including assessment of the soundness and reasonableness of estimates and assumptions used in the recorded financial information;
- Provide updates, advice and assistance on accounting standards and regulatory pronouncements;
- Review the Group's compliance with accounting standards and regulatory requirements;
- Report to management, the AC, the Board of Directors and the shareholders on the results of the audit; and
- Meet with the non-executive members of the Board to discuss issues of concern.

## **B. Role of Company Secretary**

The Company Secretary (CS) is an officer of the Bank. The CS shall work and deal fairly and objectively with all the constituencies of the Group, namely the Board, Senior Management, shareholders and other stakeholders. The CS should preferably have the legal skills of a chief legal officer and adequate administrative and interpersonal skills.

The duties and responsibilities of the CS shall include the following:

- To ensure the Board and its Committees (and the Board and Committees of the Bank) are constituted and function in compliance with internal rules, the Articles of Association of the Bank, the Board Manual, CBC Directives, the UK Code and other applicable legal and supervisory requirements;
- To act as a source of information and advice to members of the Board and facilitate the flow of information within the Board and its Committees, between Senior Management and non-executive members and between Heads of internal control functions and non-executive members;
- To ensure that all Board and Committee procedures are followed and that applicable regulations are complied with:
  - By being closely involved in preparing the schedule of all Board and Committee meetings;
  - By preparing the agendas for these meetings in conjunction with the Chairperson ensuring matters which require the attention or action of the Board or a committee are included in the items of the agendas; and
  - By ensuring that relevant information is dispatched timely to all members of the Board to enable them to prepare adequately for these meetings.
- To ensure minutes are kept in accordance with regulatory requirements; i.e.:
  - Express explicitly, in a separate paragraph, his/her assessment as to whether the meeting had been held in compliance with internal rules and regulations of the Board, the provisions of the CBC Directive and other applicable and supervisory requirements;
  - Ensure minutes are circulated, finalised and approved in a timely manner by all members present at the meeting;
  - Ensure finalised minutes are distributed in a timely manner to all recipients;
  - Ensure decisions taken are properly communicated, pursue follow up actions and report on matters arising.
- To communicate the composition of Board Committees to the Central Bank within 1 month of set up or of change of composition.
- To submit finalized minutes of the Audit & Risk Committees to the Central Bank within 1 month.

- To inform the Central Bank immediately should any recommendation be made to shareholders to increase the variable component of remuneration above 50% explaining the reasons why.
- To inform the Central Bank immediately of the shareholders decision regarding this percentage.
- To maintain the Conflicts of Interest Register and the Gifts Register for the Board.
- To inform the CBC of any amendments to the Articles of Association
- To provide access to independent professional advice at the expense of the Group and the Bank as required;
- To provide support to the Board in overseeing succession and rotation of tasks of non-executive members of the management body; and
- To ensure compliance with Listing Rules and the Transparency Directive.
- To arrange induction programmes for all Members of the Board which provide a full, formal and tailored introduction to the Group and to their duties and responsibilities. Documentation of material provided is archived by the Company Secretary.
- To assist the Chairperson in assessing and meeting the training needs of members of the Board and ensure that there is an ongoing programme to keep members well informed of developments in the Company and in respect of matters relevant to their responsibilities generally.
- To maintain a Registry of all trainings.

In appointing a Company Secretary care must be taken to avoid any conflicts of interest.

The Company Secretary may delegate his/her tasks to a third person (nominee Secretary) provided there is no conflict of interest, and the Company Secretary checks and signs paperwork and remains responsible and accountable for the outcomes of the delegation. This delegation may not be to Heads of the internal control functions.

### **C. Role of Corporate Governance Compliance Officer**

- Advise the Board, through the Chairperson, on all matters of corporate governance.
- Ensure that the meetings of the NCGC are held in accordance with the Terms of Reference
- Place items on the agenda of the NCGC meetings in coordination with the CS and in consultation with the Board Chairperson.
- Review the effectiveness and adequacy of the corporate governance policy of the Group and make appropriate recommendations to the NCGC. Lead the assessment, on an annual basis, of the structure, size and composition of the Board and of each Board committee and make appropriate recommendations to the NCGC.
- Prepare a report based on the findings of the evaluation of the performance of the Board and make appropriate recommendations to the Board NCGC.
- Conduct an annual assessment of the independence of each independent non-executive member in coordination with the NCGC and report its findings to the Board NCGC.
- Assess, on an annual basis, the skills, knowledge and experience of the members of the Board of Directors and report its findings to the NCGC.

- Monitor compliance of the Group with corporate governance policies and make appropriate recommendations to the NCGC.
- Review the charters of all the Committees of the Board at least annually and make appropriate recommendations to the NCGC.
- Lead the process of the preparation of the Annual Corporate Governance Report in coordination with the NCGC.
- Facilitate trainings of the Board on their duties and responsibilities in relation to compliance.
- Write related procedures and audit programs in relation to the monitoring of his/her responsibilities.
- Review fitness and probity criteria of persons appointed to the Board of Directors and Senior Management and make recommendations to the NCGC.

#### **D. Chief Financial Officer**

The Chief Financial Officer is responsible for the design of the Group's strategy and supervision of its implementation and the preparation of the Group's business plans and budgets: He/she is responsible for:

- Oversight of the financial control function
- Preparation of the management accounts and financial statements
- Implementation and adherence to internal controls in relation to financial reporting and preparation of the financial results with a view to preserving the integrity and completeness of financial data.
- Supervision and implementation of the Group's corporate finance strategy (disposals, mergers, acquisitions, etc.)
- Supervision of the preparation of the financial results of the Group for the purposes of both management and shareholders, including investor relations communication and presentations released to the market.
- Oversight of regulatory reporting
- Design and implementation of the Group's capital and funding plan
- Tax Planning
- Cost control
- Payments
- Supervision of the management of the Group's liquid assets, liquidity risk and market risk.
- Oversight of the relationship with the external auditors and other financial advisors working with the Finance function.

#### **E. Outsourcing Officer**

The Outsourcing Officer reports directly to the competent authorities for the Outsourcing Function. He/she is responsible for activities such as:

- Ensuring that the outsourcing process is conducted by each department/unit according to the policy and procedures and in line with the regulatory requirements,
- Determining whether an outsourced activity is considered to be critical/important or not,

- Ensuring that a comprehensive outsourcing risk management procedure is established,
- Ensuring that a risk assessment has been appropriately carried out for each activity to be outsourced, Acting as a central point for liaising with the competent authorities for outsourcing issues and provides all necessary information requested by them: and
- Preparing reports with the services or activities outsourced during the year with special emphasis to the outsourced activities or services that are considered to be critical or important.

#### **5.1.6 Internal Controls**

The Group complies with the regulatory guidelines for corporate governance and has established the Three Line of Defence model as a framework for effective risk and compliance management and control. This framework defines the responsibilities in the management process of risk ensuring adequate segregation in the oversight and assurance of risk.

Members at least annually, conduct a review of the effectiveness of the Company's internal control systems as well as of the procedures used to confirm the accuracy, completeness and validity of the information provided to investors and make sure to report/ certify this in the Corporate Governance Report. The review covers all systems of internal control, including financial and operational systems, as well as compliance systems and systems for the management of risks, which threaten the attainment of the Company's objects.

The Board has delegated authority to the Audit Committee (AC) and the Risk Committee (RC) in respect of certain functions.

The role of the AC is to review and monitor among other things:

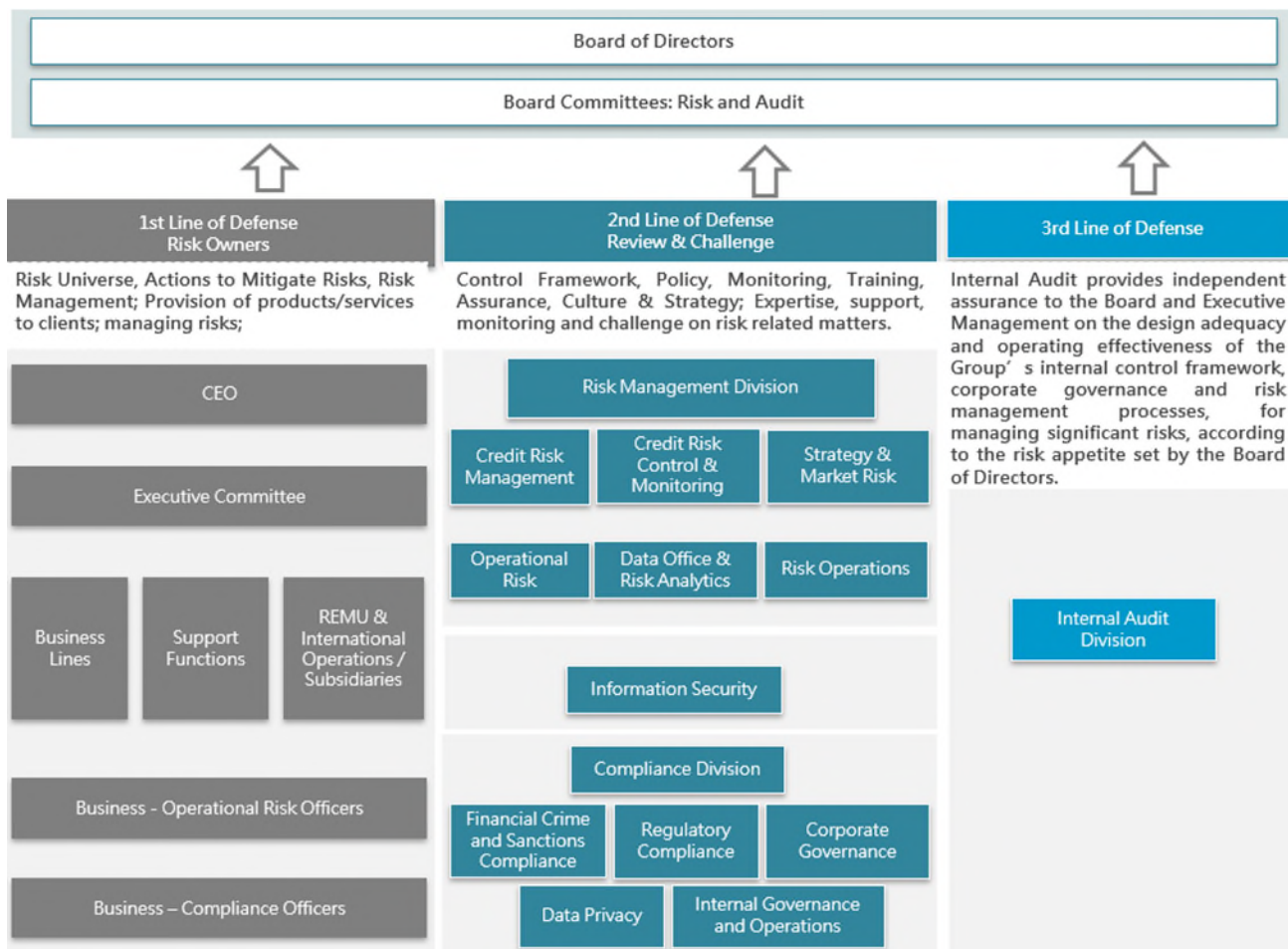
- The Group's system of internal controls
- The integrity of the Group's financial statements and related announcements (including significant financial reporting judgements contained in them).
- The effectiveness of the internal audit function and the external audit process
- The Group's relationship with the external auditors

The role of the RC is among other things to:

- Identify, assess, control and monitor financial/ economic risks and non-financial risk (including operational, technological, tax, legal, reputational, compliance, climate related and environmental) which the Group faces
- Ensure effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The Group's external statutory auditors are forbidden from providing Internal Audit services to the Group. The Group assigns to an external auditor (other than the statutory auditor) once every three years the assessment of the adequacy and the effectiveness of its internal control framework both on a consolidated and on an individual basis. Such appointed auditors should be rotated after two consecutive sessions.

### 5.1.6.1 Three lines of defence



#### 5.1.6.2 First Line of Defence

The first line of defence includes functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. It comprises of management and staff of business lines and support functions who are directly aligned with the delivery of products and/or services. Support functions include but are not limited to Treasury, HR, Legal Services, IT, Central Operations, etc. The first line has the day to day responsibility for:

- Implementation of policies / procedures;
- Risk identification and effective management of risk;
- Compliance with all limits applicable to their operations in line with the RAS;
- Smoothly operating controls within their scope of ownership/role;
- Escalation and reporting of risk issues;
- Protection of own information and information assets accordingly.

The first line of defence ensures controls are designed into systems and processes under the guidance of the second line of defence. Assigned Compliance Liaisons (CLs) and Operational Risk Management (ORM) Liaisons (part of the first line of defence) have the responsibility to pro-actively support Local Management in managing effectively key compliance risks in their area of business.

### 5.1.6.3 Second Line of Defence

The second line of defence includes functions that oversee compliance of the first line with the regulatory framework and management of risk. It comprises of the Risk Management, Information Security and Compliance functions, with the involvement as necessary of the support functions such as Human Resources (HR) and Legal Services Department (LSD). The second line of defence establish policies and guidelines that the business lines should operate within. The second line of defence also provides support, as well as independent oversight of the risk profile and risk framework, through:

- Implementing the risk, information security and compliance strategy of the Group;
- Overseeing and challenging the activities of the first line that materially affect the Group's risk profile;
- Developing, maintaining and enhancing the risk management framework covering all operations of the Group (including climate-related and other ESG risks and considering new risks or amendments to the existing ones);
- Developing and maintaining risk, information security and compliance policies within that framework ensuring these are consistent with the Board's risk appetite and the Group's ESG Strategy;
- Ensuring that risks generated are measured, monitored, controlled and reported on a timely basis;
- Quantifying material risks to ensure capital adequacy;
- Providing specialist advice and training to the management body and first line and support the first line of defence towards mitigating their risks;
- Maintaining open and constructive engagement with the regulatory authorities;
- Monitoring and managing compliance with the applicable regulatory requirements;
- Performing, where deemed necessary, certain assurance reviews;
- Providing assurance to the Board through frequent reporting that risks are adequately managed.

### 5.1.6.4 Third Line of Defence

The third line of defence is the Internal Audit Division (IA) which provides independent assurance to the Board and Executive Management on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including climate related and other ESG risks), for managing significant risks according to the risk appetite set by Board of Directors.

The standing authority and responsibility of IA and of the Head of IA are defined in the Internal Audit Charter, which is formed in accordance with the International Standards for the Professional Practice of Internal Auditing and the requirements of the CBC Directive on Governance and Management Arrangements in Credit Institutions ("Governance Directive") and is approved by the Group Audit Committee.

### 5.1.6.5 Control functions

Control functions within BOC Group as defined in the Governance Directive are:

- Compliance function, including the DPO and the AMLCO;
- Risk Management function, including the Group Outsourcing Officer, the Chief Data Officer, the Fraud Risk Management, Third-Party Risk Management, Business Continuity Risk Management and Insurance Risk Management;
- Information Security function; and
- Internal Audit Division which acts as the third line of defence.

## 1. Interaction between control functions

There is coordination among the separate lines of defence to foster efficiency and effectiveness. Specifically:

- Control functions' management meet at regular intervals (quarterly) in order to assess and propose areas for further enhancement of co-operation and communication amongst them as well as for exploring advantages of synergies and avoiding duplicate work.
- Control function heads meet post quarterly meetings to finalise decisions.
- Internal Audit reviews the effectiveness of risk management processes of the other three control functions as well as their monitoring activities.
- Control functions share knowledge and information to assist all functions in better accomplishing their roles in an efficient manner. For instance:
  - The Compliance function informs Risk Management function of any compliance related findings.
  - The DPO works closely with Information Security function to coordinate for better protection of personal data.
  - Review and audit reports, as well as other second line reviews are shared among the four control functions for any findings that directly concern them.
  - IS works closely with Compliance to meet all IS relevant regulation.
  - Operational Risk has the overall responsibility to ensure that the ORM framework is applied consistently across all risk areas.
  - Internal Audit communicates its conclusions arising from risk-based engagements to Risk Management and Compliance functions, upon issuance of the final audit reports.
  - The control functions (apart from IA) participate in the Risk Control Self-Assessment (RCSA) process to ensure that the risks are recorded and assessed correctly by the business.
  - The control functions (apart from IA) ensure that the identified risks relating to their respective risk areas are correctly reflected in the Bank's risk registry (i.e. RCMS)
- Any critical incidents identified, from all control functions (including data leakage and fraud) which require further investigation are escalated to Internal Audit for further assessment.
- The implementation progress of findings (both internal and external), as well as actions arising from risks identified through the RCSA, are consolidated in a single report, which is submitted on a monthly basis to the Executive Committee and on a quarterly basis to the Audit Committee and the regulator.

### 5.1.7 Organisational structure

#### 5.1.7.1 Business Lines

The Business Banking Division comprises of four main sub-divisions: Retail, Corporate &SME, International Banking and Wealth Services.

##### A. Retail Banking

Retail Banking has a great number of natural person customers and legal entity customers representing the largest single customer segment for the Bank. These customers are serviced by a network of retail branches situated in key towns and regions of Cyprus and digitally, via the Bank's online service or the Bank's mobile app.



Through Retail Banking, the Bank offers a wide range of traditional and online consumer products and services to its customers in Cyprus, including various types of accounts, overdraft facilities, loans (mortgages, student loans, personal loans and business loans, including environmentally friendly housing/business renovation and energy loans), hire purchase financing services (primarily for new and used cars, including environmentally friendly car hire purchase), finance cards (including credit, debit and prepaid cards), e-loans and mobile banking facilities.

Most of the Bank's consumer lending takes the form of mortgage loans, overdraft facilities and credit cards to which predetermined credit limits apply, personal loans and hire purchase financing facilities.

## **B. Corporate & SME Banking**

The Corporate Sector serves approximately a few hundred corporate groups comprising over 1,700 companies, and close to a hundred large corporate Cypriot groups operating in Cyprus and abroad. Corporate Banking operates through dedicated domestic Corporate Banking centres and a factoring services unit.

The Bank offers corporate customers a wide range of products and services, including overdraft facilities, factoring services, term loans, asset finance or hire purchase facilities, project financing, savings accounts, notice accounts, sight accounts, fixed term deposits, specialised deposit schemes, trade financing products (such as short-term import finance), letters of guarantee, documentary credits, bills for collection, negotiation of foreign bills, spot and forward contracts in foreign exchange, specialised trade finance schemes (in cooperation with the EIB and EBRD), corporate finance advisory services together with The Cyprus Investment and Securities Corporation Limited ("CISCO") and cash management services.

Most of the Bank's corporate lending takes the form of interest-bearing secured loans with rates which vary according to each customer's credit risk profile. Maturities of corporate loans in the Bank's portfolio typically range from a period of less than one year to fifteen years depending on the nature and purpose of the facility. In general, security is required in the form of fixed or floating charges on the assets of the borrower, mortgages over real property, pledges of shares, cash collateral and personal and/or corporate guarantees.

The SME Sector has a large number of customers serviced by a network of 10 dedicated SME business centres in key Cypriot towns.

The Bank offers SMEs a range of services and products, including overdraft facilities, fixed maturity loans, invoice discounting and bills discounting, stock financing, domestic factoring and import and export factoring, trade finance, hire purchase financing and leasing, deposit accounts, savings accounts, notice accounts and spot and forward contracts in foreign exchange. The Bank also provides letters of credit and letters of guarantee.

Most of the Bank's SME lending takes the form of secured loans and overdraft accounts with pre-agreed and approved credit limits.

The Bank also assists its SME customers on their financial business planning, taking into account their banking activity, financial performance ratios and prospects both on a one-to-one basis and as a group. The Bank participates in initiatives to encourage lending to SMEs and was the first bank in Cyprus to partner with national and supra-national organisations to provide financing to SMEs, such as the

European Investment Fund, the European Investment Bank ("EIB") and the Cyprus Entrepreneurship Fund.

### **C. International Banking**

International Banking ("IB") specialises in the offering of banking services in Cyprus to the international corporate and non-resident individual customers of the Bank, particularly international business companies whose ownership and business activities lie outside of Cyprus. Facing challenges unique from those faced by Retail Banking, and Corporate and SME Banking, IB has focused on providing efficient transaction services and customer service in order to increase customer retention and fee income. As part of the wider drive by the Bank to maintain corporate governance standards and the nature of IB's business with international customers, IB has a dedicated anti-money laundering ("AML") quality and control department in order to enhance "know-your-customer" and other compliance procedures and controls.

IB operates twelve international business units in Cyprus. IB also manages the Group's four representative offices outside of Cyprus (two in Russia and one in each of Ukraine and China), which support business relations through marketing activities and provision of information about Cyprus and the Bank. The Bank has long-standing arrangements with business professionals who are an important source of customer referrals for IB.

IB also supports international companies in their expansion and operations in Cyprus through foreign direct investment as well as supporting large Cypriot and international groups operating from Cyprus in their expansion overseas. It specialises in large international cross border and multi-jurisdictional transactions utilising the expertise of its team and the complete range of financial services and products offered by the Bank. It aims to support Cypriot groups in their expansion overseas and Greek/Cypriot origin groups in their business endeavours in Cyprus and across Europe. It provides diversification to the Group, both in terms of risk and income as well as geography and sector while helping to expand the Group's customer base. Additionally, it provides support and works closely with project finance and loan syndication teams, which lead and support corporate banking with large and complex project finance projects and act as arrangers or participants in local syndicated loan transactions and develop and monitor participations in large international loan syndication transactions arranged by international banks with a geographic emphasis in Europe, the Middle East and Africa.

The Shipping Centre aims to develop relationships with selected Cypriot and Greek shipping companies, with a focus on the provision of shipping financing for ocean-going cargo vessels and to promote ancillary business opportunities within the Bank by offering a complete range of services to its clients, including operational banking, hedging and market solutions, wealth management and private banking services.

### **D. Wealth Services**

The Wealth Services Division's goal is to leverage the Group's extensive branch and customer network to expand investment and hedging related products among the Bank's current customers and to target potential new customers. Wealth Services assets under management include customer deposits and investable assets of the customers which are under execution, advisory or discretionary management. Services provided by Wealth Services Division are managed by two different entities, namely, the Bank through Wealth Management, which oversees the provision of institutional wealth custody/depository services, private banking and affluent banking, and one wholly-owned subsidiary of the Bank: CISCO, which provides brokerage and investment banking services CISCO is regulated by Cyprus Securities and

Exchange Commission ("**CySEC**") as a Cyprus Investment Firm and is a member of the Cyprus Stock Exchange ("**CSE**") and a remote member of the Athens Stock Exchange. BOC Asset Management ("**BOCAM**") is a wholly owned subsidiary of CISCO which is responsible for discretionary portfolio management for Institutional and Private Clients, the management of alternative investment funds, the investment advisory services for institutional clients and fund hosting services.

The Private Banking unit serves the banking and investment needs of High Net Worth Individuals and their families. The unit offers investment services through execution, advisory and discretionary portfolios (through BOC Asset Management.).

The Affluent Banking unit leverages on the branch and customer network of the bank so as to educate, build relationship and expand banking and investment products to its client base. The unit offers investment services through execution, advisory and discretionary portfolios (through BOC Asset Management).

The Global Markets unit services the diverse clientele of the Bank by providing high quality execution services across multiple asset classes that include forex, equities, fixed income and mutual funds and also provides liability management solutions that include foreign exchange and interest rate hedging solutions utilising various derivative instruments, as well as margin trading and yield enhancement structured solutions.

The Institutional Wealth Custody / Depositary unit provides execution, custody & depositary services for institutional investors such as investment companies, family offices, pension & provident funds, semi governmental organisations and corporates as well as collective investment schemes such as UCITS and alternative investment funds ("**AIFs**"), assuming the duties of cash monitoring, safekeeping of financial instruments and other assets and oversight duties under the relevant applicable legislations.

#### **5.1.7.2 Insurance Operations**

The Group provides insurance services through two wholly-owned subsidiaries, EuroLife and Genikes Insurance.

##### *EuroLife - Life Insurance*

EuroLife offers a range of unit-linked protection and savings products as well as a number of supplementary benefits including disability and critical illness cover. EuroLife distributes its products through a network of tied agents and through the Bank's branch network.

##### *Genikes Insurance - Non-life Insurance*

Genikes Insurance offers insurance cover under the primary non-life insurance business classes. Genikes Insurance offers its products through the Bank's branch network, by direct channels, digital channels and through agents.

#### **5.1.7.3 Loan and Asset Restructuring, Recoveries and Disposals**

The Group's Restructuring and Recoveries Division (the "**RRD**"), Real Estate Management Unit (the "**REMU**") and Corporate Finance Solutions division are focused on addressing and restructuring the Group's portfolio of delinquent loans and real estate assets.

### ***Restructuring and Recoveries Division***

The RRD is comprised of independent, centralised and specialised restructuring units through which the Group aims to manage its exposure to borrowers in distress and arrears across all customer segments, and to reduce the level of delinquent loans.

### ***Real Estate Management Unit***

The Bank has established REMU which is dedicated to the on-boarding, management and disposal of the Bank's real estate assets. The main objectives of REMU are to accelerate the recovery process for the Bank and to more effectively monetise the Group's real estate assets and portfolios, primarily consisting of assets in Cyprus. Some legacy properties in Greece and Romania are also monetised through REMU. In addition, REMU provides ongoing support and guidance to management and related operational teams and units of the Bank with regards to consensual property repossessions.

### ***Corporate Finance Solutions ("CFS")***

CFS focuses on identifying, designing, organising and executing corporate finance solutions. This includes exploring strategies to further accelerate de-risking including NPE and real estate owned portfolio sales. CFS is responsible for the oversight of and the implementation of the Bank's current strategic focus on the reduction of NPEs via portfolio sales and related transactions, with a view to transforming the Bank into a stronger and safer institution.

#### **5.1.7.4 Information Technology**

The Group's IT division provides a critical function focusing on running the day-to-day operations of the technology systems of the Bank covering all layers (data centres, infrastructure, hardware, software, business applications, digital channel services, etc.), supporting all business functions and users, transforming and securing the technology base and infrastructure of the Bank and delivering technology projects and compliance changes to systems.

The Group has set out a clearly defined digital transformation strategy, with the aim of enhancing the customers' digital experience, improving IT proficiency by adopting a "digital mindset" and transforming internal processes to increase efficiency. Among other things, the digital transformation includes, the following initiatives and changes:

- an agile technology foundation infrastructure to support new digital platforms;
- an advanced business process management platform;
- advanced data analytics and big data capabilities;
- a new customer relationship management (CRM) system and unified front-end platform;
- a new internet-based channels solutions for internet and mobile applications; and
- self-service machines within branches.

### **Outsourcing arrangements**

The Group has outsourced certain services to data processing companies.

### 5.1.8 Standards of Business Conduct and Ethical Behaviour

The Group is committed to the highest standards of ethical business behaviour. The Board has adopted the Bank of Cyprus Code of Conduct which applies to all members, managers and employees of the Bank and its subsidiaries.

The Code of Conduct outlines the Bank's rules and expectations regarding proper business conduct and ethical behaviour of members, officers and employees of the Bank and its subsidiaries, including:

- Following the law wherever the Bank does business;
- Avoiding putting themselves or the Bank in a conflict of interest;
- Conducting themselves honestly and with integrity;
- Respecting confidentiality, and protecting the integrity and security of assets, communications information and transactions;
- Treating everyone fairly, equitably and professionally – whether customers, suppliers or service providers, employees or others who deal with the Bank; and
- Honouring the Bank's commitments to the communities in which it operates.
- Upholding suitability criteria for all relevant persons as per the Group Policy on the Suitability of Members of the Management Body, Key Function Holders and other Material Risk Takers to ensure robust risk management processes.

The Board shall obtain reasonable assurance that there is an ongoing appropriate and effective process in place for ensuring adherence to the Bank of Cyprus Code of Conduct. Global compliance reports shall be submitted to the AC on such compliance, noting any instances or material deviation from the standards together with any corrective action taken. The Bank promotes a strong compliance culture by strictly enforcing the BOC Code of Conduct and by taking decisive disciplinary action where warranted.

The Group's vision is to create lifelong partnerships with our customers, guiding and supporting them to a changing world.

The Group's mission is to support our clients in their most important events of their life and in their daily needs. The Group invests capital and effort to ensuring that our services are provided by top quality professionals at the cutting edge technology and with sound and ethical practices. We will continue to be not only a systemic bank driving growth and shareholder value but also a key driver of progress in our community.

The Group's values are:

- Integrity: We are honest, ethical, and fair,
- Reliability: We keep our promises and adhere to our word
- Collaboration: We build lifelong partnerships and work together for our common future
- Professionalism: we constantly enrich our skills and knowledge, keeping up to date with the developments in our industry
- Innovation: We continuously move forward, innovating and improving

The Group has instituted a Group Conflicts of interest Policy (**Appendix 12**), and Anti-Bribery Policy and a Whistleblowing Policy to which every member of staff and member of the management body must adhere to. The Group Whistleblowing Policy is expected to encourage all staff members to bring to the notice of the Group any issue involving compromise and/or violation of ethical norms, legal or regulatory

provisions and any conduct that may be illegal, unacceptable or improper. It also aims to ensure that the rights of any person reporting such incidents are respected, and effective procedures are in place, that protect and support anonymity and confidentiality.

## 5.2 Supporting Documentation

The Group Corporate Governance Policy shall be available for inspection by any shareholder of the Bank at all times.

The Board of Directors and management of the Bank shall ensure the dissemination of this Policy to all employees of the Bank including subsidiaries and affiliates to ensure their awareness of the corporate governance policies and practices of the Bank and to enjoin them to comply thereto at all times.

The Board of Directors should maintain a good level of communication with the shareholders, and the Chairperson should ensure that all Board members are made aware of the shareholders' major issues and concerns.

A summary of this Policy's key principles and provisions is available on the Group's official website.

A list of Appendices forming part of the Framework is found in Annex I below.

## 5.3 Reporting

The essence of good corporate governance is transparency. The Bank commits to meet all disclosure requirements as mandated by regulators within the prescribed period at all times.

All material information, both financial and non-financial, about the Bank that may adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed.

All such information shall be disclosed through the appropriate disclosure mechanisms of the CSE, submissions to the CySEC, the Listing rules and the DTRs.

---

## 6. EXCEPTION APPROVAL PROCESS

---

### 6.1 Issue Escalation

The Chairperson of the Board and the Chief Executive Officer will ultimately decide if a matter requires the attention of the Board between regularly scheduled meetings and if so, whether the Board or a Board Committee needs to be informed about or be involved in the decision-making process concerning the issue that has arisen.

The decision as to whether or not to escalate an issue to the Board's attention and/or a committee between regularly scheduled meetings is a matter of business and/or legal judgment on the part of Senior Management as well as the Chairperson and the CEO, the Vice-Chairperson and the Deputy CEO; Chief Legal Officer and Company Secretary. This determination will take into consideration the following, among other factors:

- The materiality or significance of the issue to the Bank, its reputation, risk appetite framework overall operations or strategic direction, considering both qualitative and quantitative measures;
- Prior Board discussion and decision-making on the matter;
- Existing authorities given to management in respect of the subject-matter; and
- The necessity for the Board's involvement in the matter prior to the next scheduled meeting.

Examples of issues that may be escalated to the Board or a committee for decision-making in between meetings could include the following:

- Strategic acquisitions or transactions;
- A requirement to issue securities;
- Changes in executive management;
- Material misstatements in prior financial statements which would reflect a material weakness in the Bank's internal controls;
- A requirement to issue an announcement regarding a price sensitive matter; and
- Significant write-down or other events which would significantly impact the assets, liabilities and earnings of the Bank on a consolidated basis.

Examples of issues that may be escalated to the Board or a committee for informational purposes only in between meetings could include the following:

- Correspondence from regulators;
- Information pertaining to potential transactions;
- Press releases or other information pertaining to announced transactions; and
- Media articles concerning the Bank.

In determining the necessity for and extent of Board and Committee involvement, Senior Management must assess if the issue being considered has been delegated to a Committee as part of its mandate or pursuant to a prior Board resolution. Where a matter may be properly addressed by the RC, the AC or another Board Committee as opposed to the Full Board, then it will be put before that Committee at a specially called meeting. Where a matter cannot be considered by the RC, the AC or another Board Committee, then a full Board meeting will be called.

The CSE may impose a fine on the Group for every year that it violates the CSE Code.

---

## **7. IMPLEMENTATION PROCEDURES (KEY PROCESSES)**

---

The Board of Directors shall designate the CGCO of the Bank to establish an evaluation system to determine and measure compliance with this Policy.

The developed evaluation system, including the features thereof, shall be disclosed in the Company's annual report or in such form of report that is applicable to the Group.

This Policy shall be subject to at least an annual review by the NCGC of the Board of Directors.

**Annex 1**

**List of Appendices**

1. Matters Reserved for the Board
2. Director Independence Criteria
3. Confidentiality Declaration
4. Group Board Nominations Policy
- 4a. Conflicts of Interest Declaration
5. Board Induction and Training Policy
6. Proxy
7. Group Nomination and Corporate Governance Committee Terms of Reference
- 7.a Group Ethics, Conduct and Culture Committee Terms of Reference
8. Group Human Resources and Remuneration Committee Terms of Reference
9. Group Audit Committee Terms of Reference
10. Group Risk Committee Terms of Reference
- 10a Group Technology Committee Terms of Reference
11. Anti-Bribery Declaration
12. BOC Group Conflicts of Interest Policy
13. Group Policy on the Suitability of Members of the Management Body and Key Function Holders