Bank of Cyprus

COMPLIANCE DIVISION CHARTER

[October – 2024]

1. Introduction

The Compliance Division is a key component of a financial organization's second line of defence for managing compliance risks. Its responsibility is to ensure that the organization operates with integrity, adheres to applicable laws, regulations, and the highest ethical standards.

This Charter describes the framework for managing compliance within the Bank of Cyprus Group ("organization"), as approved by the Board Audit Committee. Any deviation requires the approval of the Board Audit Committee.

2. Compliance Division Mission & Objectives

The mission of the Compliance Division is to achieve a holistic alignment between business goals and compliance requirements synchronizing its principles with the principal values of the organization, be people-centred, responsive, be a catalyst for growth, be a role model through its trustworthiness and provide assistance and guidance to every business sector of the organization in order for them to incorporate the Compliance Division's vision, strategy and principles into their culture and daily operations.

The Compliance Division objectives include but are not limited to establishing, implementing, and maintaining an appropriate compliance framework set by the Compliance Policy and supported by the compliance program, mechanisms, policies, and procedures.

A. Regulatory framework

Identify and maintain a registry with all compliance obligations including compliance with laws, primary legislation, directives, rules, and standards issued by legislators and supervisors, market conventions, codes of practice promoted by industry associations etc., assess the possible impact on the organization of any changes in the legal or regulatory environment, and facilitate and monitor the implementation of actions to ensure timely and effective compliance with regulatory obligations.

B. Risk identification, assessment, monitoring

Carry out compliance risk assessment to identify and ensure proactive management, report and where necessary escalate compliance risks, perform compliance reviews in accordance with the relevant methodology, identify compliance weaknesses and risks, make recommendations for mitigating such risks, report the findings and follow up the timely implementation of mitigating actions, leverage data and analytics to enhance its ability to carry out its monitoring activities and meet its strategic objectives, and provide annual assurance to the CEO as to the effectiveness of compliance policies, procedures and monitoring activities highlighting any significant compliance issues and risks.

The compliance identification process covers the following areas of compliance:

1. the institution's code of business conduct and corporate values;
2. prudential laws and regulations;
3. arrangements for the prevention of money laundering and terrorist financing;
4. arrangements for the provision of investment services and activities;
5. tax laws that are relevant to the structuring of banking products or customer advice;

6. other regulations applicable to institutions such as regulations on consumer rights, data protection and competition;
7. accounting and auditing requirements;
8. business standards and best practices such as on –
    a. market conduct;
    b. managing conflicts of interest;
    c. treating customers fairly and ensuring the suitability of advice to customers.

C. Compliance culture - raising awareness

Encourage the growth of a corporate culture within the organization that is centered on integrity, and ethical values based on a thorough understanding of every relevant regulation, national and international standards, best practices, compliance risks, and how these risks are managed in accordance with the organization's values, code of ethics, and conduct code, raise awareness and ensure the compliance culture is appropriately disseminated at all hierarchical levels by developing policies and processes, provide training for all staff on compliance and responsibilities stemming from that, assist, support and advise the Board of Directors and/or its Committees, the Senior Management, and other staff in fulfilling their responsibilities to manage compliance risks by using a risk-based approach to align business objectives with the organization's risks appetite, offer guidance about the creation of new markets and significant adjustments to existing ones, as well as compliance needs, risks, and controls regarding new projects, products, services, processes, and other issues.

D. Compliance Reporting

Submit periodic and ad hoc reports to the Audit Committee on matters relating to its purpose, authority, responsibility, and performance in relation to the Compliance Division's programme as this are reflected in its annual Action Plan that include information on compliance regulatory or internal developments, significant compliance risks or control issues or breaches and incidents identified during compliance reviews etc and recommendations on how to mitigate such risks. Periodic reports may also be submitted to competent authorities as per regulatory requirements.

E. Specific Objectives

Specific objectives to each department of the Compliance Division are:

1. Prevention of Money Laundering, Local and International Sanctions

Ensure compliance with the Prevention and Suppression of Money Laundering Activities Law and the Central Bank of Cyprus directives and circulars for the prevention of money laundering and terrorist financing, as well as the CBC Sanctions Directive, as these are amended from time to time.

2. Data Privacy

Ensure compliance with the General Data Privacy Regulation and relevant European and local directives and guidelines issued from time to time.

3. Corporate Governance

The Chief Compliance Officer is also appointed as the Company's Corporate Governance Officer (a role provided in the Cyprus Stock Exchange Code) and as part of this role the CCO reports directly to the Nominations and Corporate Governance Committee. The relevant responsibilities are described in the Corporate Governance Policy.

3. Risk Culture

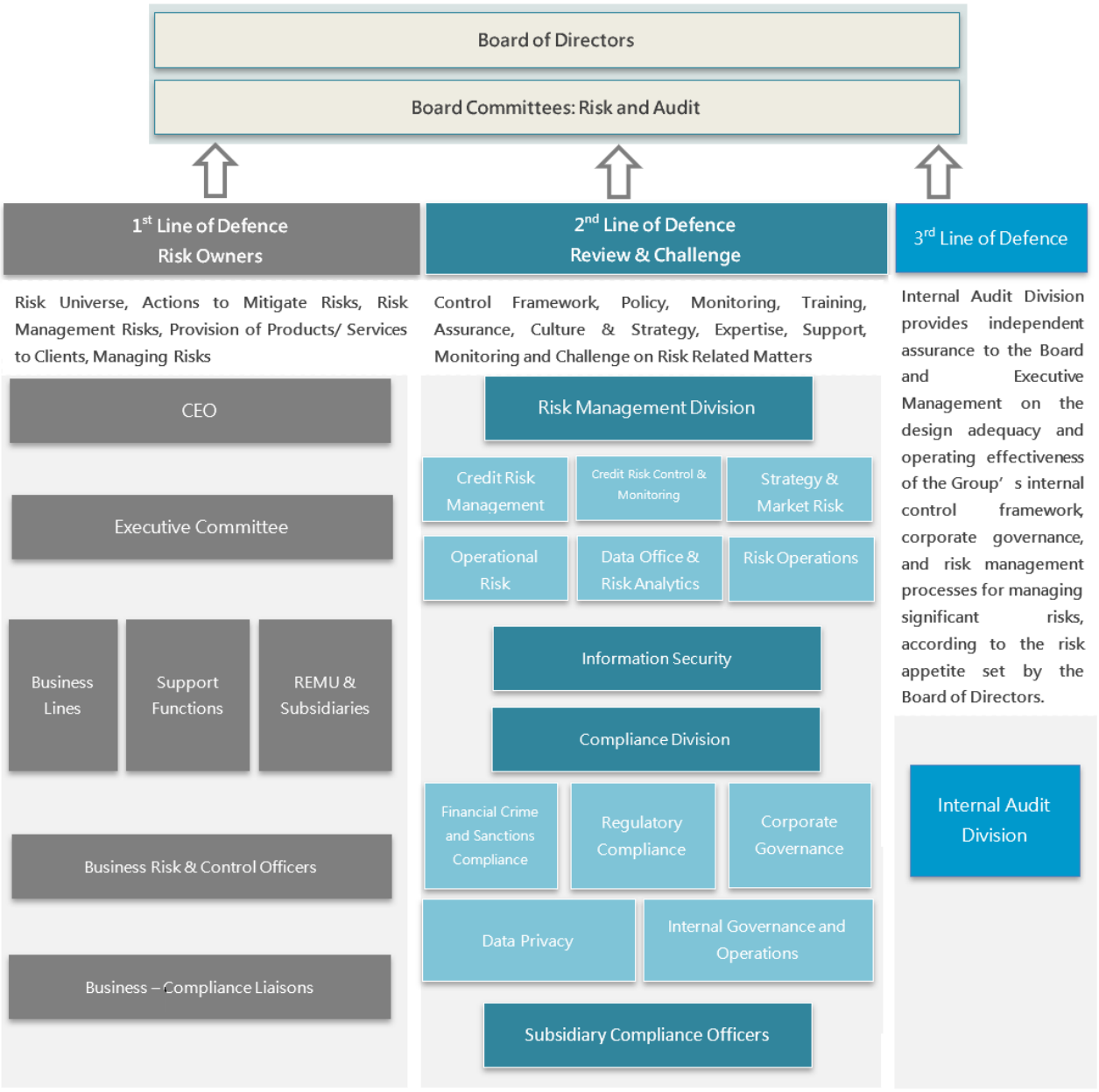
Risk culture "encompasses the general awareness, attitudes and behaviours of an organisation's staff towards risk", and covers organisational values, norms, beliefs and habits related to risk. It is also a key indicator of how successfully an organisation's risk management policies and practices have been adopted by their workforce.

Towards enhancing the compliance risk culture, the Compliance Division applies the following strategy:

1. Apply proactive actions –Risks are emerging all the time and being compliant is no longer enough; the division applies a proactive approach that uses constant and consistent re-evaluation and redesigning of existing compliance processes, thresholds, rules and response programmes, aiming to ensure that the organisation always stays up to date on current and future risks.
2. Raise awareness through communication and training – Staff sometimes don't realise the compliance risk impact of their actions; consistent communication and training regarding compliance risk management processes are very important. The division provides frequent, detailed compliance risk training for employees which not only heightens their understanding of the various risks that the organization is exposed to, but it also equips them with the right tools to monitor and respond appropriately. Furthermore, it ensures that risk management is always top-of-mind and reinforces the formation of good risk-related work habits in employees.
3. Invest in compliance risk management technology – Invest in automations that will assist in mitigating compliance risks.

4. Independence and Authority

BOC has established the Three Lines of Defence model as a framework for effective risk management and control. In this model management, which is the first line, is responsible for managing risks. The second line, being the risk management units of the Bank (i.e. the Risk Management Division, the Compliance Division Including the Subsidiaries' Compliance Officers), is responsible for developing and maintaining an effective risk and compliance framework to support management in the delivery of its business and strategic objectives. The Internal Audit Division, as the third line, provides independent assurance over the effectiveness of the risk management framework and governance.



The Business Risk & Control Officers and the Business – Compliance Liaisons are assigned in business areas of significant compliance risk and specialization that require enhanced compliance oversight, knowledge, and expertise with the role of promoting and sustaining a corporate culture of risk and compliance within the business area in accordance with the guidance received by the Compliance Division/Control Functions. As part of the 1st line of defence, they assist their management with enforcing regulations, handling compliance-related issues, implementing controls, and adhering to group compliance guidelines.

The Compliance Division's independent status is formalised and communicated through this Charter.

1. The Compliance Division is independent from the organisation's business activities and Support Units it monitors and controls, as well as from the other Control Divisions and the remuneration of the division's staff is not linked to the performance of the activities monitored/controlled by the Compliance Division.

2. The Chief Compliance Officer reports to the Audit Committee and for administrative matters, reports to the CEO. This latter line of reporting is administrative in nature and has nothing to do with the Compliance Division's oversight to avoid jeopardizing its independence and responsibilities towards the Audit Committee.
3. The performance appraisal of the Chief Compliance Officer is performed by the Chairman of the Audit Committee with input from the CEO further to their daily administrative relationship, and it is subsequently submitted to the management body.
4. The Audit Committee annually reviews and assesses the independence, adequacy, and effectiveness of the Compliance Division. In this respect, a declaration of the organisational independence of the Compliance Division is being submitted to the Audit Committee to be considered together with the annual performance appraisal of the Chief Compliance Officer.
5. The annual compliance programme is reviewed and approved by the Audit Committee.
6. The Chief Compliance Officer submits papers directly to these Committees and where applicable, are copied to the CEO or the Executive Committee. To this end, the policies issued by Compliance Division are approved by the Audit Committee or the Nominations and Corporate Governance Committee, or the joint Audit and Risk Committee.
7. The Compliance Division has the right and obligation to report its findings and assessments directly to the Board of Directors and its Committees, independent from senior management.
8. The Compliance Division budget is approved by the Audit Committee which ensures that it is sufficiently flexible to adapt to variation in response to developments.
9. The Audit Committee is responsible to ensure that the Compliance Division has the appropriate financial and human resources as well as powers to effectively perform its role.

To carry out efficiently the duties relating to compliance:

1. The Compliance Division staff and the Local Compliance Offices (LCOs) are authorized to communicate with any member of the staff and to have unrestricted access to all documents, files, and other data required to perform their duties and all employees of the organization must help by providing the requested information.
2. The organisation must ensure that staff in the Compliance Division have access to the right data systems, assistance, and internal and external information to carry out their duties.
3. The organisation must ensure that when in need, the Compliance Division may have access to expert advice and assistance from external service providers when there is lack of knowledge, skills, resources or other competencies needed following the organizations procedures.
4. The CCO has the right to attend, as observer, any internal meeting at the organisation as he/she deems appropriate in order to carry out his/her duties.

5. Oversight Framework for the subsidiaries and rep offices

As part of the obligations stemming from the Internal Governance of Credit Institutions Directive 2021 and the EBA GL/2017/11, and in line with the importance that the organization places on monitoring, managing and controlling the compliance risks across the organization including its subsidiaries (CISCO, Eurolife, General Insurance, and Jinius), the Compliance Division is mandated to oversee the Subsidiaries' Compliance Officers (SCOs), who act as an impartial second line of defense at the subsidiaries and ensure that the subsidiaries adhere to this Charter and carry out their compliance duties effectively.

BOC subsidiaries have formally autonomous Compliance Functions, and the Subsidiary Compliance Officers (SCOs) are independent from the business activities they control. They are appointed by the Board of Directors of the Subsidiary further to the recommendation of the Audit Committee of the Subsidiary and the agreement of the Compliance Division. Their appointment is subject to the prior approval of the relevant competent authority, where applicable. The removal of the SCOs is decided by the Board of the Subsidiary further to the recommendation of the Audit Committee.

Based on this obligation, each subsidiary appoints its own Compliance Officer who reports on a regular basis to the Compliance Division regarding their compliance action plans and activities, risks, and findings; they are responsible to update their Risk Map, handle regulatory change developments and update issues and actions assigned to them through the Compliance Management System.

The SCO's report directly to the Audit Committee of the Subsidiary and submit to it a report on a quarterly basis with copies being sent to the General Manager of the Subsidiary and the Compliance Division. The report covers, as a minimum, the following:

1. New regulatory developments and key compliance issues and measures/actions taken to implement them during the reporting period.
2. Information on the adequacy and effectiveness of the Subsidiary's policies and procedures.
3. Yearly Action plan progress and any deviations/delays from the action plan and or targets set.
4. On-site inspections or desk-based reviews performed by the Compliance Function, key findings identified, and actions taken to address identified risks.
5. Significant compliance issues, risks, incidents that have occurred since the last report.
6. Overview of material correspondence with competent authorities.

As part of the organization's Compliance Division's oversight obligation, SCOs maintain a 2nd line of reporting to the Compliance Division, which includes the following:

1. Submitting quarterly and annual reports detailing their activities, which should include updates on major regulatory projects, training on compliance issues, findings from onsite reviews and investigations, and mitigation measures taken for compliance risks. It should also include information on key compliance issues and the steps taken to implement them after conducting a risk assessment. Finally, it should include issues for local management and recommendations.
2. Performing the gap analysis of new or amended regulations assigned to them by the Compliance Division, identifying the compliance obligations stemming from these regulations, assessing the impact on the Subsidiary's processes, procedures, and operations, and ensuring that mitigation actions are implemented for compliance with relevant laws and regulations.
3. Supporting their management to carry out their responsibilities for compliance with regulatory changes, addressing compliance issues and implementing controls in adherence to compliance principles.
4. Identifying, measuring, monitoring, and reporting regulatory risks and ensuring compliance with internal and external requirements within the Subsidiary.
5. Completing all other tasks through the Compliance Risks/Findings Management and Repository Software, re: analysing, assessing, and managing daily regulatory feeds assigned by Compliance Division, monitoring issues, and pending actions, developing, and maintaining the Subsidiary regulatory risk map, identifying existing mitigating controls, introducing additional controls, monitoring mitigating actions, maintaining the regulatory reporting diary, regulatory incidents, conflicts of interests and gifts registries.

6. Facilitating the dissemination of compliance culture within the Subsidiary as per the guidance received by the Compliance Division.

For matters of administration, SCOs refer to the Subsidiary's General Manager but this does not relate to any form of overseeing of the Subsidiary's Compliance Function by the General Manager, which would potentially compromise the SCOs independence.

The oversight of the SCOs by the Compliance Division, ensures that the Subsidiary' Compliance Function is effective and efficient and fully aligned with the compliance strategy of the organization. To ensure this, the Compliance Division:

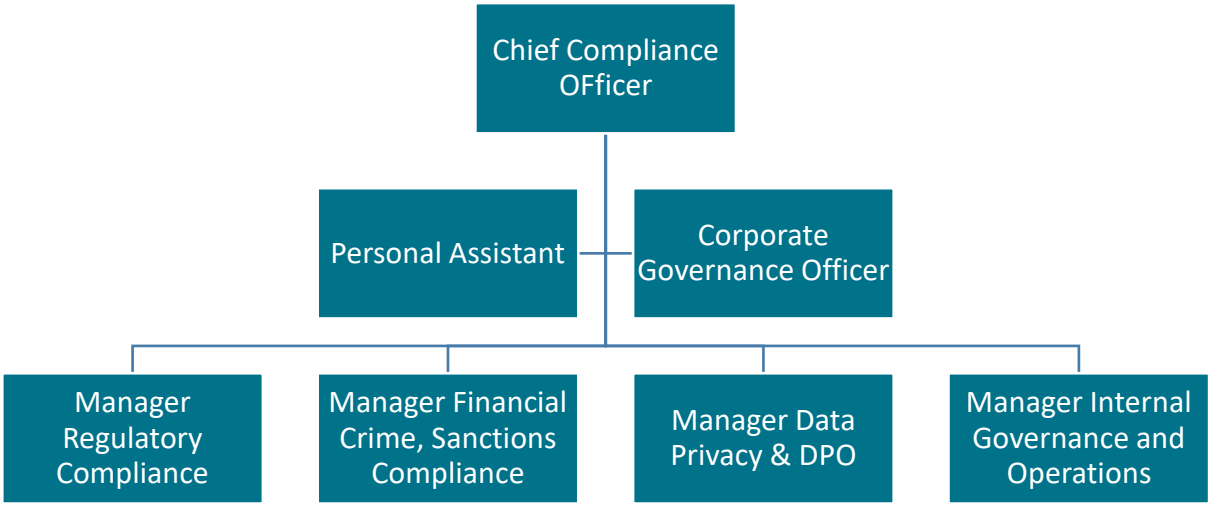
1. Oversights and challenges the regulatory risks identified by the SCOs through the gap analysis of new or amended regulations, assessments of new or amended processes and procedures, project assessments, new or amended product/services assessments and any other ad-hoc assessments with regulatory impact such as new operating models, reorganisations etc, to ensure that compliance risks within the Subsidiary are managed effectively and recommends additional controls and corrective actions, where needed.
2. Oversees the compliance risk assessment process followed by the SCOs and monitors the implementation of mitigating actions for the management of identified risks.
3. Performs periodic onsite/offsite compliance assurance reviews for assessing the implementation of organization-wide compliance policies and procedures by the Subsidiary.
4. Provides constructive support and feedback on an ongoing basis to perform their duties independently, effectively, and efficiently.
5. Ensures that the SCOs have enough competency to facilitate the implementation of the organization-wide policies / procedures /guidelines in their area of work.
6. Organises and provides training in specialized areas as needed and ongoing guidance and support to the SCOs to remain qualified on an ongoing basis and carry out their duties effectively.
7. Ensures that the SCOs facilitate the dissemination of compliance culture within their company with the objective of raising awareness and ensuring that each member of staff within the Subsidiary understands the regulatory framework associated with his/her duties and the associated compliance risks on a proactive basis.
8. Assesses and approves the Subsidiaries' internal compliance policies and procedures, follows up deficiencies and, where necessary, formulates proposals for amendments.
9. Assesses the SCOs periodic reports to identify any gaps in relation to their content.
10. Ensures that the SCO's activities are set out in a compliance programme which is reviewed by the Compliance Division to identify any areas of enhancement. The SCO's action plans are monitored on their progress on a quarterly basis by the Compliance Division to ensure timely completion of actions and effective management of regulatory risks.
11. Oversees the Subsidiary complaints process and utilises customer complaints as a source of relevant information in the context of its general monitoring responsibilities.
12. Cooperates and exchanges information with other internal control and risk management Divisions on compliance matters of Subsidiaries, assesses any regulatory incidents identified by the SCOs and monitors any mitigating actions to avoid reoccurrence and manage the risk.
13. Has constant communication with the SCOs and encourages them to escalate and discuss with the Compliance Division any areas of concern.

14. Ensures that the SCOs assessments on new products and procedures comply with the current legal environment and business standards and any known changes to legislation, regulations, supervisory requirements, and business standards.
15. Ensures that the SCOs maintain their independence at all times and that they report their findings and assessments directly to the Subsidiary Audit Committee independent from Senior management.
16. Ensures that the SCOs are invited to the Subsidiary Audit Committee meetings (or combined Audit/Risk Committee meetings, where applicable) on a regular basis and at least once a year and report to the Audit Committee of the Subsidiary, on compliance issues, on a quarterly basis. In this respect the Regulatory Compliance Manager and the Chief Compliance Officer are invited and participate in the Subsidiary Audit Board Committee meetings on a regular basis.
17. Reports to the Bank Audit Committee the subsidiary's compliance risks through the quarterly/ monthly / yearly reporting.
18. Contributes to the Subsidiaries Compliance Officers' Performance Appraisal that covers both their KPIs as well as their competencies. In case the Subsidiary's Audit Committee's appraisal score is not in alignment with the one provided by the Compliance Division, then the Compliance Division escalates the matter to the Bank's Audit Committee for resolution and final appraisal score.

6. Organisational Structure

The Compliance Division is headed/led by the Chief Compliance Officer who is appointed by the Board of Directors further to the recommendation of the Audit Committee and subject to the prior written approval of the Central Bank of Cyprus; the removal of the Chief Compliance Officer is decided by the Board of Directors further to the recommendation of the Audit Committee.

The Compliance Division's structure is shown below:



Where:

1. The Manager Financial Crime & Sanctions Compliance Department reporting to the Compliance Director, is the appointed Anti Money Laundering Compliance Officer of the Bank, a role provided in the relevant legislation. She plans and supervises the implementation of the Group's compliance strategy in matters of Financial Crime (Anti-Money Laundering and Financing of Terrorism (AML/CFT) and Financial Sanctions)

in order to ensure that the Group complies with the legislation, the instructions of the Central Bank of Cyprus (CBC) , European Union (EU), international practices and international sanctions.

2. The Manager Data Privacy Department & DPO reporting to the Compliance Director is the appointed Data Privacy Officer, a role provided in the relevant legislation. She contributes to the formulation/design of the privacy compliance strategy and oversees the implementation of the Bank's and Group's Privacy strategy to ensure compliance with local, European and international regulations and practices. She also acts as a Personal Data Protection Officer as defined by the regulatory framework according to which he acts as a point of contact with the Office of the Personal Data Protection Commissioner as well as ensures the effective management of related risks.
3. The Manager Regulatory Compliance reporting to the Compliance Director, contributes to the formulation/design of the Group's governance, markets and Regulatory Compliance strategy and oversees its implementation to ensure that the Group complies with local, European and international regulations and practices governing the Group.
4. The Manager Internal Governance and Operations is responsible to provide support to the Director of the Compliance Division in the organization, coordination and setting of priorities, so that all a administrative and operational matters concerning the Compliance Division are handled, monitored and processed in a timely manner, in order to ensure the proper functioning of the Division.
5. The Corporate Governance Officer ensures the strict adherence of the Group and the Board of Directors with the corporate governance directives and regulations.

7. Responsibility and Accountability of the Chief Compliance Officer

The Chief Compliance Officer is responsible to:

1. Ensure the objectivity and independence of the compliance Division.
2. Acquire human resources with sufficient qualifications and skills to ensure the competence of the compliance Division to carry out its tasks and responsibilities.
3. Continually assess and monitor the skills necessary to carry out the division’s duties to the required level.
4. Ensure the appropriate ongoing training of staff of the Compliance Division to carry out the increasing diversity of tasks as a result of the introduction of new products and processes, changes to regulations or professional standards and other developments in the financial sector.
5. Stay up to date on appropriate compliance procedures and pertinent guidelines for compliance-related matters.
6. Promptly inform the heads of other internal control Divisions of any findings relating to them.
7. Submit reports to the Board and relevant committees and attending their meetings to present the said reports and provide additional information and/or clarification or assistance on managing the issues raised.
8. Prepare and deliver to newly appointed members of the Board, in coordination with the secretary of the management body, an induction seminar adequately covering the respective areas of responsibilities of the compliance Division with references to the responsibilities of the Board and the requirements of the regulatory framework.
9. Express an opinion on the selection as well as the fitness of the persons in charge of the compliance Divisions of subsidiaries in Cyprus and abroad as well as foreign branches and the appointed CLs as mentioned above.
10. Update the Competent Authority of any significant findings on, or developments that came to his/her attention that have material impact on, the institution’s risk profile and of any significant changes in the structure and Divisions of the compliance Division.

11. Hold meetings with the Competent Authority at any time Competent Authority may require, discussing the scope and coverage of the work of the Compliance Division, its risk analysis, findings and recommendations.
12. Receive all reports, information and communication sent by the Regulatory Authorities which include findings or comments in relation to the responsibilities of Compliance Division.
13. Have direct access to the Board and its Committees, to raise concerns or warnings as deemed appropriate when the institution is or may be affected by specific developments and / or in the event of specific risk developments affecting or likely to affect the institution.
14. Attend on a regular basis and at least quarterly, the Audit Committee meetings to present compliance and data privacy matters and the Nominations and Corporate Governance Committee meetings for corporate governance matters, without the presence of executive members of the Board.

8. Frameworks, Policies and Processes

The Compliance Division maintains several policies/frameworks such as the:

1. Compliance Risk Appetite Statement
2. Prevention of Money Laundering and Terrorism Financing Policy
3. Sanctions Policy
4. Customer Acceptance Policy
5. Corporate Governance Guidelines for Group Subsidiaries
6. Board Nominations and Diversity Policy
7. Corporate Governance Policy & Framework
8. Corporate Governance of BOC Executive Committees Policy
9. Suitability of Members of the Management Body and Key Function Holders Policy
10. Board of Directors Induction and Training Policy
11. Compliance Division Charter
12. Compliance Division Reviews Methodology
13. Compliance Division Quality Reviews Methodology
14. Control Functions Common Operational Framework
15. Competition Law Compliance Policy
16. Compliance Policy
17. Customer Complaints Management Policy
18. Market Abuse Policy
19. Financial Tax Exchange Information Policy
20. Whistleblowing Policy
21. Coordination and Communication with Authorities Policy
22. MiFID Policies (13)
23. Anti-bribery and Corruption Policy
24. Treating Customers Fairly Policy
25. Conflicts of Interest Policy
26. Personal Data Protection Compliance Policy

9. Professional Standards

Both at the parent and subsidiary levels, the Compliance Division needs to have qualified employees. Every member of the compliance team needs to receive ongoing training on compliance-related topics. Ideally, they should also hold accreditations related to compliance, such as those for lawyers, Certified Global Sanctions Specialists (CGSS), Certified Money Laundering Specialists (CAMS), ICA Professional Qualifications on ML, CySEC Advanced Compliance Certification, project managers, data analytics etc.

10. Support from external service providers

The Compliance Division seeks advice and consultancy support from outside service providers as needed.

11. Compliance Division relation with other Control Divisions

The relationship between Control Divisions (Compliance Division, Internal Audit Division, Risk Management Division and Information Security Division) is described in the 'Control Divisions Common Operational Framework'.