

# Annual Corporate Governance Report **2022**

## Introduction

### Part A

The UK Corporate Governance Code defines corporate governance as “the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place”<sup>1</sup>. Sound corporate governance and corporate administration guarantee a dynamic and effective communication between the Board, the management and the shareholders and consequently the successful implementation of any institution’s strategy. The Board of Directors (the ‘**Board**’) of Bank of Cyprus Holdings Plc (the ‘**Company**’) views governance as the way it makes decisions and provides oversight in order to promote the Company’s success for the long-term benefit of its shareholders and all other stakeholders. It aims to ensure on an ongoing basis that the Company is a modern, competitive and sustainable organisation and promotes the highest standards of integrity, transparency and accountability.

It has, therefore, been the policy of the Company to fully adhere to the Cyprus Stock Exchange Code (‘**CSE Code**’), and comply with all applicable corporate governance requirements. All provisions of the CSE Code have been incorporated in the Company’s Corporate Governance Policy and all its principles are fully implemented. The established governance framework provides for systems of checks and controls required to drive accountability and effective decision making across the Company, together with its subsidiaries (the ‘**Group**’), with appropriate policies and practices in place to ensure that the Board and its committees operate effectively. A key objective of the governance framework of the Group is to ensure compliance with applicable corporate governance requirements which in 2022 comprised of:

- The Central Bank of Cyprus (‘**CBC**’) Directive on Internal Governance of Credit Institutions (the ‘**CBC Directive on Internal Governance**’) (available on [www.centralbank.cy](http://www.centralbank.cy));
- The European Banking Authority (‘**EBA**’) Guidelines on internal governance under Directive 2013/36/EU;
- The CSE Code (5<sup>th</sup> revised edition – January 2019) (available on [www.cse.com.cy](http://www.cse.com.cy));
- The UK Corporate Governance Code 2018 published by the Financial Reporting Council in the UK (the ‘**UK Code**’ which is available on [www.frc.org.uk](http://www.frc.org.uk));
- The Joint European Securities and Markets Authority (‘**ESMA**’) and EBA Guidelines on the assessment of the suitability of members of the management body (‘**The Joint Guidelines on Suitability**’);
- The CBC Directive on the assessment of the suitability of members of the management body and Key Function Holders (the ‘**CBC Directive on Suitability**’) (available on [www.centralbank.cy](http://www.centralbank.cy)), and
- The Companies Act 2014 of Ireland (as amended) (the ‘**Irish Companies Act**’).

Corporate governance principles are constantly evolving, and the Board is committed to monitoring and reviewing the Company’s corporate governance framework accordingly through regular reviews and challenge.

### Part B

The Company confirms that it has applied the principles and complied with the provisions of the CSE Code throughout 2022. The Company applies the provisions of the Code all through the Group. As at the date of this Report, all material subsidiary companies maintain an audit committee and a risk committee. The Report explains how the Company has applied the provisions of the CSE Code through year 2022. The Remuneration Policy Report follows on page 403.

The Directors further consider that the Company has complied with the provisions of the UK Code, other than as set out herein:

1. The composition of the Risk Committee between 1 January 2022 – 20 May 2022 and between 20 October 2022 and 31 December 2022 did not meet provision 25 of the UK Code.
  - 1.1. In relation to Mr. Goldman, he was considered as a non-independent non-executive director by virtue of the provisions of the CBC Directive on Suitability and the UK Code. Mr. Goldman resigned in May 2022.

<sup>1</sup> UK Corporate Governance Code 2018

## Introduction (continued)

### Part B (continued)

- 1.2. In relation to Mr. Zographakis, pursuant to the provisions of the UK Code and the CBC Directive on Suitability, the independence status of any director who has served on the Board for more than nine years is compromised. Mr. Zographakis has served on the Board for more than nine years, and due to this his independence may be regarded as compromised. However, the Board, as per its decision dated 15 October 2022, believes, that based on Mr. Zographakis' performance to date, Mr. Zographakis brings independent challenge and judgement to the deliberations of the Board. Mr. Zographakis has obtained invaluable skills, knowledge and experience during his nine-year tenure. In this respect, it is considered prudent that he temporarily remains a member of the Risk Committee in order to provide cohesion, and further enrich the Risk Committee with his support, skills and knowledge, and impart his knowledge to the remaining members of the Risk Committee and the new Chair. Thus, as per the explanation provided above, as of the 1 January 2023, Mr. Zographakis is a non-executive, non-independent member of the Risk Committee.
2. The composition of the Human Resources & Remuneration Committee between 1 January 2022 and 20 May 2022 did not meet provision 32 of the UK Code. By virtue of the CBC Directive on Suitability, Mr. Goldman was considered as a non-independent non-executive director. However, according to the Board, Mr. Goldman demonstrated independent judgement and challenge. Mr. Goldman stepped down from the Human Resources & Remuneration Committee on the 20 May 2022 when he resigned.

The Company has applied the principles and complied with the provisions in the UK Code (save as explained) and this is covered in the narrative that follows.

The Board considers the Group's governance arrangements as robust, as they include a clear organisational structure with well defined, transparent and consistent lines of responsibility and authority limits, which support the maintenance of a robust control environment. These governance arrangements also include reporting mechanisms to higher levels of management and the Board, as well as effective processes through which to identify, manage, monitor and report risks to which the Group is or might be exposed. The Group has appropriate internal control mechanisms including sound administrative and accounting procedures, Information Technology ('IT') systems and controls.

In accordance with section 225 of the Irish Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The Board confirms that a compliance statement has been drawn up setting out the Company's policies, and that appropriate arrangements and structures have been put in place that are, in the Board's opinion, designed to secure material compliance with the relevant obligations. The Board continually monitors and reviews internally, at least once a year, its governance framework and that of the Group's subsidiary companies (where applicable) through effective oversight.

### 1. Board of Directors

The Board derives its authority to act from the Articles of Association of the Company and the prevailing companies laws, stock exchange and banking laws, the directives of the CBC, as well as the CSE and UK Codes. The role of the Board and its committees is well described and analysed in the Group Corporate Governance Policy, which is annually reviewed and incorporates all responsibilities that emanate from the regulatory framework as well as best practices.

The Company is the sole shareholder of Bank of Cyprus PCL ('**BOC PCL**' or '**the Bank**'). A common board and committee structure applies, with the same directors sitting on the Board and on the Board of Directors of BOC PCL and on the committees of each of the two Boards.

The Board has delegated authority to committees of the Board to support its oversight of risk and control. The committees' terms of reference are reviewed annually by the relevant committees and by the Board and are available on the Group's website [www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group) or by request to the Company Secretary.

Appropriate cross-membership of key Board committees, including between the Audit Committee ('**AC**') and the Risk Committee ('**RC**') and Human Resources and Remuneration Committee ('**HRRC**') and the Risk Committee, is ensured. The Nominations and Corporate Governance Committee ('**NCGC**') reviews the composition and purpose of the Board committees annually on behalf of the Board. Details of these committees are set out in section 5 of this report.

## **1. Board of Directors** (continued)

The minutes of all meetings of Board committees are circulated to all directors for information and are formally noted by the Board. Papers for all Board committee meetings are also made available to all directors, irrespective of membership. Where there might be a conflict of interest or issues of personal confidentiality, circulation of minutes and papers is restricted. The chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meeting of the Board.

### **1.1 The Role of the Board**

The Board is collectively responsible for the long-term success of the Group, and is committed to effective leadership, which contributes to wider society. The Board's role is to promote the Group's vision, values, culture and behaviour, within a framework of prudent and effective controls, which enables risk to be identified, assessed, measured and managed. The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in section 5.4 of this report on page 393-398.

The Board is responsible for ensuring that management maintains an adequate and effective internal governance framework and internal control system, which includes a clear organisational structure and the smooth operation of independent risk management, regulatory compliance, internal control and ICT and security risk management functions with adequate powers and resources for the performance of their duties. Furthermore, the Board has the responsibility to present a fair, balanced and understandable assessment of the Company's and Group'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 sets the Group's strategic objectives and risk appetite to support the strategy; integrates sustainability into the way business is conducted; ensures that the necessary financial and human resources are in place for the Group to meet its objectives; ensures that the Group's purpose, values, strategy and culture are all aligned and reviews management performance in that regard. The Board recognises the need to be adaptable and flexible to respond to changing circumstances and emerging business priorities, whilst ensuring the continuous monitoring and oversight of core issues.

The Board is the decision-making body for all matters of importance because of their strategic, financial or reputational implications or consequences. A formal schedule of matters reserved for approval by the Board ensures that control of these key decisions is maintained by the Board. The schedule of matters reserved for the Board is reviewed at least annually to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice. A full schedule of matters reserved for the Board can be found at [www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group).

Moreover, the Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group. Their appropriateness for the role is monitored on an ongoing basis. The removal from office of the head of a 'control function' as defined in the CBC Directive on Internal Governance, is also subject to Board approval.

### **Stakeholders**

The delivery of the Company's purpose and strategy is facilitated by effective governance, particularly in challenging times. The Board is committed, through the Group's governance model, to drive purpose-led decision-making and to deliver accountability to its stakeholders. The Board has continued to focus on protecting the health and wellbeing of the workforce, and on supporting the Group's customers, clients and other stakeholders, while ensuring that the Bank remains secure and resilient, both financially and operationally in these turbulent times. Alongside the continued global pandemic, the outbreak of the war in Ukraine in February 2022 is a matter of utmost importance for the Board as the global economy is being tested.

## 1. Board of Directors (continued)

### 1.1 The Role of the Board (continued)

#### Stakeholders (continued)

Good governance generates mutual trust and engagement between the Company and its stakeholders. Responding to the concerns of stakeholders is a key element of the Group's corporate responsibility and transparency projects and initiatives. The purpose of the Group is to continuously support the development of the Cyprus economy and society by going beyond banking; to deliver stakeholder value through responsible operations, sustainable products and innovative services, by remaining a strong driving force of sustainable development in the country. Its mission is to support its customers through their daily needs and in the most important moments of their lives. It invests resources and effort to ensure that the Group's services are provided by leading professionals at the cutting edge of technology with ethics and integrity.

The Group has identified, inter alia, the following key stakeholders: customers, employees, regulators, society, suppliers and shareholders as well as the industry. The Board spends time engaging with relevant stakeholders to better understand their views and perspectives. It will continue to enhance the mechanism that ensures that the Group's stakeholders are given due regard and consideration as part of the Board's decision-making.

This section describes the ways the Board takes into account in its discussions and decision-making, the interests of stakeholders and the matters set out in section 172 of the UK Companies Act 2006. While the UK Code makes specific reference to section 172 of the UK Companies Act 2006, the Company is incorporated in Ireland and subject to the requirements of the Companies Act of 2014 of Ireland rather than the 2006 UK legislation. Nonetheless, the Board has had regard to the matters set out in its decision-making as described in this section of the Report.

The Chairperson, members of the Board, chairs of Board committees and members of Senior Management regularly meet with regulators including the Joint Supervisory Team ('JST'), the Central Bank of Cyprus ('CBC'), the European Central Bank ('ECB') and others. Discussions include regulation and supervision, risk governance and oversight, the future of the banking industry, climate-related and environmental risks, strategic challenges and rebuilding culture. The Board is regularly updated on these meetings. Management provides regular briefings to the Board on regulatory engagement and correspondence, which ensures that the Board remains aware of regulatory expectations and areas of focus.

Climate change and transition to a sustainable economy is one of the greatest challenges faced by organisations. As part of its vision to be the leading financial hub in Cyprus, the Company is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual.

In 2022, the BOC PLC received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. The Institutional Shareholder Services (ISS) upgraded our Bank's Corporate Governance & Ethics rating (as part of its overall ESG Corporate Rating) to B+ in 2021. Moreover, it has been the Silver winner of the International Compliance Association's Awards as Best Compliance Team of Year.

The ESG strategy formulated in 2021 is continuously expanding. The Company maintains its leading role in the Social and Governance pillars and focuses on increasing the Bank's positive impacts on the Environment by transforming not only its own operations, but also the operations of its customers. The Company has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Company's strategy:

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the Extended EXCO) by 2030

For the Group to articulate the delivery of its primary ESG targets and address regulatory expectations, a comprehensive ESG working plan has been established in 2022. The ESG working plan is closely monitored by the Sustainability Committee, Executive Committee, the Nominations and Corporate Governance Committee and the Board of Directors at frequent intervals.

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**Stakeholders** (continued)

Following the estimation of own operations GHG emissions of the Group, BOC PCL in 2022, designed the strategy to meet the carbon neutrality target by 2030, and progress towards the Net Zero target of 2050. BOC PCL plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to c.5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. BOC PCL through installation of solar panels and other energy efficiency actions performed in 2021 and 2022 achieved a reduction in electricity consumption by 1,8 million KWh (11% reduction) in FY2022 compared to the baseline year of 2021.

BOC PCL has joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 emissions. BOC PCL has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies. Following the estimation of Financed Scope 3 GHG emissions derived from loan portfolio and in conjunction with the materiality assessment's results on climate and environmental risks, BOC PCL will be able to identify the carbon-concentrated areas so as to take the necessary actions to minimise the environmental and climate impact associated with the loan portfolio by offering targeted climate friendly products and engaging with its customers. In 2023, following the identification of carbon intensive sectors and asset classes the Company is expected to set decarbonisation targets aligned with climate scenario (Science based targets) which will assist in the formulation of the Group's strategy going forward.

During 2022 in order to enhance the awareness and skillset towards the ESG, the Group provided several trainings to the Board, Senior Management and employees. In addition, the internal communication channels are enhanced by establishing an ESG internal portal and launching Green@work which provides tips on energy efficiency actions at work. Early in 2023, BOC PCL launched a campaign on new Visa Debit cards produced from recyclable plastic extracted from the ocean. The campaign aims to inform the public on the level of water contamination from plastic and the impact on life below water.

At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of c.€70 million since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the work of SupportCY Network, which developed in 2020, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the Work of IDEA Innovation Centre. The Cultural Centre undertook a number of innovative projects such as «AISTHISEIS» - Multi sensory museum experience for people with disabilities and Faneromeni arts Festival promoting youth. The IDEA Innovation Centre provided education to 7,000 entrepreneurs, invested c.€4 million in start-up business creation, and supported the creation of 82 new companies to date. Staff have continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group continues to operate successfully within a complex regulatory framework of a holding company, which is registered in Ireland, listed on two Stock Exchanges and operates in compliance with a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group has set up a robust governance structure to oversee its Environmental, Social and Governance ('**ESG**') agenda. Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board. The Sustainability Committee is a dedicated executive committee set up in early 2021 to oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives, and the embedding of ESG priorities in the Group's business targets and report to the Board on the progress achieved.



**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**Stakeholders** (continued)

The Board composition of the Company and the Bank is diverse, with 40% of the Board members being female as at 31 December 2022. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies by 2030. As at 31 December 2022, there is a 27% representation of women in Group's management bodies and a 39% representation of women at key positions defined as positions between Assistant Manager and Manager.

The Company aims to develop healthy and mutually beneficial business relationships with its vendors and business partners. To this respect it has established a Vendor Management Unit, which operates according to the Sourcing Procurement and Vendor Management Policy approved by the Board, to ensure the prevalence of transparency, integrity, fair competition and accountability throughout the execution of the process of procurement. A structured assessment and due diligence is executed prior to selecting a supplier. The Group develops healthy partner-like relationships with major suppliers for regular consultation and procurement planning, leading to enhanced efficiencies as well as improved quality of purchased goods and services.

The Bank's vision is to create lifelong partnerships with its customers, guiding and supporting them in a changing world. Its marketing slogan 'In every next move' indicates the commitment of the Bank to this respect. The Group's focus continues to deepen the relationship with its customers as a customer centric organisation. A transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as, internal operations. The holistic transformation aims to (i) shift to a more customer-centric operating model by defining customer segment strategies, (ii) redefine distribution model across existing and new channels, (iii) digitally transform the way the Group serves its customers and operates internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

The Company's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways for improving the workplace environment. During the fourth quarter of 2022, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. The introduction of the QuickLoan new lending products available through the Group's digital channels (Mobile App and Internet Banking), further differentiates the company within the Cypriot market and enhances its status as a digital leader in the banking industry.

The Group has very low appetite for threats and losses arising from cyber-attacks and information misuse. The security, protection and privacy of personal data are important to the Group. Securing the Group's information and systems has been one of the most significant priorities for the Board. Investments are thus made in terms of people to first, second and third lines of defence employing qualified security engineers, analysts and IT auditors. In addition, significant investments are made in innovative technology on a continuous basis (such as machine learning and artificial intelligence). Management support is at the highest possible level and there is direct independent reporting to the appropriate Board committees. In parallel all its security controls follow regulatory standards (GDPR, NIS, PSD2, PCI, SWIFT) and international best practices (such as ISO 27001).

Further, the Group maintains a zero-tolerance policy in relation to (i) money laundering and (ii) terrorism financing incidents. The Board expects strict adherence to policies and procedures from every member of staff and this is reiterated in every meeting of the AC, through continuous refresher training sessions for Anti-Money Laundering ('**AML**'), and through the Key Performance Indicators ('**KPIs**') of Compliance Liaisons at each unit of the Group.

Moreover, significant changes are being implemented as per the Board's direction to enable a more modern and efficient workplace. New technologies and tools have been introduced that will significantly improve employee collaboration and knowledge sharing across the organisation. A series of automations, streamlining processes and organisational innovation initiatives resulted in improved customer services, internal efficiencies and savings, in accordance with the Group's strategy aimed at enhancing productivity and achieving a lean operating model and a lower cost base over time.

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**Stakeholders** (continued)

The right of association including the right to trade unions and accession to them, is constitutionally guaranteed by article 21.2 and article 11 of the European Convention on Human Rights. These rights are also reflected in article 21 of the Constitution of the Republic of Cyprus (1960, amended 2013). The Union of Banking Employees of Cyprus was registered as a trade union in 1956 and still remains the sole representative of workers in the banking sector. Almost all employees of the Bank (97.6%) are members of the Cyprus Union of Bank Employees. A collective agreement is in place. The Board, through the AC, reviews the effectiveness of the Whistleblowing Policy annually. Further to recommendation by the ECCC, the Board decided that whistleblowing should be encouraged for those cases where staff do not comply with regulations and act out of policy. Such instances should be part of the appraisal and a case for triggering disciplinary procedures.

The Board continues to closely monitor developments in, and the effects of the war in Ukraine and COVID-19 on both the global and Cypriot economy. In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed, a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals.

As the war is prolonged, geopolitical tension persists and inflation remains elevated, impacted by the soaring energy prices and disruptions in supply chains. The high inflation weighs on business confidence and consumers' purchasing power. In this context, the Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required, and has assessed the impact the crisis has on the Group's operations and financial performance. The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 million as at 31 December 2022 in Russia through write-offs and provisions. The Group has no exposure to Russian bonds or banks, which are subject to sanctions. It has limited direct exposure with loans related to Ukraine, Russia and Belarus, representing 0.4% of total assets or c.1% of net loans as at 31 December 2022.

Customer deposits, by country of passport of the Ultimate Beneficial Owner, related to Ukrainian, Russian and Belarusian customers account for only approximately 3% (by country of residence of the Ultimate Beneficial Owner) of total customer deposits as at 31 December 2022. Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine had a negative impact on the Cypriot economy, mainly arising from the tourism and professional services sectors, increasing energy prices fuelling inflation and disruptions to global supply chains.

The Group continues to monitor the exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary. Overall, the Group expects limited impact from its direct exposure, while any indirect impact depends on the duration and severity of the crisis and its impact on the Cypriot economy. The Group continues to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

The Group has improved its risk profile and financial viability while improving its social and environmental approach and maximising its positive impact. The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. During 2022 the Group delivered strong financial results, exceeding its 2022 financial targets. In 2023 the momentum is expected to continue, leading to an upgrade of targeted ROTE to over 13% from 10% facilitated by the positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position. This lays the foundations to commence meaningful dividend distributions from 2023 onwards, subject to regulatory approval and market conditions.

In November 2022, the Group completed Project Helix 3, that refers to the sale of a portfolio of loans with a gross book value of €555 million (of which €551 million relate to non-performing exposures), as well as real estate properties with a book value of €88 million as at 30 September 2022, to funds managed by Pacific Investment Management Company LLC, the agreement for which was announced in November 2021.



**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**Stakeholders** (continued)

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, further diversifying the Group's income streams. Furthermore, there are initiatives underway to enhance revenues from the insurance business in the medium term. The Group currently has sustainable healthy profitability from its insurance business, and it is aiming for further growth leveraging on the Bank's strong market share. Additionally, the Group through the Digital Economy Platform (Jinius) (the "**Platform**") aims to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The Platform is expected to allow the Bank to enhance the engagement of its customer base, attract new customers, optimise the cost of the Bank's own processes, and position the Bank next to the customer at the point and time of need. Currently, around 1,500 companies are registered in the Platform.

To facilitate the Board's understanding of the views of major shareholders, directors receive an investor relations update from management at all scheduled meetings of the Board. The content of this update includes market updates, details of recent investor interactions, share price and valuation analysis and share register analysis. The Company facilitates direct dialogue with investors since it is striving for the greatest possible transparency. It also works towards integrating feedback in its corporate strategy. This is achieved through participation in conferences, private meetings, virtual road shows, frequent conference calls and at least quarterly updates on the results of significant post-corporate transactions. The Chairperson and the Senior Independent Director ('**SID**') maintain direct contact with investors. The chairpersons of the committees make themselves available for questions at the AGM. The CEO, the Executive Director Finance & Legacy and the Manager Investor Relations engaged extensively in 2022 with existing shareholders, and potential new investors during individual or group meetings and on roadshows and investor conferences.

The Board is closely monitoring the execution of the strategic plan, and therefore regularly discusses progress against targets. The Board instils the right tone from the top; has set down the values of the Company i.e. integrity, transparency, accountability, confidentiality and sustainability, and aims to embed them in every activity and operation of the Group. The Group is, thus, creating value for its customers, shareholders and employees.

The HRD engaged with the workforce by conducting numerous meetings with the purpose of providing a detailed explanation in relation to the processes and procedures affecting the granting of merit pay. Furthermore, meetings at a divisional level with the employees were also held with the aim to enhance transparency and clarity in relation to the matter of merit pay. In addition, the reasoning behind the LTIP was explained in these meetings.

Reputation is one of the key areas outlined in section 172 of the UK Companies Act 2006 that the Company pays attention to. The Group has dedicated budget spending for media and marketing with the aim to protect and strengthen the brand and ensure that the Company's brand remains trusted and influential despite any exogenous pressure.

**Leadership**

There is a clear separation between the role of the Chairperson, who is responsible for the leadership and effectiveness of the Board, and the Chief Executive Officer ('**CEO**'), who is responsible for the running of the Company's business. This clear division of responsibility is documented in the Group Corporate Governance Policy and Framework, which has been approved by the Board. The Group Corporate Governance Policy and Framework is available on the Group's website (<https://www.bankofcyprus.com/globalassets/who-we-are/our-governance/group-corporate-governance-policy.pdf>). The day-to-day operations of the Group have been delegated to management.

## **1. Board of Directors** (continued)

### **1.1 The Role of the Board** (continued)

#### **Role of the Chairperson**

The Chairperson oversees the Board's operation and effectiveness, including ensuring the agenda covers the key strategic items confronting the Group; sets the style and tone of Board discussions; encourages the active participation of members of the Board in the discussions, and activities of the Board and sets clear expectations regarding the Group's culture, values and behaviour. The Chairperson also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards.

#### **Role of Vice-Chairperson**

The Vice-Chair provides support and guidance to the Chairperson as required and in coordination with the Chairperson, acts as an ambassador for the Board and Group in its relationship with regulators, employees and clients, and deputises the Chairperson at Board, general shareholder or other meetings when the Chairperson is unable to attend.

#### **Role of Senior Independent Director**

The Senior Independent Director (the 'SID') is available to shareholders and members of the Board if they have concerns that have not/cannot be dealt with through normal communication channels. The SID provides a sounding board for the Chairperson, as well as support to the Chairperson in delivering their objectives.

The SID chairs an executive session of the non-executive directors to assess the performance of the Chairperson as part of the annual evaluation of Board performance and takes responsibility for an orderly succession process for the Chairperson working closely with the NCGC. The SID also attends meetings with major shareholders to ensure that there is a balanced understanding of the issues and concerns that they may have.

#### **Non-Executive Directors**

Non-executive directors are responsible for monitoring executive activity and contributing to the development of strategy of the Company. They are not Company employees and do not participate in the daily management of the Group.

Their role is to (i) constructively challenge management, (ii) scrutinize the performance of senior management in meeting agreed goals and objectives, and (iii) monitor the reporting of the performance. Non-executive directors must also 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. The NEDs (including the Chairperson and the Deputy Chairperson) bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Regular meetings are held between the non-executive directors in the absence of the executive directors and at least once a year in the absence of the Chairperson.

#### **Executive Directors**

Executive Directors have executive functions in the Group in addition to their Board duties. The role of Executive Directors, led by the CEO, is to propose strategies to the Board and, following challenging Board scrutiny, to execute the agreed strategies to the highest possible standards.

The CEO is an employee of BOC PCL. The CEO's termination of employment is subject to six months' notice to that effect to be given to the executive director, without cause but at the sole discretion of BOC PCL. The Executive Director Finance & Legacy ('EDFL') is also an employee of BOC PCL. The EDFL's employment is mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by BOC PCL based on years of service and for a four-month prior written notice by the executive director in the event of a voluntary resignation.

#### **Role of the CEO**

The CEO is responsible for the execution of the approved strategy and has ultimate executive responsibility for the Group's operations, performance and compliance. In their day-to-day management of the Group, as delegated by the Board, the CEO is supported with recommendations and advice from the Executive Committee ('ExCo'), which they chairs. The CEO's service contract is reviewed at least every five years. In December 2022, the CEO's contract was renewed for a further four years.

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**1.1.1 Information and Support**

The Board meets on a regular basis and has a formal schedule of matters for consideration, which evolves based on business needs and which the Board formally reviews annually. Performance against delivery of the agreed key financial priorities is reviewed at every meeting with particular reference to the detailed Group management accounts. The CEO and the EDfL comment on strategy, current business performance, the market, regulatory and other external developments at each meeting and present comparative data. The Board receives regular reports and presentations from other senior management on developments in the operations of the Group. The Board considers reports from each of the Board committees, while regular reports are also provided on the Group’s risk appetite, top and emerging risks, risk management, the ESG agenda, credit exposures and the Group’s loan portfolio, asset and liability management, liquidity, litigation, compliance and reputational issues.

Under the supervision of the Chairperson of the Board, the Company Secretary’s responsibilities include facilitating the flow of information within the Board and its committees, between senior management and non-executive directors and between heads of internal control functions and non-executive directors, as well as facilitating the induction, development and evaluation of members of the Board.

All members of the Board have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer (the ‘CGCO’), who can provide relevant information related to Board procedures and the CSE and UK Codes. The Company Secretary is responsible for ensuring that the directors are provided with relevant information on a timely basis to enable them to consider issues for decision, and to discharge their oversight responsibilities. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

The directors also have access to the advice of the Group’s external legal advisors, and independent professional advice at the Group’s expense if and when required. Committees of the Board have similar access and are provided with sufficient resources to undertake their duties. The Company Secretary provides dedicated support for members of the Board on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process. All members of the Board benefit from directors’ and officers’ liability insurance in respect of legal actions against them.

Occasionally, the Board holds deep dive sessions with key business lines to provide members with a deeper insight into key areas of strategic focus, enable better quality of debate and enhance knowledge. The deep dives usually include presentations and opportunity for discussion. In 2022, discussions took place on the ICAAP, the impact of IFRS17 on the results, and the MREL Compliance Plan, including discussions with the regulators. Other extensive discussions were on the initiatives to improve the risk culture of the Group, the ESG Strategy, the effect of sanctions on the Group, the continued de-risking from NPE loans, the VEP and the 2022 LTIP.

The key areas of focus in 2022 for the Board, *inter alia*, were:

Group Strategy	<ul style="list-style-type: none"> <li>• Group Financial Plan 2022-2025;</li> <li>• Sale of a mixed portfolio of NPEs and REOs - Helix 3;</li> <li>• The Transformation programme;</li> <li>• Sustainability Strategy;</li> <li>• JST/ECB updates;</li> <li>• Business lines’ strategies;</li> <li>• Sanctions imposed on Russia and Belarus;</li> <li>• The Bank’s contribution to environmental integrity and social equity.</li> </ul>
Regular Updates	<ul style="list-style-type: none"> <li>• Group Performance Report;</li> <li>• Finance report, including budgets, forecasts and capital positions;</li> <li>• Risk report;</li> <li>• CEO’s report;</li> <li>• Reports from chairpersons of committees;</li> <li>• Cost Management Progress.</li> </ul>
Business environment	<ul style="list-style-type: none"> <li>• Cyprus political and economic development in light of the pandemic and the war;</li> <li>• Quarterly economic reports;</li> <li>• Investors and stakeholders’ perspectives;</li> <li>• Voluntary Exit Plan;</li> <li>• Market updates and share trading activity.</li> </ul>

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**1.1.1 Information and Support** (continued)

Financials	<ul style="list-style-type: none"> <li>• 2021 full year results;</li> <li>• 2022 half-year results;</li> <li>• Impairments;</li> <li>• Minimum Requirement of own funds and Eligible Liabilities (MREL) Funding Plan;</li> <li>• Internal Capital Adequacy Assessment Process ('ICAAP') Report;</li> <li>• Internal Liquidity Adequacy Assessment process ('ILAAP') Report;</li> <li>• Long-Term Incentive Plan (LTIP);</li> <li>• NED's Remuneration.</li> </ul>
Business performance	<ul style="list-style-type: none"> <li>• Review of Group performance report;</li> <li>• Review of the progress of non-performing loans' management;</li> <li>• Credit portfolio overview;</li> <li>• Digital Economy Platform Financial Plan 2022-2025;</li> <li>• Review of the performance of Corporate Finance projects.</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Risk and Compliance culture;</li> <li>• Talent Management updates.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Group Recovery Plan;</li> <li>• Pillar 3 Disclosures;</li> <li>• Group Risk Appetite Framework;</li> <li>• Progress of implementation of SREP recommendations;</li> <li>• Regulatory interactions;</li> <li>• Oversight of local subsidiaries;</li> <li>• Litigation.</li> </ul>
Governance and regulatory compliance	<ul style="list-style-type: none"> <li>• Board effectiveness and Chairperson's performance reviews;</li> <li>• Chairperson's remuneration;</li> <li>• Extension of the CEO's contract;</li> <li>• Review and approval of various Group policies;</li> <li>• Conflict of Interest management;</li> <li>• Non-financial reporting;</li> <li>• Appointment of a new member;</li> <li>• The change in status of an independent non-executive member;</li> <li>• Succession planning;</li> <li>• On-going supervisory dialogue and communication with regulatory authorities.</li> </ul>

**Strategy Development**

The strategic objective of the Group is to become a stronger, safer and a more efficient institution with a sustainable and well-diversified business model committed to delivering sustainable shareholder returns. The key pillars of the Group's strategy are to:

1. Grow revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital Economy).
2. Improve operating efficiency; by achieving leaner operations through digitisation and automation.
3. Strengthen asset quality; maintaining high quality new lending, completing legacy de-risking, normalising cost of risk and reducing (other) impairments.
4. Enhance organisational resilience and ESG agenda; by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**1.1.1 Information and Support** (continued)

The Group has a clear strategy in place, leveraging on its strong customer base, its renewed customer trust, its market leadership position, and further developing digital knowledge and infrastructure, with a clear focus on creating shareholder value. During 2022, the Group delivered strong financial results, exceeding its 2022 financial targets. The Group achieved a double-digit recurring ROTE in 2022, building momentum throughout the year. In 2023, the momentum is expected to continue, leading to an upgrade of targeted Return on Tangible Equity (ROTE) to over 13% from 10% facilitated by the positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position.

Detailed information relating to strategy is set out in Strategy and Outlook of the Directors' Report for the year ended 31 December 2022 on page 31.

**1.2 Composition of the Board of Directors**

As at 31 December 2022, the Board comprised of ten members: the Group Chairperson, who was independent on appointment, two executive directors and seven non-executive directors. According to the provisions of the CBC Directive on Suitability, six of the non-executive directors are independent. Mr. Ioannis Zographakis' status has changed as per the provisions of the CBC Directive on Suitability, to non-executive non-independent director since he has served on the board for more than nine years since the date of his first appointment. The names and brief biographical details including each director's background, external directorships, and whether these are executive or non-executive, experience and independent status are set out in section 4 of this report.

The Board considers that a Board size of 10-12 directors allows for a good balance between having the full range of skills and experience necessary on the Board and to populate its committees while retaining a sense of accountability by each director for Board decisions; to govern the business effectively, while enabling full and constructive participation by all directors given the size and operations of the Group, and the time demands placed on the directors. The Board recognises the need to identify the best qualified and available people to serve on the Board. In accordance with the Board Nominations Policy, all appointments are made on merit against objective criteria (including skills and experience) with due regard for the benefits of diversity on the Board. The Board plans for its own renewal with the assistance of the NCGC, which regularly reviews Board composition, tenure and ensures plans are in place for orderly succession to both the Board and Executive positions.

Both on an individual and a collective basis, the directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained.

The NCGC ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Board and maintains continuous oversight of the Board's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, risk profile and governance requirements.

The NCGC reviews, at least annually, the structure, size, and composition of the Board (including skills, knowledge, experience, independence and diversity), and recommends to the Board the skills and experience required to provide sound governance oversight. These include experience in banking, insurance, markets and regulatory environments, risk management, financial management, strategy development, technology and operations experience and knowledge of law, governance, compliance and audit. Assessing the skills profile of the Board ensures that the Board and committees comprise of members having an all-embracing perception of the Group's activities and the risks associated with them. The composition of the Board remains under continuous review and the NCGC maintains a constant focus on succession planning to ensure the continuation of a strong and diverse Board, which is appropriate to the Group's purpose and the industry within which it operates.

The NCGC's succession planning process has regard for the impact of expected retirements of directors, and the Group's desired culture and strategic direction. As part of the process, the NCGC prepares a detailed role profile, based on its analysis of the skills and experience needs, and selects, where appropriate, an experienced third-party professional search firm to facilitate the process. The search firm develops an appropriate pool of candidates, and provides independent assessments of the candidates. The NCGC then works with that firm to shortlist candidates, conduct interviews/meetings (including meetings with members of the NCGC) and carry out comprehensive due diligence.

**1. Board of Directors** (continued)

**1.2 Composition of the Board of Directors** (continued)

The NCGC adheres to the requirements of the Group Suitability Policy, which is fully aligned with the CBC Directive on Suitability (and the Joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body), and ensures a robust assessment of potential candidates which includes an interview by the NCGC and recommendation to the Board prior to the submission of suitability applications to the regulator for consideration.

In accordance with the Board Nominations Policy, the assessment and due diligence process is extensive and includes self-certification confirmations of probity and financial soundness as well as external checks involving a review of various publicly available sources. All potential candidates are assessed to ensure they have the ability to act with integrity, lead by example and promote the desired culture, which evidences a commitment to high standards and values. The process also involves the NCGC satisfying itself as to the candidate's ability to devote sufficient time to the role, his/her independence and suitability. At the same time, the NCGC assesses and documents its consideration of possible conflict of interest. Finally, an assessment of collective suitability is performed following which the NCGC makes recommendations to the Board, according to the provisions of the Joint Guidelines on Suitability.

Regulatory assessment and formal approval are required and given for all Board appointments.

The Group carries out a review of the ongoing suitability of Board members on an annual basis, whereby they are required to confirm any changes in their circumstances in relation to their compliance with the CBC Directive on Suitability. All changes in circumstances disclosed, are assessed and their materiality determined. Following the review of 2022, certain changes to directorships were reported. The Board concluded that each of the directors has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively and commits the necessary time for the execution of his/her duties.

**1.2.1 Meetings of the Board of Directors**

A yearly planner is prepared by the Company Secretary, with input from all Board members, to map out the flow of key items of business to the Board. The Group has a comprehensive and continuous agenda setting and escalation process in place to ensure that the Board has the right information at the right time and in the right format to enable the directors to make the right decisions. The Chairperson leads the process assisted by the Company Secretary.

The process ensures that sufficient time is being set aside for strategic discussions and business critical items. Matters may be added to agendas in response to external events, non-executive directors' requests and regulatory initiatives.

The Company Secretary is closely involved in preparing the schedule of all Board and committee meetings, and the agendas for these meetings, in conjunction with the Chairperson, ensuring that relevant information is dispatched timely to all members of the Board.

Agendas and papers are circulated in a timely manner prior to each meeting and all members of the Board are informed in writing of forthcoming Board meetings to allow them adequate time to review the relevant information and enable them to fully discharge their duties. Meetings packs are typically uploaded a week in advance of the meetings and communicated to all members of the Board via a secure electronic Board portal to ensure they have sufficient time to review the matters, which are to be discussed and to seek clarifications or any additional information they may require.

Generally, members of the senior management team and other senior management members are invited to attend part of the meetings to ensure effective interaction with the Board. Board meetings have certain standing items such as a report from the CEO and the ED/FL on Group performance, reports from the chairs of committees and updates from other senior management members. In addition to formal meetings, the Board meets as necessary to consider matters of a time-sensitive nature. The Chairperson and the chairs of each committee ensure Board and committee meetings are structured to facilitate discussions.

Committee meetings are held prior to Board meetings with the chairperson of each committee then reporting matters discussed to the Board. Topics for deep dives or additional items are discussed when required and include business, governance, and regulatory update.



**1. Board of Directors** (continued)

**1.2 Composition of the Board of Directors** (continued)

**1.2.1 Meetings of the Board of Directors** (continued)

During 2022, the Board held 18 meetings. Meetings were held both physically and electronically. Further details on the number of the meetings held by the Board and its committees and attendance by individual directors are set out below. The offsite meeting was held on the 28 and 29 of September 2022. During the year, the Chairperson and the non-executive directors met physically, without the executive directors present, to discuss a range of business matters.

The Board makes full use of technology such as teleconferencing, an electronic Board portal and tablets in its meeting arrangements. This leads to greater flexibility, security and efficiency in Board paper distribution and meeting arrangements. Minutes and matters arising from the meetings are produced and circulated to the directors for review and feedback. Matters arising are followed up in subsequent meetings through relevant updates.

**Board of Directors of BOCH 1/1/2022-31/12/2022**

Name	Board of Directors	AC	HRRC	NCGC	RC
Efstratios-Georgios Arapoglou (Chairperson)	18/18			12/12	
Lyn Grobler (Vice-Chair)	18/18		8/9	11/12	
Maksim Goldman <sup>[1]</sup>	7/8		4/4		9/10
Arne Berggren	15/18	16/18		9/12	
Paula Hadjisotiriou	18/18	18/18			22/22
Michael Heger <sup>[2]</sup>	8/8	10/10	4/4		
Constantine Iordanou	18/18		5/5 <sup>[3]</sup>		5/5 <sup>[4]</sup>
Eliza Livadiotou	18/18				
Panicos Nicolaou	18/18				
Maria Philippou	16/18		9/9	11/12	
Nicolaos Sofianos	18/18	18/18			22/22
Ioannis Zographakis	18/18	15/15			17/17
<b>Total meetings</b>	<b>18</b>	<b>18</b>	<b>9</b>	<b>12</b>	<b>22</b>

**1.2.2 Terms of Appointment, Retirement and Re-election of Directors**

Non-executive directors are appointed for an initial three-year term and are typically expected to serve a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing suitability. The Board may invite directors to serve additional periods. A non-executive's term of office will not extend beyond 12 years in total. Any re-appointment beyond six cumulative years is considered on an annual basis and has regard for a number of factors including performance, independence, the need for progressive refreshing of the Board over the medium to long term and the best interest of the shareholders.

The Board may at any time appoint any person who is willing to act as director and who fulfils the criteria as these are determined in the Board Nominations Policy, either to fill a vacancy or as an addition to the existing Board, but the total number of directors should not exceed 13. Any director so appointed is subject to election at the AGM following his/her appointment. The NCGC considers, inter alia, whether a potential director is able to devote the requisite time and attention to the Company's affairs, prior to the Board's approval of the individual's appointment.

<sup>[1]</sup> Maskim Goldman resigned on 20/05/2022

<sup>[2]</sup> Michael Heger resigned on 20/05/2022

<sup>[3]</sup> Constantine Iordanou joined the HRRC in June 2022

<sup>[4]</sup> Constantine Iordanou joined the RC in November 2022

**1. Board of Directors** (continued)

**1.2 Composition of the Board of Directors** (continued)

**1.2.2 Terms of Appointment, Retirement and Re-election of Directors** (continued)

According to the Articles of Association of the Company, all directors retire each year and if eligible offer themselves for re-election. The following directors, being eligible, offered themselves for re-election at the AGM on 20 May 2022: Efstratios-Georgios Arapoglou, Arne Berggren, Maksim Goldman, Lyn Grobler, Paula Hadjisotiriou, Michael Heger, Panicos Nicolaou, Maria Philippou, Nicolaos Sofianos, Ioannis Zographakis, Constantine Iordanou and Eliza Livadiotou. Maskim Goldman and Michael Heger were not re-elected.

During the Board meeting, which took place on the 27 May 2022, the Board ratified the acceptance of the resignations of Mr. Goldman and Mr. Heger from the Board of BOC PCL that were submitted in writing to the Chairman on the 22 of May 2022.

The names of directors submitted for election or re-election are accompanied by sufficient biographical and other relevant information in the AGM documentation and are available on the Group's website to enable shareholders to take an informed decision.

**1.2.3 Conflict of interest**

The Group Policy on Conflict of Interest focuses on principles, procedures and arrangements for the prevention, identification, documentation, escalation and management of actual, potential or perceived conflict of interest. The policy is reviewed and approved by the Board annually and is communicated throughout the Group.

The Group Corporate Governance Policy documents procedures specifically relating to directors' conflict of interest, and sets out how these are to be identified, reported and managed in order to ensure that the directors act at all times in the best interests of the Company. The Group Corporate Governance Policy is reviewed and approved by the Board, at least annually.

The Board has adopted a Dealing Code for transactions in the Company's securities by Persons Discharging Managerial Responsibilities (PDMRs). The Dealing Code complies with the European Market Abuse Regulation. All PDMRs have been informed of their obligations under the Dealing Code in writing. All directors have complied with the Dealing Code during 2022.

None of the directors had, during the year or at year end, a material interest, directly or indirectly in any contract of significance with the Group (See Note 50 of the Consolidated Financial Statements of Bank of Cyprus Holdings).

**1.2.4 Time commitment**

The NCGC ensures that individual Board directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual director. The Board has determined the time commitment expected of non-executive directors to be 35-40 days per annum. Time devoted to the Group can be considerably more when serving on Board committees.

BOC PCL has been classified as a 'significant institution' under the European Union (Capital Requirements) Regulation 2014. The CBC Directive on Suitability, which incorporates the provisions of Article 91 of the European Capital Requirements Directive ('CRD IV') on management bodies of credit institutions, determines that a director cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships; or
- Four non-executive directorships.

Executive or non-executive directorships held within the same group, count as a single directorship. Directorships in organisations, which do not pursue predominantly commercial objectives do not count for the purposes of the above guidelines.

The ECB, which supervises BOC PCL following the European Union Regulation 468/2014, which established the framework for cooperation within the SSM between the ECB and national competent authorities, may in exceptional cases and taking into consideration the nature and complexity of the business of the Group, authorise members of the Board to hold one additional directorship.

**1. Board of Directors** (continued)

**1.2 Composition of the Board of Directors** (continued)

**1.2.4 Time commitment** (continued)

In 2019, the ECB having assessed the Chairperson's other directorships and the time committed to them, had granted permission to Mr. Arapoglou to hold one additional non-executive directorship, in addition to the four non-executive directorships he held at the time, given the very limited time commitment involved in that directorship. Mr. Arapoglou has demonstrated relevant commitment to his chairmanship and has fulfilled his responsibilities to the utmost. The executive session of the non-executive directors has highlighted the commitment of the Chairperson. Moreover, the 2021 External Board Performance Evaluation, confirmed and highlighted the adequacy of the time commitment of the Chairperson to the Bank. In December 2022, the Chairperson stepped down from one of his appointments at Titan Cement International SA so that he now holds three non-executive directorships, including his directorship at the Bank, and as at today meets all regulatory obligations. Finally, all other directors were within the directorship limits set out for 'significant institutions'.

All newly appointed members of the Board are provided with a comprehensive letter of appointment detailing their responsibilities as directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of non-executive directors can be inspected during normal business hours by contacting the Company Secretary. Members of the Board are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units.

In addition, non-executive directors are normally required to sit on at least one Board committee, which involves the commitment of additional time. Certain non-executive directors such as the Vice-Chair, the SID and committee chairpersons are required to allocate additional time in fulfilling those roles.

Before their appointment, directors disclose details of their other significant commitments along with a broad indication of the time committed to such appointments. The directors' positions on the management bodies of other companies are noted in their biographical details included in section 4 of this report. Such participation does not prevent them from devoting the necessary time and attention to their duties as members of the Board of the Company and is within the limits set by the CBC Directive on Suitability. Before accepting any external appointments, which may affect existing time commitment for the Board's business, approval must be obtained from the NCGC and depending on the nature of the proposed commitment, the Board must approve as well.

During 2022, all Directors complied with the Board process and sought approval in advance where required. All Directors are reminded of their obligation under the Group Corporate Governance Policy when appointed to any external roles.

It was estimated that in 2022, each non-executive director spent at least 40 days on board-related duties. The Board considered the time commitment of all directors and concluded that each director devotes the requisite time for the effective performance of his/her duties as described in the Joint Guidelines on Suitability.

**1.3 Board Balance and Independence**

The NCGC and the Board determine the independence status of each director on appointment. In addition, the Board considers each individual against the criteria set out in the UK Code, the CSE Code, the CBC Directive on Suitability and the Joint Guidelines on Suitability. It also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgement and independent thinking, annually, to ensure that the determination regarding independence remains appropriate.

In 2022, the Board considered the principles relating to independence and determined that six out of seven Non-Executive Directors in office at 31 December 2022 were independent in character and judgement and free from any business or other relationships with the Group, which could affect their judgement. Pursuant to the UK Code, the independence of a member of the board of directors is potentially jeopardised when the member has served on the board for more than nine years from the date of their first appointment. Furthermore, the CBC Directive on Suitability indicates that a member of the board potentially ceases to be independent when the member has completed a total term as a member of the management body of the ACI for a period of nine (9) years, on a continuous basis or not. This is also confirmed by the CSE Code. Thus, by virtue of the Suitability Directive, the UK Code as well as the CSE Code, all forming part of the official corporate governance policy and framework of the Company, Mr. Zographakis' independence is potentially compromised since he has served as non-executive director on the Board of the Company for more than nine years. The Board, as per its decision dated 15 October 2022, considers that based on Mr. Zographakis' performance to date, Mr. Zographakis brings independent challenge and judgement to the deliberations of the Board.

**1. Board of Directors** (continued)

**1.3 Board Balance and Independence** (continued)

The Chairperson, Mr. Arapoglou, was independent on appointment and continues to operate in a manner that is independent in character and remains objective in his opinions having no other relationship or circumstances to affect his judgement. He commits the appropriate time for the Group's business, which is slightly more than the other non-executive directors, but his time commitment does not exceed 55 days per year. He has no other remuneration from the Group other than as Chairperson of the Board and chairperson of the NCGC.

The status of each director is presented in the biographical details in section 4 of this report.

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the CSE Code is signed annually by each of the independent non-executive directors and is submitted to the CSE together with the Corporate Governance Report.

**1.3.1 Directors' induction and ongoing development**

On appointment, each director receives a full, formal induction plan, tailored to his or her specific requirements including committee membership. All incoming directors are provided on appointment with an information pack which includes, among others, the Group Corporate Governance Policy and Framework, key legislation, directives and regulations and the Company's Articles of Association, to facilitate their understanding of how the Group operates and the key issues that it faces.

Meetings are arranged with senior management on Group and divisional strategy, deep dives on businesses, an overview of the Group's risk appetite and Group Risk Framework, corporate governance, internal control systems, regulatory environment, people strategies, technology, and payments. Furthermore, the Company Secretary, under the supervision of the Chairperson, develops programmes based on the directors' individual needs. A Policy on Induction and Training of Board members has been approved by the Board and can be found on the website.

Ongoing education is provided for the Board, informed by the effectiveness reviews of the Board and individual directors, as well as emerging external developments. Focused training of the Board is arranged in conjunction with scheduled Board meetings where information is provided to ensure that directors receive adequate insight into a particular area through presentations by Group business units and control functions and briefings with senior management. Dedicated training sessions also take place on particular issues (refer to table below for 2022 training schedule), usually identified by the directors themselves and the Company Secretary. A training schedule is prepared at the beginning of each year and directors are expected to attend accordingly.

QUARTER	TOPIC	TYPE OF TRAINING
1 <sup>st</sup> Quarter	Competition Law seminar by P.G.Polyviou	Online
1 <sup>st</sup> Quarter	Info. Security Awareness Q1 /2022	e-learning
2 <sup>nd</sup> Quarter	Info. Security Awareness Q2 /2022	e-learning
2 <sup>nd</sup> Quarter	ESG training by EY	Online
3 <sup>rd</sup> Quarter	Info. Security Awareness Q3 /2022	e-learning
4 <sup>th</sup> Quarter	ESG/ Regulatory outlook training by Deloitte	Online
4 <sup>th</sup> Quarter	AML Essentials 2022 (BOD & Senior Management)	e-learning
4 <sup>th</sup> Quarter	GDPR2022	e-learning
4 <sup>th</sup> Quarter	a. An overview of financial modelling in BoC with focus on ECL models b. Model Risk Management c. New EBA Guidelines on loan origination and monitoring d. Basel III Implementation – Quantitative Impact Analysis for Capital Adequacy and Leverage	Online
4 <sup>th</sup> Quarter	ESG Training of the BOD by EY	Online

**1. Board of Directors** (continued)

**1.3 Board Balance and Independence** (continued)

**1.3.1 Directors' induction and ongoing development** (continued)

The training material is distributed to all directors regardless of attendance. In 2022, all trainings in the form of e-learning sessions had an assessment quiz at the end of the training session. The directors can access this at any time, and once the training is completed, it is recorded on the system to provide a full audit trail.

Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to directors. The Company Secretary ensures all directors are provided with relevant information on a timely basis to enable them to consider issues for decision-making and discharge of their oversight responsibilities.

In the performance of their roles, executive directors hold regular interactions, meetings and briefings with senior management. They remain abreast of developments affecting the financial services sector and banking by representing the Group's interests at conferences, advisory groups and other events and meetings with regulators and other authorities.

The Company Secretary provides the Board with comprehensive guidance on Board procedures and dedicated support for directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process.

**1.3.2 Board Performance Evaluation**

The Board annually reviews its effectiveness and that of its committees and individual members in order to enhance its operations. The objective of these evaluations is to review past performance with the aim of identifying efficiencies, opportunities for improvement and maximizing strengths, determining whether the Board or committee as a whole is effective in discharging its responsibilities and, in the case of individual directors, to determine whether each director continues to contribute effectively and to demonstrate commitment to the role. Following a SREP recommendation in 2021, external consultants were engaged in order to review the composition of the Board in order to strengthen the competencies in the areas where these are limited (e.g. IT/Cybersecurity/Digital Transformation, climate risk). In this respect, and in an effort to further enhance the effectiveness and efficiency of the Board, the Bank engaged Deloitte Consulting Services ('Deloitte') to conduct an objective and independent assessment of the collective suitability of the Board.

**1.3.2.1 Board Capability Assessment Performed by Deloitte**

The main objective of the current assessment was to identify the collective strengths of the Board as well as possible areas for further development in terms of capabilities, and provide practical and targeted recommendations, taking into consideration regulatory requirements and sectoral best practices. For this purpose, a customised Directors' Capability Framework was drafted, outlining the required capabilities against which the Board was assessed through a Capability Self-Assessment Questionnaire and one-to-one meetings with Deloitte.

**1. Board of Directors** (continued)

**1.3 Board Balance and Independence** (continued)

**1.3.2 Board Performance Evaluation** (continued)

**1.3.2.1 Board Capability Assessment Performed by Deloitte** (continued)

The following table includes the outcome of the capability assessment performed by Deloitte:

Areas of Strength	Areas for focus
The Board is led and chaired in an effective manner by the Chairperson, who demonstrates the required capabilities and expertise for the execution of his role	Further enhance the Board's focus and collective knowledge and understanding of new, emerging priority areas that dictate the future of the Bank (e.g. Digitalisation, Cybersecurity, ESG)
The Board comprises of members from a diverse background who possess strong academic and professional knowledge, skills and expertise	The Board should re-evaluate its current composition and consider its further diversification, in terms of gender, age as well as specialised knowledge and expertise in digital banking
The Board collectively possesses strong technical knowledge and the required skills and behaviours	The Board should focus more rigorously and proactively on identifying potential successors / candidates for future admission to the Board
The Board collaborates and communicates in an open, respectful and effective manner, both during meetings and offline	The Board must ensure that development is customised to individual needs and interests, and more learning opportunities are offered on soft-skill topics
The Board collectively demonstrates the required commitment and interest in the execution of its duties	The Board should support the Bank's Executive Team in further enhancing its presentation and report-writing skills, to ensure the drafting and presentation of information to the Board in a more concise and targeted manner
The Board is supported in the execution of its duties by the Bank's Executive Team and the Company Secretary	The Board should ensure that all members of the Board demonstrate the required commitment and interest towards their role and actively and constructively participate
The Board is continuously kept up to date in relation to important local and international updates and trends that might affect the Bank	
The Board focuses on the continuous development of the knowledge and skills of its members, through various formal and informal learning opportunities	

**1.3.2.2 Internal Annual Board Evaluation**

The Board evaluation was conducted in February 2022 based on the following methodology:

- Members of the Board completed an online questionnaire to assess the performance of the Board.
- All committee members completed questionnaires on the committees on which they served.
- The Chairperson assessed the performance of all non-executive members.
- The SID chaired an executive session of the non-executive members in October 2021 to assess the performance of the Chairperson.
- A thorough review of the minutes of the Board and committee meetings by the Corporate Governance Compliance Officer.
- The Board members also completed the self-assessment questionnaires circulated to them by the Corporate Governance Compliance Officer.

The Chairperson met with the directors on a one-to-one basis to discuss their individual performance taking into account their input, which was submitted in advance of the meetings. In each case, the Chairperson assessed each director as fully effective in his or her role on the Board whose contributions continue to be important to the Company's long-term sustainable success while continuing to demonstrate independence of mind. Executive directors' individual performance evaluation is assessed against particular Key Performance Indicators set by the NCGC undertaken at the same time as the performance management process for all employees and includes self-assessment and a review and discussion by the NCGC, before final assessment by the Board.



**1. Board of Directors** (continued)  
**1.3 Board Balance and Independence** (continued)  
**1.3.2 Board Performance Evaluation** (continued)  
**1.3.2.2 Internal Annual Board Evaluation** (continued)

The main recommendations as derived from the Annual Internal Board Evaluation include, *inter alia*, the following:

- There is consensus that more relevant training on current issues and emerging risks is necessary.
- The Board would benefit from another director with knowledge of IT, Digital Transformation, Cybersecurity, or ESG expert, preferably a woman, in order to achieve its gender diversity target of 40%.
- The focus of the Board should continue shifting towards more strategic direction and less day-to-day management responsibilities.
- The Chairperson should increase his visibility within the Bank and the Cyprus market and should ensure more focused training for the members of the Board on risk-related issues.
- The Corporate Governance documents including Board committee Terms of Reference and Group Corporate Governance Policy should be further streamlined to avoid possible overlap and duplication.

A consolidated report on the findings of the full evaluation process was presented to the Board. The outcome of the Board evaluation was positive, and the Board concluded that the findings of the Deloitte report and the findings of the Internal Board Evaluation are very similar, and both reports raise issues that are already known to the Board, and are being addressed i.e. the enhancement of the Board with a member with digital/IT and ESG background etc. Each director was assessed as being effective, with all directors demonstrating commitment to their roles. The report was considered by the NCGC and collectively discussed by the Board. The recommendations were intended to enhance the Board process, although they were not material to the effectiveness of the Board. Taking into account the evaluation report, the Board considers that the effective contribution of each of the individual directors and the Board as a whole is and continues to be important to the long-term sustainable success of the Group. The Board also concluded that all the members of the Board have (i) appropriate qualifications; (ii) broad relevant experience; (iii) continue to be effective; and (iv) demonstrate continuing commitment to the role.

The chairperson of each principal Board committee led the self-assessment process in respect of committee performance through discussion with all committee members. The effectiveness of each of the four principal committees was assessed as adequate. All non-executive directors provided feedback on their uptake of committee work performed and the results were satisfactory.

The Chairperson's performance evaluation was carried out by the non-executive directors led by the SID and was based on a discussion during an executive session of the non-executive directors (without the Chairperson). The Board concluded that Mr. Arapoglou continues to be a highly effective Chairperson who provides very strong leadership to the Board and maintains a right balance between oversight and providing advice to the CEO. Mr. Arapoglou combines extensive and relevant banking experience, inclusive leadership style and is open to new ideas. He exercises effective time management and exhibits a growth mind-set. Areas for enhancement are his visibility within the Bank and the Cyprus market and ensuring more focused training for members on risk-related issues. The Board confirmed its continued support to Mr. Arapoglou.

**1. Board of Directors** (continued)

**1.3 Board Balance and Independence** (continued)

**1.3.2 Board Performance Evaluation** (continued)

**1.3.2.2 Internal Annual Board Evaluation** (continued)

The directors are aware that in case they have material concerns about the overall governance of the Group, these should be reported without delay to the Board and, if their concerns are not satisfactorily addressed, the directors should report these concerns to the CBC.

**1.3.3 Interaction with principal subsidiaries**

There are close interactions between the material subsidiary boards and the Board and their respective committees, including the requirement for appointments to material subsidiary boards to be approved by the Board. The chairs of the subsidiary audit and risk committees submit an annual report to the respective Group Board committees on the effectiveness of these subsidiaries and attend and present at the Group Board committees annually an account of the subsidiary board committees. The chairpersons of the Company's AC and RC are invited, respectively, to participate occasionally in the subsidiary audit and risk committee meetings as observers. In addition, the CGCO and other heads of control functions are invited to attend these meetings as observers. The NCGC annually reviews and approves the Corporate Governance Guidelines for Group Subsidiaries.

**1.3.4 Loans to Directors and Other Transactions**

Details of credit facilities to directors and other transactions with the Group are set out in Note 50 of the Consolidated Financial Statements for the year ended 31 December 2022.

It is hereby confirmed that the credit facilities to Company directors (and related parties) or to its subsidiary or associated company directors are granted in the normal course of the Company's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of bank facilities to Company directors and its subsidiary company directors are forwarded for approval to the Board after the relevant proposal of the Risk Committee. The interested member of the Board is neither present nor participates in the procedure.

All members of the Board complied with the relevant provisions of the CSE Code and the CBC Directive on Suitability as at 31 December 2022.

**2. Internal Controls**

The Board is responsible for the adequacy and effectiveness of the system of internal controls, corporate governance and risk management framework of the Group. These are designed with the objective of ensuring amongst others that:

- The governance framework is effective, monitored and periodically assessed;
- The compliance framework is appropriate;
- The integrity and internal controls of the accounting and financial reporting systems, as well as the compliance with relevant legal / supervisory requirements and reporting standards, are adequate;
- The information security framework for the protection of confidential information is appropriate;
- The process of taking appropriate steps to timely address any deficiencies is effective.

The system of internal controls, corporate governance and risk management framework have been designed in accordance with the nature, scale and complexity of the Group's operations, in order to provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

## 2. Internal Controls (continued)

The overall system of internal controls, corporate governance and risk management framework of the Group include amongst others:

- A transparent organisational structure with clear reporting lines to Senior Management and the Board;
- Board and executive committees with clear responsibilities;
- Three lines of defence model for the effective risk management and compliance across the Group;
- Formal and transparent framework of policies and procedures as well a rigorous operational monitoring;
- Monthly reporting by business lines to enable progress to be monitored, trends to be evaluated and variances to be acted upon;
- Monthly meetings of committees to review performance;
- Code of Ethics setting out the principles and expectations governing the behaviour of all officers and employees;
- Code of Conduct setting out the standards expected of all officers and employees;
- Whistleblowing policy, including processes and procedures, to be followed for independent investigation of concerns raised by staff;
- Anti-Bribery policy in line with the UK regulatory guidance as well as with ISO37001;
- Conflict of Interest policy;
- Quarterly representations by all Divisions of the Bank to the CEO on the effectiveness of the system of internal controls (policies, procedures and monitoring activities); and
- Annual representations by all control functions of the Bank (Compliance, Risk, Information Security) to the CEO on effectiveness of the system of internal controls (policies, procedures, monitoring activities).

The Board confirms that, through the AC and the RC, it has conducted reviews for the year ended 31 December 2022, regarding the effectiveness of the Group's internal control and information systems, as well as in relation to the procedures used to ensure the accuracy, completeness and validity of the information provided to investors. The reviews covered all systems of internal controls, including financial, operational and compliance controls, as well as risk management systems. In carrying out their reviews, the AC and the RC receive regular business and operational risk assessments, regular reports from the Internal Audit Director, the Compliance Director, the Chief Information Security Officer and the Chief Risk Officer, other internal memos and external audit reports, as well as regulatory reports.

The Board receives a confirmation on an annual basis by the CEO for the effectiveness of compliance, risk management and information security system of internal controls. Additionally, the Board, through the AC and RC, has received confirmation that executive management has taken or is taking the necessary actions to remedy all significant weaknesses identified through the operation of the Company's framework of internal controls, corporate governance and risk management processes, and to continuously modify or enhance the system of internal controls, corporate governance and risk management framework as required by the Bank's current transformation programme.

Based on the internal audit work carried out in 2022, reasonable assurance is provided, with emphasis on specific matters, on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes, for managing significant risks, according to the risk appetite set by the Board. Emphasis is placed on the areas of Digitalisation, Information Systems and Data Governance, which require management's attention to further manage current, as well as any future, risk exposures emanating from the transformation programme.

Overall, the Board through its committees, has reviewed the effectiveness of the system of internal controls, corporate governance and risk management processes of the Group for the year ended 31 December 2022 and confirms their overall effectiveness either through the effective design and operation of controls and monitored management's responses and actions to the findings and recommendations and any mitigating actions in response. The Board also confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations.

The Group's financial reporting process is controlled using documented accounting policies and procedures supported by instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period. The submission of financial information from each reporting entity is subject to sign off by the responsible financial officer.

## **2. Internal Controls** (continued)

The internal control system also ensures that the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with legal and supervisory requirements and relevant standards, is adequate. The Group has in place an adequate financial statement closing process by which transactions and events reflected in the Group's accounting records are processed to produce the financial statements, related disclosures and other financial reports which relies either on the effective design and operation of controls or compensating controls and other mitigating factors where these were inefficient. Where occasionally areas of improvement are identified, these become the focus of management's attention in order to resolve them and thus strengthen the procedures that are in place. Areas of improvement may include design or operating deficiencies identified, the formalisation of existing controls and the introduction of new information technology controls, as part of the Company's on-going digital journey.

The Annual Financial Report and Interim Financial Report prior to their submission to the Board are reviewed and approved by the ExCo. The Board, through the AC scrutinises and approves the financial statements, results, announcements and the annual and interim financial Reports and ensures that appropriate disclosures have been made. Detailed papers are prepared for review and approval by the AC covering all accounting issues including presentations and disclosures. This governance process enables both management and the Board to challenge the Group's financial statements and other significant disclosures before their publication.

The Bank has developed an Integrated Risk Identification Framework which provides for the identification, evaluation and management of the principal risks faced by the Group. The Group is forward looking to ensure emerging risks are identified. A separate section on emerging risks is included in the periodic risk reports to the RC. The Key Risk Matrix is thus updated and is approved by the RC and the Board through the ICAAP process. The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and ensuring the maintenance of an effective risk management and oversight process across the Group.

The Board approves the Group Risk Appetite Statement on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through the Risk Report reviewed monthly. A consolidated risk report and risk appetite dashboard is regularly reviewed by the RC to ensure the risk profile remains within Group's risk appetite and satisfactory mitigating actions are in place. The key risks with their mitigant actions are presented in Pillar 3 Disclosure Report.

The Board confirms that it carries out a robust assessment of both principal and emerging risks, including risks that might threaten the Group's business model, future performance, liquidity etc.

Business continuity risks are mitigated to ensure that the Bank has business resilience and continuity plans. They also ensure that the Bank operates on an on-going basis and limits potential losses in the event of a severe business disruption.

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of Capital Requirements Directive (CRD) V. They have been in place for the year under review and up to the date of the approval of the annual report.

Detailed information relating to Group risk management is set out in Notes 45 to 48 of the Consolidated Financial Statements and the Risk and Capital Management Report section of the 2022 Annual Financial Report.

### **2.1 Going concern**

The Board have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of the 2022 Consolidated Financial Statements. The Directors believe that the Board is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. Detailed information relating to going concern is set out in Going Concern of the Directors' Report of the 2022 Annual Financial Report on page 34.

## 2. Internal Controls (continued)

### 2.2 Group Code of Conduct and Whistleblowing Policy

The Group has set out the standards that are expected from all employees and directors of the Group in a Code of Conduct along with guidance on how these standards should be applicable. The Code of Conduct and a dedicated Code of Ethics are publicly available on the Group's website.

The Group has a Whistleblowing Policy and a relevant written procedure in place for all employees, including directors, which are in accordance with international practice. The policy is reviewed annually. Its general principles are:

- Concerns in good faith, about wrongdoing or malpractice can be raised in confidence without fear of victimisation, discrimination, disadvantage or dismissal;
- Procedures for the reporting of any matters of concern are clearly provided. The persons concerned must be able to bypass the main channels for whistleblowing if these prove inappropriate, and use the anonymous reporting line;
- Disclosures are managed in a timely, consistent and professional manner; and
- The appointment of the chairperson of the AC, an independent non-executive director, as a Whistleblowing Champion with specific responsibilities.

The Board and CEO are committed to this policy, which encourages staff to raise concerns. Regular messages from the CEO to staff to speak up and bi-annual e-learning sessions, are addressed to all staff and the Board of Directors to further increase awareness.

## 3. Other matters

The table below shows attendance of the directors at the meetings of BOC PCL throughout 2022. Directors who complete three years since their previous election, retire and offer themselves for re-election.

### Board of Directors of BOC PCL 1/1/2022-31/12/2022

Name	Board of Directors	AC	HRRC	NCGC	RC	AC/RC Joint	TC	ECCC	JOINT HRRC & NCGC	JOINT RC & TC
Efstratios-Georgios Arapoglou (Chairperson)	23/23			12/12					8/8	4/4
Lyn Grobler (Vice-Chair)	23/23		8/9	11/12			8/8		7/8	4/4
Maksim Goldman <sup>[1]</sup>	8/9		4/4		9/10	2/3		2/2	2/2	2/2
Arne Berggren	20/23	16/18		9/12		5/6	7/8		6/8	4/4
Paula Hadjisotiriou	23/23	18/18			22/22	6/6	8/8			4/4
Michael Heger <sup>[2]</sup>	9/9	10/10	4/4			3/3		2/2	2/2	
Constantine Iordanou	22/23		5/5 <sup>[3]</sup>		5/5 <sup>[4]</sup>	2/2	5/6 <sup>[5]</sup>		6/6	¾
Eliza Livadiotou	23/23									
Panicos Nicolaou	23/23									
Maria Philippou	21/23		9/9	11/12				2/2	8/8	
Nicolaos Sofianos	23/23	18/18			22/22	6/6				4/4
Ioannis Zographakis	23/23	15/15			17/22	4/4	8/8	2/2		
<b>Total meetings</b>	<b>23</b>	<b>18</b>	<b>9</b>	<b>12</b>	<b>22</b>	<b>6</b>	<b>8</b>	<b>2</b>	<b>8</b>	

<sup>[1]</sup> Maksim Goldman resigned on 27/05/2022

<sup>[2]</sup> Michael Heger resigned on 27/05/2022

<sup>[3]</sup> Constantine Iordanou joined the HRRC in June 2022

<sup>[4]</sup> Constantine Iordanou joined the RC in November 2022

<sup>[5]</sup> Constantine Iordanou ceased to be a member of the TC in November 2022

**3. Other matters** (continued)

**3.1 Company Secretary**

The Board appointed Mrs Katia Santis as the Company Secretary.

**3.2 Internal Audit Director**

The Board appointed Mr. George Zornas as the Internal Audit Director.

**3.3 Corporate Governance Compliance Officer**

The Board appointed Mr. Marios Skandalis as CGCO.

**4. Members of the Board of Directors**

**4.1 Non-Executive Directors**

**Efstratios-Georgios Arapoglou (Chairperson)**

Mr. Arapoglou has had an earlier career in International Capital Markets and Corporate & Investment banking based in London and later in managing, restructuring and advising publicly listed Financial Institutions and Corporates, primarily in South East Europe and the Middle East.

Most recent executive assignments include: Managing Director and Global Head of the Banks and Securities Industry for Citigroup; Chairman and CEO of the National Bank of Greece; CEO of Commercial Banking at EFG-Hermes Holding SAE.

He is currently holding the following non-executive board positions: (i) Chairman of Bank of Cyprus Group, listed on the LSE, (ii) Chairman of Tsakos Energy Navigation (TEN) Ltd, listed on the NYSE, and (iii) Board member of EFG-Hermes Holding SAE, listed on the Cairo Stock Exchange and the LSE.

Mr. Arapoglou holds an MSc in Finance and Management from the University of Brunel, London, a BSc in Naval Architecture and Ocean Engineering from the University of Glasgow and a BA in Mathematics and Physics from the University of Athens.

He has extensive experience in international capital markets and in corporate, commercial and investment banking in South East Europe, the UK, the Middle East and Africa.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in June 2019

**External Appointment:**

Chairperson of the Board of Tsakos Energy Navigation (Non-Executive Position)  
EFG Hermes Holding SAE (Non-Executive position)

**Independent:**

Yes, on an ongoing basis.  
(Mr. Arapoglou commits the appropriate time for the Group's business which does not exceed 55 days per year. He has no remuneration from the Group other than as Chairperson of the Board and chairperson of the NCGC).

**Committee Membership:**

Chairperson of the Nominations and Corporate Governance Committee



#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### Lyn Grobler (Vice-Chair)

Mrs Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed as a Group Chief Information Officer (CIO) at Howden Group Holdings (formerly Hyperion Insurance Group) in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organization and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading for over 16 years. Before BP, Mrs Grobler managed large scale global technology projects and strategies within banking and trading based in both London and South Africa.

She holds a Higher National Diploma in Computer Systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University (South Africa).

Mrs Grobler has significant experience in IT and digital transformation and benefits from oversight experience in a number of external directorships.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in February 2017

**External Appointment:**

Howden Group Services Ltd (Non-Executive Position)  
Hx Group Ltd (Non-Executive Position)  
Titan Cement International SA (Non-Executive Position)  
Howden Group Holdings (Executive Position)

**Independent:**

Yes

**Committee Membership:**

Chairperson of the Technology Committee  
Member of the Human Resources & Remuneration Committee  
Member of the Nominations & Corporate Governance Committee  
Member of the Insurance Business Advisory Board

###### Arne Berggren

Mr. Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 1990s starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the current financial crisis in the Baltics, Spain and Slovenia. He has been head of financial restructuring and recovery at Carnegie Investment Bank AB and Swedbank AB. Being the chief executive officer of Swedcarrier AB, he has led the restructuring of parts of Swedish Rail.

Mr. Berggren has held numerous board positions in the financial and corporate sector including a position on the board of directors at LBT Varlik Yönetim AS and DUTB Ltd.

He is a graduate of the University of Uppsala, Sweden and he continued at the Universities of Amsterdam, Geneva and New York for post graduate studies.

Mr. Berggren has significant experience in corporate and bank restructuring, bank crisis management and risk management and has extensive experience in oversight from a number of directorships.

**Term of Office:**

Appointed to the Board of BOC PCL in November 2014 and the Board in October 2016

**External Appointment:**

Chairman of the Board of TBC Bank Group PLC  
Hoting Innovations AB

**Independent:**

Yes

**Committee Membership:**

Member of the Audit Committee  
Member of the Nominations & Corporate Governance Committee  
Member of Technology Committee

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### Paula Hadjisotiriou (Chair of the Risk Committee)

Ms Hadjisotiriou started her accountancy career at Howard, Wade & Jacob before moving to PricewaterhouseCoopers. Following an eight-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in Banking in Greece, between 1990-2015, first with Eurobank Ergasias S.A. as Group Chief Financial Officer, and then with National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently, Ms Hadjisotiriou serves as an advisor to the EFG International Group in Switzerland and the UK.

Ms Hadjisotiriou is a Chartered Accountant (Institute of Chartered Accountants of England and Wales (ICAEW)).

Mrs Hadjisotiriou has significant experience in financial institutions and benefits from oversight experience in a number of external directorships.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in August 2018

**External Appointment:**

Independent non-executive director at Credit Suisse (Europe) SA

**Independent:**

Yes

**Committee Membership:**

Chairperson of the Risk Committee  
Member of the Audit Committee  
Member of the Technology Committee

###### M.E. Hemerijck (Nominated independent non-executive director subject to ECB approval)

Mrs. Hemerijck has 30 years of work experience in various senior/executive roles in Risk/Financial Management in Banking & Insurance, as well as, with the Dutch Central Bank. During the last 10 years she fulfilled the roles of CRO and member of the Executive Board within NN Group and ING Group. Since December 2021, she has been appointed as a Non-Executive Board Member of the Portuguese bank Caixa Geral de Depósitos in Lisbon. Her key responsibilities have been related to risk & finance, corporate governance and strategy, balance sheet & capital management and financial/ risk reporting & disclosures.

Prior to joining the ING Group, she worked for the Dutch Central Bank having performed various roles in Econometric Research, Monetary Policy, Asset Management and Supervision International Conglomerates. She has extensive experience within the financial services industry, experience as (Non) Executive Board member and in Supervision, expertise on finance & risk, asset management, balance sheet & capital management.

Mrs. Hemerijck has a Master Degree in Economics from Tilburg University. She has also obtained a certificate from the Advanced International Corporate Finance Programme from INSEAD for CFOs and other senior management.

She is an experienced executive in risk management and has oversight experience from a number of external directorships.

**Term of Office:**

Nominated to the Board of BOC PCL and the Board subject to ECB approval

**External Appointment:**

Caixa Geral de Depositos SA

**Independent:**

Yes

**Committee Membership:**

Not Applicable

**4. Members of the Board of Directors** (continued)

**4.1 Non-Executive Directors** (continued)

**Constantine Iordanou (Senior Independent Director)**

Mr. Iordanou was Chairman and Chief Executive Officer (CEO) of Arch Capital Group Limited ("Arch"), since August 2003 and Director since January 2002 (retired in September 2019). Before joining Arch as one of its founders in 2002, Mr. Iordanou served in various capacities for Zurich Financial Services ("Zurich") and its affiliates, including as Senior Executive Vice President of group operations and business development of Zurich Financial Services, President of Zurich-American Specialties Division, Chief Operating Officer and CEO of Zurich American, as well as CEO of Zurich North America. Before joining Zurich in March 1992, he was President of the commercial casualty division of the Berkshire Hathaway Group and Senior Vice President of the American Home Insurance Company, a member of the American International Group.

He holds an Aerospace Engineering degree from New York University.

Mr. Iordanou has significant experience in insurance business and benefits from oversight experience in a number of external directorships.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in November 2021

**External Appointment:**

Verisk Analytics Inc. (Non-Executive Directors)  
Vantage Group Holdings Ltd (Non-Executive Directors)

**Independent:**

Yes

**Committee Membership:**

Member of the Risk Committee  
Member of the Human Resources and Remuneration Committee  
Member of the Insurance Business Advisory Board

**Maria Philippou (Chairperson of the Human Resources and Remuneration Committee)**

Ms Philippou started her career as an HR Consultant with KPMG Greece, before moving to the Lambrakis Press Group as HR Generalist. Having spent three years with Eurobank Ergasias S.A as Compensation & Benefits Manager, in 2006 she moved to the Coca Cola Company Group, progressing through various roles such as HR Business & Strategic Partner for multiple territories, Global Talent & Development Director and HRD for Central & Eastern Europe BU, a position which she held until recently before she moved to Egon Zehnder.

Ms Philippou holds a degree in Business Administration, from Nottingham Trent University and a Master of Science in Human Resources Management, from Brunel University.

Ms. Philippou is an experienced executive in human resources and brings valuable skills to the Board in people management.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in July 2018

**External Appointment:**

None

**Independent:**

Yes

**Committee Membership:**

Chairperson of the Human Resources & Remuneration Committee  
Member of the Nominations & Corporate Governance Committee  
Member of Ethics, Conduct and Culture Committee

#### **4. Members of the Board of Directors** (continued)

##### **4.1 Non-Executive Directors** (continued)

###### **Nicolaos Sofianos (Chairperson of the Audit Committee)**

Mr. Sofianos is a qualified Chartered Accountant, member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Body of Certified Public Accountants of Greece (SOEL). He was a founding partner of Deloitte Greece and representative of the firm before the regulator, supervisory and fiscal authorities in Greece. In 2016, he retired with 40 years of audit and broader professional experience in the coordination of accounting, auditing, tax and consulting services rendered to a wide range of companies covering nearly all sectors of industry, and in particular the financial services industry sector.

He holds an Honours degree in Chemical Engineering with a major in Mathematical Modelling and Computer Simulation from the University of Manchester UK.

Mr. Sofianos has extensive experience in the coordination of accounting, auditing, tax and consulting services rendered to a wide range of companies covering nearly all sectors of industry and in particular the financial services industry sector.

###### **Term of Office:**

Appointed to the Board of BOC PCL and the Board in February 2021

###### **External Appointment:**

DoValue Greece SA (Non-Executive position)  
Aegean Airlines (Non-Executive position)  
Arcela Investments Limited (Executive position)

###### **Independent:**

Yes

###### **Committee Membership:**

Chairperson of the Audit Committee  
Member of the Risk Committee

###### **Ioannis Zographakis (Chairperson of the Ethics, Conduct and Culture Committee)**

Mr. Zographakis started his career in 1990 with Citibank in Greece as a management associate for Europe, Middle East & Africa (EMEA). He then worked as the deputy treasurer and treasurer for the Citibank Consumer Bank in Greece, before moving to the United States in 1996 as the director of finance for Citibank CitiMortgage. In 1997, he became the financial controller for Citibank's consumer finance business in the United States and then he was the director of finance and acting chief financial officer for the consumer assets division. From 1998 to 2004, he worked in the Student Loan Corporation, a Citigroup subsidiary and a New York Exchange traded company. He started as the chief financial officer, became the chief operations officer and in 2001 he was named the chief executive officer. In 2005, he moved back to Europe as Citibank's consumer lending head for EMEA and head of its UK Retail Bank. Deciding to move closer to home in 2006, he took the position as Citibank's Retail Bank head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested.

He has been a director for the SLC in the United States, a director for Tiresias (Greek Credit Bureau), and the secretary of the audit committee, a director and member of the audit committee for Diners Club Greece, the vice-chairman of the Citi Insurance Brokerage Board in Greece and the chairman of the Investments and Insurance Supervisory Committee in CitiBank Greece. He has also served as a non-executive director for the National Bank of Greece group during 2018-2019.

He holds a master's degree in business administration (management) from Carnegie Mellon University in the United States and a bachelor's degree in civil engineering from Imperial College in London.

Mr. Zographakis is a senior executive with a broad and diverse international experience in the banking industry. His line/business positions and divisional/corporate responsibilities have provided him with an extensive background in corporate governance, business restructuring, crisis management, separation of businesses, business strategy, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations.

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

##### **Ioannis Zographakis (Chairperson of the Ethics, Conduct and Culture Committee)** (continued)

**Term of Office:**

Appointed to the Board of BOC PCL in September 2013 and the Board in October 2016

**External Appointment:**

Eternity Capital Management Ltd (Non-Executive)  
Attica Bank (Non-Executive)

**Independent:**

No

**Committee Membership:**

Chairperson of the Ethics, Conduct and Culture Committee  
Member of the Technology Committee

##### 4.2 Executive Directors

##### **Panicos Nicolaou (CEO)**

Mr. Nicolaou is the Chief Executive Officer and Executive Member of the Board of Directors of the Bank since 1 September 2019.

He joined the Bank in January 2001 and started his career serving at various positions, mainly in the Corporate and Credit Risk departments. He was the Manager in the Restructuring and Recoveries Division from April 2014 until June 2016. From June 2016 until August 2019, he served as Director of the Corporate Banking Division.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic) in Greece, and an MSc in Mechanical & Industrial Engineering from the University of Illinois at Urbana-Champaign in the USA. He also holds a BSc in Financial Services from the School of Management, UMIST in the UK.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in September 2019

**External Appointment:**

Vice-Chair of the Association of Cyprus Banks  
Chair of the Employers' Association of Cyprus Banks

**Independent:**

No

**Committee Membership:**

None

##### **Eliza Livadiotou (Executive Director Finance & Legacy)**

Ms. Livadiotou is the Executive Director Finance & Legacy since January 2022, and since 6 October 2021 she has been an Executive Member of the Bank of Cyprus Board of Directors. She is responsible for Finance, Treasury, Strategy and Corporate Finance, Investor Relations, ESG, Real Estate Management, Restructuring & Recoveries, Regulatory Affairs, Procurement and Economic Research. She began her career in 1995 with the audit firm Arthur Andersen in Cambridge, UK, where she qualified as a Chartered Accountant. In 1999 she joined Bank of Cyprus, as Assistant to the Group Chief General Manager. In 2005, she moved to the Finance Division. In December 2013, Ms. Livadiotou was appointed Chief Financial Officer (CFO), and from 2016 to late 2021 she was responsible for the Finance and Treasury Divisions.

In October 2021, she was appointed Executive Member of the Board of Directors. Ms. Livadiotou studied Economics at the University of Cambridge (MA Hons). She is a member of the Board of Trustees of the Bank of Cyprus Oncology Centre, a Non-Independent and Non-Executive member of the Board of Directors of CISCO, and a member of the banking committee of the Institute of Chartered Accountants in England and Wales.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in October 2021

**External Appointment:**

None

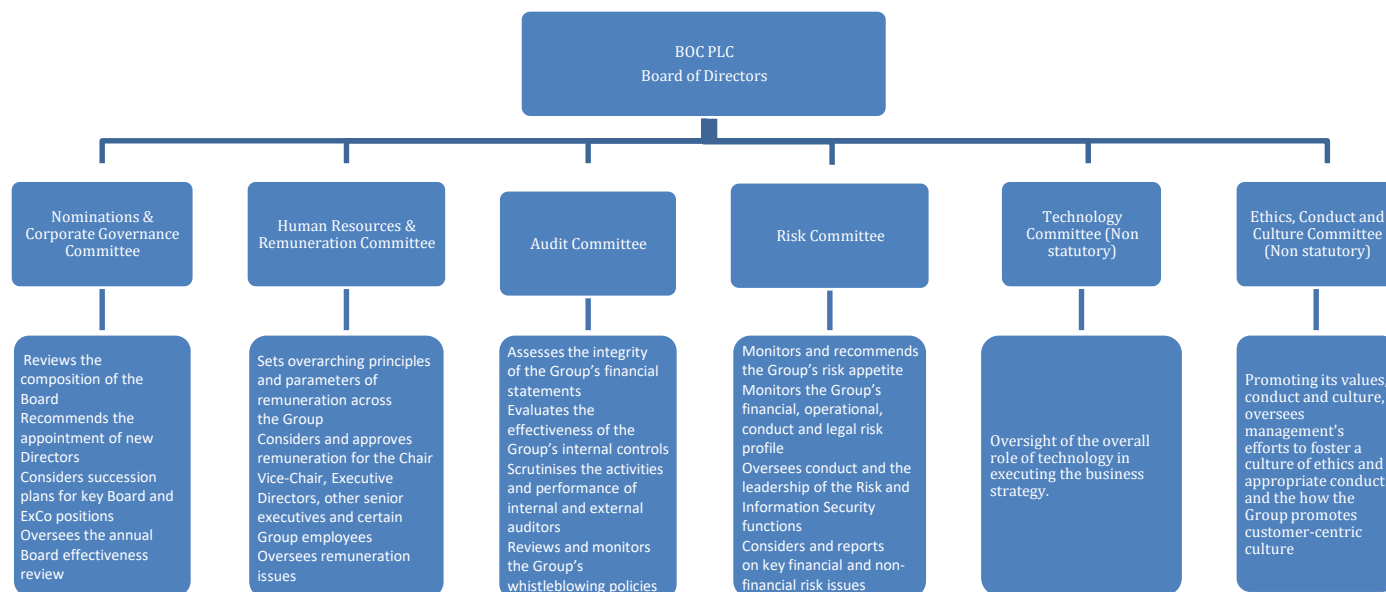
**Independent:**

No

**Committee Membership:**

None

## 5. Board Committees



The Board is assisted in the discharge of its duties by a number of Board committees whose purpose is to consider in greater depth than would be practicable at Board meetings, matters for which the Board retains responsibility. It is, therefore, crucial that effective linkages are in place between the committees and the Board as a whole given that it is impractical for all independent directors to be members of all the committees. Mechanisms are in place to facilitate these linkages including ensuring that there are no gaps or unnecessary duplication between the remit of each committee and appropriate cross-membership between committees where necessary. Alongside cross-membership the chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meeting of the Board. The minutes of all meetings of Board committees are circulated to all directors for information and are formally noted by the Board. Papers for all Board committees are also made available to all directors, irrespective of membership. Such circulation of minutes and papers is restricted should there be a conflict of interest or issues of personal confidentiality.

The statutory committees are the Audit Committee ('**AC**'), the Risk Committee ('**RC**'), the Nominations and Corporate Governance Committee ('**NCGC**') and the Human Resources and Remuneration Committee ('**HRRC**'). Each committee operates under terms of reference approved by the Board. The core responsibilities of each committee are described in the table above. The remit of each committee is set out in brief in the table, and more information about the committees and their work can be found further below. The terms of reference of the committees are reviewed annually by the relevant committees and by the Board, are based on the relevant provisions of the CSE and UK Codes and the CBC Directive on Internal Governance (where applicable) and are available on the Group's website ([www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group)) or by request to the Company Secretary.

In addition to the principal committees, the Board has in place a Technology Committee ('**TC**'), which is mandated to drive the digital transformation of BOC PCL and an Ethics, Conduct and Culture Committee ('**ECCC**') to support it in promoting its collective vision of values, conduct and culture and to oversee management effort to foster a culture of ethics and appropriate conduct within the Group.

Each of the committees' structure facilitates open discussion and debate, with steps taken to ensure adequate time for members of the committees to consider proposals which are put forward. In carrying out their duties, Board committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the committee members.

The overall responsibility for approving and monitoring the Group's strategy, risk appetite and policies for managing risks lies with the Board, which exercises this responsibility through two of its main committees, namely the RC and the AC.



## 5. Board Committees (continued)

### 5.1 Nominations and Corporate Governance Committee

As at 31 December 2022, the NCGC comprised of the Chairperson of the Board and three other independent non-executive directors. Its composition is fully compliant with the CSE Code, the UK Code and the CBC Directive on Internal Governance. The Chairperson of the Board chairs the NCGC, except when the NCGC is dealing with the appointment of a successor to the role of Chairperson.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The NCGC met 12 times in 2022. The Chairperson and members of the NCGC together with their attendance at meetings are shown below. The CEO attends meetings as appropriate. The NCGC meets annually with no management present.

#### Member attendance in NCGC meetings in 2022:

Efstratios-Georgios Arapoglou (Chairperson)	12/12
Lyn Grobler	11/12
Arne Berggren	9/12
Maria Philippou	11/12

The key responsibilities of the NCGC are set out in its terms of reference, which are available on the Group's website ([www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group)), and are reviewed annually and approved by the Board.

The role of the NCGC is to ensure that the Board is comprised of members who are best able to discharge the duties and responsibilities of directors and to support and advise the Board in relation to:

- Board members recruitment (including regularly reviewing, reporting on and taking into account, when making further appointments, the composition and effectiveness of the Board);
- Considering and making recommendations to the Board in respect of the appointment of Key Function Holders other than heads of control functions; and
- Reviewing succession planning for directors and senior management, as well as overseeing the development of a diverse pipeline for succession.

The NCGC also:

- keeps the Board's governance arrangements under review and makes appropriate recommendations to the Board to ensure that such arrangements are consistent with best corporate governance standards and practices in place;
- oversees subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries;
- provides oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity and social equity for the Group and its stakeholders; and
- supports the Board in fulfilling its oversight responsibilities relating to the Bank's strategy and supports the development and implementation of the Strategic Plan.

The matters considered and the actions taken by the NCGC during the year are set out in the following table. The CEO and the CGCO are invited to attend meetings where the agenda items are relevant to them and their attendance is requested by the NCGC. The NCGC ensures plans are in place for the selection, appointment and orderly succession of executive directors and senior managers.

**5. Board Committees** (continued)

**5.1 Nominations and Corporate Governance Committee** (continued)

**Matters considered and action taken by the NCGC in 2022**

<p>Board and committee size and composition</p>	<ul style="list-style-type: none"> <li>• Structure and composition of the Board;</li> <li>• Succession Planning;</li> <li>• Review of re-appointment of members.</li> </ul>	<ul style="list-style-type: none"> <li>• A discussion on the composition of the Board following the non-re-election of two members and the possible change in the status of independence of other members close to reaching nine year tenure.</li> <li>• Search for potential candidates of particular skillset, and in particular a member with Climate/ESG background.</li> <li>• The NCGC acknowledged the high quality of a candidate for the Board and recommended the nomination to the Board while also acknowledging a decent pool of candidates for consideration in the medium term.</li> <li>• Assessment of Technology Advisors.</li> </ul>
<p>Executive Succession Planning</p>	<ul style="list-style-type: none"> <li>• Succession Planning of CEO;</li> <li>• Approval of Material Risk Takers ('MRTs');</li> <li>• Appointment of Key Function Holders.</li> </ul>	<ul style="list-style-type: none"> <li>• A discussion on identifying suitable internal candidates.</li> <li>• A deep dive of executive succession planning for key roles was undertaken, which evidenced positive focus and development of key talent.</li> </ul>
<p>Annual Board effectiveness Review</p>	<ul style="list-style-type: none"> <li>• Performance of the Annual Internal Board Performance Evaluation, which includes Board committees and individual directors;</li> <li>• Review and discussion of External Board Evaluation performed by Deloitte;</li> </ul>	<ul style="list-style-type: none"> <li>• The Annual Internal Board Evaluation was performed as per the provisions of the CBC Directive on Internal Governance.</li> <li>• The Board Capability Assessment by Deloitte was discussed. Both reports raised issues that the Board was already aware of and which are being addressed.</li> </ul>
<p>Disclosure &amp; Governance</p>	<ul style="list-style-type: none"> <li>• Review and approval of revision of the Corporate Governance Framework of the Group;</li> <li>• Approval of the 2023 action plan for corporate governance compliance with best practices;</li> <li>• Review and recommendation for approval to the Board of the Group Corporate Governance Policies;</li> <li>• Review of the Annual Corporate Governance Report;</li> <li>• Review of the quarterly corporate governance reports;</li> <li>• Approval of the report on compliance with the CSE Code and the UK Code;</li> <li>• Committee Terms of Reference;</li> <li>• Discussion on the appointment of two Technology Advisors rather than a Technical Advisory Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual review of the Corporate Governance Framework, to incorporate requirements of recent regulatory developments.</li> <li>• A review of the Board Nominations Policy to ensure that targets set for 40% female representation on the Board are still appropriate and achievable.</li> <li>• The NCGC approved changes to internal policies and its Terms of Reference to ensure continued compliance with corporate governance requirements and the newly issued CBC Directive on Internal Governance Oct 2021.</li> <li>• Committee Terms of Reference were also amended to incorporate the necessary ESG criteria.</li> <li>• The NCGC recommended to the Board for approval of the engagement of two Technology Advisors.</li> <li>• The internal Board Evaluation of 2022 reported a positive outcome with regard to the NCGC's continued effectiveness.</li> </ul>
<p>Independence and time commitments</p>	<ul style="list-style-type: none"> <li>• Review of: <ul style="list-style-type: none"> <li>• Skills, knowledge and expertise;</li> <li>• Independence of non-executive members;</li> <li>• Review of potential conflict of interest of directors;</li> <li>• Appointments to other directorships;</li> <li>• Attendance records and time commitment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The NCGC assessed cases where directors of the Board were nominated for appointment to boards of third companies for possible conflict of interest, time commitment issues and limits to the number of directorships a director can hold at any time.</li> <li>• All non-executive directors remained independent as to character and judgement. All directors are considered to have appropriate roles including capabilities and skills.</li> <li>• During the annual performance evaluation each non-executive director and his/her ability to continue meeting their time commitments was assessed.</li> </ul>

**5. Board Committees** (continued)

**5.1 Nominations and Corporate Governance Committee** (continued)

**Matters considered and action taken by the NCGC in 2022** (continued)

Sustainability	<ul style="list-style-type: none"> <li>• Review of ESG ratings by institutional investor advisory services and discussion on improving certain factors;</li> <li>• Approval of the Annual Sustainability Report.</li> </ul>	<ul style="list-style-type: none"> <li>• Updated the action plan of the Sustainability Committee and received regular updates on its progress.</li> <li>• The NCGC approved the Corporate Sustainability Report.</li> <li>• Approved the decarbonization strategy for Scope 1 and Scope 2 GHG emissions of BOC PCL.</li> </ul>
Subsidiary oversight	<ul style="list-style-type: none"> <li>• Review and approval of the revision of the Corporate Governance Guidelines for Group Subsidiaries;</li> <li>• Approval of appointment of directors of subsidiaries to the boards of third entities.</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of the corporate governance framework of the subsidiaries with that of the Group taking into consideration proportionality.</li> <li>• Appointment of a subsidiary NED to the board of a third entity and discussion of potential conflict of interest.</li> </ul>

As part of the process of succession planning and determining the appropriate range and mix of skills required to maintain an effective Board, Deloitte was appointed in early 2022 to assess the skillset of the Board against required and desirable Board competencies, and provide recommendations for bridging any gap identified for an appropriate range and depth of skills and experience. Deloitte’s report as well as the Internal Board Evaluation Report raised issues that the Board was already aware of and which were being addressed i.e. enhancement of the Board with a member who possesses digital/IT and/or ESG background and more training on current issues being the matters of significance.

Egon Zehnder was appointed to search for candidates for the Board and for the set-up of a Technical Advisory Board. In this respect, several interviews with candidates were held. However, it was decided that instead of setting up an Advisory Board it would be more flexible and efficient to appoint two Technology Advisors. One Technology Advisor will bring the expertise to help the Bank assess its plans in developing new digital products and identify alternative, digitally enabled distribution channels. The second one will be a broad technology expert who can advise the Bank as an individual positioned close to the cutting edge of technology progress.

Having been delegated responsibility for oversight of the Group’s sustainability strategy, the NCGC received updates from the Sustainability Committee on the action plan in place which is aligned to the strategy approved by the Board in 2021.

The NCGC keeps under review updates in relation to corporate governance regulations and requirements and briefs the Board on their effective implementation. The NCGC received the gap analysis with the revised CBC Directive on Internal Governance of October 2021 and approved an action plan for closing any gaps identified. The NCGC oversaw the 2022 internal review of the effectiveness of the Board and its Committees which was concluded in March 2022.

The Group carries out a review of the ongoing suitability of ExCo members on an annual basis, whereby they are required to confirm any changes in their circumstances in respect of their compliance with the CBC Directive on Suitability. Any changes in circumstances disclosed are assessed and their materiality determined. Following the review of 2022, certain changes to directorships were reported. The Board concluded that each of the senior management members has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively.

The Committee approved amendments to the internal policies and Terms of Reference of the Group to ensure continued compliance with all applicable legal requirements in relation to corporate governance as well as best practices and guidelines.

The chairperson of the NCGC reported to the Board after each meeting to ensure all directors were informed of the Committee’s activities. The Committee’s terms of reference can be found at [www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group).

**5. Board Committees** (continued)

**5.1 Nominations and Corporate Governance Committee** (continued)

**5.1.1 Diversity**

The Group recognises the benefits of having a diverse Board and workforce, creating a work environment where everyone has an opportunity to fully participate in creating business success, and where each person is valued for their distinctive skills, experiences and perspectives. In reviewing Board composition and identifying suitable candidates, the NCGC considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, industry experience, nationality, gender, age and other relevant qualities, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole is required to have to be effective and the diversity benefits each candidate can bring to the overall board composition.

The Group’s approach to Board diversity is set out in full in the Board Nominations Policy, which can be found online at <https://www.bankofcyprus.com/globalassets/who-we-are/our-governance/group-board-nominations-policy.pdf> The Board Nominations Policy recognises that a truly diverse Board will include and make good use of the differences in skills, experience, background, race, gender and other distinctions brought by each director, with such differences being considered in determining the optimum composition of the Board.

Non-executive members of the Board possess a wide range of skills, knowledge and extensive experience acquired from executive and/or non-executive appointments as directors of other companies, that combine to provide independent perspective, insights and challenge needed to support good decision-making and effective board dynamics. The effectiveness of the Board depends on ensuring the right balance of directors with banking or financial services experience and broader commercial experience. Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group. The participation of executives on the Board enhances the banking expertise of the Board and ensures that the Board is provided with direct, precise and up-to-date information about significant issues concerning the Group.

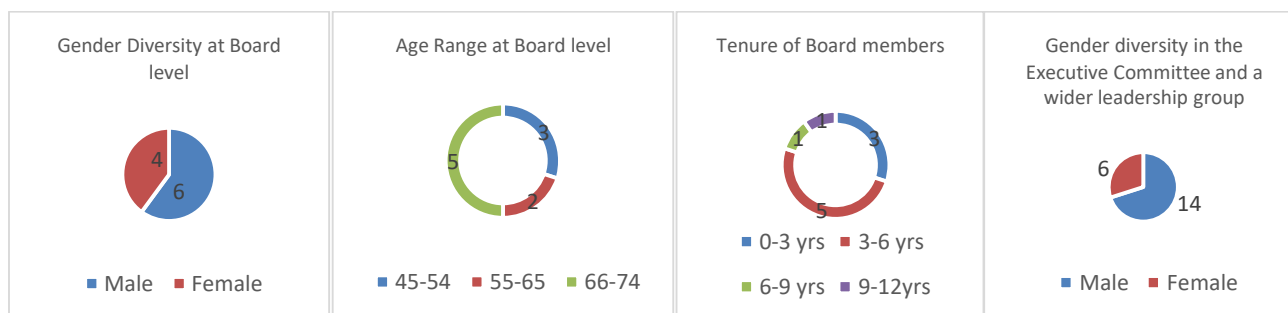
Following review in 2022, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including, *inter alia*, banking, insurance, manufacturing, audit and accounting, economics, risk management, dealing with competent authorities, strategy and business models, legal and consultancy services, information technology and human resource management. The NCGC further recognised that a candidate with strong background in IT and or cybersecurity could enrich the Board composition given the strategic importance of the digitisation of the Group.



## 5. Board Committees (continued)

### 5.1 Nominations and Corporate Governance Committee (continued)

#### 5.1.1 Diversity (continued)



During 2022, the NCGC reviewed the Board Nominations Policy, which aims to maintain diversity with appointments based on merit in the context of the skills and experience required. The Group is aiming to achieve and maintain 40% female representation and has been implementing an action plan approved by the NCGC describing all key intervening milestones leading to the accomplishment of this target. The changes in the composition of the Board in 2022 increased diversity at 40%. The Board remains committed to maintaining its set target.

The Board also places high emphasis on ensuring the development of diversity in the senior management roles within the Group. A number of Group policies ensure unbiased career progression opportunities. The Code of Conduct similarly ensures equal opportunities to all members of staff and treats diversity with fairness and respect aiming to provide fair treatment for everyone at work. A primary ESG target approved under the ESG strategy by the Board is  $\geq 30\%$  women in Group's management bodies by 2030.

As at 31 December 2022, there is a 27% representation of women in Group's management bodies (defined as the ExCo and the Extended ExCo) and a 39% representation of women at key positions below the Extended ExCo (defined as positions between Assistant Manager and Manager).

## 5.2 Human Resources and Remuneration Committee

As at 31 December 2022, the HRRC comprised of three independent non-executive members. Its composition complies with the requirements of the CSE Code, and the CBC Directive on Internal Governance, and the UK Code. However, it should be noted that, up to 20 May 2022 the composition of the Committee did not comply with the UK Code which requires that all members are independent. The Board considers that at least one member of the HRRC possesses appropriate knowledge and expertise on Human Resources ('HR') and remuneration issues and that the chair has at least one year prior committee experience.

The members of the HRRC collectively possess appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, including the mechanism for aligning the remuneration structure to the Group's risk and capital profile. The diverse backgrounds of the members of the HRRC provide a balanced and independent view on remuneration matters.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the HRRC and the RC.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The HRRC held 9 meetings in 2022. The chair and members of the Committee together with their attendance at meetings are shown below. The CEO and the Executive Director People and Change were invited to attend meetings as appropriate.

**5. Board Committees** (continued)

**5.2 Human Resources and Remuneration Committee** (continued)

**Member attendance in HRRC meetings in 2022:**

Maria Philippou (Chair)	9/9
Maksim Goldman (stepped down 20/5/2022)	4/4
Constantine Iordanou (appointed 20/5/2022)	5/5
Michael Heger (stepped down 20/5/2022)	4/4
Lyn Grobler	8/9

The key responsibilities of the HRRC are set out in its terms of reference, which are available on the Group's website (<https://www.bankofcyprus.com/globalassets/who-we-are/our-governance/appendix-8-group-hr-and-remuneration-committee-tor.pdf>) and are reviewed annually and approved by the Board.

The role of the HRRC is:

- To oversee that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals. It is imperative for the Group to employ the appropriate forward-looking, commercially minded, human resources that would promote digital transformation and continuous innovation;
- To oversee that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour, which would lead to the desired outcome;
- To oversee that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market;
- To regularly review, agree and recommend to the Board the over-arching principles and parameters of Compensation & Benefits policies across the Group and to exercise oversight for such issues;
- To oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives.
- Within the over-arching principles and parameters recommended by the HRRC and approved by the Board as referred to above, to review and set the remuneration arrangements of the Executive Directors of the Company, Senior Management and the Group Remuneration Policy, bearing in mind the EBA Guidelines on remuneration policies under CRD V of 2021, the CBC Directive on Internal Governance, the UK Code and any other applicable statutory or regulatory requirements.

The HRRC oversees the HR initiatives that foster employee engagement, such as the Organisational Health Index project ('**OHI**'), the application of a holistic internal communication programme, the implementation of the 'Well-at-Work' initiative - an employee wellbeing / care programme, and the application of fair and transparent recognition initiatives across the Group.

The HRRC holds delegated responsibility from the Board for the oversight of the Group-wide Remuneration Policy with specific reference to the senior management, heads of, and senior officers in, internal control functions and those employees whose activities have a material impact on the Group's risk profile. The HRRC is responsible for overseeing the annual review of the Group Remuneration Policy with input from the RC and relevant risk management functions which is then proposed to the Board for ratification. In addition, the Board, through the HRRC, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The remuneration of non-executive directors is determined by the Board following the recommendation of the Chairperson of the Board while the remuneration of the Chairperson and Vice-Chair is recommended by the HRRC. Both are subject to approval by the shareholders. No director is involved in decisions regarding his/her own remuneration.



## 5. Board Committees (continued)

### 5.2 Human Resources and Remuneration Committee (continued)

The HRRC exercises oversight of negotiations with the labour union in Cyprus and provides guidance and support to management. It advises the Board on the approval of the collective agreements and reviews the framework of industrial relations and collective agreements to ensure they are relevant to best practices and conducive to good performance.

The HRRC reviews any voluntary retirement / separation schemes for BOC PCL and material subsidiaries in cooperation with the Human Resources Division ('HRD') and succession planning for all divisions and subsidiaries for senior management throughout the Group. It also reviews the annual training plan as prepared by HRD and approved by the CEO and ensures that it creates and/or develops the right competencies and behaviours that are necessary for meeting the Group's strategic priorities.

The HRRC reviews and approves the content of any resolutions submitted for approval at the general meeting of the shareholders. These resolutions are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the CSE Code and concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

#### Matters considered and action taken by the HRRC in 2022

Annual Remuneration Review	<ul style="list-style-type: none"> <li>Annual review and approval of the Remuneration Policy;</li> <li>Chairperson's remuneration;</li> <li>Introduction of merit pay as a percentage of fixed salary to encourage high performance from 2022;</li> <li>Long-Term Incentive Plan (LTIP);</li> <li>The Remuneration Benchmarking for Senior Management;</li> <li>Salary proposals for key senior management;</li> <li>Short Term Incentive Plan (STIP);</li> </ul>	<ul style="list-style-type: none"> <li>The Remuneration Policy was approved.</li> <li>The Chairman's remuneration was significantly below the benchmark of € 214K that holds for the Greek and Cypriot banks. The Committee decided to recommend to the Board to increase the base remuneration of the Chairman.</li> <li>The HRRC recommended to the Board for approval the LTIP prior to the AGM approval in May 2022 as a way to align the key employees' interests with those of shareholders.</li> <li>Salary increases to key executive team members to align with market.</li> <li>A first draft for an STIP was discussed which will provide variable pay to high performing staff based on clear criteria to be set.</li> </ul>
Disclosure and Governance	<ul style="list-style-type: none"> <li>Review of the Remuneration Policy Report in the Annual Report;</li> <li>Review of the Terms of Reference of the HRRC;</li> <li>Monitoring of the development of payroll cost;</li> <li>Review of a number of HR Policies;</li> <li>Review of the Organisational Health Index (OHI) Update; and</li> <li>Ask the Board Initiative.</li> </ul>	<ul style="list-style-type: none"> <li>The Report was reviewed and approved.</li> <li>The HRRC recommended amendments to its terms of reference to ensure continued compliance with the CBC Directive on Internal Governance, and to incorporate ESG criteria.</li> <li>The internal Board Evaluation of 2022 reported a positive outcome with regard to the HRRC's continued effectiveness.</li> </ul>
Human Resources Review	<ul style="list-style-type: none"> <li>Review of the Revised External Recruitment Policy;</li> <li>Review of the 2022 Voluntary Exit Plan ('VEP');</li> <li>Gender Pay Gap;</li> <li>Reorganisation Plan;</li> <li>Review of the Internal Transfers Policy;</li> <li>Specialised staff recruitments.</li> </ul>	<ul style="list-style-type: none"> <li>The HR strategy in identifying, managing and mentoring talent was reviewed and discussed.</li> <li>An initiative to reduce the layers of hierarchy for a more agile organisation and faster decision-making and more efficient management process.</li> <li>The reorganisation Plan, which is in line with the Group's operating model transformation identified 600 obsolete positions. The Project Sunrise and the Transformation address the need for a leaner structure.</li> <li>A number of specialised staff recruitments in the area of Information Technology and Digital Transformation were approved.</li> </ul>
Training	<ul style="list-style-type: none"> <li>Review of the training plan of staff for the year.</li> </ul>	<ul style="list-style-type: none"> <li>The training plan was reviewed to ensure it is appropriate and aligned to the strategy of the Group and offers reskilling opportunities to staff.</li> </ul>
Engagement with Labour Union	<ul style="list-style-type: none"> <li>Close monitoring of the progress of the negotiations and recommendation to the Board for approval with regards to the renewal of the Collective Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>The Bank reached agreement with labour union representatives for merit pay, the obsolete positions and other issues.</li> </ul>

## 5. Board Committees (continued)

### 5.2 Human Resources and Remuneration Committee (continued)

#### Matters considered and action taken by the HRRC in 2022 (continued)

<p>Performance Appraisal, Development and Succession</p>	<ul style="list-style-type: none"> <li>• Review of the Performance Appraisal results and main findings;</li> <li>• Review of the Performance Appraisal Policy;</li> <li>• Succession Planning.</li> </ul>	<ul style="list-style-type: none"> <li>• There is an appropriate process in place to assess the performance of staff and Senior Management and quality checks are run to identify deviations.</li> <li>• The Board is informed of the Appraisal results when reviewing the succession plan.</li> <li>• The Policy was reviewed and approved.</li> <li>• The Bank's Succession Plan was considered by the HRRC and the NCGC at a joint meeting.</li> </ul>
<p>Human Resources Practices</p>	<ul style="list-style-type: none"> <li>• HR Strategy;</li> <li>• Internal Customer Satisfaction Survey;</li> <li>• Staff Opinion Survey;</li> <li>• Organisational Health Index (OHI);</li> <li>• Update on Risk Culture project;</li> <li>• The introduction of the Agile and Value Stream Operating Model.</li> </ul>	<ul style="list-style-type: none"> <li>• Various initiatives introduced by HRD to align culture with strategy were reviewed and commented on by the HRRC.</li> <li>• Action Plan to improve participation rate in the surveys.</li> <li>• Ongoing project as part of the Bank's efforts of enhancing its risk and control culture.</li> <li>• The Agile Model was introduced with success in many IT projects and consideration was given to introducing it to other operations of the Group.</li> </ul>

Priorities for the HRRC in 2022 were (i) the 2022 LTIP, (ii) merit pay and (iii) addressing the issue issues arising from the VEP.

During December 2022, the Group granted to eligible employees share awards under a long-term incentive plan ("**2022 LTIP**"). The 2022 LTIP was approved by the 2022 AGM, which took place on the 20 May 2022. It involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3 year period for financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. The LTIP represents a further step in the Group's efforts to enhance its remuneration structure by introducing a variable pay component within the total compensation package of the members of eligible group, as per best practice and in accordance with EU banking industry regulations. More information in relation to the 2022 LTIP can be found in the Remuneration Report and in the Consolidated Financial Statements 2022.

The Board is informed through the HRRC on staff surveys and is updated on progress in implementing actions in response to staff feedback. The Group appointed more than 25 Health Champions across all its sectors who interviewed and discussed with all staff their perception relative to what needs to be done in the Group Organisational Health Index. The OHI focuses on – and simultaneously examines - all aspects of the Group's work culture as well as the way it operates as an organization. Action plans were set in place for all areas of focus identified. Four members of the Senior Management Team are sponsors to various workstream initiatives such as knowledge sharing (podcasts), career opportunities (internal opportunities for advancement) and the launch of the BOC Academy as well as Role Modelling by engaging Senior Managers to work with recognised Talent. The Internal Customer Satisfaction Survey allows employees to evaluate the level of service they receive from various internal departments of the Bank. In 2022 several support functions were evaluated.

The HRRC considered and recognised the strength of the mechanisms in place to engage with and hear from employees; in particular, there are methods of gathering and documenting workforce views and considering how themes and viewpoints of the workforce are presented to and considered by the Board for discussion and debate, with the aim of encouraging a meaningful dialogue between the Board and the workforce on a timely basis.

## 5. Board Committees (continued)

### 5.2 Human Resources and Remuneration Committee (continued)

The Board agreed to adopt an alternate approach to the workforce engagement methods set out in the UK Code. The primary reason for taking a different approach is that there is regular interaction with the labour union which represents 97.7% of staff. Remuneration within the Group is based on collective agreements including remuneration of executive management except that of the CEO which is a fixed term contract and there are certain restrictions on variable remuneration for all employees including executive directors. The Remuneration Policy covers all employees including executive directors.

The information from surveys, the whistleblowing process, other information reported from the Working Team on culture, disciplinary actions, grievances themes etc., were reported to and discussed by the HRRC and the ECCC before being reported to the Board. It is hereby confirmed that the workforce engagement method that the Board has settled on is through internal communication initiatives facilitated by the HRD and reported to the Board.

Several joint sessions with the NCGC were held during which discussions of the pay grading system by Korn Ferry for Senior Management took place. A benchmarking exercise carried out earlier in the year was considered as aligned with the pay grade system. The succession plan across the Group was also discussed and the Joint Committee recommended it for approval to the Board. Finally, the extension of the contract of the CEO was recommended for approval given the exceptional results of the Group achieved in the previous three years.

Further information on the role of the HRRC is presented in the Remuneration Policy Report, on page 403 of this report.

The Chair of the HRRC reported to the Board after each meeting to ensure all directors were fully informed of the HRRC's activities.

### 5.3 Audit Committee

The audit committee at the Bank of Cyprus has a wide range of responsibilities, which can be broadly categorized into the following areas:

- 1. Internal Controls:** The audit committee plays a crucial role in evaluating the effectiveness of the bank's internal control systems. These systems are designed to prevent fraud, safeguard assets, and ensure the accuracy of financial reporting. The committee reviews the bank's policies and procedures and provide a robust internal control environment.
- 2. Internal Audit Function:** The Audit Committee is responsible to oversee the Bank's internal audit function, which is an independent and objective assurance function. The Committee ensures that the internal audit department has the necessary resources, independence, and access to information to carry out its mandate effectively. The Committee reviews and approves, inter alia, the internal audit plan, monitors the progress of audit activities, and evaluates the effectiveness of the internal audit function.
- 3. Financial Reporting:** The Committee is responsible to review and assess the Group's financial statements. The Audit Committee ensures that the financial reports are accurate, complete, and in compliance with the International Financial Reporting Standards (IFRS) and applicable laws and regulations. The Audit Committee also reviews any changes to accounting policies, and practices to ensure that they are appropriate and consistent with the bank's overall financial goals.
- 4. External Audit:** The Audit Committee is responsible for the appointment, compensation, and oversight of the Bank's external auditor. The Committee ensures that the external auditor is independent and has the necessary qualifications to carry out its work effectively. The AC reviews the external auditor's audit plan, findings, and recommendations and monitors the bank's response to any identified issues.
- 5. Compliance and Regulatory Affairs:** The Bank operates in a highly regulated environment, and the AC is responsible for ensuring that BOC PCL complies with all applicable laws, regulations, and standards. The AC reviews BOC PCL's compliance policies and procedures and monitors its performance against key regulatory requirements. The AC also liaises with regulators and addresses any concerns or findings that may arise from regulatory inspections or examinations. In addition to the latter, the AC assesses the soundness of the methodologies and policies management the Group uses to develop ESG metrics and other disclosures and to assess the key vendors' plans about sustainability.

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**6. Whistleblowing and Fraud Prevention:** The AC is responsible for establishing and maintaining an effective whistleblowing mechanism that enables employees and other stakeholders to report concerns about potential misconduct or unethical behaviour. The committee ensures that the whistleblowing policy protects whistleblowers from retaliation and provides for a thorough and objective investigation of reported concerns. More information in relation to the whistleblowing and fraud prevention can be found on page 369 of this report.

As at 31 December 2022, the AC comprised of three independent non-executive directors. The AC's composition is fully compliant with the CSE Code, the UK Code and the CBC Directive on Internal Governance. On 26 October 2022, Mr. Zographakis stepped down from the AC having completed nine years on the Board and the AC. The Board considers that the Committee members have an appropriate mix of skills and experience and have collectively recent financial experience and competence relevant to the banking and financial services sector in which the Group operates. The AC is satisfied that a strong financial risk and control environment is in place.

The Board further believes that Nicolaos Sofianos, and Paula Hadjisotiriou have specialised knowledge and experience in the application of internal control procedures and accounting issues relevant to the AC and have significant, recent and relevant financial experience and can be regarded as AC financial experts. The members of the AC maintain their knowledge and expertise on relevant AC matters through continuous development opportunities, Board deep dives and training.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Executive Director Finance & Legacy, Internal Audit Director, Chief Compliance Officer, the statutory auditors and the Company Secretary regularly attend the AC meetings. As part of and in addition to each scheduled meeting the AC held members-only meetings. The AC held 18 meetings during 2022. The chairperson and members of the AC together with their attendance at meetings are shown below. Nicolaos Sofianos and Paula Hadjisotiriou are also members of the RC. Agendas are aligned and overlap of responsibilities is avoided.

**Member attendance in AC meetings in 2022:**

Nicolaos Sofianos (Chairperson)	18/18
Ioannis Zographakis (stepped down on 26/10/2022)	15/15
Arne Berggren	16/18
Paula Hadjisotiriou	18/18
Michael Heger (stepped down on 20/5/2022)	10/10

## 5. Board Committees (continued)

### 5.3 Audit Committee (continued)

The key responsibilities of the AC are set out in its terms of reference, which are available on the Group's website ([www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group)) and are reviewed annually and approved by the Board.

The AC has exercised its authority delegated by the Board, for ensuring the integrity of the Group's published financial statements, by discussing and challenging the judgements made by management and the assumptions and estimates on which they are based. The Committee on behalf of the Board reviewed the 2022 Group Annual Financial Report and the process by which the Group believes that the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Following review, the Committee has advised the Board that such a statement can be made in the 2022 Annual Financial Report (page 47).

A key activity for the AC is the consideration of significant matters relating to the annual financial report, with key accounting judgements and disclosures subject to in depth discussion with management and the external auditors, PricewaterhouseCoopers ('PwC'). The Committee provides robust challenge to key judgements in advance of making a recommendation to the Board that all financial reports are considered to be a fair, balanced, and understandable assessment of the Group's financial position.

The most significant judgements, estimates and assumptions in 2022 related to the calculation of expected credit losses, the estimation of the net realisable value of stock of property and provisions relating to pending litigation, claims, regulatory and other matters. In addressing these issues, the Committee discussed key areas of management's judgements and estimates with the management and the external auditors, PwC; particular areas for discussion included their findings/observations as part of their audit of the Group's financial statements, including, *inter alia*, classification of financial assets, calculation of expected credit losses, stock of property, provisions for pending litigation, claims, regulatory and other matters, tax and fair value of investments and derivatives. Further information is set out in Note 5 of the Consolidated Financial Statements for the year ended 31 December 2022.

The Committee considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.

Management reporting to the AC from across the business has provided the opportunity for the Committee to challenge, probe, discuss and seek assurances from management, enabling the Committee to provide an independent perspective.

Specific matters considered by the AC were: the effectiveness of the system of internal controls, financial reporting, the major findings of internal audits and investigations into control weaknesses and management's response. The AC has received confirmation that executive management has taken or is taking the necessary actions to remedy any failure or weaknesses identified through the operation of the Group's framework of controls and will continue to reassess and remediate further as needed.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Company and/or its subsidiary companies, where any member of the Board, CEO, senior executive officer, Secretary, auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Company's normal commercial practices (at arm's length).

The Committee received regular reports from the EDFL, the Internal Audit Director and the Chief Compliance Officer who regularly attended the Committee's meetings. Reports were submitted to the Committee on internal control matters. The Committee has regular discussions with the external auditors, the Internal Audit Director and the Chief Compliance Officer on various issues without the presence of the management.

#### *Other responsibilities*

The AC and the RC liaise closely and in joint committee meetings, review the appropriateness and completeness of the system of internal controls, management's recommendations in respect of provisions for impairment of loans and advances and other impairment losses and charges as reported in the Group's financial statements. The AC is primarily responsible to review the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal controls system, including accounting control systems, thereby maintaining an overall effective system of internal controls and monitor management's responses and actions to the findings and recommendations and any mitigating actions in response.

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

The chairperson of the Committee holds the role of Whistleblower's Champion and has specific responsibility for the integrity, independence and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for protecting employees who raise concerns from possible discriminatory or retaliatory actions. He has also been named as the designated Board member responsible for the implementation of the AML Law and relevant Directives.

As a result of the AC's work in 2022, assurance has been provided to the Board on the quality and appropriateness of the Group's financial reporting and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Group's broader stakeholders.

The AC's performance during 2022 was assessed as part of the internal performance evaluation of the Board. The conclusion drawn was that the Committee is regarded as operating effectively and the Board takes assurance from the quality of the Committee's work. The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

It is noted that Eurolife Ltd and General Insurance Ltd also maintain an audit committee which reports to the AC on an annual basis. The AC chairman periodically attends meetings of these subsidiary audit committees and reports back to the AC and the Board.

Overall, the role of the AC is fundamental to ensuring the integrity and accuracy of the Company's financial reporting. Good, open relationships between the AC, the EDFL, the Internal Audit Director and the Chief Compliance Officer as well as the external auditors, are essential to adding value to the organisation. This is achieved by holding management accountable for the implementation of all recommendations (internal and external). In addition to providing assurance within the governance and accountability structures of the Group, it is essential that the AC contributes, delivers results and adds value to the Group.

Further, the AC considered the availability and the reporting of the results of the insurance subsidiaries and concluded that significant progress was achieved. Further the AC considered other key significant accounting and other related issues in its review of the financial statements for the year ended 31 December 2022. In addressing these issues, the AC considered the appropriateness of management's judgements and estimates and where appropriate, discussed those judgements and estimates with the external auditors.



**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2022**

Internal controls	<ul style="list-style-type: none"> <li>• Annual review of the effectiveness of the Group's internal controls;</li> <li>• Review of the IT Action Plan to address audit findings;</li> <li>• Ongoing interaction with external auditors for exchange of information and evaluation in the context of use of the work of Internal Audit, as allowed by the International Standard on Auditing (ISA) 610 "Using the work of Internal Auditors"</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the work carried out in 2022, reasonable assurance is provided, with emphasis on specific matters, on the design, adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes, for managing significant risks, according to the risk appetite set by the Board of Directors. Emphasis is placed on the areas of Digitalisation, Information Systems and Data Governance, current, as well as any future, risk exposures.</li> <li>• The progress of addressing IT audit findings was discussed with regard to availability and continuity of IT services.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Review of the Annual Audit Report;</li> <li>• Approval of the Internal Audit's (IA) Annual Audit Plan;</li> <li>• Review of the independence of the IA Division and the IA Director;</li> <li>• Assessment of the independence, adequacy and effectiveness of IA;</li> <li>• Appraisal of the IA Director;</li> <li>• Review of the Internal Audit Division Charter;</li> <li>• Approval of the IA budget;</li> <li>• Review of the IA quarterly activity and follow up reports;</li> <li>• Overview of the internal audit services;</li> <li>• IA staffing needs and skills assessment;</li> <li>• Update on complaints received through the whistleblowing line;</li> <li>• Triennial External Assessment of the Internal control Framework of BOC Group</li> <li>• External Quality Assessment report.</li> </ul>	<ul style="list-style-type: none"> <li>• The conclusions arising from the internal audit activity as described in the Annual Audit Report were discussed.</li> <li>• The adequacy, effectiveness and independence of the internal audit function was assessed as adequate and relevant confirmation was provided to the Board.</li> <li>• Investigation reports, internal audit report findings and recommendations were discussed as well as management's response and actions.</li> <li>• The completion rate of recommendations to mitigate findings deriving from IA and external reports was monitored by the Committee.</li> <li>• The independent assessment of the Group's Internal Control Framework as per Central Bank of Cyprus (CBC) Directive on Governance and Management Arrangements in Credit Institutions identified certain instances of partial compliance of the Bank with the provisions of the Directive.</li> <li>• The External Quality Assessment indicated that the Group IA:             <ol style="list-style-type: none"> <li>a. Generally Conforms with the IIA Standards, IPPF and Code of Ethics.</li> <li>b. The BOC IA is a mature function. Its practices are ahead of many corporate Internal Audit functions and broadly in line with those at the largest global organisations who are typically seen as a good practice reference point.</li> </ol> </li> </ul>
External Reporting	<ul style="list-style-type: none"> <li>• Review and recommendation for approval of the annual and interim reporting;</li> <li>• Review and approval of the quarterly financial results;</li> <li>• Review and approval of the Group's existing and new accounting policies;</li> <li>• Endorsement of the going concern assessment for the purposes of the basis of preparation of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC considered management's assessment of the appropriateness of preparing the financial statements of the Group on a going concern basis. Matters considered in making this assessment included the performance of the Group, profitability projections, funding and capital plans under base and stress scenarios.</li> <li>• The considerations assessed by the AC in relation to the going concern assessment are also set out in Note 3 of the Consolidated Financial Statements.</li> </ul>

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2022** (continued)

<p>External Auditors</p>	<ul style="list-style-type: none"> <li>• Evaluation of the independence of the external auditors;</li> <li>• Discussion of the external Annual Audit Plan 2022 and subsequent results of the half-yearly review of the interim report and annual audit of the yearly financial statements;</li> <li>• Approval of audit, tax compliance and other assurance fees for the year;</li> <li>• Approval of permissible non-audit services assigned to the auditors;</li> <li>• Discussion of the results of the audit of the semi-annual and annual financial statements ;</li> <li>• Meet with the external auditors at least twice without the presence of management;</li> <li>• Assessment through Audit Quality Indicators (AQI) of the effectiveness of the external audit process;</li> </ul>	<ul style="list-style-type: none"> <li>• The preparation of the financial statements requires management to make a number of judgments and/or assumptions that affect significant accounting estimates. The external auditor, for each of these critical accounting estimates and judgements made by management, have challenged their appropriateness and assessed the financial statement disclosures.</li> <li>• The AC assessed through the AQIs the effectiveness of the external auditors and recommended that the auditors enhance the frequency of reporting with regards to the status of completed audits of subsidiary companies.</li> <li>• The external auditors presented their audit plan for the year ended 2022.</li> <li>• The external auditors presented their conclusions in relation to the significant estimates and judgements and discussed them with management and the AC.</li> <li>• The auditors as part of their audit approach in line with the prior year included testing of IT general controls where financial reporting controls relied on the specific IT systems in scope and provided updates on the prior year findings in this area, particularly with respect to findings on privileged user access controls.</li> <li>• Further follow-ups were provided on findings in other areas of the external audit. These will continue to be discussed along with management's actions.</li> </ul>
<p>Governance</p>	<ul style="list-style-type: none"> <li>• Review of the revised Terms of Reference of the AC;</li> <li>• Approval of the Corporate Governance Report;</li> <li>• Approval of the Directors' Compliance Statement;</li> </ul>	<ul style="list-style-type: none"> <li>• The Terms of Reference were revised to be in line with the CBC Directive on Internal Governance issued in Oct 2021 and include ESG criteria.</li> <li>• The Board has delegated authority to the NCGC to draw up the Annual Corporate Governance Report, but the AC retains its duty to review and approve the Annual Corporate Governance Report.</li> <li>• Relevant clarifications were sought and the AC was satisfied with respect to the Annual Corporate Governance report and the Directors' Compliance Statement.</li> </ul>

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2022** (continued)

Compliance	<ul style="list-style-type: none"> <li>• Review of the Group Financial Crime &amp; Sanctions Compliance Department ('FCSCD') Annual Report;</li> <li>• Review of the Group FCSCD Risk Management Report;</li> <li>• Review of the Compliance Annual Report;</li> <li>• Review and approval of the CD Action Plan;</li> <li>• Review and approval of the Anti-Money Laundering ('AML') risk appetite statement and policies;</li> <li>• Consideration of major compliance issues and reports submitted to it by CD;</li> <li>• Review and approval of the various regulatory compliance policies;</li> <li>• Assessment of the implementation of the digital KYC tool</li> <li>• Correction of findings emanating from the OSI (On-Site Inspection) Audit of the ECB on Internal Governance and Risk Management of Compliance;</li> <li>• Report of the DPO;</li> <li>• Compliance Management System;</li> <li>• Reorganisation/restructuring of the Compliance Division;</li> <li>• Appraisal of the Director Compliance;</li> </ul>	<ul style="list-style-type: none"> <li>• Data privacy issues and way forward discussed.</li> <li>• An in-depth presentation of the recently implemented Compliance Management System was made to the AC which discussed efficiencies, performance and the need to fully utilise the system.</li> <li>• The OSI findings and recommendations were discussed and actions were taken to enhance compliance activities.</li> <li>• Phase 1 of the KYC tool on the onboarding of individuals was considered successful and Phase 2 on the onboarding of legal entities was completed in 2022.</li> <li>• The DPO report highlighted the progress achieved overall and the enhanced awareness of staff on data privacy issues.</li> <li>• The findings and mitigating actions and responses to the ECB were discussed by the AC.</li> <li>• The staffing needs and re-organisation of the Compliance Division following the VEP were discussed and actions were approved.</li> </ul>
Subsidiaries Oversight	<ul style="list-style-type: none"> <li>• Reports by the audit committees of the two insurance companies – General Insurance Ltd and Eurolife.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC Chairman attended on a regular basis the AC meetings of the two insurance companies and provided guidance and advice on various matters discussed.</li> </ul>

**5.3.1 Internal Audit & Compliance Divisions' effectiveness**

The Internal Audit and Compliance Divisions report directly to the Board through the AC. They are organisationally independent of units with other executive functions and are not subordinated to any other unit of the Company, except the Chief Compliance Officer who reports administratively to the CEO. The Committee's activities included the consideration of reports submitted by the Internal Audit and Compliance Divisions.

In monitoring the activities and effectiveness of Internal Audit Division, the Committee approved the annual internal audit plan and budget, including resources, and reviewed progress against the plan throughout the year.

The AC received regular reports from the Internal Audit on internal audit activities across the Group which outline details of the audit approach, management engagement and areas identified during audits for further strengthening of the Group's risk management and internal control framework. These reports cover matters of relevance to the AC in assessing the effectiveness of the internal controls. Reports are rated based on the design adequacy and operating effectiveness of control environment, as well as management's control awareness of the risks facing their business area. In conjunction with Internal Audit reports, the AC considers management's responses to, and the timeliness of the remediation of identified issues.

Through regular meetings held with and reports provided by the Internal Audit Director on internal audit issues, including the effectiveness and adequacy of resources, the Committee has satisfied itself that the Internal Audit Division was effective and adequately resourced. The External Quality Assessment of the Internal Audit performed in 2022, indicated that the function is mature and it generally conforms with the IIA Standards, IPPF and Code of Ethics.

The AC reviewed the internal audit planned activities for the following year. Management's responses to Internal Audit's findings and recommendations, as well as the implementation progress of recommendations provided in internal and external reports were reviewed and monitored. The quarterly reports issued by the Internal Audit Director enable the AC to focus discussion on specific areas of concern and to track remediation progress over time.

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**5.3.1 Internal Audit & Compliance Divisions' effectiveness** (continued)

Regular reports are submitted by Compliance Division to the AC on matters relating to regulatory risk across the Group. The AC also received reports from the Money Laundering Compliance Officer on the operation and the effectiveness of the systems and controls established by the Group to manage Financial Crime & Sanctions Compliance ('FCSC') risk. FCSC incorporates money laundering, terrorist financing, sanctions and bribery and corruption and is a key area of Committee focus. There is zero-tolerance on money laundering and terrorism financing incidents.

The AC proposes to the Board the appointment, replacement, transfer or removal of the Internal Audit Director and the Chief Compliance Officer. It also approves and monitors the OKRs of the IA Director and the Chief Compliance Officer. It submits a report to the Board on the assessment and monitoring of the independence, adequacy and effectiveness of Internal Audit and the Compliance Division.

Assurances have been sought and received by the AC concerning the resourcing of the Internal Audit and Compliance functions.

**5.3.2 Arrangements relating to the external auditors**

The AC oversees the relationship with the external auditors. During the year, the AC considered PwC's terms of engagement, including remuneration, its independence, audit quality / performance, objectivity and considered the plans for the interim review and year-end audit.

Appropriate safeguards are in place to protect the independence and objectivity of PwC. The AC operates a Group Policy on the Provision of Non-Audit Services by the Group's statutory auditors in line with the applicable EU Directive and the Auditors' Law to regulate the use of the statutory auditors for non-audit services. In order to ensure the objectivity and independence of the PwC, the policy formalises certain restrictions in the provision of non-audit services by PwC and requires that any engagement of the external auditors for services must be approved in advance by the AC. Quarterly, details of approved non-audit services are presented to the Committee for review, including monitoring of the balance between audit and permissible non-audit services. The AC is responsible for overseeing all matters relating to the relationship between the Group and its statutory auditors, including the external audit plan, terms of engagement, audit and non-audit fee arrangements, interim findings and audit finding reports.

The Group is committed to ensuring the independence and objectivity of the statutory auditors; on a semi-annual basis the AC formally reviews the effectiveness, independence and performance of the external auditors. The AC also reviews the external auditors' approach and strategy for the annual audit and audit findings.

The process for assessing the effectiveness of the audit process using AQIs, is supported by tailored questionnaires completed by the AC members and relevant senior management personnel. The responses received are collated and presented to the AC for discussion.

The external auditors do not provide internal audit services to the Group. The AC reviews annually a detailed analysis of the audit and non-audit fees relating to work done by the external auditors, to confirm their independence and refers this analysis to the Board. The External Recruitment Policy provides the framework in relation to hiring employees or former employees of the external auditor.

Information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in Note 15 of the Consolidated Financial Statements.

In accordance with the provisions of the European Directive on statutory audits and following a transparent and competitive tender process in 2017, the AC recommended to the Board the appointment of PwC for accounting periods commencing 1 January 2019. The AGM held on 20 May 2022 considered the continuation in office of PwC as Auditors of the Company and authorised the Board to fix their remuneration.

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**5.3.2 Arrangements relating to the external auditors** (continued)

The AC assessed the independence of the statutory auditors prior to the commencement of the audit period and continues to assess their independence on a six-monthly basis. The AC concluded that it was satisfied with the independence, quality and performance of PwC in respect of the year ended 31 December 2022 and recommended that the Board propose PwC for reappointment for approval at the 2022 AGM. The lead partner for the audit engagement is Mr. Kevin Egan. PwC's term as statutory auditor ends in 2027. PwC's performance and independence shall be continuously reviewed and they shall remain subject to reappointment each year, pending the selection of a new audit firm ahead of their departure in 2027.

**5.4 Risk Committee**

**Membership:**

The RC, as at 31 December 2022, comprised of three independent non-executive directors. The Board considers that the RC consists of directors, who possess individually and collectively adequate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group as well as its risk management and control practices. The Committee's composition is fully compliant with the CSE Code and the CBC Directive on Internal Governance and the UK Code.

Biographical details, including each member's background, experience and independence status, are set out in section 4 of this report.

The Committee held 22 meetings during 2022. The chairperson and members of the Committee together with their attendance at meetings are shown below.

**Member attendance in RC meetings in 2022:**

Paula Hadjisotiriou (appointed as Chair on 26 October 2022)	22/22
Nicolaos Sofianos	22/22
Constantine Iordanou (appointed on 26 October 2022)	5/5
Ioannis Zographakis (stepped down on 25/10/2022)	17/17
Maksim Goldman (stepped down on 20/5/2022)	9/10

Board consideration of risk-related issues is considered to be enhanced by members serving on more than one Board sub-committee. The Chair of the AC (Mr. Sofianos) is a member of the Risk Committee, and the Chair of the Risk Committee (Mrs. Hadjisotiriou) is a member of the AC. In addition, there is common membership with the HRRC and the NCGC. Such common membership facilitates effective governance across all finance and risk issues. Agendas can be aligned and overlap of responsibilities can be avoided. There are also regular joint meetings with the Audit Committee and with the Technology Committee to ensure there are no gaps in the oversight of internal controls and no gaps in the oversight of technology and information security risks, and that any areas of significant overlap are appropriately addressed.

According to the UK Code and the CBC Directive on Suitability, the independence status of any director who has served on the Board for more than nine years is compromised. Even though the Board believes that Mr. Zographakis continues to demonstrate independent judgement and challenge, on 26 October 2022, on the completion of his nine-year term, Mr. Zographakis stepped down from his role as Senior Independent Director, Chair of the Risk Committee and member of the Audit Committee and continues as a non-executive director.

## 5. Board Committees (continued)

### 5.4 Risk Committee (continued)

#### Purpose and Responsibility

The main purpose of the Committee is to oversee, on behalf of the Board, the management of risk by the executives, including the establishment of an appropriate group wide risk management framework, review the aggregate risk profile of the Group, including performance against risk appetite for all risk types, and ensure that both the risk profile and risk appetite remain appropriate. Specifically, it:

- Assists the Board in overseeing the implementation of the Group's risk strategy;
- Oversees the identification, assessment, control and monitoring of financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance risks and ESG including C&E risks), which the Group faces in cooperation with the responsible Board Committees;
- Considers, challenges and recommends to the Board for approval the Group's overall Risk Appetite;
- Reviews the aggregated Risk Profile for the Group and performance against Risk Appetite and reports its conclusions to the Board;
- Identifies the potential impact of emerging issues and themes that may affect the Risk Profile of the Group;
- Ensures that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, the Group's characteristics and the internal control environment;
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees;
- Ensures 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; and
- Ensures the effective management of all risks associated with outsourcing.

The Bank, like all other financial institutions, is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk, operational risk and property price risk. The Group identifies and monitors and manages these risks through various control mechanisms and reviews the mitigating actions proposed by management.

The Committee gives detailed consideration to existing and emerging risks, through a balanced agenda which ensures sufficient focus on standing areas of risk management through the Group Risk Management Framework, together with specific attention being given to those emerging risks, which could significantly impact the Group and/or its customers.

Emerging risks included areas such as the rising energy prices and interest rates and their effect on the Bank's clients, and Cyprus' geopolitical position, transformation risk, data management, IT resilience and information security (including cyber security), and climate-related risks where the dynamic nature and significance of related risks and challenges continue to evolve.

Key matters included:

- Recommending the Group's Risk Appetite Framework and Risk Appetite Statement. Considering breaches of risk appetite, remediation plans and required communications;
- Recommending policies for credit, market and liquidity and cyber/information security risks and approving other key risk policies;
- Regularly assessing the Group's overall risk profile and emerging risk themes, hearing directly from the Chief Risk Officer and Chief Information Security Officer regularly reviewing the risk reports and risk appetite dashboard;
- Receiving reports on the Group's operational and technology capability, including specific updates on cyber risk management capability, IT resilience, IT Service Continuity Management and Data Management;
- Recommending the Group's plan for managing NPEs, a key driver of managing legacy credit risk and reviewing the risk aspects of NPE sales;
- Reviewing and challenging the assumption, scenarios, and output of the 2022 ICAAP and ILAAP and recommend to the Board for approval;
- Reviewing the impact of the war in Ukraine on portfolio and business;
- Considering the risk assessment of the 3-year financial plan;
- Reviewing Quarterly REMU Updates.

Work already initiated to determine the climate related and environmental risks the Bank is exposed to, progressed in 2022 and continues forward, so that these risks can be integrated into the existing risk taxonomy and risk registry of the Bank and inform its various business processes.



**5. Board Committees** (continued)

**5.4 Risk Committee** (continued)

**Purpose and Responsibility** (continued)

On a monthly basis, the RC reviews the risk report, which identifies key issues and includes a view of the Group's Risk Appetite Statement, as well as top and emerging risks. The Emerging Risks and Risk Profile are reviewed on a quarterly basis.

To ensure consistency of scope and approach by subsidiary company committees, the RC has established core terms of reference to guide subsidiary companies when adopting terms of reference for the non-executive risk committees. The Committee's endorsement is required for any proposed material changes to subsidiary company risk committee terms of reference and for appointments to such committees.

Detailed information relating to Group Risk Management is set out in Notes 45 to 48 of the Consolidated Financial Statements and the Risk and Capital Management Report section of the 2022 Annual Financial Report.

The Committee identified the current and potential impact of key issues and themes on the Group's risk profile and performed deep dive discussions in order to better understand and provide guidance to the management. Deep dive discussions concentrated on the RRD (Restructuring and Recoveries Division) portfolio, the Information Security Maturity penetration tests and the appointment of Control Function Liaisons in major business units to better embed risk and compliance culture. The Fraud Risk Assessment Framework was discussed at length. SREP results and data governance issues were also discussed in depth. Further the Committee discussed and approved or recommended for approval a number of credit limited > €100 million restructurings and contractual or non-contractual write-offs.

The Committee also was informed and updated on developments and market practices through dedicated training sessions on the RCMS (the system used by Operational Risk Management), the Risk Quantification Framework, IFRS models, Third-party assessments, Business Continuity Management and Fraud Risk Management Process, New EBA Guidelines on lending and Basel III Implementation – Quantitative Impact Analysis for Capital Adequacy and Leverage.

**5. Board Committees** (continued)

**5.4 Risk Committee** (continued)

**Matters considered and action taken by the RC in 2022**

The Risk Committee reviewed and challenged the following report and where appropriate, recommended for approval to the Board. The Chair of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

<b>Area</b>	<b>Item</b>
1. <i>Risk management Division (RMD)</i>	<ul style="list-style-type: none"> <li>- Annual review and update of the Risk Appetite Framework and Risk Appetite Statements</li> <li>- Risk Appetite Framework of Digital Economic Platform</li> <li>- Annual and quarterly ICAAP &amp; ILAAP, including assumptions, stress scenarios and reverse stress scenarios</li> <li>- Financial Plan Risk Assessment</li> <li>- Resolution and Recovery Plan</li> <li>- Report on ECB Feedback on Principles for effective risk data aggregation and risk reporting</li> <li>- Risk Management Division (RMD) Charter, Budget, Strategy and RMD (Risk Management Division) goals monitoring and Annual and Monthly Updated Risk Management Report</li> <li>- Data Governance framework</li> <li>- Economic Capital calculation for Cyprus bonds</li> <li>- Revision of all Risk Management Division Policies</li> <li>- New Emerging risks report</li> <li>- REMU (Real Estate Management Unit) update including review of property portfolio</li> <li>- Regulatory update/Review of regulatory correspondence</li> <li>- Follow-up of SREP and on-site inspection</li> <li>- ECB IT Risk Questionnaire 2021</li> <li>- RMD (Risk Management Division) Declaration of Independence</li> <li>- Renewal of BBB, D&amp;O and Cyber Insurance Policies</li> </ul>
2. <i>Credit Risk</i>	<ul style="list-style-type: none"> <li>- Credit Portfolio overview / credit quality dashboard</li> <li>- Asset Quality Target Setting</li> <li>- Credit Exposures greater than €100m and proposed strategies to reduce, increase or maintain</li> <li>- ECL Provisions for all quarters and review of management exceptional overlays to address issues not fully addressed by the models.</li> <li>- Revision of ADC ToR</li> <li>- Reengineering of major Credit Risk related policies</li> <li>- Analysis of top 50 hoteliers</li> <li>- Impact of Ukraine events on portfolio and business</li> <li>- Early warning Models update</li> <li>- RRD (Restructuring and Recoveries Division) Performance</li> <li>- Shipping / Syndication Portfolio updates</li> </ul>
3. <i>Market / Liquidity Risk</i>	<ul style="list-style-type: none"> <li>- New Risk Based Bond Limits and methodology</li> <li>- Annual Review of Credit Limits (counterparty &amp; country)</li> <li>- Annual Review of Market Risk Limits</li> <li>- Authorisation Levels for Market Risk Related Limits</li> <li>- Report on Property Risk</li> <li>- Revision of Market Risk policies</li> <li>- Regular reports on liquidity</li> </ul>
4. <i>ESG</i>	<ul style="list-style-type: none"> <li>- ESG Working Plan</li> <li>- Climate risk implementation plan update</li> <li>- ECB climate Stress Test 2022 update</li> <li>- Materiality assessment and risk identification for climate risks</li> </ul>
5. <i>Operational Risk</i>	<ul style="list-style-type: none"> <li>- RCSA Plan for Y2022</li> <li>- Update on the results of the Fraud Risk Assessment process</li> <li>- Risk associated with existing and new critical outsourcing contracts</li> <li>- Revision of Policies</li> <li>- Business Continuity Plan and relevant test results</li> </ul>

**5. Board Committees** (continued)

**5.4 Risk Committee** (continued)

**Matters considered and action taken by the RC in 2022** (continued)

<b>Area</b>	<b>Item</b>
6. <i>Information Security</i>	<ul style="list-style-type: none"> <li>- Monthly and annual Information Security Reports</li> <li>- Technology Risk Report</li> <li>- Annual Information Security Report</li> <li>- Revision and approval of comprehensive list of ICT/IS KRIs</li> <li>- Updates on related regulatory compliance efforts with regards to Information Security</li> <li>- Information Security</li> <li>- Updates on Cyber/Information Security Incidents</li> <li>- Update on the results of the Enterprise Yearly Penetration Testing Results</li> <li>- Update on the Information Security Maturity Assessment for Y2022</li> <li>- Approval of Information Security Division Charter and Yearly Budget</li> <li>- Information Security Yearly Declaration of Independence</li> </ul>
7. <i>Subsidiaries Oversight</i>	<ul style="list-style-type: none"> <li>- The annual reports of the subsidiary risk committees of Eurolife &amp; General Insurance Ltd</li> </ul>
8. <i>Governance</i>	<ul style="list-style-type: none"> <li>- Terms of Reference of the Risk Committee and ADC</li> <li>- Appraisal of the Chief Risk Officer and the Chief Information Security Officer</li> <li>- Review of the effectiveness of the Committee</li> </ul>

The Chair of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

**5.4.1 Effectiveness of the Risk Management Division:**

Bank of Cyprus is now in the best position it has been since the financial crisis of 2013, with a healthy balance sheet and its assets - comprising of good quality performing loans, bonds, and cash - benefiting from the rising interest rates, with the ECB deposit rates at 2,5% at the time of writing this report and projected to rise further in 2023. On the Credit risk side, the underwriting standards have been enhanced to meet the challenges of high inflation and tightening monetary environment, credit policies have been re-engineered and simplified ensuring that they meet regulatory standards and monitoring has been further automated and focused on areas of emerging risks. In addition, the provisioning models have been updated with the latest historical and forecast parameters and management overlap were redefined to take into account the latest development to the extent that these are not fully captured by the models.

The Analytics team has developed new Early Warning Models, incorporating forward looking factors, which will allow the Risk Management Division to more accurately identify areas of risk in our credit portfolio and act proactively. In 2022, the regulatory Climate Stress Test was completed and the RMD is now capitalizing on the knowledge gained to develop models to quantify the Climate - and Environmental Risks in the credit portfolio. In relation to non-financial risks, the Risk Control Management System on operating Risk has been enhanced, and identifiers have been introduced to better identify and classify the controls we have in place to manage our risks. Furthermore, the enhanced RCSA process for branch operations has been introduced and has proven the value of having strong control function liaisons on the frontline for the better understanding and active management of risks. The Fraud risk team has enhanced the cards fraud system and has completed the dedicated Fraud risk assessments in the Small Medium Enterprises and Retail Banking Network processes. The Third-Party risk team has revamped the risk assessment of outsourcers and has introduced new KRIs to monitor outsourcing. The Business Continuity Planning (BCP) team has completed all scheduled BCP reviews and tests. Risk Operations have been heavily involved in the bank wide ESG action plan, guiding and coordinating risk departments in the risk deliverables. At the same time, they have taken responsibility for the risk culture Dashboard, which has been rolled out to the whole bank and have set bank wide 1- and 3-year targets while developing frontline divisions' separate risk dashboards and KRIs. The Strategy and Markets department delivered key enhancements to our ICAAP and ILAAP processes and completed extensive Regulator's On-Site Inspections on ICAAP. Simultaneously, the risk quantification of the Bank and the model validation framework are continuously improved, and a risk-based bonds limits methodology has been developed, which will allow us to carefully expand our bonds portfolio within our risk bearing capacity. Regarding the Legacy Portfolio, the RMD has cascaded the Risk Appetite Statement to both the RRD (Restructuring and Recoveries Division) and REMU. These divisional RAS are reported to ExCo on a quarterly basis. Furthermore, the CRO, through his participation in the Legacy Forum and the ADC (Asset Acquisition and Disposal Committee), maintains an oversight on cases relating to both REMU and RRD.

**5. Board Committees** (continued)

**5.4 Risk Committee** (continued)

**5.4.2 Effectiveness of the Information Security Division**

Throughout 2022, BoC has managed to improve the security controls throughout the BoC environment through continuous assessment and improvement of implemented controls. A revised controls maturity exercise was concluded in April 2022, with the assessment and scoring having been re-baselined based on the industry's acknowledged ISO27001 Standard and domains. The Information Security Effectiveness calculation model has also been re-baselined (in May 2022) based on the ISO27001 Standard and includes a revised set of Information Security and ICT KRIs (from 26 to 85 monitored KRIs). Throughout 2022, a series of Risk Assessments have been performed across the Group environment to identify risks related with Business Applications, Payment Services, Critical Infrastructures and Third Parties. In addition, risk management activities have been ongoing and focused on mitigating high risks and risks relevant to sensitive areas of the Group. From a Security Awareness perspective, trainings have been delivered to all staff, Executives and Board of Directors Members on a quarterly basis. In addition, monthly phishing simulation exercises have been performed and continued throughout during the year in an attempt to make staff more aware on phishing emails. The % of staff clicking on simulated phishing links decreased at value aligned with industry best practices. No successful cyber-attack incidents have been recorded in 2022 against the BoC network and business applications (internal and external). In addition, a revised formalised and documented Data Loss Prevention incident handling process has been agreed with all related stakeholders and is in place, whereas continuous configuration improvements and fine-tuning of the DLP system functionality and respective policies has continued. Regulatory Identity and Access Management, the 2021 programme to improve the maturity of IAM operations activities was undertaken, has made significant progress in 2022 and is expected to be successfully concluded in Q1/2023 with programme objectives and timelines having been met.

**5.5 Technology Committee**

The Committee held 8 meetings during 2022 at BOC PCL level. The chairperson and members of the Committee together with their attendance at meetings are shown below.

**Member attendance in TC meetings in 2022:**

Lyn Grobler (Chair)	8/8
Ioannis Zographakis	8/8
Paula Hadjisotiriou	8/8
Arne Berggren	7/8
Constantine Iordanou <sup>2</sup> (stepped down in November 2022)	5/6

The purpose of the TC is 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 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 Committee has delegated authority by the Board of Directors and is responsible to:

<sup>2</sup> Constantine Iordanous stepped down from the TC in November 2022

**5. Board Committees** (continued)

**5.5 Technology Committee** (continued)

- Review and approve the Group’s technology planning and strategy within the overall strategy framework approved by the Board;
- Review and approve significant technology investments and expenditures as per the Committee and limit structures approved by the Board, provided they do not fall within the limits that are reserved for the Board;
- Monitor and evaluate existing and future trends in technology that may affect the Group’s strategic plans, including monitoring of overall industry trends;
- Oversee the performance of the Group’s technology operations including, among other, project delivery, technical operations, technology architecture and the effectiveness of significant technology investments;
- Oversee the application of Information Security policies.

Notwithstanding the above, responsibility for the oversight of risks associated with technology, including risk assessment and risk management, remains with the RC.

The Committee monitored the progress of the digital transformation of the Bank and reviewed Key Performance Indicators focused on measuring the increase of usage of digital channels. Digital engagement stood at 81.7% towards year end compared to 77.7% the previous year. A benchmarking exercise comparing the Bank’s mobile app against that of other major banks in Cyprus and Greece, whereby all apps were scored based on the 2021 Forrester research scorecard indicated that the Bank’s app compared well.

The projects running in the IT function were monitored to ensure they stayed within reasonable deadlines. The five-year contract with Kyndryl was renewed. Digital onboarding was initiated successfully. The Digital Transformation of the insurance subsidiaries was also reviewed and monitored on a six-monthly basis. Eleven major incidents of non-availability of systems were reported in 2022. The root cause was identified in all cases and mitigating actions were taken to avoid recurrence.

The Committee reviewed the Annual Information Security Report and was informed on the key challenges and the progress made on the InfoSec operating model. The Committee followed up on the actions to mitigate IA findings within relevant deadlines.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee’s activities.

**5.6 Ethics, Conduct and Culture Committee**

The Committee held 2 meetings during 2022 at BOC PCL level. The chairperson and members of the Committee together with their attendance at meetings are shown below.

**Member attendance in ECCC meetings in 2022:**

Ioannis Zographakis (Chair)	2/2
Maria Philippou	2/2
Maksim Goldman (stepped down in May 2022)	2/2
Michael Heger (stepped down in May 2022)	2/2

## **5. Board Committees** (continued)

### **5.6 Ethics, Conduct and Culture Committee** (continued)

The role of the Committee is:

- To support the Board in promoting its collective vision of values, conduct and culture;
- To oversee management's efforts to foster a culture of ethics and appropriate conduct within the Group;
- To oversee the way the Group conducts business focusing on developing a customer-centric culture with an eye on profitability in all its operations;
- To oversee the Group's conduct in relation to its corporate and societal obligations, including setting the direction and policies for the Group's approach to customer and regulatory matters; and
- To oversee the framework for implementing ESG throughout the operations of the Bank and advise/coordinate accordingly with the NCGC and the Sustainability Committee.

The Committee focuses on providing oversight of key ethics matters and the workings of the Disciplinary Committee, on decision-making about matters of conduct and reputational risk and on handling issues of Corporate Social Responsibility with the aim of building and maintaining the right risk, control, customer-centric and economic prosperity culture.

Following the 2021 AGM and the non re-election of two members of the ECCC the Committee comprised of only two members for the remainder of the year, and therefore only 2 meeting were held during 2022. Nevertheless, as of 01.01.2023 the ECCC comprises of three directors and committee meetings will be held regularly.

Project Ethos, which is under the auspices of the ECCC progressed in a satisfactory manner. It is worth noting that the Ethos Project under the auspices of the ECCC and the Chief of Staff was set up to bolster the culture of ethics and risk management for the better protection of employees, customers and the Group. The Bank developed an action plan focused on the cultivation of a healthy culture of ethics and risk management and the development of the important profiles of desirable behaviours that are required to help strengthen the genuine relationship of trust with the Group's customers, investors and regulators. A number of workstreams related to the project were covered under Project Sunrise (a transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as internal operations) while the remaining workstreams being risk-related the project was assigned to the Chief Risk Officer going forward, instead of the Executive Director People & Change. The risk culture scoring system improved and a 3-year target was set. It was decided that performance appraisals from 2023 onwards should include the Risk Control Awareness (RCA) guidelines as these were approved by Project Ethos. The Committee also reviewed the progress of the ESG Strategy.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

## **6. Remuneration Policy Report**

The Remuneration Policy Report was prepared by the Board following a proposal by the HRRC in accordance with Annex 1 of the CSE Code, the Irish Companies Act and the UK Code. It is presented in the 2022 Annual Financial Report of the Group, after the Corporate Governance Report. Information on the remuneration of the members of the Board for the year 2022 is disclosed in Note 50 of the Consolidated Financial Statements of the Group, as well as in the Remuneration Policy Report.

## **7. Shareholder Relations**

It is a priority for the Group to communicate with shareholders. The responsibilities of the Chairperson include ensuring effective communication with shareholders and ensuring that directors develop an understanding of the views of major investors. Investor Relations Department has primary responsibility for managing and developing the Group's external relationship with existing and potential institutional investors and analysts. The Chairperson, the SID, the CEO, the EDFL and the Manager Investor Relations engage extensively with existing shareholders and potential new investors during individual or group meetings and on roadshows and investor conferences. All meetings with shareholders are conducted in such a way as to ensure that price sensitive information is not divulged.



## 7. Shareholder Relations (continued)

Mrs Annita Pavlou, Manager Investor Relations Department, is the Investor Relations Officer, responsible for the communication between shareholders and the Group since 30 August 2016. Information concerning the Group is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Group uses its website ([www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group)) to provide shareholders and potential investors with recent and relevant financial information, including the annual, the mid-year financial report and quarterly results announcements and presentations. The Investor Relations section of the Group's website is updated with all announcements published on the LSE and CSE as these are made. It also contains the contact details of the Investor Relations Department.

Directors receive an investor relations update from management at all scheduled Board meetings. This update typically includes market updates, share price and valuation analysis, updates on analysts' reports and share register analysis.

One of the responsibilities of the Chairperson of the Board is to ensure that the views, issues and concerns of shareholders are effectively communicated to the Board and to ensure that directors develop an understanding of the views of major investors. The Board considered the views of major shareholders on company strategy and performance and assessed investor sentiment more broadly in conjunction with the Group's corporate brokers. The SID, Constantine Iordanou, is available to shareholders if they have concerns that are not resolved through the normal communication channels.

All shareholders of the Company are treated on an equal basis. There are no shareholders with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial position, financial results, ownership and governance.

Under the Irish Companies Act 2014, one or more members holding at least 3% of the issued share capital of the Company, representing at least 3% of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, has the right to: (a) put an item on the agenda of the AGM provided that the item has been accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted; and (b) to table a draft resolution for an item on the agenda of a general meeting. Such a request must have been received by the Company at least 42 days prior to the relevant meeting.

Any change or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a meeting of the shareholders.

Major shareholders do not have different voting rights from those of other shareholders. As at 31 December 2022, the Company has been advised of the following notifiable interest in the share capital of the Company:

• Lamesa Investments Limited	9.27%
• CarVal Investors	9.07%
• Senvest Management LLC	7.96%
• Caius Capital LLP*	0.51%
• European Bank for Reconstruction and Development	5.02%
• Cyprus Popular Bank Public Co Ltd	4.81%
• Provident Fund of the Cyprus Bank Employees	4.74%
• Eaton Vance Management	4.08%
• Osome Investments	3.32%

\* Caius Capital as at 31 December 2023 also held 5.91% in Financial Instruments with similar economic effect according to Regulation 17(1)(b) of the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland as amended.

In accordance with the Company's Articles of Association, at the Company's AGM in 2022:

- The Directors were authorised to allot up to an aggregate of 147,245,978 ordinary shares of €0.10 each; and a further 147,245,978 ordinary shares of €0.10 each in the case of a pre-emptive issue (as described in the notice for that general meeting);
- The Directors were authorised to issue and allot those shares as if the pre-emption provisions set out in section 1022 of the Companies Act 2014 are dis-applied in respect of:
  - (i) in the case of a pre-emptive issue, the aggregate number of ordinary shares of €0.10 each authorised to be issued pursuant to such issue (as described in the notice for that general meeting); and (ii) 22,309,997 ordinary shares of €0.10 otherwise that (i); and
  - a further 22,309,997 ordinary shares of €0.10 each for specified transactions.

## 7. Shareholder Relations (continued)

- The Directors were also authorised to issue, allot, grant options over or otherwise dispose of Additional Tier 1 ("**AT1 ECNs**") and ordinary shares pursuant to the conversion or exchange of AT1 ECNs provided that this be limited to the issue, allotment, grant of options over or other disposal of ordinary shares of an aggregate nominal amount €6,692,999 and of AT1 ECNs convertible or exchangeable into ordinary shares up to such maximum aggregate nominal amount and the pre-emption provisions set out in section 1022 of the Companies Act 2014 in respect of this authority were dis-applied.
- The Directors were also authorised to make purchases of up to 44,619,993 ordinary shares. Such purchases may be made only at price levels which the directors considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. In addition, the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be the higher of 105% of the average market price of such shares and the amount stipulated by Article 5(1) of the EU Market Abuse (Buyback and Stabilisation) Regulation.

The authority conferred in each of the above resolutions expires on the earlier of close of business on the date of the AGM of the Company or on 19 August 2023.

The AGM was held on 20 May 2022 at the Company's headquarters with shareholders having the ability to listen to the meeting by electronic means and the ability to vote by either submitting a proxy form in advance of the meeting or by using the electronic voting facility. The Chairperson of the Board (who is also the chair of the NCGC) and the chairpersons of the committees of the Board were present to hear the views of the shareholders and answer questions. As is the practice, all directors of the Board at the time of the AGM attended the AGM. At the 2021 AGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by poll. To facilitate shareholder participation, electronic voting is available. Votes are taken by way of a poll to include all shareholder votes cast.

The results of every AGM of the Company including details of votes cast for and against on each resolution are posted on the Group's website ([www.bankofcyprus.com.cy/group](http://www.bankofcyprus.com.cy/group)) and released to the London and Cyprus Stock Exchanges.

There was one resolution for which a negative vote of more than 20% was cast. Arne Berggren was re-elected by receiving 98,825,604 votes in favour of his re-election representing the 71.6% of the total votes; however, more than 20% of the votes were cast against his re-election. The Chairman of the Board has been in contact with major shareholders to understand the reasons behind the result. It appears that investors believe that Arne Berggren was a representative of the European Bank for Reconstruction and Development (the "EBRD") in the remediation and de-risking phase of the Bank. As currently the Bank has exited this phase some of the investors consider that Arne Berggren no longer has a role to perform. The Chairman reassured the shareholders as to the commitment of Mr A. Berggren to the new era and strategy of the Bank and his significant contribution to the workings of the Board and Board Committees.

The Board values the AGM as a key opportunity to meet shareholders.

## Remuneration Policy Report for the year 2022

### 1. Introduction

In accordance with the provisions of the CSE Code published by the CSE (5<sup>th</sup> Edition (Revised) January 2019), and in particular Annex 1 of the CSE Code, and the Irish Companies Act, the HRRC prepares the Annual Board of Directors' Remuneration Policy Report, which is ratified by the Board and submitted to a non-binding advisory vote at the shareholders' AGM. The Annual Board of Directors Remuneration Policy Report for the year 2022 was ratified by the Board on 29<sup>th</sup> March 2022. The Bank of Cyprus Group's objective to attract, develop, motivate and retain high value professionals is considered fundamental in achieving the goals and objectives of the Group, and ensuring that the right people are in the right roles whilst managing the Group's remuneration strategy and policies in a manner aligned with the interests of the Group's shareholders.

### 2. Human Resources and Remuneration Committee

The HRRC's primary role is to ensure that staff members contribute to sustainable growth by staying ahead of challenges and opportunities. The Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, in order to ensure that they are consistent with and promote sound and effective risk management. Every year, the HRRC proposes to the Board the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders' AGM. The HRRC also reviews the related party transactions note (Note 50) of the Consolidated Financial Statements of the Group and the Remuneration Policy Report itself. The composition of the HRRC is described in section 5.2 of the Annual Corporate Governance Report on page 381-382.

#### 2.1 Terms of Reference of the Human Resources and Remuneration Committee

The role of the HRRC is described in detail in section 5.2 of the Annual Corporate Governance Report on page 381-385. In respect of remuneration the HRRC undertakes the following:

- To propose adequate remuneration considered necessary to attract and retain high value-adding professionals;
- To consider the remuneration arrangements of the executive directors of the Group, senior management and the Group Remuneration policy bearing in mind the European Banking Authority ('EBA') Guidelines on sound remuneration policies, the CBC Directive on Internal Governance, the CSE Code; the UK Code and any other applicable or regulatory requirements;
- To oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives.
- To review the implementation and effectiveness of the Remuneration Policy and ensure this is in compliance with the Remuneration Framework of the CBC Directive on Internal Governance.

The HRRC ensures that internal control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgement on the suitability of the Remuneration Policy and practices, including their suitability for risk management.

The Group's aim is to align its Remuneration Policy and human resources practices, with its business strategy, objectives, values and long-term interests of the Group and ensure that they are consistent with and promote sound and effective management of risk and long-term sustainable success and do not encourage excessive risk-taking.

The Policy aims to ensure the application of a fair, transparent and gender-neutral pay management process that applies equally to all staff, aligns their remuneration with job value, individual performance and potential and takes into account market conditions. At the same time, the principles set out in the Policy aim to encourage responsible business conduct, fair treatment of customers and to avoid conflict of interest.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the UK Code, the CBC Directive on Internal Governance which came into effect in October 2021, the Irish Companies Act, and incorporates the requirements for Remuneration Policies included in the European Capital Requirements Directive ('CRD V'), the EBA Guidelines on sound remuneration policies issued in July 2021, MiFID II and other Guidance of the EU as well as regulatory restrictions currently pertinent to the banking sector and the Group in particular.

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## Remuneration Policy Report for the year 2022 (continued)

### 2. Human Resources and Remuneration Committee (continued)

#### 2.1 Terms of Reference of the Human Resources and Remuneration Committee (continued)

The HRRC reviews and approves the content of any resolutions submitted for approval at the AGM of the shareholders, which are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the Code which may concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

##### *Senior Management*

The HRRC jointly with NCGC approves the remuneration packages of executive members of the Board, other senior management, heads of control functions and other staff reporting to Board committees, including salary, pension policy, option plans, and other types of compensation, recommended by the CEO or by the chairpersons of the Risk and Audit Committees (in the case of the heads of internal control functions).

The Committee reviews and approves appointments, transfers and dismissals of Group divisional directors, senior managers and subsidiaries' general managers (except heads of internal control functions), recommended by the CEO, and ensures that all contractual obligations are adhered to.

The chairperson of the HRRC is available to shareholders at the AGM to answer any questions regarding the Remuneration Policy of the Group. Workforce engagement is described in section 5.2 of the Annual Corporate Governance Report.

### 3. Governance of Group Remuneration Policy

#### 3.1 Principles of the CSE Code of Corporate Governance

Companies should implement official and transparent procedures for developing policies concerning the remuneration of executive directors and fixing the remuneration of each Board member separately. The level of remuneration should be sufficient to attract and retain talent required for the efficient operation of the Company. Part of the remuneration of executive directors should be determined in such a way as to link rewards to corporate and individual performance. Resolution, or any other authority allowing, variable pay should be linked to performance.

The Company's Corporate Governance Report includes a statement of the Remuneration Report and relevant criteria, as well as the total remuneration of the executive and non-executive members of the Board.

#### 3.2 EBA Guidelines

The EBA Guidelines aim to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management. The Group seeks to ensure it implements remuneration policies which are in compliance with regulatory guidelines, while at the same time operating under legal and regulatory constraints.

In accordance with EBA guidelines for the identification of those employees whose professional activities are deemed to have a material impact on the Group's risk profile, the Group maintains a list of these employees known as Material Risk Takers which is reviewed and approved by the Board annually.

## Remuneration Policy Report for the year 2022 (continued)

### 4. Remuneration

#### 4.1 Remuneration of Non-executive Directors

The remuneration of non-executive directors is not linked to the profitability of the Group. It is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the committees of the Board and any participation in the boards of Group subsidiary companies. The shareholders' AGM held on 20 May 2022 approved an increase in the annual remuneration of the Chairperson of the Board and the remuneration of the NCGC members. The remuneration of the remaining members remained at the same levels of remuneration as those approved by the shareholders' AGM on 26 May 2020.

The remuneration of non-executive directors is determined and approved by the Board. Neither the Chairperson nor any director participates in decisions relating to their own personal remuneration. The HRRC proposes fees payable to the Chairperson and the Vice-Chair, while the Chairperson makes recommendations for the remuneration of the non-executive directors to the Board for approval by the AGM, considering the following factors:

- The time allocated and effort exerted by non-executive directors to meetings and decision-making in the management of the Group;
- The undertaken level of risk;
- The increased compliance and reporting requirements;
- The requirement not to link remuneration of non-executive directors to the profitability of the Group;
- The requirement that non-executive directors do not participate in the pension schemes of the Group;
- The requirement not to include variable remuneration or share options as remuneration of non-executive directors.

Neither the Chairperson nor any non-executive directors received any performance related remuneration. The remuneration of the non-executive directors is set out below:

Position	Annual Remuneration (€000)
Chairperson	180
Vice-Chair	80
Senior Independent Director	70
Non-Executive Members	45
Chairpersons	
Audit Committee	45
Risk Committee	45
Human Resources and Remuneration Committee	30
Nominations and Corporate Governance Committee	30
Technology Committee	30
Ethics, Conduct and Culture Committee	30
Membership	
Audit Committee	25
Risk Committee	25
Human Resources and Remuneration Committee	20
Technology Committee	20
Ethics, Conduct and Culture Committee	20
Nominations and Corporate Governance Committee	20

Additionally, the Group reimburses all directors for expenses incurred in the course of their duties.

## Remuneration Policy Report for the year 2022 (continued)

### 4. Remuneration (continued)

#### 4.1 Remuneration of Non-executive Directors (continued)

The non-executive directors have letters of appointment which can be inspected during normal business hours by contacting the Company Secretary.

#### 4.2 Remuneration and Other Benefits of Executive Directors

The HRRC, jointly with the NCGC reviews and approves the remuneration packages vis-a-vis their performance. In line with the UK Code the following factors are also considered: clarity, simplicity, risk, predictability and proportionality and finally alignment to culture. The CEO is an employee of BOC PCL. The EDFL is also an employee of BOC PCL.

### Contracts of Employment

The remuneration (salary and bonus) of executive directors is set out in their employment contracts which have a maximum duration of five years, unless any of the executive directors is an appointed member of the senior management team, in which case the terms of employment are based on the provisions of the collective agreement in place, excluding the CEO.

The employment contract of the CEO is for a period of five years commencing on 1 September 2019. The CEO's service contract is reviewed at least every five years. In December 2022, the CEO's contract was renewed for a further four years.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

### Service Termination Agreements

The employment contract of Panicos Nicolaou, CEO, includes a clause for termination, by service of six months' notice to that effect by the executive director on grounds of change of control.

The terms of employment of Mrs Livadiotou, EDFL and executive member of the Board, are mainly based on the provisions of the collective agreement in place, which provide for notice or compensation by the BOC PCL based on years of service and for a four-month prior written notice by the executive director, in the event of a voluntary resignation.

### Bonus

No bonus was recommended by the Company's Board for executive directors for 2022.

### Retirement Benefit Schemes

The CEO participates in a defined contribution plan largely on the same basis as other employees. The EDFL participates in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 14 of the Consolidated Financial Statements for the year ended 31 December 2022.

### Share Options

No share options were granted to the executive directors during 2022.

### Long-term incentive plan

Share awards have been awarded under a long-term incentive plan to the executive directors during 2022 as described further below.

### Other Benefits

Other benefits provided to the executive directors include other benefits provided to staff, medical fund contributions and life insurance. The relevant costs for the executive management are disclosed in Note 50 of the Consolidated Financial Statements for the year ended 31 December 2022.



**Remuneration Policy Report for the year 2022** (continued)

**5. Information Regarding the Remuneration of Directors for Year 2022**

	Remuneration for services* €	Remuneration for participation in the Board of Directors and its Committees €	Total remuneration for services €	Remuneration and benefits from other Group companies €	Remuneration in the form of Shared-based payment €	Assessment of the value of benefits that are considered to form remuneration €	Total remuneration and benefits €	Annual contribution to retirement benefits €
<b>Executive Directors</b>								
Panicos Nicolaou	787,702	-	787,702	-	92,741	10,868	891,311	60,009
Eliza Livadiotou	303,617	-	303,617	-	25,003	6,907	335,527	22,279
<b>Non-Executive Directors</b>								
Efstratios -Georgios Arapoglou	-	257,250	257,250	-	-	-	257,250	-
Lyn Grobler	-	164,640	164,640	-	-	-	164,640	-
Arne Berggren	-	123,480	123,480	-	-	-	123,480	-
Constantine Iordanou	-	95,404	95,404	-	-	-	95,404	-
Ioannis Zographakis	-	157,132	157,132	-	-	-	157,132	-
Maria Philippou	-	108,045	108,045	-	-	-	108,045	-
Nicolaos Sofianos	-	128,625	128,625	-	-	-	128,625	-
Paula Hadjisotiriou	-	132,372	132,372	-	-	-	132,372	-
Maksim Goldman <sup>1</sup>	-	39,860	39,860	-	-	-	39,860	-
Michael Heger <sup>1</sup>	-	39,860	39,860	-	-	-	39,860	-
	<b>1,091,319</b>	<b>1,246,668</b>	<b>2,337,987</b>	-	<b>117,744</b>	<b>17,775</b>	<b>2,473,506</b>	<b>82,288</b>

\* Includes employers' contributions excluding contributions to retirement benefits.

<sup>1</sup> Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.

## Remuneration Policy Report for the year 2022 (continued)

### 5.1 Comparison of Directors' and Employees' remuneration

The following table provides information regarding the annual change in the total remuneration of members of the Group's Board of Directors, as compared with the Group performance as well as the average change in remuneration, on a full-time equivalent basis, of the employees, between 2022 and 2021.

Annual Change	Note	Percentage change in 2022	Percentage change in 2021
<b>Directors' Remuneration-Executive Directors</b>			
Panicos Nicolaou, CEO	1	17%	41%
Eliza Livadiotou, Executive Director Finance & Legacy	2	8%	38%
<b>Directors' Remuneration-Non-Executive Directors (NEDs)</b>			
Efstratios-Georgios Arapoglou (Chairman)	3	20%	40%
Lyn Grobler		7%	14%
Arne Berggren		9%	1%
Maksim Goldman	4	-65%	-3%
Paula Hadjisotiriou		12%	8%
Michael Heger	4	-65%	-3%
Constantine Iordanou	5	n/a	n/a
Maria Philippou		-9%	16%
Nicolaos Sofianos		29%	n/a
Ioannis Zographakis		-21%	-4%
<b>Average remuneration on a full-time equivalent basis of employees</b>			
Employees of the Group	6	-6.1%	3.7%
<b>Company performance</b>			
Operating profit as per Underlying basis		61.5%	2.2%
Cost to Income Ratio excluding special levy on deposits and other levies/contributions	7	-11 p.p.	0 p.p.

- The % change relates mainly to the cost of the share-based award granted in December 2022 as described further below, and to a lesser extent to the increase in 2021 salary which was effected in March 2021 hence not fully applicable for the full year 2021.
- The % change is calculated on the remuneration for full year 2021 irrespective of the date Mrs Livadiotou was appointed to the Board of Directors. The % change relates mainly to the cost of the share-based award granted in December 2022 as described further below.
- The fees of the non-executive Directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as of committees of the Board of Directors.
- Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.
- Appointed on 29 November 2021 hence the %age change is n/a.
- Employees cost of the Group - as per FS (excluding Voluntary Staff Exit Plan (VEP)) (Note 14). The reduction in financial year 2022 compared to 2021 was due to the reduction of the number of employees following a large-scale voluntary exit plan executed in July 2022.
- Defined as total operating expense as per underlying basis (excluding other non-recurring items, VEP, Special levy on deposits and other levies/contributions and provisions for litigation, regulatory and other matters) divided by total income.

**Remuneration Policy Report for the year 2022** (continued)

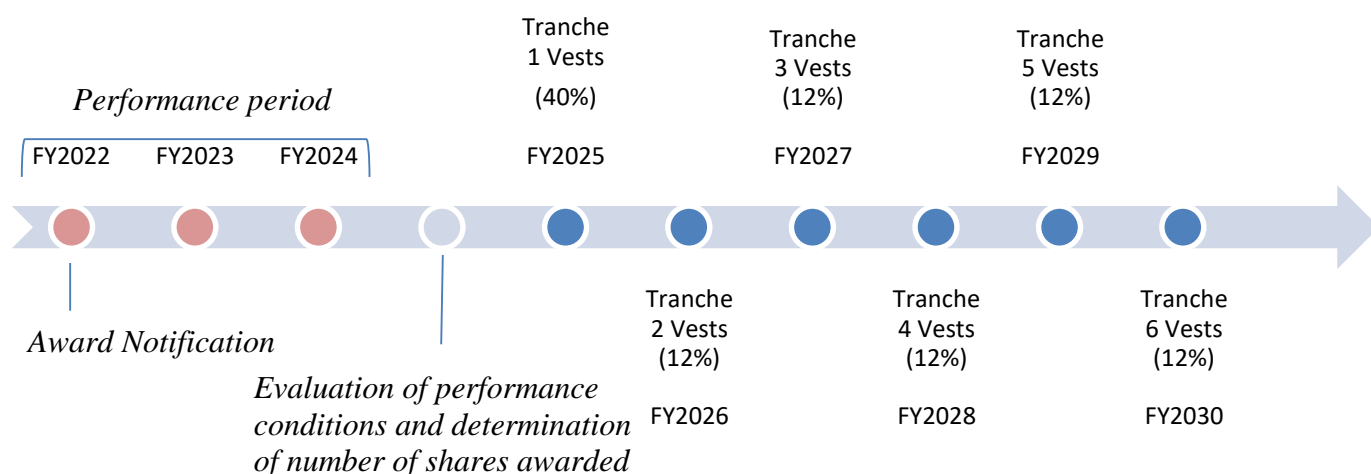
**6. Long-Term Incentive Plan**

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ("2022 LTIP" or the "2022 Plan"). The 2022 LTIP was approved by the 2022 AGM, which took place on 20 May 2022. The 2022 Plan involves the granting of awards in the form of shares of the Company and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO, including the executive directors. The 2022 LTIP stipulates that performance will be measured over a 3-year period and financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. The LTIP represents a further step in the Group's efforts to enhance its remuneration structure by introducing a variable pay component within the total compensation package of the members of eligible group, as per best practice and in accordance with EU banking industry regulations.

As per the applicable regulatory framework, it is noted that awards cannot exceed 50% of each eligible participant's fixed pay (shareholders' consent is required to increase this limit to 100%) and that up to 100% of the awards will be subject to malus and clawback provisions in accordance with applicable legislation and regulations.

The Plan is at the discretion of the HRRC.

For the award granted in December 2022, the award cycle for the 3-year performance period for FY2022 – FY2024 is shown below:



**A. Eligible Participants**

Both Executive Directors are eligible for awards under the Plan. The maximum award opportunity for each of the two Executive Directors for the award linked to the 3-year performance period for FY2022 – FY2024 is shown below:

CEO: Up to 221.890 shares  
CFO: Up to 65.910 shares

Additionally, to the Executive Directors, eligibility for awards under the 2022 Plan for the 3-year performance period for FY2022 – FY2024 is extended to the members of the Extended EXCO which includes 20 participants (additional to the Executive Directors).

The total maximum award opportunity for this group of eligible participants for the 3-year performance period for FY2022 – FY2024 is 532.060 shares.

The applicable scorecards are shown below, noting that a different scorecard applies to eligible participants of control functions. It is noted that individual performance conditions are also applicable as per the Plan Rules.

**Remuneration Policy Report for the year 2022** (continued)

**6. Long-Term Incentive Plan** (continued)

**Scorecard – Non-Control Functions:**

Area	KPI	Weight	Target (end of FY2024)	Threshold (end of FY2024)	Measurement
Profitability	Return on Tangible Equity (ROTE)	20%	More or equal to 10%	8%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Cost to Income (excluding levy & SRF)	10%	Less or equal to 50%	55%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Asset Quality	NPE Ratio	10%	Less than 5%	7%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	REMU stock	10%	Less or equal to €0,6bn	€0,7bn	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Arrears < 3dpd (excluding RRD)	10%	Less or equal to 1%	2%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Capital	CET1 Ratio	10%	More or equal to 14,5%	13,5%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	MREL Ratio	5%	More or equal to 23%*	22%**	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Risk & Compliance	Information Security and ICT Controls Effectiveness	5%	More or equal to 95%	90%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Audit & ECB findings overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	RCSAs actions overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Compliance findings/recommendations overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
ESG	External ESG Ratings Score	5%	AA rating	n/a	Worse than target: 0% At or better than target: 100%

\* Based on interim target 01/01/2025 + 1% buffer as per RAS

\*\* Based on interim target 01/01/2025

**Remuneration Policy Report for the year 2022** (continued)

**6. Long-Term Incentive Plan** (continued)

**Scorecard – Control Functions:**

Area	KPI	Weight	Target (end of FY2024)	Threshold (end of FY2024)	Measurement
Profitability	Return on Tangible Equity (ROTE)	5%	More or equal to 10%	8%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Cost to Income (excluding levy & SRF)	5%	Less or equal to 50%	55%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Asset Quality	NPE Ratio	10%	Less than 5%	7%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	REMU stock	10%	Less or equal to €0,6bn	€0,7bn	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Arrears < 3dpd (excluding RRD)	10%	Less or equal to 1%	2%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Capital	CET1 Ratio	10%	More or equal to 14,5%	13,5%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	MREL Ratio	5%	More or equal to 23%*	22%**	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Risk & Compliance	Information Security and ICT Controls Effectiveness	10%	More or equal to 95%	90%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Audit & ECB findings overall completion rate	10%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
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	Compliance findings/recommendations overall completion rate	10%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
ESG	External ESG Ratings Score	5%	AA rating	n/a	Worse than target: 0% At or better than target: 100%

\* Based on interim target 01/01/2025 + 1% buffer as per RAS

\*\* Based on interim target 01/01/2025