

**POLICY: GROUP POLICY ON THE SUITABILITY OF MEMBERS OF THE MANAGEMENT BODY AND KEY FUNCTION HOLDERS**

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## **1. PURPOSE AND SCOPE OF POLICY**

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The framework governing this policy is based on the provisions of the Central Bank of Cyprus Internal Governance and other Directives, the Cyprus Stock Exchange Corporate Governance Code as well as a number of other best international corporate governance standards and practices.

The Group Policy on the Suitability of Members of the Management Body and Key Function Holders (the “**Policy**”) aims to ensure that Members of the Management Body and Key Function Holders meet specified standards of fitness and probity in accordance with the Assessment of the Suitability of Members of the Management Body and Key Function Holders of Authorised Credit Institutions Directive of 2020 to 2024 (the “**CBC Suitability Directive**”). The aim is to ensure that the individual has the necessary qualifications, skills, experience, and probity (that is, the individual is honest, fair, and ethical).

The Group is committed to ensuring that Members of the Management Body, and Key Function Holder Positions (Assessed Person Positions) are suitable to hold office.

This document sets out:

1. the criteria for the assessment and re-assessment of the suitability of Assessed Persons and the collective suitability of the Assessed Persons and the collective suitability of the Management Body.
2. the appropriate process for assessments of Assessed Person.
3. the measures to be taken in cases where Assessed Persons are not suitable, and
4. the criteria for Members to qualify as independent.

The Policy sets in writing the Group’s strategy in selecting, appointing and/or recruiting suitable persons to Assessed Person Positions on a continuous basis. This is in line with the Group’s Code of Ethics, professional and ethical values, the culture, and long-term interests of the Group.

This Policy applies throughout the Group, to all persons who hold, or are to be appointed or elected to, an Assessed Person Position of the Bank and its subsidiaries and shall be implemented on a consistent basis across the Group (considering any differences between national laws and regulatory requirements). The Criteria set out in this Policy are clearly outlined in the Board Manuals maintained by the subsidiaries of the Group and the Corporate Governance guidelines for Group Subsidiaries, on a proportional basis.

## 2. ABBREVIATIONS

Within this document, the following abbreviations are used:

Abbreviation	Definition
<b>AC</b>	The Audit Committee of the Bank.
<b>ACI</b>	Authorised Credit Institution.
<b>Bank</b>	Bank of Cyprus Holdings Public Limited Company (“ <b>BOCH</b> ”) and its subsidiary Bank of Cyprus PCL.
<b>CBC</b>	Central Bank of Cyprus.
<b>CBC Internal Governance Directive</b>	CBC Internal Governance of Credit Institutions Directive of 2021 to 2025.
<b>CBC Suitability Directive</b>	Directive on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions of 2020 to 2024.
<b>Compliance Division</b>	The Compliance Division of the Bank.
<b>CEO</b>	The Chief Executive Officer of the Bank.
<b>CFO</b>	The Chief Financial Officer of the Bank.
<b>CSE</b>	Cyprus Stock Exchange.
<b>CRD</b>	Capital Requirements Directive (CRD), Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
<b>CCSO</b>	Chairman and Company Secretary’s Office
<b>CYSEC</b>	Cyprus Securities and Exchange Commission
<b>EBA</b>	European Banking Authority.
<b>ECB</b>	European Central Bank.
<b>ESG</b>	Environmental, Social, Governance.
<b>EU</b>	European Union.
<b>ExCo</b>	Executive Committee of the Bank.
<b>HRRC</b>	Human Resources and Remuneration Committee of the Bank.
<b>NCGC</b>	Nominations and Corporate Governance Committee of the Bank.
<b>NPEs</b>	Non-Performing Exposures.
<b>RC</b>	Risk Committee of the Bank.
<b>Joint Guidelines</b>	ESMA35-36-2319 -EBA/GL/2021/06 - 2 July 2021 - “Final report on joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU”

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### 3. DEFINITION OF TERMS

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

1. **“Bank”** means the Bank of Cyprus Holdings Public Limited Company (BOCH), which is a public limited company, registered under Part 17 of the Companies Act 2014 of Ireland together with its subsidiary Bank of Cyprus PCL.
2. **“Bank of Cyprus Group / the Group”** means the Bank and its subsidiaries.
3. **“Assessed Person”** includes:
  1. a A Member of the Management Body;
  2. a Key Function Holder andand **“Assessed Person Position”** shall be construed accordingly.
4. **“Company Secretary”** means the persons who form part of the Bank’s company secretarial team (as may change from time to time) in accordance with Article 171 of the Cyprus Companies Law, Cap. 113.
5. **“Management Body”** is the Bank’s Management Body or the Management Body of any Group subsidiary subject to suitability requirements under other the national laws.
6. **“Member”** is a proposed or appointed Member of the Management Body. Members might be either Executive or Non-Executive and either independent or non- independent.
7. **“Key Function Holder”** is:

As per the CBC Suitability Directive “Key function holders” means the persons who exert significant influence on the ACI (i.e. the Bank’s\_ management, but who are neither members of the Management Body nor the chief executive officer, and include the heads of the internal control functions and the chief financial officer, where they are not members of the Management Body, and where identified by the ACI on a risk-based approach, other persons that are key function holders, who may include the heads of significant business lines, branches within the European Economic Area/European Free Trade Association, subsidiaries in third countries and third country credit institutions’ branches in the Republic.

As per the above definition the below are the Key Function Holders of the Bank:

- b) The Deputy CEO.
- c) All other members of the Executive Committee (“ExCo”) except those who are members of the Management Body.
- d) All Heads of Control Functions (Compliance, Risk, Information Security, and Internal Audit).
- f) Outsourcing Officer.

For subsidiaries Key Function Holders are the members of the Executive team and the Heads of the Control Functions.

8. **“Suitability”** is the degree to which an individual is deemed to have good repute and to have, individually and collectively with other individuals, adequate knowledge, skills, and experience to perform his/her duties. Suitability also covers the honesty, integrity, and independence of mind of each individual and his/her ability to commit sufficient time to perform his/her duties.

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## 4. GENERAL PRINCIPLES

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### 4.1. Assessment of the suitability by the Bank

In brief, the responsibilities of the Group in relation to the legal and regulatory framework include:

1. The initial and ongoing assessment of the individual suitability of Members is carried out, without prejudice to the assessment carried out by competent authorities for supervisory purposes.
2. Ensuring at all times, the individual suitability of the Members, in particular:
  - 2.1. when material changes<sup>1</sup> to the composition of the Management Body occur, including:
    - 2.1.1. when appointing new Members of the Management Body, including as a result of a direct or indirect acquisition or increase of a qualifying holding in an ACI. This assessment should be limited to newly appointed Members.
    - 2.1.2. when re-appointing Members, if the requirements of the position have changed or if the Member is appointed to a different position within the Management Body. This assessment should be limited to the Members whose position has changed and to the analysis of the relevant aspects, considering any additional requirements for the position.
  - 2.2. On an ongoing basis.
3. Assess whether the Assessed Persons:
  - 3.1. are of sufficiently good repute.
  - 3.2. possess sufficient knowledge, skills, and experience to perform their duties.
  - 3.3. have the ability to act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the key function holders where necessary, as well as to effectively oversee and monitor the decisions made by the senior management.
  - 3.4. are able to commit sufficient time to perform their functions, whether or not the limitation of directorships is being complied with.
  - 3.5. are suitable both initially and on a continuous basis
  - 3.6. have independence of mind regardless of the Bank’s size, internal organisation and the nature, scope and complexity of its activities and the duties and responsibilities of the specific position, including memberships held in committees of the Management Body.
  - 3.7. Satisfy the criteria set out herein as well as in the Board Nominations, Diversity and Succession Planning Policy and the Group’s ESG Strategy.
  - 3.8. are of sufficiently good repute and act in honesty, reliability and integrity, characteristics which promote the culture of compliance in an organisation. Members should also possess and independence of mind to effectively assess and challenge decisions of ExCo or Senior Management (see Appendix A).
  - 3.9. have sufficient knowledge, skills, experience, and specialisation for the discharge of their duties and responsibilities (see Appendix A).

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<sup>1</sup> Material changes are the changes referred to in Articles 5(2)(b)(i) -(ii) and 6(2)(b) of the CBC Suitability Directive.

- 3.10. live in an orderly economic situation and their exposures are performing throughout tenure and are in compliance with the CBC Suitability Directive.
- 3.11. are able to commit sufficient time to perform their functions.
- 3.12. are trained with induction and on-going training in accordance with the Group's Induction and Training Policy.

Additionally, the Bank sets down the measures implemented when Assessed Persons are not considered fit and proper; and to ensure the assessment and review of the overall composition of the committees of the Management Body is undertaken in accordance with the Joint Guidelines and/or the Suitability Directive and that the committees are adequate at all times. For the avoidance of doubt, it is noted that this review and assessment is not carried out under this Policy but in accordance with the requirements of the Board Nominations, Diversity and Succession Planning Policy.

The suitability assessment is mandatory before the appointment of an Assessed Person. The job description of Key Function Holders and other Assessed Persons must specify that the position is assessed.

The NCGC sets the criteria and adopts the necessary internal policies for the assessment of the suitability of Assessed Person in accordance with the provisions of the CBC Suitability Directive taking into account diversity requirements of the Joint Guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) and /or the Suitability Directive and in accordance with the provisions of the Board Nominations, Diversity and Succession Planning Policy.

#### **4.2. Succession Planning**

The NCGC adopts an appropriate succession plan for the Members, taking into account, *inter alia*, the expiry of each Member's term of office to avoid multiple Members being replaced at the same time. To ensure smooth operations during replacements of Board Members or Key Function Holders, the CCSO applies the Board Nominations, Diversity and Succession Planning Policy and follows specific procedures for the BOD Succession Planning and the Chair's Succession Planning. Additionally, the Human Resources Department has its own succession planning process covering the succession of the Key Function Holders.

#### **4.3. Criteria to determine the Suitability of the Assessed Person**

The suitability, fitness and probity of Assessed Persons is assessed against six criteria: (i) reputation, honesty, and integrity; (ii) adequate knowledge, skills, and experience; (iii) conflicts of interest, (iv) independence of mind; (v) time commitment; and (vi) collective suitability. A person must satisfy this suitability criteria to be considered suitable to be an Assessed Person. Factors to consider when assessing the fitness and probity of Assessed Persons are provided in Appendix A.

1. **Reputation, honesty, and integrity:** Assessed Persons must at all times be of sufficiently good repute, honesty and of high personal integrity and display ethical behaviour. An Assessed Person is considered to be of good repute if there are no objective and demonstrable grounds to suggest otherwise, in particular taking into account the relevant available information on the factors and situations listed in this section.

An Assessed Person is not considered of good repute if their personal or business conduct gives rise to any material doubt about their ability to ensure the sound and prudent management of the institution.

Without prejudice to any fundamental rights, relevant criminal or administrative records are considered for the assessment of good repute, honesty, and integrity. In case of a conviction or indictment, the type of conviction or indictment, the role of the individual involved, the penalty received, the phase of the process reached, the evidential weight of the findings and any rehabilitation measures that have taken effect must be considered. The surrounding circumstances, including mitigating factors, the seriousness of any relevant offence or administrative or supervisory action, the time elapsed since the offence, the Assessed Person's conduct since the offence or action, and the relevance of the offence or action to the appointee's role are considered. Any relevant criminal or administrative records are taken into account, having regard to periods of limitation in force in the national law.

- Adequate knowledge, skills, and experience:** Assessed Persons must have up-to-date and sufficient knowledge, skills, and experience to fulfil their functions (which can be attained through education, training and/or practice/previous roles). This also includes an appropriate understanding of those areas for which an individual Member is not directly responsible, but still is collectively accountable together with the other Members of the Management Body. The Bank is primarily responsible for selecting and nominating appointees who fulfil these minimum requirements for sufficient knowledge, skills, and experience.

The term "experience" covers practical and theoretical aspects and includes skills and knowledge. Both theoretical knowledge attained through education and training and practical experience gained in previous occupations is considered. All Assessed Persons must have basic theoretical banking knowledge which may be gained through practical experience or through training.

Areas of experience and experience required by the Assessed Persons are also evaluated against the "experience" criterion as per Appendix A. Training is also provided to Assessed Persons in accordance with the Joint Guidelines and the Group's Induction and Training Policy. Appendix B provides non-exhaustive list of relevant skill that are considered when performing suitability assessments.

- Conflicts of Interest:** Conflicts of interest in fit and proper assessments relating to Assessed Persons pertain to situations where the person's personal, financial, or other interests might compromise, or appear to compromise, their ability to act in the best interests of the company. Such conflicts can undermine the integrity and effectiveness of the Assessed Person or the Management Body's decision-making process. For example, a director who has significant financial investments in a competing company might be inclined, even subconsciously, to make decisions that favour that company rather than the one they represent. Likewise, close personal relationships with vendors or customers can raise questions about a director's objectivity in negotiating contracts or making strategic decisions.

Ensuring that the Members of the Management Body and Assessed Persons are fit and proper is essential to maintain stakeholder trust and the ethical governance of an organization. Addressing potential conflicts of interest is a foundational aspect of this assessment.

The Group shall ensure that Assessed Persons have no professional capacities that are incompatible with the role they are being assessed for, and that their personal, business and/or professional interests are not in conflict with the interests of the Group, according to the Group's Code of Conduct, the Group Policy on Conflicts of Interest, and the requirements in the CBC Internal Governance Directive as well as the Joint Guidelines.

All financial (including NPEs) and non-financial interests that could create actual or potential conflict of interests should be disclosed prior to the Assessed Person's assessment (including any conflicts of interest which might arise due to any competing interests of an Assessed Person's close relatives or positions of political influence).

4. **Independence:** When assessing independence of mind, the Bank should assess whether the Assessed Person:

- (a) Has the necessary behavioural skills, including: (i) courage, conviction, and strength to effectively assess and challenge the proposed decisions of other Members; (ii) being able to ask questions to the Members of the Management Body in its management function; and (iii) being able to resist 'groupthink'.
- (b) Has any conflicts of interest to an extent that would impede their ability to perform their duties independently and objectively.

The Assessed Person should be able to make their own sound, objective, and independent decisions. This means they need to act with independence of mind, which is determined by their character and behaviour. Independence of mind can be affected by conflicts of interest. The Group shall ensure that when assessing "independence of mind" and the required behavioural skills of a Member, it will take into account their past and ongoing behaviour, in particular within the Group.

- (c) Has any cross directorships with other directors through involvement in other companies or bodies.

5. **Time Commitment:** Assessed Persons must be able to commit sufficient time to perform their role and functions within the Bank. The acceptable time commitment for each Assessed Person is assessed on a case-by-case basis, taking the principle of proportionality into account. The time an Assessed Person can commit to their functions is affected by several factors, such as the following in the case of a Member:

- (a) the number of directorships held;
- (b) the size and the context of the entities where directorships are held and the nature, scale, and complexity of their activities;
- (c) the place or country where the entities are based;
- (d) and other professional or personal commitments and circumstances.

As the holding of multiple directorships is an important factor, which may affect time commitment, the CRD and the CBC Suitability Directive set a limit on the number of "directorships", which may be held by a Member of the Management Body in a significant institution. Therefore, in addition to the requirement to commit sufficient time to perform their functions, Members of the Management Body must comply with the limitation of directorships set out in Article 91(3) of the CRD and Article 8(9)(1) of the CBC Suitability Directive.

In particular, Members of the Management Body shall not hold more than one of the following combinations of directorships at the same time: (a) one executive directorship with two non-executive directorships, or (b) four non-executive directorships.

The overall assessment of time commitment of Members of the Management Body is referred to as the qualitative assessment, while the counting of directorships as envisaged by the CRD, and the CBC Suitability Directive is referred to as the quantitative assessment. Both aspects are taken into account when assessing the time commitment of Members of the Management Body.

Time commitment for every non-executive Director should be calculated taking into consideration time for travel, preparation for meetings, training (annual and induction), ad hoc meetings, regular board meetings, committee meetings, written resolutions and follow ups after the meetings. The minimum time commitment covering these areas should be between 35 to 42 days.

6. **Collective suitability:** The Management Body as a whole must possess adequate collective knowledge, skills and experience to be able to understand the Bank's activities, including the main risks. The collective suitability requirement means that the Bank is responsible for appointing a Management Body that is suitable and has the adequate collective knowledge, skills, and experience necessary for the prudent and effective management of the institution. There should be a sufficient number of Members with knowledge in each area to enable effective discussions and challenges to be made and robust decisions to be taken. The Members of the Management Body should collectively have the skills to present their views and to influence the decision-making process within the Management Body. This requires the Bank to ensure both the individual suitability of the Members of the Management Body and their collective suitability through the composition of the Management Body as a whole.

Should a person be assessed as unsuitable for a particular Assessed Person Position as a result of a lack of competence for that position or because of a conflict of interest applies to the duties of that position, the person may still be suitable for another Assessed Person Position as different competencies may apply to that position.

In line with the relevant section of the ECB Guide to Fit and Proper Assessments an appointee is either considered fit and proper by the ECB or is rejected. However, the ECB has the power to include recommendations, conditions and/or obligations in positive decisions in order to address certain concerns.

The CCSO Manual sets out in more detail how this assessment is documented and the communication channel with the competent authorities.

#### **4.4. Diversity and Internal Group Targets**

In addition to the above criteria and in accordance with the Joint Guidelines, when a person is being considered as appropriate for an Assessed Person position, the NCGC takes into account the educational and professional background, gender, age and geographical provenance and any other diversity requirements, objectives or targets of the Group (as set out in the Board Nominations, Diversity and Succession Planning Policy). In particular, the Board Nominations, Diversity and Succession Planning Policy contains a section titled "Measurable Objectives in relation to Gender Diversity"; As BOCH is a company registered in Ireland, the Group has adopted the Irish Regulation 'European Union (Gender Balance on Boards of Certain Companies) Regulations 2025 and specifically

that female participation on the Board is at least 40% of non-executive Board Directors. This Regulation reflects the transposition of the EU Directive into Irish Law.

#### **4.5. Process for suitability assessment**

##### **4.5.1. Members of the Management Body:**

The Management Body decides in relation to the need for the appointment of new Members of the Management Body whether to fill a skills gap or to replace a retiring director and assigns the issue to the NCGC. The NCGC leads the process for Management Body appointments and makes recommendations to the Management Body. To do so the NCGC, instructs the CCSO to initiate the process of the preliminary screening. The CCSO requests from the Compliance Division to carry out a preliminary screening based on the Initial Screening Report Template and prepare a report stating whether the recommended persons satisfy the preliminary screening requirements. The report is submitted to the NCGC through the CCSO and the NCGC concludes on the candidate selected (Assessed Person). The Chairman requests from the CCSO to conduct extensive research on the Assessed Person. Following the extensive search and assessment, a relevant report is submitted to the NCGC for recommendation to the Management Body for approval. The memo contains a detailed suitability assessment of the criteria mentioned in section 4.3. above. Based on the assessment the NCGC proceeds with recommending the Assessed Person to the Management Body for approval. The nomination process is described in detail in the Nominations, Diversity and Succession Planning Policy of the Bank and the CCSO Manual.

##### **4.5.2. Key Function Holders**

In relation to the appointment and/or recruitment of Key Function Holders, the Executive Director People & Change prepares and submits a memo requesting approval for the recruitment of a Key Function Holder from the Management Body through the HRRC. The request clearly states the required suitability criteria, as these stem from the job description.

Once approval of the need is obtained, a series of interviews are conducted, and a shortlist of candidates is shared with Compliance for a preliminary assessment of Conflict of Interest and reputation. The Compliance Division conducts the initial screening process in accordance with the steps outlined in the Suitability Assessment Procedural Manual and submits it to the CCSO for review by the NCGC, or the respective Committee for Heads of Control Functions, for recommendation to the Management Body for approval. Subsequently, second interviews<sup>2</sup> are performed and once a selection is made, the CCSO performs the suitability assessment in accordance with the criteria set out in section 4.3. above and the relevant process set out in the CCSO Manual.

Upon obtaining BoD approval, the CCSO submits the relevant documentation to the competent authorities and monitors the progress of the assessment process. For the period between the appointment of the KFH and the approval of the appointment by the competent authorities, necessary measures (probationary period or a deferred condition in the employment contract or appointment on acting basis) are taken in order to provide the Bank with the ability of removing the KFH from that position in the event that it is deemed by the Central Bank that they are not fit for that position.

## **4.6. Situations that lead to a fit and proper assessment other than new initial appointments**

### **4.6.1. Members of the Management Body**

#### **4.6.1.1. Material changes in the composition of the Management Body:**

The composition of the Management Body does not remain static. A re-assessment of the suitability must be performed when there is a material change in the composition of the Management Body<sup>2</sup>. The term material change refers to the below circumstances:

1. when material changes to the composition of the Management Body occur, including:
  - (i) when appointing new Members of the Management Body, including as a result of a direct or indirect acquisition or increase of a qualifying holding in the Bank. This assessment should be limited to newly appointed Members.
  - (ii) when re-appointing Members of the Management Body, if the requirements of the position have changed or if the Member is appointed to a different position within the Management Body. This assessment should be limited to the Members whose position has changed and to the analysis of the relevant aspects, taking into account any additional requirements for the position.
  - (iii) When appointed or reappointed Members cease to be Members of the Management Body.
2. when there is a material change to the Bank's business model, risk appetite or strategy or structure at individual or group level.

Further to the above, a re-assessment of the suitability should take place on an ongoing basis and at least annually.

#### **4.6.1.2. Significant delay or failure to report a potential or perceived conflict of interest**

Significant delay or failure to report a potential or perceived conflict of interest or any change, will automatically trigger a reassessment of the suitability of the specific Board Member. The NCGC will initiate and subsequently monitor this process.

#### **4.6.1.3. The collective suitability of Members of the Management Body should be re-assessed in the following cases:**

1. when there is a material change to the Bank's business model, risk appetite or strategy or structure at individual or group level.
2. as part of the review of the internal governance arrangements by the Management Body.
3. any event that can otherwise materially affect the collective suitability of the Management Body.

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<sup>2</sup> Articles 5(2)(b) and 6(2)(b) of the CBC Suitability Directive.

4. where there are reasonable grounds to suspect that money laundering or terrorist financing has been or is being committed or attempted or there is an increased risk thereof in connection with the ACI and in particular in situations where information available suggests that the Bank:
  - (i) has not implemented appropriate internal control or oversight mechanisms to monitor and mitigate money laundering/terrorist financing risks, such as those identified in on-site or off-site inspection findings, as part of the supervisory dialogue or the imposition of sanctions.
  - (ii) was found to be in breach of its anti-money laundering and countering the financing of terrorism obligations in the home or host Member State or in a third country.
  - (iii) has materially changed its business activities or business model, resulting in a significant increase in its exposure to the risk of money laundering / terrorist financing.

Where re-assessments of the collective suitability are performed, the Bank should focus the assessment on the relevant changes in the Bank's business activities, strategies, and risk profile and in the distribution of duties within the Management Body and their effect on the required collective knowledge, skills, and experience of the Management Body.

The Members must collectively be able to take appropriate decisions considering the business model, risk appetite, strategy, and markets in which the Group operates, and the main risks facing the Bank, as well as to effectively challenge and monitor the decisions made by senior management. Individual candidates with strong knowledge in specific areas may compensate deficits of other candidates in these areas. However, any weakness in the composition of the Management Body or its committees does not necessarily lead to the conclusion that a Member is not suitable.

The Group will assess the collective suitability of the Members of the Management Body in accordance with Article 91(7) of the CRD and using a suitability matrix as per Annex I of the Joint Guidelines. The Management Body as a whole, must have managerial skills and experience and adequately understand the sectors (local and global) for which the Members are collectively responsible, and to have the required skills in order to exercise actual management and supervision of the Group, especially in matters of its business activity and the major risks connected thereto (including risks in group structures), strategic planning, financial statements and financial reporting, compliance with the legislative and regulatory frameworks, internal audit, understanding of money laundering and terrorist financing risks, understanding of the corporate governance framework, the ability to recognise and manage risks, the impact of information technology and security on its activity, and issues related to ESG, within the framework of the Group's strategic plans etc. In addition, the Management Body in its supervisory function should collectively be able to effectively challenge and monitor decisions made by the Management Body in its management function.

The ongoing monitoring of the collective suitability of the Management Body will focus on whether the individual Member or the Members collectively remain suitable, taking into account the individual or collective performance and the relevant situation or event which caused a re-assessment and the impact it has on the actual or required suitability.

It will be a condition of continuing appointment that the candidate provides his/her consent for this information to be gathered and used by the Group for the purpose of the assessment. The consent must also include consent for the information to be provided to the CBC/ECB or CySEC if necessary.

#### 4.6.2. Key Function Holders

Key Function Holders must be regularly reviewed, at least once a year and upon any structural change of the organization or new fact, and in particular:

1. when applying for an authorization; and
2. when appointing new Key Function Holders, including as a result of a direct or indirect acquisition or increase in a qualifying holding in the Bank.

Specifically, every year or more frequently in cases of reassessment or changes of circumstances, the Compliance Division performs a pre assessment of the KFH's suitability by obtaining their Conflict-of-Interest, and their Statement of Changes declarations as well as their completed skills and experience template from the CCSO. As part of the annual appraisal process for the Key Function Holders, the Compliance Division submits a report to the:

- Chairman of the Audit Committee for the Internal Audit Director, and the Chief Compliance Officer.
- Chairman of the Risk Committee for the Chief Risk Officer and the Chief Information Security Officer.
- CEO for the rest KFHS

The detailed procedure followed by the Compliance Division for this re assessment of Key Function Holders is described in detail in the Suitability Assessment Procedural Manual.

#### 4.6.3. Submission of additional information

The Bank ensures through special education that Board Members and KFH have adequate knowledge of their suitability requirements as per the CBC Suitability Directive. The Bank ensures that they are informed by Members of the Management Body and KFH of when there are any changes to their compliance with the CBC Suitability Directive. The Bank examines such information immediately considering information from other sources in order to confirm that these individuals continue to satisfy the requirements of the CBC Suitability Directive. In case the suitability criteria are not met, the Central Bank is notified immediately.

#### 4.7. Re-assessment in the ambit of the annual Board Performance Evaluation by Compliance Department

1. As part of the annual Board Performance Evaluation, which is performed in accordance with Article 16 of the CBC Governance Directive, a re-assessment of the individual and collective suitability of the Members of the Management Body is performed. This procedure includes, *inter alia*, the re-assessment of the criteria set out in section 4.3. of this Policy.
2. Interviews with each Member of the Management Body are also conducted. During the interviews all areas in relation to the suitability of Members as outlined in section 4.3. are touched upon.
3. Additionally, a thorough search is conducted by the Compliance Division on various financial crime databases to ensure that the reputation of the Members of the Management Body remains intact.
4. A report in relation to the re-assessment of each Member of the Management Body is submitted to the NCGC for recommendation (by the NCGC) to the Board for approval.

**a. When an Assessed Person is no longer suitable**

If the Bank's assessment or re-assessment of an individual Member of the Management Body concludes that the person is not suitable (or that the Management Body is not collectively suitable), the relevant Member of the Management Body and the relevant competent authority (e.g. the CBC) must be informed without delay (including about the measures proposed or taken by the Bank to remedy the situation).

If a person is deemed not suitable, then that person shall not be appointed or if already appointed must be replaced (unless the Bank determines that one of the measures set out below is appropriate). The Bank should also inform shareholders about the assessment made and the need to appoint different Members of the Management Body.

If the Bank's assessment or re-assessment identifies easily remediable shortcoming in the individual's knowledge (other than in relation to the criteria of reputation, honesty, and integrity), skills experience, appropriate corrective measures are to be taken to overcome those shortcomings and improve their skills and knowledge in a timely manner.

If the Bank's assessment or re-assessment concludes that the Management Body is not collectively suitable then the Bank must take appropriate corrective measures in a timely manner.

If a Member's exposures become non-performing then his/her appointment is immediately terminated.

Appropriate measures might include but are not limited to:

- a) replacing the Member or Members in question.
- b) adjusting responsibilities between Members.
- c) training of individual Members of the Management Body and/or the Management Body as a whole to ensure that its collective knowledge and experience is sufficient (and that lessons learned from previous instances of unsuitability are appropriately addressed in future by the Management Body and individuals), and
- d) measures to mitigate conflicts of interest.

If an assessment by a competent authority is also required, the Bank may take other alternative measures (e.g. by applying a probation period or a suspensive condition in the employment contract or by appointing acting heads) so it may remove the person from the position if the competent authority deems the person as not being suitable for the position.

If any Assessed Person becomes aware of any matter which may prevent the person from continuing to be assessed as a suitable person, he/she must immediately notify the Compliance Division or the Chairman, who, with the assistance of the Company Secretary, will arrange for a new suitability assessment to be carried out.

This also applies to Key Function Holders and the Bank must inform the relevant competent authority about the Assessed Person, where they are not part of the Management Body.

The Group Whistleblowing Policy on disclosure of matters of concern includes reporting on issues that may be relevant to the suitability of a person to hold an Assessed Person Position. The Group must investigate

any information reported in accordance with the said Policy and ensure that all of the protections and immunities for reporting persons set out in that policy are applied.

**b. Monitoring and review**

This Policy is monitored as to its application principally by the Compliance Division and the NCGC. The Policy will be reviewed and approved by the Management Body at least annually.

**c. Privacy**

In carrying out a suitability assessment, personal information (including sensitive information) about an applicant or employee may be collected. Each person must provide the Group with all information and documentation that the Group reasonably requests, including evidence of sound financial standing (including exposures of their connected parties), and any other information that may be relevant for the purpose of completing a suitability assessment for Assessed Person Positions, in accordance with the requirements set out in the provisions of the CBC Suitability Directive.

The person to whom the information applies, may in accordance with Law Providing for the Protection of Natural Persons with regard to the Processing of Personal Data and for the Free Movement of such Data of 2018 (Law 125(I)/2018), gain access to the information by contacting the CCSO.

If personal information (including sensitive information) is collected it will be used to:

1. assess a person's suitability.
2. comply with legislative and regulatory requirements.
3. perform administrative functions including risk management, record keeping, archiving, staff training.
4. manage the Group's rights and obligations under its license.

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## **5. GOVERNANCE**

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### **5.1. Roles and Responsibilities**

Management Body	<p>Approves the Policy</p> <p>Bears the ultimate responsibility for the effective implementation of this Policy and setting the right tone from the top. The Management Body is committed to ensuring that each person who holds an Assessed Person Position has the appropriate skills and experience in line with the role that he/she holds and will make all final determinations and provide approval for appointments to the Management Body and to Key Function Holder Positions.</p>
NCGC	<p>Reviews and recommends the Policy to the Board for approval</p> <p>The NCGC has the ultimate responsibility for:</p>

	<ol style="list-style-type: none"> <li>1. recommending suitability criteria for approval to the Board (in cases of Control Function Heads, the respective committee provides the recommendation to the Board).</li> <li>2. ensuring that assessments of nominees of the Management Body and Key Function Holders are carried out by the Compliance Division and CCSO.</li> <li>3. ensuring that re-assessments of Members of the Management Body and Key Function Holders are carried out by the CCSO.</li> <li>4. considering any recommendations and information provided by the Compliance Division and CCSO on nominees and existing Management Body Members and Key Function Holders.</li> <li>5. making recommendations for nominations to the Management Board and Key Function Holder Positions to the Management Body.</li> <li>6. collective suitability of the Members, and</li> <li>7. annually reviewing the Key Function Holder Positions.</li> <li>8. With the assistance of the Compliance Division and the CCSO, the NCGC is responsible for providing the necessary supporting evidence for the recommendation to the Management Body on these matters.</li> <li>9. The NCGC must implement a framework to achieve and maintain diversity within the Management Body (e.g., based on such aspects as educational and professional background, age, gender, and geographical provenance) within a reasonable amount of time, and the Group's ESG Strategy</li> <li>10. The NCCG must implement a framework for the sound and appropriate recruitment process for the nomination, selection, reappointment, and succession of the Members.</li> <li>11. The NCGC must ensure that the shareholders are informed in good time through the Bank's website and through printed form during the Annual General Meeting about: <ol style="list-style-type: none"> <li>a) the requirements of the position.</li> <li>b) the profile of the candidate, and</li> <li>c) the fact that the appointment is subject to the approval of the CBC/ECB.</li> </ol> </li> </ol>
AC & RC	Ultimate responsibility for making recommendations to the Management Body for the appointment of Control Function Heads and for suitability criteria for approval.
Joint NCGC/HRRC	The NCGC and the HRRC meet together once a year for the review of the succession planning for Key Function Holders, the review of their performance, the review of the organizational structure of the Group and any appointments to Key Function Holder Positions making relevant recommendations to the Management Body for approval.
CEO	The CEO with the assistance of the Human Resources Division has a significant input on the management succession plans.

	Annually makes recommendations for appointments, performance, succession plans of Key Function Holders and the organizational structure and submits recommendations to the Management Body for approval through the Joint NCGC/HRRC.
CCSO	<p>Acts as a source of information and provides advice to Members and facilitates the flow of information within the Management Body and its committees, between senior management and non-executive directors and between Control Function Heads and non-executive directors. Among other duties the CCSO must:</p> <ol style="list-style-type: none"> <li>1. arrange induction programs for non-executive directors, assist the Chairperson in assessing and meeting the training needs of Members in accordance with the Group's Induction and Training Policy.</li> <li>2. assist the Chairperson in the annual evaluation of individual Members.</li> <li>3. provide sufficient information to shareholders for the election of a director, including: <ol style="list-style-type: none"> <li>(a) a description of the individual's qualifications, experiences, and competences.</li> <li>(b) a description of the roles and responsibilities for that vacancy.</li> <li>(c) time commitment expected; and</li> <li>(d) an explanation why the Management Body considers the appointment of that individual to be appropriate.</li> </ol> </li> <li>4. ensure that appropriate fit and proper assessments are carried out for each Assessed Person.</li> <li>5. gathers information for assessments in relation to existing Assessed Persons or candidates for appointment to the Management Body.</li> <li>6. makes submissions about any matters that are relevant to a particular assessment of an Assessed Person's suitability and ensuring that the appropriate reporting to the relevant supervisory authorities is completed.</li> <li>7. follows up any queries or clarifications requested by the authorities.</li> <li>8. maintains an archive of all submissions to regulators and supervisory bodies.</li> <li>9. liaises/cooperates with the Compliance Division.</li> <li>10. keeps an updated record of all subsidiary boards.</li> </ol>
Compliance Division	<p>The Compliance Division is responsible to ensure that all individuals and committees who have a responsibility under this Policy fulfil their responsibilities in a timely and diligent manner by:</p> <ol style="list-style-type: none"> <li>1. carrying out the preliminary screening of Assessed Persons or candidates for the appointment to the Management Body when requested by the NCGC through the CCSO.</li> <li>2. ensuring that matters relating to this Policy are brought to the attention of the NCGC.</li> </ol>

	<ol style="list-style-type: none"> <li>3. performing the Internal Annual Board Evaluation.</li> <li>4. ensuring that the Group takes all reasonable steps to protect the information and documents collected for fit and proper assessments from misuse, unauthorized access, modification or disclosure.</li> <li>5. maintaining records of the suitability assessments on an individual and collective basis for the predefined period as part of the Annual Board Evaluation.</li> <li>6. reporting to the CBC by the 31<sup>st</sup> of July of each year a list of all Assessed Persons as of June 30<sup>th</sup>. The list includes the names of all the Members of the Board, the Members of the committees of the Board and the key function holders of the Bank and its subsidiary credit institutions established in a third country as well as all of its branches outside the republic.</li> <li>7. reporting to the CBC 31 March of each year a statement of compliance with the provisions of this policy for each Member of the Management Body and Key Function Holder.</li> </ol> <p>The Compliance Division also:</p> <ol style="list-style-type: none"> <li>1. checks the plausibility of the information provided by the Assessed Person and if necessary, carries out its own investigation (internet, press archives etc.);</li> <li>2. reviews and revises the Policy at least annually and/ or more frequently whenever there is a significant change in the legislation and / or regulation; and</li> <li>3. monitors on an ongoing basis the exposures of Board Members and Key Function Holders.</li> </ol>
Human Resource Division	<p>The Human Resource Division:</p> <ol style="list-style-type: none"> <li>1. runs the selection and appointment/recruitment process for Key Function Holders in cooperation with the CEO and/or affected Board Committee (as needed) and obtains the necessary Board approvals in line with the Recruitment Policy.</li> <li>2. cooperates with the Compliance Division and the CCSO to ensure that the suitability assessment is performed and that the necessary regulatory approvals are obtained prior to confirming the KFH's permanency to the role.</li> <li>3. reviews the Group's Induction and Training Policy and provides training to Assessed Persons in accordance with that policy.</li> <li>4. provides assistance to the CEO for succession planning purposes.</li> </ol>
Internal Audit	<ol style="list-style-type: none"> <li>1. Responsible for providing independent and objective assurance to the BoD, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to this Policy.</li> <li>2. Informs AC of its findings and relevant recommendations.</li> </ol>
Risk Management	<ol style="list-style-type: none"> <li>1. Responsible for identifying, analysing, and mitigating potential risks to ensure stability, security and the risk posture of the Bank.</li> </ol>

	2. Reviews and assesses the compliance risks addressed in the Policy, ensuring that the risks undertaken are within the Bank's risk appetite.
Executive Director of People and Change	<p>The Executive Director of People and Change is responsible for the Human Resources Division, Legal Services Division, CEO Office, Transformation Office, and Corporate Affairs department.</p> <p>The role of the Executive Director of People and Change is in relation to the appointment of KFH and, in particular, regarding the preparation and submission of a memo requesting approval for the recruitment and/or appointment of a KFH from the Management Body through the HRRC.</p>
All Assessed Persons	All must adhere to the requirements included in this Policy.

## 5.2. Supporting Documentation

The following information and / or accompanying documents are required to be submitted to the competent authorities for each requested suitability assessment:

### 5.2.1. **Personal details and details on the institution and the function concerned:**

1. Personal individual details including full name, name at birth if different, gender, place and date of birth, address and contact details, nationality, and personal identification number or copy of ID card or equivalent.
2. Details of the position for which the assessment is sought, whether the Management Body position is executive or non-executive, or if the position is for a key function holder. This also includes the following details:
  - 2.1 the letter of appointment, contract, offer of employment or drafts thereof, as applicable.
  - 2.2 minutes of the decision of the Management Body.
  - 2.3 suitability assessment report/memo.
  - 2.4 the planned start date and duration of mandate.
  - 2.5 the expected time commitment for the position as accepted by the individual.
  - 2.6 description of the individual's key duties and responsibilities.
  - 2.7 if the person is replacing someone, the name of this person.
  - 2.8 a list of reference persons including contact information, preferably for employers in the banking or financial sector, including full name, institution, position, telephone number, email address, nature of the professional relationship and whether or not any nonprofessional relationship exists or existed with this individual.

### 5.2.2. **The Suitability assessment/memo by the Bank includes:**

1. Details of the result of any assessment of the suitability of the individual performed by the CCSO.
2. An assessment of the suitability criteria set out in section 4.3. above.

### 5.2.3. **Knowledge, skills, and experience:**

Curriculum vitae, which contains details of education and professional experience (including professional experience, academic qualifications<sup>3</sup>, and other relevant training), including the name and nature of all organisations for which the individual has worked, and the nature and duration of the functions performed, in particular highlighting any activities within the scope of the position sought (banking and/or management experience).

Details of any training plan imposed, which includes the content, the provider, and the date by which the training plan will be completed.

#### **5.2.4. Reputation, honesty, integrity**

1. Criminal records and relevant information on criminal investigations and proceedings, relevant civil and administrative cases, and disciplinary actions (including disqualification as a company director, bankruptcy, insolvency and similar procedures) especially through an official certificate or any reliable source of information concerning the absence of criminal conviction, investigations and proceedings (e.g. third-party investigation, testimony made by a lawyer or a notary established in the EU).
2. Statement of whether criminal proceedings are pending or whether or not the person or any organisation managed by him or her has been involved as a debtor in insolvency proceedings or a comparable proceeding.
3. Information concerning the following:
  - 3.1 investigations, enforcement proceedings, or sanctions by a supervisory authority in which the individual has been directly or indirectly involved.
  - 3.2 refusal of registration, authorisation, membership, or a licence to carry out a trade, business or profession, or the withdrawal, revocation or termination of registration, authorisation, membership or a licence, or expulsion by a regulatory or government body or by a professional body or association.
  - 3.3 dismissal from employment or a position of trust, fiduciary relationship, or similar situation, or having been asked to resign from employment in such a position (excluding redundancies).
  - 3.4 whether or not an assessment of reputation of the individual as an acquirer or a person who directs the business of an institution has already been conducted by another competent authority (including the identity of that authority, the date of the assessment and evidence of the outcome of this assessment) and the consent of the individual where required to seek such information to be able to process and use the provided information for the suitability assessment, and
  - 3.5 whether or not any previous assessment of the individual by an authority from another non-financial sector has already been conducted (including the identity of that authority and evidence of the outcome of this assessment).

#### **5.2.5. Financial and non-financial interests**

All financial and non-financial interests that could create potential conflicts of interest should be disclosed, including but not limited to:

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<sup>3</sup> Academic Qualifications must be certified by a lawyer or by the Head of Legal Services of the Bank.

1. description of any financial (e.g. loans, shareholdings) and non-financial interests or relationships (e.g. close relations such as a spouse, registered partner, cohabitant, child, parent or other relation with whom the person shares living accommodation) between the individual and his or her close relatives (or any company that the individual is closely connected with) and the institution, its parent or subsidiaries, or any person holding a qualifying holding in such an institution, including any members of those institutions or key function holders.
2. whether or not the individual conducts any business or has any commercial relationship (or has had over the past two years) with any of the above listed institutions or persons or is involved in any legal proceedings with those institutions or persons.
3. whether or not the individual and his or her close relatives have any competing interests with the institution, its parent, or subsidiaries.
4. whether or not the individual is being proposed on behalf of any one significant shareholder.
5. any financial obligations to the institution, its parent, or its subsidiaries (excluding performing mortgages negotiated at arm's length).
6. any positions of political influence (nationally or locally) held over the past two years.

If a material conflict of interest is identified, the institution should provide a statement on how this conflict has been satisfactorily mitigated or remedied including a reference to the relevant parts of the institution's conflict of interest policy or any bespoke conflict management or mitigation arrangements.

#### **5.2.6. Time commitment**

All relevant and necessary details should be provided to show that the individual has sufficient time to commit to the mandate including:

1. information about the minimum time that will be devoted to the performance of the person's functions within the institution (annual and monthly indications).
2. a list of the predominantly commercial mandates that the individual holds including whether privileged counting applies.
3. where the privileged counting rules apply, an explanation of any synergies that exist between the companies.
4. a list of those mandates which are pursuing predominantly non-commercial activities or are set up for the sole purposes of managing the economic interests of the individual.
5. the size of the companies or organisations where those mandates are held including for example, total assets, whether the company is listed, and number of employees.
6. a list of any additional responsibilities associated with those mandates (such as the chair of a committee).
7. estimated time in days per year dedicated to each mandate.
8. number of meetings per year dedicated to each mandate.

#### **5.2.7. Collective knowledge, skills, and experience**

1. The Bank assesses the collective knowledge, skills, and experience through a combination of qualitative and quantitative criteria. The Bank provides a list of the names of the Members of the Management Body and their respective knowledge, skills, and experience.
2. The Bank provides a statement regarding its overall assessment of the collective suitability of the Management Body as a whole, including a statement on how the individual is to be situated in

the overall suitability of the Management Body (i.e. following an assessment using the suitability matrix<sup>4</sup>). This includes a description of how the overall composition of the Management Body reflects an adequately broad range of experience and the identification of any gaps or weaknesses and the measures imposed to address these.

3. Any and all other relevant information should be submitted as part of the application.

### 5.3. Declarations/Consents

Multiple declarations must be obtained from the Members of the Management body as well as Key Function Holders to guarantee transparency, accountability, and adherence to regulatory requirements, thereby ensuring robust governance. Some of these obligations pertain to the holding company (BOCH) and others to the Bank of Cyprus Public Ltd Company. These declarations are shown in the below table:

A/A	Declaration / Consent	Requiring body and purpose	When obtained	Responsibility
1	(BOCH) - Declaration as per Section 231 of the Irish Companies Act 2014 (if applicable) / Confidentiality Declaration.	Section 231 of the Irish Companies Act 2014 requires directors of a company to declare any interest they have in a contract or proposed contract with the company. The purpose of the declaration is to ensure independence of mind.  Applies only to Board Members	This declaration must be made at the first meeting when the proposed contract will be considered.  N.B.: There is an ongoing obligation to disclose this information. An updated version of the form should be provided when the director first joins and then whenever the requirements of section 231 are triggered.	CCSO
2	Conflict of Interest declaration	CBC Suitability Directive, Joint Guidelines The purpose of the declaration is to ensure independence of mind,  As per the Group Policy  Applies to both Board Members and KFH	This is requested before the Board approval (as part of the suitability assessment process) of the appointment and prior to submitting the application to the ECB and when joining the BOD after approval of the ECB.  Bi- annually.	CCSO

<sup>4</sup> The Suitability Matrix is in accordance with the Joint Guidelines on suitability.

3	Cyprus Stock Exchange Independence declaration	CSE Code  Applies to both Board Members and KFH	Bi- annually.  The January declaration of each calendar year is submitted by April each year to the CSE	CCSO
4	Annual Statement of Changes as per the CBC Suitability Directive	Directive to Authorized Credit Institutions on the Assessment of the Suitability of Members of the Management Body  Applies to both Board Members and KFH	Bi- annually.	CCSO
5	CSE Annex 18	CSE Rules  Applies to Board Members	At the time of appointment	CCSO
6	Related parties	Irish Companies Act, Directive on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions  Applies to both Board Members and KFH	This is requested prior to the Board approval of the appointment and prior to submitting the application to the ECB.  Thereafter each June and December of every calendar year	Compliance Division
7.	Knowledge Skills Experience questionnaire	Internal procedures to facilitate collective suitability assessment.  Applies to both Board Members and KFH	Bi-annually	CCSO

Note: The Compliance Division is responsible for ensuring that the returns are submitted as per the requirements of the legislation.

CCSO and Compliance keep each other informed with the information obtained.

#### **5.4. Reporting**

The Management Body must ensure that in consultation with the CCSO, the Group complies with all reporting requirements. This responsibility is delegated to the Compliance Division.

The Bank must inform the CBC without delay:

1. of any shortcomings identified concerning any individual Member and in the Management Body's collective composition.
2. for any termination of appointment of a Key Function Holder, explaining the reasons why; and
3. when any non-executive Member or member of a subsidiary board exceeds the exposures, limits set by the Directive .

The information must include the measures taken or envisaged to remedy those shortcomings and the timeline for implementation. Should the CBC decide that the measures taken are insufficient it may enforce appropriate corrective measures. Notification must be made to CBC of any change in the above information as it pertains to an Assessed Person, or for any new appointment.

In the case of a non-scheduled departure of a Member of the Management Body or Key Function Holder, that person must notify the CBC on the day of his/her departure or soon thereafter explaining the reasons for his/her departure.

By the 31<sup>st</sup> of July of each year a list of all Assessed Persons as of June 30<sup>th</sup> is submitted to the CBC. The list includes the names of all the Members of the Board, the Members of the committees of the Board and the key function holders of the Bank and its subsidiary credit institutions established in a third country as well as all of its branches outside the republic.

The Chief Compliance Officer on behalf of the Bank, reports to the Central Bank by 31 March of each year providing a statement of compliance with the provisions of this policy for each Member of the Management Body and Key Function Holder.

This Policy must be submitted to the CBC once approved by the Management Body. Should there be significant modifications to the Policy the updated Policy is submitted to the CBC within a month from the day of the approval of the updated version.

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## **6. EXCEPTION APPROVAL PROCESS**

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By way of exception, assessment of individuals and collective suitability may be carried out after the appointment of a Member of the Management Body in any of the following cases provided this is duly justified:

1. when at the Annual General Meeting of shareholders, the shareholders nominate candidates and elect Members who have not been proposed by the Group; and
2. when the performance of a full suitability assessment prior to the appointment of a Member of the Management Body would disrupt the proper functioning of the Management Body, including when the need to replace Members arises suddenly or unexpectedly (e.g., in the case of the death of a Board Member).

No suitability assessment is required in cases of KFH where there is a temporary assumption of duties due to due to the vacancy of the position resulting from an unscheduled departure of its holder, or due to unforeseen circumstances provided that the temporary assumption of duties does not exceed six months and the person undertaking the temporary duties was approved by the competent authorities in accordance with the provisions of the CBC Suitability Directive as a holder of a key function which he held immediately before the temporary appointment.

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

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1. The NCGC nominates Members as per the Board Nominations, Diversity and Succession Planning Policy.
2. Key Function Holders are appointed as per the HR Recruitment Policy.
3. Suitability Assessment Procedural Manual (Compliance Division)
4. CCSO Suitability Assessment Manual

### Factors to consider when assessing the fitness and probity of Assessed Persons

#### 1. Knowledge, skills, and Experience:

For the purposes of assessing a Board Member's theoretical banking experience, the level and profile of the Member's education, which should relate to banking and financial services or other relevant areas (mainly banking and finance, economics, law, administration, financial regulation, information and technology, financial analysis and quantitative methods), are taken into particular account. Practical experience is assessed based on previous positions held, considering the length of service, the size of the entity, responsibilities held, number of subordinates, the nature of the activities carried out, the actual relevance of experience gained.

Basic theoretical experience covering the following areas is expected (although for some positions it can be obtained through specific training):

- a. banking and financial markets.
- b. regulatory framework and legal requirements
- c. strategic planning, and the understanding of a credit institution's business strategy or business plan and implementation thereof
- d. risk management (identifying, assessing, monitoring, controlling, and mitigating the main types of risk of a credit institution) including experience directly related to the responsibilities of the Member.
- e. accounting and auditing.
- f. assessing the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight, and controls, and
- g. interpreting a credit institution's financial information, identifying key issues based on this information and appropriate controls and measures.

The experience must be assessed based on the below guiding presumptions of sufficient experience:

- a. CEO: 10 years of recent practical experience in fields related to banking or financial services a significant proportion of which in senior level management positions.
- b. other executive Members: five years of recent practical experience in senior level management positions in fields related to banking or financial services.
- c. chairperson of the Management Body: 10 years of recent relevant practical experience a significant proportion of which in senior level management positions and significant theoretical knowledge of banking or a similar relevant field.
- d. non-executive Members: Three years of recent relevant practical experience in senior level management positions, including theoretical banking knowledge.

## 2. Reputation, honesty, and integrity:

An Assessed Person will be considered to be of good repute, and of honesty and integrity if there is no evidence to suggest otherwise and no reason to have reasonable doubt about his or her good repute. If the personal or business conduct of an appointee gives rise to any doubt about his or her ability to ensure the sound and prudent management of the credit institution, the supervised entity and/or the appointee should inform the competent authority, who will assess the materiality of the circumstances. When considering the reputation and integrity of a person the following circumstances are to be considered as particularly serious and as such damaging to the personal reliability of the candidate.

### 2.1. Pending Legal/regulatory proceedings (the legal proceedings check covers the last 10 years):

Pending – as well as concluded – criminal or administrative proceedings, or other analogous regulatory proceedings, may have an impact on the reputation of the appointee and the supervised entity, even if the Assessed Person is (being) appointed in a state other than the one in which the relevant events occurred. Notwithstanding the fact that criminal or administrative proceedings are the responsibility of the relevant judicial or administrative authority, the very fact that an individual is – or has been – subject to proceedings is relevant to propriety. Concluded proceedings will have an impact if the decision goes against the Assessed Person. Although the competent authority will accept the decision of the judicial authority in concluded proceedings, the underlying circumstances of the proceedings may still be relevant for the assessment of any impact on reputation, even if the judicial authority rules in favour of the Assessed Person.

In particular, the following convictions or ongoing prosecutions for a criminal offence should be taken into consideration:

1. offences under the laws governing banking, financial, securities, insurance activities, or concerning securities markets or financial or payment instruments, including laws on money laundering and terrorism financing or any of the predicate offences as per the AML Law of 2007, corruption, market manipulation, or insider dealing and usury;
2. ii. offences of dishonesty, fraud, or other financial crime.
3. tax offences, whether committed directly or indirectly, including through unlawful or banned dividend arbitrage schemes.
4. other offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.

### 2.2. Orderly economic situation: The following situations relating to the past and present business performance and financial soundness of a Member of the Management Body should be considered, with regard to their potential impact on the Member's reputation, integrity and honesty:

1. being a defaulting debtor (e.g. having negative records at a reliable credit bureau if available).
2. financial and business performance of entities owned or directed by the Member or in which the Member had or has significant share or influence with special consideration

given to any bankruptcy and winding-up proceedings and whether or not and how the Member has contributed to the situation that led to the proceedings.

3. declaration of personal bankruptcy; and
4. without prejudice to the presumption of innocence, civil lawsuits, administrative or criminal proceedings, large investments or exposures and loans taken out, insofar as they can have a significant impact on the financial soundness of the Member or entities owned or directed by him or her, or in which the Member has a significant share.

Further to the above, ongoing investigations should be considered when resulting from judicial or administrative procedures or other analogous regulatory investigations without prejudice to fundamental individual rights.

Credit exposure to any Independent Member of the Management Body that exceeds €30,000 is prohibited. Additionally, credit Exposure to a non-independent Board Member of the Management Body that exceeds €200,000 excluding housing loans which are fully secured by tangible collateral is also prohibited.

### 2.3. Fulfilment of professional standards:

The following factors are considered in the assessment of reputation, honesty, and integrity:

1. any evidence that the person has not been transparent, open, and cooperative in his or her dealings with competent authorities.
2. refusal, revocation, withdrawal or expulsion of any registration, authorisation, membership, or licence to carry out a trade, business, or profession.
3. the reasons for any dismissal from employment or from any position of trust, fiduciary relationship, or similar situation, or for having been asked to resign from employment in such a position.
4. disqualification by any relevant competent authority from acting as a Member of the Management Body, including persons who effectively direct the business of an entity, and
5. any other evidence or serious allegation based on relevant, credible, and reliable information that suggests that the person acts in a manner that is not in line with high standards of conduct.

### 3. Sufficient time commitment of a Member of the Management Body:

In the assessment of sufficient time commitment of a Board Member, the Bank considers the following:

- 3.1. the number of directorships in financial and non-financial companies held by that Member at the same time, taking into account possible synergies when they are held within the same group, including when acting on behalf of a legal person or as an alternate of a Member of the Management Body.
- 3.2. the size, nature, scope, and complexity of the activities of the entity where the Member holds a directorship and, in particular, whether or not the entity is a non-EU entity.



- 3.3. the Member's geographical presence and the travel time required for the role.
- 3.4. the number of meetings scheduled for the Management Body.
- 3.5. the directorships in organisations which do not pursue predominantly commercial objectives held by that Member at the same time.
- 3.6. any necessary meetings to be held, in particular, with competent authorities or other internal or external stakeholders outside the Management Body's formal meeting schedule.
- 3.7. the nature of the specific position and the responsibilities of the Member, including specific roles such as CEO, chairperson, or chair or Member of a committee, whether the Member holds an executive or non-executive position, and the need of that Member to attend meetings in the companies listed in point (3.1.) and in the Bank.
- 3.8. other external professional or political activities, and any other functions and relevant activities, both within and outside the financial sector and both within and outside the EU.
- 3.9. the necessary induction and training.
- 3.10. any other relevant duties of the Member that institutions consider to be necessary to consider when carrying out the assessment of sufficient time commitment of a Board Member.

The roles, duties and required capabilities of the various positions within the Management Body and the expected time commitment required for each position, also taking into account the need to devote sufficient time for induction and training. Members of the Management Body are made aware of the expected time commitment required to spend on his or her duties.

In addition to the above, Members must comply with the limitation of directorships<sup>5</sup> i.e. four non-executive directorships and one executive directorship with two non-executive directorship. For the purposes of the latter, the following shall count as a single directorship:

1. executive or non-executive directorships held within the same group, or
2. executive or non-executive directorships held within:
  - a. institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113 paragraph 7 of Regulation (EU) 575/2013 are fulfilled, or
  - b. undertakings (including non-financial entities) in which the Bank holds a qualifying holding.
3. Where a directorship involves at the same time executive and non-executive responsibilities, the directorship should count as an executive directorship.

Directorships held in entities which do not pursue predominantly commercial objectives must not be counted when calculating the number of directorships<sup>6</sup>. However, such activities should be considered when assessing the time commitment of the concerned Member. Entities which do not pursue predominantly commercial objectives include, inter alia, (i) charities, (ii) other not-for-profit organisations, and (iii) companies that are set up for the sole purpose of managing the private economic interests of Members of the Management Body or their family members, provided that they do not require day-to-day management by the Member of the Management Body.

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<sup>5</sup> Article 91(3) of the CRD and Article 8(9)(1) of the CBC Suitability Directive.

<sup>6</sup> Article 9(8) of the CBC Suitability Directive.

#### 4. **Collective Suitability:**

- 4.1. The Management Body should collectively be able to understand the Bank's activities, including the main risks.
- 4.2. The Members of the Management Body should collectively be able to take appropriate decisions considering the business model, risk appetite, strategy, and markets in which the institution operates.
- 4.3. All areas of knowledge required for the Bank's business activities should be covered by the Management Body collectively with sufficient expertise among Members of the Management Body. There should be a sufficient number of Members with knowledge in each area to allow a discussion of decisions to be made. The Members of the Management Body should collectively have the skills to present their views and to influence the decision-making process within the Management Body.
- 4.4. The composition of the Management Body should reflect the knowledge, skills, and experience necessary to fulfil its responsibilities. This includes that the Management Body collectively has an appropriate understanding of those areas for which the Members are collectively accountable, and the skills to effectively manage and oversee the Bank, including the following aspects:
  1. the business of the institution and main risks related to it.
  2. each of the material activities of the institution.
  3. relevant areas of sectoral/financial competence, including financial and capital markets, solvency, and models, environmental, governance and social risks and risk factors.
  4. financial accounting and reporting.
  5. risk management, compliance, and internal audit.
  6. information technology and security.
  7. local, regional, and global markets, where applicable.
  8. the legal and regulatory environment.
  9. managerial skills and experience.
  10. the ability to plan strategically.
  11. the management of (inter)national groups and risks related to group structures, where applicable.

#### 5. **Independence:**

When assessing the independence of mind, the Bank assesses the necessary behavioural skills, including:

- 5.1. courage, conviction, and strength to effectively assess and challenge the proposed decisions of other Members of the Management Body.
- 5.2. being able to ask questions of the Members of the Management Body in its management function.
- 5.3. being able to resist groupthink.
- 5.4. the presence of absence of conflicts of interest to an extent that would impede their ability to perform their duties independently and objectively.

When assessing the required behavioural skills of a Member, his or her past and ongoing behaviour, in particular within the institution, should be taken into account.

## 6. Conflict of Interest

- 6.1. When assessing the existence of conflicts of interest, the Bank should identify actual or potential conflicts of interest in accordance with the Group's Conflicts of Interest Policy and assess their materiality.
- 6.2. At least the following situations that could create actual or potential conflicts of interests should be considered:
  1. economic interests (e.g. shares, other ownership rights and memberships, holdings and other economic interests in commercial customers, intellectual property rights, loans granted by the institution to a company owned by Members of the Management Body).
  2. personal or professional relationships with the owners of qualifying holdings in the institution.
  3. personal or professional relationships with staff of the institution or entities included within the scope of prudential consolidation (e.g. close family relationships).
  4. other employments and previous employments within the recent past (e.g. five years);
  5. personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers).
  6. membership in a body or ownership of a body or entity with conflicting interests.
  7. political influence or political relationships.
  8. all actual and potential conflicts of interest at Management Body level should be adequately communicated, discussed, documented, decided on and duly managed by the Management Body (i.e. the necessary mitigating measures should be taken).

A Member of the Management Body should declare if any conflict of interest is present and abstain from voting on any such matter.

### Skillset

This is the non-exhaustive list of relevant skills, as per the Joint Guidelines that are considered when performing their suitability assessments:

1. **Authenticity:** is consistent in word and deed and behaves in accordance with own stated values and beliefs. Openly communicates his or her intentions, ideas, and feelings, encourages an environment of openness and honesty, and correctly informs the supervisor about the actual situation, at the same time acknowledging risks and problems.
2. **Language:** communicates orally in a structured and conventional way and write in the national language or the working language of the institution's location.
3. **Decisiveness:** takes timely and well-informed decisions by acting promptly or by committing to a particular course of action, for example by expressing his or her views and not procrastinating.
4. **Communication:** is capable of conveying a message in an understandable and acceptable manner, and in an appropriate form. Focuses on providing and obtaining clarity and transparency and encourages active feedback.
5. **Judgement:** is capable of weighing up data and different courses of action and coming to a logical conclusion. Examines, recognises and understands the essential elements and issues. Has the breadth of vision to look beyond his or her own area of responsibility, especially when dealing with problems that may jeopardise the continuity of the undertaking.
6. **Customer and quality-oriented:** focuses on providing quality and, wherever possible, finding ways of improving this. Specifically, this means withholding consent from the development and marketing of products and services and to capital expenditure, e.g. on products, office buildings or holdings, in circumstances where he or she is unable to gauge the risks properly owing to a lack of understanding of the architecture, principles or basic assumptions. Identifies and studies the wishes and needs of customers, ensures that customers run no unnecessary risks and arranges for the provision of correct, complete, and balanced information to customers.
7. **Leadership:** provides direction and guidance to a group, develops, and maintains teamwork, motivates, and encourages the available human resources and ensures that members of staff have the professional competence to achieve a particular goal. Is receptive to criticism and provides scope for critical debate.
8. **Loyalty:** identifies with the undertaking and has a sense of involvement. Shows that he or she can devote sufficient time to the job and can discharge his or her duties properly, defends the interests of the undertaking and operates objectively and critically. Recognises and anticipates potential conflicts of personal and business interest.
9. **External awareness:** monitors developments, power bases and attitudes within the undertaking. Is well informed on relevant financial, economic, social, and other developments at national and

international level that may affect the undertaking and also on the interests of stakeholders and is able to put this information to effective use.

10. **Negotiating:** identifies and reveals common interests in a manner designed to build consensus, while pursuing the negotiation objectives.
11. **Persuasive:** is capable of influencing the views of others by exercising persuasive powers and using natural authority and tact. Is a strong personality and capable of standing firm.
12. **Teamwork:** is aware of the group interest and makes a contribution to the common result; able to function as part of a team.
13. **Strategic acumen:** is capable of developing a realistic vision of future developments and translating this into long-term objectives, for example by applying scenario analysis. In doing so, takes proper account of risks that the undertaking is exposed to and takes appropriate measures to control them.
14. **Stress resistance:** is resilient and able to perform consistently even when under great pressure and in times of uncertainty.
15. **Sense of responsibility:** understands internal and external interests, evaluates them carefully and renders account for them. Has the capacity to learn and realises that his or her actions affect the interests of stakeholders.
16. **Chairing meetings:** is capable of chairing meetings efficiently and effectively and creating an open atmosphere that encourages everyone to participate on an equal footing; is aware of other people's duties and responsibilities.