



# **BOARD ETHICS, CONDUCT & CULTURE COMMITTEE TERMS OF REFERENCE**

**November 2021**

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## List of Abbreviations

Abbreviation	Explanation
AC	Audit Committee
CBC	Central Bank of Cyprus
CEO	Chief Executive Officer
ECCC	Ethics, Conduct and Culture Committee
GCRO	Group Chief Risk Officer
GIA	Group Internal Audit
Group	Company and all of its subsidiaries (including the Bank)
HRRC	Human Resources & Remuneration Committee
NCGC	Nominations & Corporate Governance Committee
IRRBB	Interest Rate Risk in the Banking Book
RC	Risk Committee
TC	Technology Committee

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## A. AUTHORITY

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1. The Board Ethics, Conduct & Culture Committee ("**the Committee**") is a Committee of the Board of Directors ("**the Board**") of the Bank of Cyprus Holdings Plc ("**the Company**") from which it obtains its authority and to which it regularly reports.
2. The Committee has been delegated authority by the Board in respect of the functions and powers in these Terms of Reference.
3. The Committee is concerned with the business of the Company, its business units and subsidiaries (the Company and its subsidiaries being "**the Group**") and accordingly its authority extends to all relevant matters relating to the Group.
4. The Committee has authority to investigate any matters within its terms of reference calling on whatever resources (including external professional or legal services) and to obtain such information as it may require from any director, officer or employee of the Group. It shall have access to adequate funding to enable it to discharge its duties.
5. The Chairperson is authorised to provide to this respect approval of expenditure up to a maximum of €20.000 and he/she is required to inform the Committee at the next meeting.
6. The Committee reviews annually the Terms of Reference and recommends necessary changes to the Board.

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## B. ROLE OF THE COMMITTEE

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The role of the Committee is:

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

Its role is one of oversight, recognising that management is responsible for continuously reinforcing and championing the Group's sound ethics, responsible conduct and principled culture throughout the organisation.

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## C. COMMITTEE COMPOSITION

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1. The Committee has a minimum of 3 members. All the members must be non-executive Directors.
2. The Board appoints the members of the Committee annually on the recommendation of the NCGC in consultation with the Committee Chairperson.
3. The Board appoints a Chairperson of the Committee for a maximum period of six years whether consecutive or not.
4. The Committee shall be provided with sufficient resources to effectively undertake its duties.
5. The induction programme shall cover the role of the Committee (including its Terms of Reference and expected time commitment of its members).

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## D. COMMITTEE MEETINGS

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1. The Committee holds regular meetings, at least 2 per year and additionally, ad hoc meetings whenever called by the Chairperson of the Committee.
2. Notice of meetings together with the agenda and support material of the items to be discussed shall be forwarded to each member of the Committee or any other person required or invited to attend no later than 5 working days before the date of the meeting.
3. The Chairperson of the Committee (using the services of the Company Secretary to the extent necessary and appropriate) ensures that:
  - (a) the Agenda appropriately addresses the issues that require the Committee's attention and is proactive;
  - (b) the Committee members are provided with information in a timely manner in order to effectively consider and decide on the agenda issues and to keep the Committee focused on its primary oversight responsibilities;
4. The Committee shall have access to the services of the Company Secretary, who has the responsibility of ensuring that the Committee receives information and papers in a timely manner. The Company Secretary or his/her nominee shall record and maintain detailed minutes of the meetings of the Committee. Draft minutes must be finalised no later than fifteen (15) business days following the meeting, formally approved at the next meeting, and at the same time be submitted to the Board for noting.
5. The quorum for a meeting is 2 members or 50% rounded up, whichever is the highest.
6. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairperson shall have a second or casting vote.

7. The Board's directions for minimum annual attendance requirements for Committees of the Board require Committee members to participate in at least 3/4 of all meetings (regular and extraordinary) and that any continuous absences not to exceed 2 in number.
8. Based on the nature of their duties as Heads of Internal Control Functions, the Chief Compliance Officer, the CRO and the Internal Audit Director, as well as the Executive Director People & Change are also considered as regular attendees but shall attend only if a topic related to their function is discussed and they have been invited by the Committee's Chairperson.
9. No person other than a Committee member is entitled to attend meetings of the Committee, although others may attend at the invitation of the Committee. The Chairperson of the Committee is entitled to invite other Directors that are not members of the Committee, members of the management of the Group or external parties to participate in a meeting, in order to advise or inform the Committee on the issues discussed at the meeting. Any such persons are present only during the discussion of the specific items and leave the meeting room immediately after, without any participations in the decision making processes.
10. Each member/attendee is personally responsible / liable to declare any conflicts of interest and abstain from the meeting during which the conflicted issue is under discussion. The Secretary of the Committee maintains a relevant section in the Committee.
11. The Committee shall annually establish a schedule of major topics to be discussed during the year.
12. Decisions beyond this Committee's authority and matters which any member of the Committee deems necessary for escalation will be escalated by the Chair to the Board as appropriate.

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## **E. RESPONSIBILITIES**

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### ***1. Duties***

#### ***Conduct, Culture and Values***

- Oversee management's efforts to foster a culture of ethics, compliance and control within the Group, to ensure the highest standards in ethics culture and business integrity are applied throughout all of the activities of the Group and to discourage unethical behaviour; and make management more responsible and accountable for this conduct, actions and competence.
- Monitor cultural progress and the embedding of the Group's culture and values, including regularly assessing cultural key indicators, findings from employee opinion surveys and relevant updates from external bodies;
- Review and assess the Bank's strategy, communications and policies relating to the Code of Conduct and sound ethics, responsible conduct and principled culture and how their observance is monitored, to determine if further enhancements are needed to align with the desired culture and to foster ethical decision-making by employees, drawing on the work

of the Compliance Division, in order to advise the Board on their adequacy and effectiveness.

- Monitor compliance with the Code of Conduct and review disciplinary controls and measures of the Group, as presented by HRD on an annual basis.
- In coordination with the NCGC ensure that in all business decision making the Group promotes actions and behaviour that apply the Group's Code of Conduct, values and culture.
- Be informed of the outcome of the annual review of the Group Anti-Bribery Policy together with recommendations for revision.
- Oversee conduct issues with a view to ensuring fair treatment of customers (products/services design and suitability, sales processes, transparency of fees, customer satisfaction indicators, complaint levels and market share measures etc.) and that the Bank is conducting business in the right way.
- Receive and review complaints related to BoD members and Senior Executives of the Bank. If the allegations appear credible and appropriate for consideration, the Ethics Committee shall recommend to the Internal Audit Director or Director Compliance that an investigation should be conducted.
- Review internal forensic investigations and where required report externally to supervisory authorities and/or enforcement authorities in Cyprus and abroad.
- Review all relevant Group Policies issued by Compliance Division and recommend to the AC for approval.

#### ***Internal controls***

- Assist the Board in communicating the Company's risk culture to management, incentivising the desired behaviour and sanctioning inappropriate behaviour and assessing whether the desired culture has become embedded at all levels within the Group.
- Review and advise on the Group's Conduct Risk Framework in terms of the effectiveness of the processes and policies by which the Group identifies and manages Conduct Risk including ownership of Conduct Risk by the first line of defence and that Conduct Risk oversight roles and responsibilities are clear across the second line functions.
- Review periodic Conduct Risk reports which will include agreed Conduct Risk metrics and compliance with Group Conduct Risk Policies. Review annually performance against Conduct Risk metrics and management's follow-up of compliance failures and provide input to the HRRC for consideration whether any are relevant to the remuneration of individuals or groups of staff.

#### ***Reputational Risk and Corporate Relations***

- Review the effectiveness of the processes and policies by which the Group identifies and manages reputational risk, including annually reviewing the effectiveness of the Reputational Key Risk Framework and consider regular reports on reputational risk issues/exposures;

- Ensure that the Bank has the appropriate means for promoting ethical decision-making and due consideration of the risks to the Bank's reputation and compliance with laws, regulations and internal rules. Review significant internal incidents and industry developments with high potential reputational risk.
- Promote best practices and ethical behaviour considering the interests of clients, personnel, shareholders and eventually society in general and ensure fair customer outcomes;
- Review the Reputational Risk Policy and the processes put in place to implement it and recommend to the RC for approval.

### ***Corporate Social Responsibility***

- In coordination with the NCGC, ensure management contributes to society's development by actively promoting human rights, fair working conditions, diversity and gender equality
- In coordination with the NCGC enhance responsible company and management behaviour towards sustainable use of finite resources by the Group and long-term value creation for the Group, its suppliers and corporate clients and promote sustainable corporate social responsibility that benefits society at large.
- Review the Group's corporate social responsibility strategy and associated policies and recommend to the NCGC for approval.
- Contribute to the drafting of the CSR report.

### ***HR Initiatives***

Oversee HR initiatives that foster employee engagement and create a culture of ethics and compliance:

- The application of a holistic Internal communication programme whose aim is to:
  - Provide staff with information that affects them (e.g. Business results, Group developments etc.) and regularly report back to them with updates / developments;
  - Create and sustain 2-way communication;
  - Build trust through integrity and transparency;
  - Create a common goal and a culture of 'citizenship';
  - Live by our values
- The application of fair and transparent recognition initiatives across the Bank, for Actions, Behaviours, Attitudes and Accomplishments that the Bank wants to foster and reinforce.
- Review the Bank's hiring practices, including efforts to promote diversity and inclusion in the workplace in the Bank's hiring and staff development practices, and hiring people who align with the Bank's purpose and values to create the right culture for the organisation.

### *Sustainability*

- Ensure the Group’s strategy for sustainability is embedded throughout the operations of the Bank, having regard for the Group’s key stakeholders including shareholders, customers, colleagues, Government, regulators and the wider community based on the four pillars below:
  - Ethical – in coordination with the NCGC ensure that in all decision-making the Group promotes actions and behaviour that apply the Group’s Code of Conduct, values and culture.
  - Social:
    - In coordination with NCGC actively promote human rights, fair working conditions, diversity and gender equality.
    - Actively contribute to society’s development by pursuing actions that promote human rights, social equity and well-being in society.
  - Environmental – in coordination with the NCGC contribute to a sustainable use of finite resources by the Group, its suppliers and its corporate clients and promote green buildings and lower carbon imprint of the Group; and
  - Economic: –
    - Group – by promoting a culture whereby the Group achieves economic development and financial sustainability by strengthening its long-term competitiveness, pursuing cost savings, generating revenue.
    - Customers – similarly when reaching decisions re financing of customers explore new business opportunities with a view to sustainability; ensure their long-term competitiveness, their sustainability and economic development.

### **2. *Communication and Reporting***

- Respond, through the Chairperson of the Committee, to shareholder questions at the Annual General Meeting.
- Report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- Conduct an annual self assessment and report its conclusions and recommendations for improvements and changes to the Board.
- Ensure that the Committee's Terms of Reference are available on the Company's official website.

### **3. *Regulatory framework***

As per *Section R of the Board Manual*