

POLICY: CUSTOMER COMPLAINTS MANAGEMENT

1. PURPOSE AND SCOPE OF POLICY

It is important that the BOCH/BOC, including Top Management, instill a culture where complainants are treated fairly. The complaints handling and management mechanism offers a valuable opportunity to discover what the BOCH/BOC needs to do to improve, re-build and enhance communication and relationships with its customers as well as to safeguard clients’ trust and confidence.

The purpose of this policy is to provide the foundation for implementing a consistent, diligent, efficient and impartial approach throughout the BOCH/BOC for the handling and management of customer complaints, specifically, to introduce common organizational governance, procedures and tools for the support of a customer complaints management system to ensure that:

1. All BOCH/BOC Entities are committed to the fair treatment of customer complaints.
2. All requirements of applicable legislation are fulfilled.
3. All customers must have access to available channels for complaint submission.
4. All customers are adequately informed as to the procedure to follow when they want to make a complaint.
5. All members of
6. staff understand how to effectively handle a complaint and all roles and responsibilities in relation to complaints handling and management are well defined (see appendix A).
7. All customer complaints are recorded, resolved and the resolutions are communicated to customer in due course, within the deadlines specified in the relevant legislation and guidelines issued by local competent authorities, so that the BOCH/BOC can maintain a high level of service and excellent customer relations.
8. All complaints received through the Financial Ombudsman are treated effectively within the FOs time frames.
9. All Data Privacy related complaints are recorded, resolved and the resolutions made known to the customer within set strict timeframes as described in the relevant procedures.
10. All issues arising from a customer complaint are correctly managed, honoring the commitment to:
 - a. True and fair dealing with customers.
 - b. Compliance with the spirit as well as the letter of all regulations.
 - c. Investigate the root cause and implement controls to avoid reoccurrence.
11. The BOCH/BOC benefit from the systematic statistical analysis of the customer complaints recorded in the system through:
 - a. Suggestions and recommendations for remedial actions and for the improvement of products, processes services and internal controls and
 - b. Proactive actions to eliminate complaints of similar nature.

2. ABBREVIATIONS

Within this document, the following abbreviations are used:

| Abbreviation | Definition |
|--------------|-------------------------------------|
| AC | Audit Committee |
| ADR | Alternative Dispute Resolution Body |
| CBC | Central Bank of Cyprus |

| Abbreviation | Definition |
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| CD | Compliance Division |
| CEO | Chief Executive Officer |
| CL | Compliance Liaison |
| CLO | Complaints Liaison Officer |
| CMU | Complaints Management Unit |
| ECB | European Central Bank |
| EXCO | Executive Committee |
| FO | Financial Ombudsman |
| HR | Human Resource Division |
| LCCC | Line Customer Complaints Coordinator |
| ORMD | Operational Risk Management Department |
| OD | Organisation Department |

3. DEFINITION OF TERMS

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

1. Customer Complaint

An oral or written expression of dissatisfaction, protest, objection, dispute or disagreement whether justified or not, made to an organization, in relation to its products or services, its personnel or the organization itself.

2. Financial Ombudsman (FO)

The Financial Ombudsman (or Financial Commissioner) is appointed by the local government, but with a significant degree of independence, and under certain circumstances he/she acts as an additional dispute complaints resolution authority to investigate and address complaints and propose friendly settlements (out of court) on disputes between consumers and financial institutions.

3. Alternative Dispute Resolution Body (ADR)

An organization accredited by the relevant local authorities so as to provide out of court alternative dispute resolution services in accordance with the requirements of the legislation. Alternative Dispute Resolution (ADR) refers to any procedure for settling a dispute out of court.

4. GENERAL PRINCIPLES

Each BOCH/BOC Entity must ensure that they maintain and implement written policies, procedures and controls for complaint management and handling that encompass the following principles:

1. This policy is endorsed by the Entity's Senior Management who is ultimately responsible for its implementation and for monitoring compliance with its provisions. Specifically, complaints management and handling must be embedded in the BOCH/BOC governance structure with Senior Management actively monitoring the process and driving remedial actions and policies to improve procedures, products etc. Senior Management shall have ownership of the procedure, receive regular reporting on customers' complaints, impose remedial actions and, as and when necessary, discuss complaints as a standing item at Executive Committees.
2. Procedures for the management and handling of customer complaints must be documented in local procedures manuals and circulars. The definition of complaint must be adequately explained in all related

written complaints procedures (e.g., with practical examples) and shall also include but not restricted only to complaints arising from the negotiations of credit terms and granting of loan facilities and loan restructurings, etc.

3. Pro-active and efficient measures shall be designed and implemented to promote the BOCH/BOC policy that all customers complaints are welcomed based on the BOCH/BOC commitment to deliver excellent service upon all customer interactions with any of the BOCH/BOC Entities. Additionally, such measures shall be used as a source of information to help the BOCH/BOC continually improve processes and procedures, so as to deliver the best possible service to its customers.
4. The procedure on how to file a complaint and how this will be resolved must be adequately communicated to customers in an easily accessible manner. For example, this shall include:
 - a. Reasonable means that must be made available to customers to file a complaint, e.g., in writing, in person visiting the Bank's service points, via telephone, through the website, etc.
 - b. The process to be followed when handling a complaint, including adherence to timeframes and acknowledgements required. The complainant must be kept informed in writing in cases where more time – beyond the expected regulatory time limits - is needed for further handling of a complaint.
 - c. Timeframes for complaints handling as prescribed by the Regulatory Framework must always be adhered to. It is noted that the timeframes may differ from regulation to regulation. Therefore, these must be considered accordingly and must be specified in circulars and procedures e.g., Payment Services Directive 2 differs from those of Financial Ombudsman Law.
 - d. Alternative dispute resolution process such as their right, the circumstances, and the procedure to refer to the FO/ADR Body if they are not satisfied with the complaint's proposed resolution by the Bank (including contact details of FO/ADR Body).
 - e. Clients and potential clients are able to submit complaints free of charge.
This procedure must at least be published on the Bank's website. It can also be displayed at the Bank's servicing points and included as a reference in customer documentation.
5. All employees must be aware of the relevant procedures and receive appropriate training. Guidance shall be provided to support front-line complaint handlers in resolving complaints (e.g., guidance on common simple complaints).
6. Complaints are handled by the responsible Business Authority according to the legal framework governing the complaint. They are monitored by Regional Managements and LCCCs in cooperation with CMU. In relation to FO complaints, the CMU monitors each complaint/requirement, by contacting the relevant LCCCs involved, to get their comments/information in order to prepare and finalize the reply to the FO. In case of HR related complaints (that is, complaints that relate to staff behaviors, bad management practices, violation of the Bank's policies and/or procedures and/or Code of Conduct etc.), the complaints are assigned to regional management with the HR Division being simultaneously informed /notified.
7. All complaints must be recorded. The BOCH/BOC must have in place processes and procedures that allow the easy and non-bureaucratic recording of complaints. This shall be actively monitored and embedded by local management in internal procedures.
8. All complaints must be investigated thoroughly, consistently, fairly, promptly and impartially. Management controls shall be in place to foster/achieve this.
9. The procedures must contain at least the following:
 - a. Mechanisms for logging, assigning and tracking complaints.
 - b. Mechanisms for efficient record-keeping of complaints.

- c. Mechanisms and controls to ensure confidentiality in dealing with customer complaints.
 - d. Mechanisms to ensure that in case the staff handling the complaint has any conflict of interest with the complainant, the complaint is handled by another member of staff.
 - e. Requirements for an immediate written reply to be given to acknowledge the receipt of a complaint. If possible, the customer must be provided with an expected notification date of resolution at the time of logging a complaint.
 - f. Requirements for informing a complainant that an answer cannot be provided within the expected time limits, and if possible, indicate when the Bank's investigation is likely to be completed.
 - g. To effectively examine and respond to complaints including complaints received by the FO/ADR Body based on the local regulation and guidelines set by the competent authorities.
 - h. To effectively analyze and report data on customer complaints to Senior Management and the Board.
 - i. Mechanisms to ensure that Legal Services is involved in order to provide advice in cases involving legal issues which have not been examined before by Legal Services and which the Regional Management and/or the CMU cannot handle without involving Legal Services (there is no need to involve Legal Services where relevant templates exist or where the complaint is of a procedural nature or the response is of an administrative and/or operational nature such as acknowledgments, general policy issue etc.), standard templates shall be used to eliminate legal and other related risks.
10. Processes shall ensure that entities/branches/service lines assess and analyze, on an on-going basis, complaints data to ensure that they identify and address any recurring or systemic problems and potential legal, regulatory, reputational, emerging risks and other operational risks. These may include human, technical, compliance, policy, operations or any other external events / issues. Any significant trends, systematic problems or causes of complaints should come to the attention of senior management for remedial action. More specifically, root-cause-analysis must be used and remedial actions shall be properly planned, implemented and monitored so as to avoid reoccurrence and eliminate potential operational, regulatory and reputational risks.
 11. Procedures and management information tools must be in place to ensure proper internal and external reporting on complaints. Reporting requirements shall be well identified and implemented, and reporting ownership shall be decided, even though, as a general principle, reporting shall be done and monitored at each Line Level. Reporting shall also include pro-active recommendations for management response. As regards external reporting, each entity shall ensure that it provides the respective competent authority/ies with timely and effective reports as required by the local regulatory framework.
 12. Procedures and controls must be in place to obtain independent assurance (e.g., from Internal Audit, Compliance Division etc.) as to the compliance of the complaints procedures with the requirements of all internal policies, manuals and external regulatory requirements.
 13. Liaisons must be assigned to act as a central point of contact with the FO or other ADR Body. The liaisons must ensure that the complaints received through the FO or other ADR Body are duly dealt with.
 14. Bank customers and other external stakeholders may use the complaints handling mechanism to also report any suspicions of fraud. These cases must be escalated in strict confidence and in accordance with the Banks internal procedures.
 15. Local Management shall actively oversee the implementation process and ensure that all complaints are properly and efficiently escalated, resolved and recorded and that the customer is properly and timely informed.

Each department of the BOCH/BOC is responsible for overseeing compliance with this policy via monitoring the implementation of internal procedures. Final responsibility for implementing the above procedures rests with Line Management, while Top Management must have an overall oversight.

5. GOVERNANCE

5.1 Roles and Responsibilities

For the purpose of this Policy, the following major Roles and Responsibilities have been identified:

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| Board of Directors | Bears the ultimate responsibility for the effective implementation of this Policy and setting the right tone from the top. |
| Audit Committee | <ul style="list-style-type: none"> • Approves the Policy • Makes sure that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the policy. • Monitors the effective implementation of the Policy via the Control Functions. |
| ExCo | <ul style="list-style-type: none"> • Reviews the Policy prior to submission to the AC. • Ensures that it is effectively embedded throughout the Group's operations. |
| Chief Executive Officer | Provides approval for the exemptions to the policy. |
| Deputy Chief Executive Officer | Provides approval for the exemptions to the policy. |
| Compliance Division | <ul style="list-style-type: none"> • Overall responsibility for the drafting and enforcing the policy. • Prepares and updates relevant procedures/circulars as required. • Organizes and conducts relevant training for all staff. • Carries out monitoring reviews to assess the effective implementation of the Policy and recommends corrective action where required. |
| Internal Audit Division | <ul style="list-style-type: none"> • Periodically assesses the Policy and the Bank's system of internal controls, corporate governance and risk management processes related to the Policy. • Inform AC of its findings and relevant recommendations. |
| Human Resource Division | HR is responsible for the handling of HR related complaints, in line with internal procedures. In case of HR related complaints (that is, complaints that relate to staff behavior, bad management practices, violation of the Bank's policies, procedures and/or Code of Conduct etc.), the complaint must be forwarded to HR Division for handling in consultation with Internal Audit (where applicable). |



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| Legal Services | <p>Legal Services are responsible for providing general advice on relevant legislation pertaining to customer complaints, and for providing support, guidance and advice to Business Units/Subsidiaries in relation to legal issues arising from specific customers' claims. Legal Services are also responsible for providing and/or reviewing standard templates and reviewing written correspondence with customers as and when necessary.</p> |
| Operational Risk Management Department | <p>The Operational Risk Management Department shall review from time-to-time complaints statistics and relevant data to identify weaknesses / gaps to ensure that any valid complaints leading to potential operational losses are properly recorded by business lines as per ORM policy / procedures.</p> |
| Information Technology (IT) Services | <p>IT Services are responsible for providing the relevant tools to support the implementation of this policy. In particular, they are responsible for collecting all user requirements for changes / upgrades to the system, assessing the requirements, estimating the implementation cost and implementing the required changes/enhancements.</p> |
| Line Directors | <p>Line Directors have the ultimate responsibility and accountability for adherence to this Policy (owners) and corresponding circular within their Division. Specifically, Line Directors are responsible for monitoring the implementation of relevant procedures, taking final decisions, when necessary, on complaint resolution, receiving regular reporting and imposing remedial actions when deemed necessary.</p> |
| Business Unit Manager / Regional Managers/Branch Managers | <p>Officers with supervisory, regional or Branch management duties are responsible for ensuring the business unit operates in a manner that deals with customer complaints as per the requirements of this policy and corresponding circular. This includes ensuring all staff receive the appropriate training and supervision and understand the requirements of this policy. Subject to the nature and degree of severity of the complaint, Regional Management may take final decisions or escalate the reply to the next level of authority for approval.</p> <p>Middle level managers are also responsible for reporting any compliance breaches to the next level of management and Compliance Division and for taking measures to minimize the risk of breaches in the future.</p> |
| Line Customer Complaints Coordinator (LCCC) | <p>Each Line of Business must assign an LCCC who shall act as a specialist in the resolution of customers' complaints. S/he must be a member of staff with a wide range of knowledge of the products and services offered by the division/subsidiary. S/he shall have an advisory role and his /her input may be obtained before a complaint</p> |



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| | <p>is escalated to the next level of authority (e.g., the Director). Such a person may also be assigned at each Regional Management level.</p> <ul style="list-style-type: none"> • Have the overall responsibility to monitor, coordinate and facilitate the implementation of this policy in his/her line of Business and support Management and staff (e.g., via training) in fulfilling his/her duties in relation to this policy and corresponding circular. S/he must have full access to the system application and shall prepare the relevant complaints reports of the specific business line and relevant complaints statistics including relevant recommendations using the root cause analysis and follow up remedial actions. Quarterly reports prepared for and submitted to local Management and the CMU form part of this monitoring of complaints. Act as a coordinator who will receive for further handling and resolution complaints coming from the FO office / ADR Body (not directly but through the department acting as Liaisons). This person shall also be responsible for providing the Central Coordinating Authority with progress information for each complaint on a regular basis, as above. • Prepare quarterly reports to his/her Management, the CMU and–Compliance Division in relation to the management and handling of complainants, on customer complaints statistics and other relevant issues and make relevant recommendations for remedial actions. • Monitor the number of complaints of their Division / Region, their severity and their resolution timeframe, in relation to the expected completion date. • Monitor any delays in handling and resolving complaints and assist in the smooth and speedy conduct of the process. • Monitor the development and implementation of measures resulting from his/her recommendations for corrective actions and include relevant reference in his/her reports. <p>This role may be assigned to the Compliance Liaison.</p> |
| <p>Complaints Liaison Officer (CLO)</p> | <p>An officer acting as a point of contact between the FO or other ADR Body, and the organization for issues relating to customer complaints (other than appeals on Loan restructuring).</p> <p>All complaints received from the FO/ADR Body are initially recorded into the supporting system by the CLO and forwarded to the-responsible LCCCs (according to the line of Business that the complainant belongs) for further handling.</p> <p>All communication between the organization and the FO or other ADR Body goes through the CLO, who maintains records of all complaint cases forwarded to the organization by the FO/ADR Body and monitors the pending requests aiming at the effective and efficient cooperation between the organization and the FO/ADR Body during in the resolution process.</p> |



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| <p>Complaints Management Unit (CMU)</p> | <p>CMU operates under the Business Banking Division (Compliance and Complaints Management Consumer Banking) and is responsible to:</p> <ul style="list-style-type: none"> • Follow the relevant regulatory framework and ensure that the relevant procedures, systems and circulars are in compliance with the applicable framework. • Capture, register, facilitate and recommend remedial actions regarding the management and resolution of the complaints submitted. • Organize and lead focus groups aiming to collect primary information and identify problems/weaknesses related with current processes or systems (Business Analysis) and follow root cause analysis to identify areas of improvement / remedial actions. • Proceed with Business Analysis and Requirements and submit relevant IT Requests upon collecting relevant approvals required from the related stakeholders (e.g., OD, Compliance, Divisions, etc.). • Support CD and Line Divisions in investigating and monitoring complaints that come through the FO office / ADR Bodies as well as other competent authorities such as the CBC, ECB, the Commissioner for Personal Data Protection, the Commissioner for Consumer Protection Service and the Commissioner for the Protection of Competition. This may entail registering and escalation of complaints from these competent authorities, collection of data required, direction on remedial actions, etc. • Monitor prioritization and ensure that regulatory timeframes are met, and complaints' resolution is achieved. • Liaise with Legal to prepare standard response templates to be used to eliminate legal and other related risks. • Liaise with Compliance Department for recommendations on the complaints handling and monitoring process. • Recommend & facilitate the implementation of remedial actions/resolutions of customer complaints cases, both at Divisional and Bank Level. • Ensure the non-bureaucratic recording of all customer complaints in the Complaints Management System and capitalize on the learnings derived from the investigation and resolution of these complaints. • Identify Bank training needs on Complaints Handling, prepare training material and organize training sessions/seminars in collaboration with relevant stakeholders (e.g., Compliance Division and other Divisions' management and staff). • Provide relevant support to staff as and when required. • Facilitate and co-ordinate the provision and availability of various tools required to support complaints management, and guide and support LCCCs and other members of staff accordingly. This involves inter-alia: <ul style="list-style-type: none"> i. Administrating the Complaints Management System, reporting tools and related procedures. |
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| | <ul style="list-style-type: none"> ii. Preparing supporting documents and procedures, e.g., managing notification procedures with relevant timeframes. • Report to Divisional Director and CD on customer complaints statistics (including root cause analysis) and other relevant issues and recommendations. • Prepare and update as required from time to time the Circular which describes the standards and procedures for handling customer complaints in accordance with this policy. • Potentially assuming the role of the CLO, acting as Liaison with the FO/ADR Body with regards to qualified complaints referred to his office. The initial complaint from the FO/ADR Body will be forwarded to this Authority (CLO). CLO will record and then forward to LCCCs where it will be escalated and monitored accordingly. |
| All other officers/staff | All officers of the BOCH/BOC are responsible for complying with this policy and its related procedures. |

6. EXCEPTION APPROVAL PROCESS

In cases where there is a request for deviation from this policy, which:

1. is fully justified
2. does not violate the legal/regulatory framework, or constitutes a significant moral lapse, nor does it constitute a significant reputational risk for the Bank and
3. has the approval of the Chief Compliance Officer

then this exception can be allowed with the agreement of the CEO or Deputy CEO of the Bank. The Audit Committee to be notified accordingly.

7. IMPLEMENTATION PROCEDURES (KEY PROCESSES)

1. A Circular must be drafted by each implementing Entity of BOCH/BOC and submitted to local compliance function for approval. The Circular must describe the standards and procedures for handling customer complaints in such a way as to comply with this policy and applicable legislation/regulatory requirements. It shall be revised as the need arises.
2. Each Country Unit implementing a Customer Complaints application(system) must configure it in such a way that:
 - a. It meets all internal and/or legal service level agreements,
 - b. It meets any external regulatory requirements on the handling of customer complaints (e.g., Central Bank requirements),
 - c. It suits its current/local infrastructure; however, the application must be implemented in such a way, that it is accessible to all members of staff, depending on their predetermined role.
3. All responsibilities must be clearly defined and monitored. The assignment of responsibilities shall be decided at an Entity level to accommodate local requirements and it needs to be approved by Top Management of the respective Country and the local compliance function.