
Group Corporate Governance Policy

1. Purpose

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

The OECD principles define corporate governance as involving *'a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.'*

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

2. Sectors Affected

The Company applies the Corporate Governance Policy on a Group basis, having a central Board of Directors which supervises, whether directly or through Committees incorporated for this purpose, all the operations of the Company, the Bank and the other members of the Group.

This Policy applies throughout the Group, to the members of the Board of Directors, Material Risk Takers of the Bank and the subsidiaries.

3. Policy

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

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

The Board of Directors, management and staff of the Group shall comply with the provisions of this Policy which shall act as a guide to principles, actions and responsible conduct. This Policy will be implemented by the entire Group, its subsidiaries and affiliate companies for compliance.

The Policy forms part of the key high-level documents for governance of the Group and its operations and complements:

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

The Policy, in conjunction with the Articles of Association of the Company and the Bank, the Board Manual and the charters of the Board Committees, constitute the governance framework of the Company and the Bank.

4. Definitions

'Board of Directors' is the management body acting in its supervisory function and overseeing and monitoring management decision-making and the implementation of strategy.

'Member' is a proposed or appointed member of the Board of Directors.

'Material Risk Takers (MRTs)' is staff whose professional activities have a material impact on the institution's risk profile as per art. 3 & 4 of Delegated Regulation 604/2014. In the Group, MRT staff include the following positions:

- Group CEO and other Executive Members of Group Board of Directors.
- Senior Management, defined as:
 - All Divisional Directors that report to the CEO or Deputy CEO;
 - Group Divisional Directors that report to Board Committees (Chief Risk Officer, Director of Internal Audit and Director of Group Compliance);
 - General Managers of material subsidiaries (Eurolife, General Insurance Cyprus).
- Other key personnel whose total annual fixed remuneration exceeds €120.000.
- Other Risk Takers (based on position and as defined by the Bank and approved by the NCGC).

5. Roles & Responsibilities

5.1. The Board of Directors

The Board has the overall responsibility to supervise the management of the Group's operations. Its role is to approve, oversee and review the implementation of the Group's long-term strategic objectives, organization, risk appetite, business, financial soundness and governance. The Board is collectively responsible for the long-term shareholders value of the Company.

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

It is essential to the Board's strategy for success to follow good governance practices for its own work as a board and to provide effective oversight of competent, strong and independent internal control functions which must support its work. A crucial foundation of good governance is a demonstrated corporate culture that encourages and provides suitable standards and incentives for professional and responsible behaviour. The Board should take appropriate steps to address any deficiencies.

In a group structure the Board of the parent company has the overall responsibility for adequate corporate governance across the Group. The Board should take into account the material risks and issues that might affect both the Bank as a whole and its subsidiaries. Adequate oversight should be exercised over the Bank and its subsidiaries, while at the same time respecting the independent legal and governance responsibilities that might apply to the Bank and regulated subsidiaries. The nature, scale and complexity of the different risks to which the Group and its subsidiaries are exposed should be taken into account.

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

The Company acknowledges that, in order to function effectively, all Board members need appropriate knowledge of the Group and access to its operations and staff. The Company will therefore provide the necessary resources for developing and updating the Board members' knowledge.

A. Number and Selection of Board Members

According to the Articles of Association of the Company, the Board is given the authority to determine the number of members. The Board should be of sufficient size to meet the requirements of the business. Both the Chairperson and the Vice Chairpersons are non-executive Members of the Board. At least two executive members are required to participate (but not more than 25% of the members rounded down), one of which must be the Chief Executive, and at least 50% of the members rounded down plus 1, excluding the Chairperson should be independent non-executive members (UK Code, CSE Code and CBC Directive).

The Board must have and must maintain both as individual board members and collectively suitable experience, competencies and personal qualities such as professionalism and integrity. It must be sufficiently diverse as regards age, gender and educational and professional background to facilitate independent opinions and critical challenge.

The Board appoints new members, on the recommendation of the NCGC, who then stand for election by the shareholders at the first Annual General Meeting after their appointment and retire annually subject to re-election. Non-executive Board members should be appointed for specified terms, subject to re-election and to statutory provisions for removal of a Board member. Any term beyond 6 cumulative years for a non-executive Board member should be subject to particularly rigorous review and should take into account the need for progressive refreshing of the Board.

B. Independent Board members

As required by the Directive of the Central Bank on the Assessments of the Suitability of the members of the management body and key function holders of the ACI, the UK Code and the CSE Code, the Board shall annually, make a determination with respect to each member's independence. This means that the Board, after receiving the recommendation of the NCGC, must determine whether each member is independent in character and judgment, and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the member's judgment.

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

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

C. Qualifications for Board members

One of the Board's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Nominations & Corporate Governance Committee is assigned the responsibility to ensure that there is a formal, rigorous and transparent procedure for the appointment of new Board members, to review the qualifications of potential member candidates and to make recommendations to the Board in accordance with the Group Policy on Suitability, the Terms of Reference of the NCGC and the Nominations Policy, all as approved by the Board. The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the Board and must be able to commit the necessary time and effort to fulfil their responsibilities.

Prior to the appointment, the Bank must comply with the Assessment of the Suitability Directive of 2020 and obtain the written approval of the Central Bank and the ECB.

Factors considered by the Committee in its review of potential candidates are listed in Appendix 4 of the Board Manual:

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

5.2. Board Operations

The Board procedures and operations are described in the Board manual which is provided to each member of the Board on appointment.

A. Board meetings

The Board should meet at least six times a year and to hold additional meetings as necessary.

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

B. Quorum Requirements

As per the Articles of Association 50% of the members of the Board plus 1 rounded down physically present shall be a quorum unless otherwise determined. The members of the Board should aim to attend all meetings either in person or via telephone/ teleconferencing and every effort should be made at least once a year to hold one meeting with the physical presence of all members.

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

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

C. Agenda and Materials

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

All members should be timely briefed in writing on meetings of the Board of Directors and should have in due time at their disposal all relevant documents for the meeting in order to have sufficient time to study them.

The Chairperson is responsible for ensuring that each Board member receives accurate, timely and clear information. Management has an obligation to provide such information but members of the Board should seek clarification or amplification where necessary.

The minutes of all meetings of the Board of Directors and its Committees should accurately and in detail record the decisions taken and the issues material to the decisions, and should be at the

disposal of all members the soonest possible after a meeting and not later than 15 working days and must be finalised before the next Board meeting.

Where a member or members believe that the Board of Directors needs independent professional advice for an issue pursuant to the execution of their duties and responsibilities, this should be requested in writing from the Company Secretary. The Secretary must ensure that the request is presented at a meeting of the Board of Directors. The request is accepted if it is supported by 1/3 of the Members of the Board of Directors.

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

D. Executive Sessions of Non-Executive Board members

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

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

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

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

E. Access to management

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

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

F. Board Member Education

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

The Company shall assist members to acquire, maintain and deepen their knowledge, skills and familiarity with the Group in order to fulfil their responsibilities. Each new member is provided with written information about the Group and his/her duties and responsibilities as member and attends an induction course. All members have access to seminars and presentations on aspects of the Group's business activities and opportunities to familiarise themselves with the Group's strategic plans, enterprise risks, group structure, compliance programs, Code of Conduct, Market Abuse Policy and Corporate Governance Policy. As part of this, members of the Board should avail themselves of opportunities to meet major shareholders. The Chairperson must ensure that the Company Secretary arranges induction programmes for all members. The Chairperson shall prepare an annual training program for the members in coordination with the Company Secretary and the Corporate Governance Compliance Officer. The Chairperson should also regularly review and agree with each member their training and development needs.

G. Other Directorships

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

The CBC Assessment of the Suitability of members of the management body and Key Function Holders Directive of 2020 stipulates that a Board member cannot hold more than one of the following combinations:

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

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

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

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

Executive Board members should not take more than one non-executive role at a FTSE 100 company nor the chairmanship of such a company.

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

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

No member of the Board shall also be a member of the Board of directors of an unaffiliated financial institution, without the prior approval of the Nominations & Corporate Governance Committee.

H. Confidentiality

Every Board member shall, prior to his/her appointment, make and sign a declaration of secrecy pledging not to reveal or make known any of the matters which may come to his/her knowledge in relation to transactions of any member of the Group or the state of account of individuals and matters relating thereto, unless required by court of law or by any General Meeting of the Company. This is without prejudice to each Board member's statutory duty of confidentiality owed to the Company.

I. Director compensation

The Board approves:

- the overall remuneration policy of the Group (including for Executive Board members) as recommended by the HRRC, which must be aligned with the Group's capital and liquidity availability; the interests of its shareholders; does not encourage excessive risk taking and ensures an appropriate balance between fixed and performance-related, immediate and deferred remuneration;
- the Chairperson and Vice Chairperson's remuneration as recommended by the HRRC; and
- the non-executive Board members' remuneration as agreed and recommended by the Chairperson.

The remuneration of non-executive members should be in accordance with the time they devote to the meetings and the decision-making for the issues before them. It should also take into account, especially for those non-executive members who are members of Board committees, their responsibilities and time commitments but should not be related to the short-term performance of the Company.

The remuneration of Board members in their capacity as members of the Board of Directors shall be approved by the shareholders at a General Meeting. Executive Members are not compensated in their capacity as members. Termination notice periods should be set at one year or less.

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

5.3. Board Committees

The basic regulated committees of the Board are the Audit Committee, the Risk Committee, the Nominations & Corporate Governance Committee and the Human Resources & Remuneration Committee. A Technology Committee has been set up 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. Additionally, an Ethics, Conduct and Culture Committee has been established to assist the Board in its responsibilities with regard to nurturing an ethics culture in the Group. Each Committee reports directly to the Board. Subject to their availability, each non-executive member should serve on at the most two regulated Board committees. Committee members and Chairs shall be appointed by the Board on the recommendation of the Nominations & Corporate Governance Committee, after consultation with the individual members. Committee chairs and members shall be rotated at the recommendation of the Nominations & Corporate Governance Committee.

The mission and objectives of each Committee is set forth in its own charter or Terms of Reference (See *Appendices 7-10a*) which shall comply with all applicable laws, regulations and rules. The charter shall set forth the qualifications for committee membership, procedures for committee member appointment, committee structure and operations and reporting to the Board. It is subject to review and updating by the Board annually or wherever there are significant changes.

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

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

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

A. Audit Committee

The Audit Committee (AC) monitors the integrity of financial reporting and provides oversight of the Group's compliance, internal and external audit functions.

The AC must comprise at least three independent non-executive members. The Chairperson of the Committee must be independent and must have a strong understanding of internal control procedures and accounting issues relevant to the Committee. The Committee as a whole must have competence relevant to the sector in which the Company operates.

The Chairperson of the Board of Directors may not be a member of the AC.

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

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

The AC recommends to the Board and shareholders for their approval, the appointment, re-appointment, compensation, terms of engagement and substitution or rotation of external auditors, reviews and approves the audit scope and frequency. It receives key audit reports and liaises with external auditors in relation to their audit findings. It must ensure that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors.

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

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

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

B. Risk Committee

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

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

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

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

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

C. Nominations & Corporate Governance Committee

The Nominations & Corporate Governance Committee (NCGC) leads the process for Board appointments and (under the overall responsibility and supervision of the Chairperson) evaluation, and plays a key role in assisting the Board to fulfil its responsibilities in relation to Board members' development and succession planning, and corporate governance policy and compliance.

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

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

The NCGC must consist entirely of non-executive members of whom the majority must be independent members. The Chairperson of the Committee must be the Chairperson of the Board or an independent non-executive Board member.

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

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

D. Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee (HRRC) plays a key role in assisting the Board to fulfil its responsibilities including (in particular) by:

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

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

The Committee must consist exclusively of independent non-executive members. The Chairperson of the Board may also be a member of the Committee (but not the Chairperson) if he/she was considered independent on appointment.

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

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

E. Technology Committee

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

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

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

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

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

F. Ethics, Conduct and Culture Committee

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

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

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

5.4. Board and Board Member Effectiveness

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

The NCGC shall assess annually the structure, size, composition and performance of the Board. The Committee shall also assess the skills, knowledge and expertise of the members of the Board annually. The results of these evaluations shall be summarised and presented to the Board. The NCGC may develop recommendations and/or an action plan for the Board, where necessary to address issues raised as a result of the assessments and will monitor the progress of the Board in addressing issues identified in the assessment process.

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

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

5.5. Independent Chairperson

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

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

The role of the Chairperson is described in detail in the Board Manual (section I).

5.6. Senior Independent Director

The Board is committed to always having one of the independent non-executive members of the Board appointed as the "Senior Independent Director."

The role of the Senior Independent Director is set out in the Board Manual (*section K*).

5.7. Responsibilities of the Board of Directors

The Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board leads in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group, and ensures that its obligations to its shareholders and others are understood and met. Through its oversight, monitoring and review functions, the Board ensures the Group is being run in a sound and prudent manner on a going concern basis in order to fulfil its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies.

Decisions critical for the Company, especially in maintaining an effective organisational structure and internal control system, and the determination of its business strategy are taken at Board level (where appropriate, following consideration and recommendation from the relevant Committee of the Board). The responsibilities of the board are described in detail in the Board Manual, especially in Section V – Authorities of the Board of Directors as a body managing the internal control system. In addition:

- a) To implement a process for the appointment of Board members, on merit and against objective criteria, who can add value and contribute independent judgement to the formulation of corporate strategies and policies within the objective of maintaining an appropriate balance of skills, experience, independence and knowledge and ensuring progressive refreshing of the Board.
- c) To evaluate the Bank's actual operating and financial results against forecast results, in light of the Bank's business objectives, business strategy and business plans.

- g) To oversee liquidity and funding management. Members must understand the capital needs of the Bank as the Board is responsible for overseeing the capital management of the Group. The Board shall establish appropriate and prudent capital management policies for the Bank.
- m) To ensure that policies to identify conflicts of interest are developed and implemented and if these conflicts cannot be prevented, are appropriately managed. The Board should have formal, written conflicts of interest policy and an objective compliance process for implementing the policy.
- o) Assess the governance structure periodically to ensure that it remains appropriate in light of growth, increased complexity etc.
- p) The Board should establish arrangements that enable it to ensure that the information presented is fair, balanced and understandable.
- q) To ensure that there is a satisfactory dialogue with shareholders.
- r) To ensure that General Meetings are used to communicate with investors and to encourage their participation.

5.8. Specific Duties and Responsibilities of Individual Members of the Board

A member of the Board shall conduct his/her business transactions with the Group fairly and ensure that personal interest does not bias Board decisions. Specific duties and responsibilities set out in Section D of the Board Manual:

Executive members should propose strategies and execute the agreed strategies to the highest possible standards.

Non-executive members should monitor executive activity and contribute to the developments of strategies. In addition to the above, the duties of a non-executive member are described in detail in the Board Manual (section L).

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

5.9. Independent Checks and Balances

The Bank supports the principle and regulatory mandate of checks and balances across the entire Group by observing the segregation of authorities and the independence of internal control functions. In the context of good governance, the following roles are defined as follows:

A. Role of the Chairperson and CEO

The Board Chairperson and the CEO collectively are responsible for the leadership of the Group. The Chairperson's primary responsibility is for leading the Board and ensuring its effectiveness (including the setting of strategy) while the CEO is responsible for running the Group's business with a view to delivering the strategy. Both, the CEO and the Executive Committee need to promote the Group's collective vision of values, conduct and culture and set the tone at the top. The role of the Chairperson is fully described in the Board of Directors Manual.

The roles of the Chairperson and the CEO are clearly separate and distinct from each other in order to achieve a balance of authority, clear accountability and capacity for independent decision making by the Board.

In fulfilling his/her executive duties, the CEO acts within the delegated authority vested in him by the Board, including among others the following:¹

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

B. Executive Committee

The function of the Executive Committee is to support the effective management of the Bank and improve the level of cooperation and cross-divisional knowledge of its key executives. The principal duties of the Executive Committee are to monitor and supervise the management of the Group, report to the Board and make recommendations which include:

- Objectives and strategy of the Group for consideration by the Board;
- Development of detailed business plans for all Group companies, setting out the principal business objectives, profit, capital expenditure and cash flow budgets for the year;
- Monitoring of operating and financial performance;
- Ensuring the adequacy and integrity of management and financial information and all other reporting and control systems;
- Oversee the day-to-day management of the Bank by ensuring alignment of the Bank's activities and operations with the strategic objectives, risk strategy, corporate values and policies;
- Ensure that duties are effectively delegated to their respective direct reports through written job descriptions and oversee the performance of these delegated duties;

¹ Inclusive of Matters reserved for the Board

- Promote and strengthen checks and balances in the Bank through sound internal controls, avoiding activities that compromise and violate them and giving due recognition to the importance of risk management, compliance, internal audit and external audit functions; and
- Encourage non-executive members of the Board to test their proposals and be open to constructive challenge.

C. Role of the Head of Compliance function

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

The Head of Compliance function shall be appointed by the Board and shall be subject to the prior written approval of the Central Bank, as per the provisions of the Assessment of the Suitability CBC Directive. The Head of Compliance function shall report functionally to the AC and administratively to the Deputy CEO.

The Head of ~~Group~~ Compliance function shall have commensurate skills and expertise to provide appropriate guidance and direction to the Bank on the development, implementation and maintenance of the appropriate compliance standards.

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

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

D. Role of the Chief Risk Officer

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

A GCRO shall be appointed or replaced with prior approval from the Board of Directors. The Board shall also ensure the independence of the GCRO by providing him with direct access to the Board and the RC without any impediment.

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

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

- Ensure the Group promptly identifies all risks;
- Assist the RC, Board of Directors and Senior Management to establish and communicate the Bank's risk management objectives and direction;
- Assist the Board RC and Senior Management to develop and communicate management policies;
- Facilitate in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks;
- Monitor and assess decisions to accept particular risks whether these are consistent with Board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures;
- Report to Senior Management, the RC and the Board the results of the assessment and monitoring of risk exposures;
- Have sufficient expertise and operating experience enabling the challenging of decisions that affect the institution's exposure to risk;
- Annually prepare a report to the CBC presenting key issues and developments within the Bank and review of the main risk areas;
- Submit as necessary reports to the Board and relevant Committees and attending their meetings to present these reports and provide additional information and/or classification or assistance on managing the issues raised;
- Be involved in the preparation of any changes to the institution's strategy, risk appetite framework and risk limits;
- Prepare and recommend the Group's risk appetite to the Board through the Risk Committee;
- Develop, operate and maintain a comprehensive risk management framework to monitor and manage the risk profile of the Group against the approved risk appetite and provide accurate and timely risk reporting to Senior Management, the RC and the Board of Directors;
- Oversee the effectiveness of the implementation of the Group's Risk Management policies; and
- Review and recommend appropriate limits for all identified risks.

E. Role of the Information Security Officer

The Information Security function is responsible and accountable for the development and implementation of the information security framework. The role of the Information Security Officer includes the following (list is not exhaustive):

- Advise and provide recommendations to the Board on the development of an information security policy in line with the institution's size and complexity of activities and information distribution channels;
- Advise and provide recommendations to Senior Management on the development and implementation of the institution's information security program in the form of security policies, standards, guidelines, procedures and processes;

- Oversee the dissemination and implementation of the information security program institution-wide;
- Develop and implement in cooperation with the risk management Division, an information security risk assessment and management program;
- Plan, organise and coordinate information security assessment activities throughout the institution; and
- Monitor compliance with information security policies, standards, guidelines, processes and procedures.

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

F. Role of the Head of Internal Audit function

The Bank shall have in place an independent Audit Function, through which the Bank's Board, Senior Management and shareholders may be provided with reasonable assurance that its key organisational and procedural controls are effective, appropriate, and complied with. The Board shall appoint a Head of Internal Audit to carry out the audit function and shall require the Head of Internal Audit to report to the AC that will allow the internal audit function to fulfil its responsibilities without impediment.

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

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

G. Role of External Auditor

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

- Update its understanding of the Group's internal accounting controls and reporting processes;
- Perform an overall audit risk assessment process to determine management's area of concerns and to identify audit risks and focus areas;
- Present an audit plan to the Board AC in relation to the Groups' audit requirement;
- Review internal audit work and findings to assess their impact on the audit of the financial statements;
- Perform tests of transactions of the Group including assessment of the soundness and reasonableness of estimates and assumptions used in the recorded financial information;
- Provide updates, advice and assistance on accounting standards and regulatory pronouncements;
- Review the Group's compliance with accounting standards and regulatory requirements;
- Report to management, the AC, the Board of Directors and the shareholders on the results of the audit; and
- Meet with the non-executive members of the Board to discuss issues of concern.

H. Role of Company Secretary

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

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

- To ensure the Board and its Committees (and the Board and Committees of the Bank) are constituted and function in compliance with internal rules, the Articles of Association of the Company and the Bank, the Board Manual, CBC Directives, the UK Code and other applicable legal and supervisory requirements;
- To act as a source of information and advice to members of the Board and facilitate the flow of information within the Board and its Committees, between Senior Management and non-executive members and between Heads of internal control functions and non-executive members;
- To provide access to independent professional advice at the expense of the Company and the Bank as required;
- To ensure that all Board and Committee procedures are complied with;
- To ensure minutes are kept in accordance with regulatory requirements;
- To provide support to the Board in overseeing succession and rotation of tasks of non-executive members of the management body; and
- To ensure compliance with Listing Rules and the Transparency Directive.

Moreover, the CS (under the supervision of the Chairperson of the Board) should facilitate the induction, development and evaluation of members of the Board.

I. Role of Corporate Governance Compliance Officer

- Advise the Board, through the Chairperson, on all matters of corporate governance.
- Ensure that the meetings of the NCGC are held in accordance with the Terms of Reference
- Place items on the agenda of the NCGC meetings in coordination with the CS and in consultation with the Board Chairperson.
- Review the effectiveness and adequacy of the corporate governance policy of the Group, and make appropriate recommendations to the NCGC.
- Lead the assessment, on an annual basis, of the structure, size and composition of the Board and of each Board committee and make appropriate recommendations to the NCGC.
- Prepare a report based on the findings of the evaluation of the performance of the Board and make appropriate recommendations to the Board NCGC.
- Conduct an annual assessment of the independence of each independent non executive member in coordination with the NCGC and report its findings to the Board NCGC.
- Assess, on an annual basis, the skills, knowledge and experience of the members of the Board of Directors and report its findings to the NCGC.
- Monitor compliance of the Group with corporate governance policies and make appropriate recommendations to the NCGC.
- Review the charters of all the Committees of the Board at least annually, and make appropriate recommendations to the NCGC.
- Lead the process of the preparation of the Annual Corporate Governance Report in coordination with the NCGC.
- Facilitate trainings of the Board on their duties and responsibilities in relation to compliance.
- Write related procedures and audit programs in relation to the monitoring of his/her responsibilities.
- Review fitness and probity criteria of persons appointed to the Board of Directors and Senior Management and make recommendations to the NCGC.

5.10. Shareholders Rights

- The Board as a whole is responsible for ensuring that there is a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- The Board of Directors shall be transparent and fair in the conduct of the annual and special shareholders' meetings.
- The Board shall use general meetings to communicate with investors and to encourage their participation.
- Accurate and timely information shall be made available to the shareholders to enable them to make sound judgments on all matters brought to their attention for consideration or approval.
- At any general meeting, the Company shall propose a separate resolution on each substantially separate issue, and shall, in particular, propose a resolution at the AGM relating to the report and accounts.

- For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.
- The proxy form and any announcement of the results of a vote should make it clear that a vote 'withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.
- The Company shall ensure that all valid proxy appointments received for general meetings are properly recorded and counted.
- When 20 % or more of votes have been cast against a resolution at any general meeting, the company shall explain when announcing the results of voting what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.
- The Company shall arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting. For other general meetings this should be at least 14 working days in advance.

5.11. Disclosure and Transparency

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

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

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

5.12. Communication Process

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

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

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

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

5.13. Monitoring and Assessment

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

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

This Policy shall be subject to at least an annual review by the Nominations and Corporate Governance Committee of the Board of Directors.

5.14. Penalties for Non-compliance with the Code of Corporate Governance

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

5.15. Standards of Business Conduct and Ethical Behaviour

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

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

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

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

5.16. Issue Escalation

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

The decision as to whether or not to escalate an issue to the Board's attention and/or a committee between regularly scheduled meetings is a matter of business and/or legal judgment on the part of Senior Management as well as the Chairperson and the CEO, the Vice-Chairperson and the Deputy

CEO; Chief Legal Officer and Company Secretary. This determination will take into consideration the following, among other factors:

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

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

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

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

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

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

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