

## SOURCING PROCUREMENT & VENDOR MANAGEMENT POLICY

### 1. PURPOSE AND SCOPE OF POLICY

The purpose of this policy is the definition of a set of rules governing procurement (the purchase of goods and services). These rules principally ensure the prevalence of transparency, integrity, fair competition, and accountability throughout the execution of the process. To this extent, the policy aims to maximize the benefit in terms of expenditure on products and services, always within a fair, lawful, and ethical framework.

Another key objective of this policy is to showcase our corporate values, attitudes, competencies, and behavior that determine BOC's commitment and style of compliance with internal and external rules and regulations.

### 2. GENERAL PRINCIPLES

This Policy applies for all BOC units and subsidiaries in Cyprus and abroad (i.e., registered in other countries), wishing to purchase products or services or to outsource services or activities.

Tenders Committee maintains the overall responsibility for monitoring the implementation and effectiveness of this policy in cooperation with Sourcing Procurement & Vendor Management (SP&VM) .

The principles governing the procurement process (purchase of goods and services) are organized in three main groups: -

#### A. General Principles

- 1. The Procurement process.** All required purchases must follow the provisions of the SP&VM Process.
- 2. Cost – Quality – Efficiency.** Received proposals from potential suppliers in response to BOC's corresponding requests, should not be judged solely based on economic competitiveness, but should be taking into consideration factors such as the quality of the goods / services (fit to serve the purpose) and the Supplier/Service Providers ability to perform.
- 3. Accountability (reporting and recording/archiving).** Any parties responsible for the execution of a purchase are obliged to report through SP&VM to the competent Approving Authority. SP&VM must maintain all corresponding procurement instances' records (purchase requests, tenders' documentation, approvals, and awarded contracts/POs)
- 4. Conflict of Interest.** Cases of conflict of interest relating to the business activities of the Group, or where a close relation exists between interested parties and persons involved in the process must be declared in accordance with the relevant Group policy.

5. **4-eyes principle.** The technical and business requirements specification must be developed by a team of qualified people (minimum 2 persons per discipline) possessing relevant expertise. The same principle applies at the proposals' evaluation stage, as well as during the award stage, and while executing the subsequent contract lifetime's procurement activities.
6. **Reciprocity.** Synergies of mutual benefit which arise out of the Group's business relationships with its Supplier/Service Providers must be leveraged. It is also essential for effective controls along with relevant evaluation criteria for potential Supplier/Service Providers; these should be aiming the development of healthy and mutually beneficial business relationships, and by no means crossing the boundaries of ethical practices, the competition laws, or relevant regulations.
7. **ESG Strategy.** The Procurement Process is aligned with the Group's ESG strategy as this evolves and provides general principles that should be adhered to. However, it does not constitute a complete set of detailed rules that cover all situations. Additionally, suppliers are expected to carry forward these principles to their suppliers and subcontractors. The Bank reserves the right to request the supplier for any policies, procedures, or documents that warrants the compliance with these principles.

## B. Vendor management (selection, engagement, appraisal)

1. **Suppliers Catalogue.** Compilation and management by category of service or product. Pre-selection process must use defined criteria regarding capacity, capability, consistency, effectiveness, experience, current or previous cooperation and reciprocity.
2. **Selection.** A structured assessment and, where appropriate, vendor due diligence must be executed prior to selecting a Supplier/Service Provider. This is done before accepting any proposal or signing any contract, as a key part of a vendor's assessment or the tenders' evaluation where Privacy Matters are also taken into consideration.
3. **Environmental, Social & Governance (ESG Criteria)** – Principles to be adhered to:
  - i. **Environmental.** The Bank is committed to leading the transition of Cyprus into a sustainable future. We encourage our suppliers to adopt, utilize and provide environmentally friendly technologies, products and services looking to contribute to the sustainable development of Cyprus and the world.
  - ii. **Social.** We expect our suppliers to adhere to all the principles regarding Labour / Human Rights / Ethics, Working Conditions and Health & Safety matters.
    - Labour / Human Rights / Ethics
      - a) Suppliers must respect internationally recognized human rights in all areas of operation.
      - b) Suppliers should take actions to remedy adverse human rights impact.
      - c) Suppliers must ensure that child and underage labour is not used, in accordance with the ILO Minimum Age Convention.
      - d) Suppliers should not engage forced labour, slave labour, or any other non-voluntary labour and should treat all employees with respect and dignity, in accordance with the ILO Forced Labour Convention (No 29) and the Abolition of Forced Labour Convention (No 105).
      - e) Supplier standards should cover the prohibition of discrimination regarding grounds of discrimination (e.g., age, gender, and ethnic origin) and aspects of employment (e.g., recruitment, promotion, and remuneration).

- Working Conditions
  - a) Suppliers should provide all employees with at least the minimum wage according to the national legislation.
  - b) Suppliers must ensure that wages meet legally mandated minimums and industry standards, without unauthorized deductions.
  - c) Suppliers must respect the right to freedom of association and collective bargaining of their employees.
  - d) Suppliers must ensure that working hours are in accordance with the national legislation.
  - e) Suppliers should ensure that employees under the age of eighteen will not be engaged in hazardous or heavy work.
- Health & Safety

Suppliers should comply with Health and Safety requirements, providing a healthy and safe working environment to their employees, adhering to all relevant Health & Safety laws and regulations.

**iii. Governance.** The Group aims to maximize the benefit in terms of expenditure on products and services, always within a fair, lawful, and ethical framework. Suppliers are expected to uphold the highest ethical standards and comply with the principles and values of transparency, integrity, fair competition, and accountability, in all their exchanges with the Group. They must abstain from any action that might be linked to conflict of interest, bribery, any form of corruption or financial crime. The Bank expects its suppliers to comply with local laws, anti-corruption measures and initiatives that ensure commercial integrity (refrain from all forms of financial crime, improper or unwarranted payments, conflicts of interest, fraud, presents, copyright, among others).

- 4. Engagement.** A supplier/Service Provider is engaged for the supply of goods or services through a legal contract.
- 5. Protection of Bank Data.** Suppliers must be contractually obligated to take appropriate and evidenced measures to meet the following non-negotiable objectives:
  - To protect Group's and its customer's data in compliance with the bank secrecy provisions as defined in the Law, GDPR and/or any other related regulation or laws that may apply.
  - To inform BOC immediately of any detected, suspected, or attempted security breaches related to Bank data.
- 6. Privacy assessment:** In case the Supplier/Service Provider processes personal data of the Bank's clients or employees, it should be safeguarded that they properly apply the GDPR principles throughout the contract relationship-lifecycle. Structured assessments utilised warrant that only Suppliers that provide sufficient guarantees in regard to safeguarding the Bank's or third parties' personal data are being on boarded. The Supplier/Service Provider must be contractually obligated to meet such important privacy objectives to ensure the Bank only uses Suppliers which have demonstrated proven ability or willingness to implement the required actions to support and implement appropriate safeguards to comply with GDPR and BOC data privacy policies.
- 7. Performance and Risk monitoring.** Suppliers/ Service Provider performance must be regularly appraised on the basis of meeting their contractual objectives.

8. **Strategic partnerships.** Development of healthy partner-like relationships with major Supplier/Service Providers for regular consultation and procurement planning, leading to enhanced efficiencies as well as to improved quality of purchased goods and services.
9. **Mitigating concentration risk.** Protecting the Group against dependence on one specific, or on a limited number of Supplier/Service Providers. When procuring, a minimum number of potential Service Providers is set. Monopolistic purchases when unavoidable must be duly justified as part of the expenditure approval process.

### C. Sourcing (direct, or through tenders)

1. **Protection against dependence on specific, or on a limited number of, suppliers.** A minimum number of suppliers is set, provided that all necessary steps have been taken to find and invite a greater number of potential capable suppliers. In this way over-dependence of the bank on a limited number of suppliers (or on specific suppliers) is avoided.
2. **Confidentiality.** Any information provided to the potential Supplier/Service Providers, during the sourcing process, must be protected in accordance with the relevant Group Non-Disclosure Agreement. Equally important remains BOC's responsibility to protect confidential and business-sensitive information included in a prospective Supplier/Service Provider's proposal from inappropriate access and/or misuse.
3. **Fair Competition.** Potential Service Providers must be treated fairly, by securing neutral definition of specifications which focus on best meeting BOC's needs or business requirements. The same level of information and support must be provided to all contestants in the preparation of tenders.
4. **Evaluation – award.** The evaluation of tenders must be transparent and be using standardized methods based on accepted industry practices. The integrity of the evaluation weighting structure and criteria must be assured through the employment of necessary controls before the invitation to tender is issued and maintained as such throughout the process. At the highest level the proportional rule of 40% to 60% as regards the weight of financial criteria to technical criteria respectively should apply. The award should always be made by the competent Approving Authority, upon submission of a detailed proposal (evaluation report) through SP&VM.

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