

**POLICY: CUSTOMER COMPLAINTS MANAGEMENT**

**1. PURPOSE AND SCOPE OF POLICY**

It is important that the Bank of Cyprus Public Company Ltd and its subsidiaries (BoC Group), 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 BoC Group 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 BoC Group 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 BoC Group entities are committed to the fair treatment of customer complaints.
2. All requirements of applicable legislation are fulfilled.
3. All customers 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 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).
6. All customer complaints are recorded, resolved and the resolutions are communicated to customers in due course, within the deadlines specified in the relevant legislation and guidelines issued by local competent authorities, so that the BoC Group maintains a high level of service and excellent customer relations.
7. All complaints received through the Financial Ombudsman are treated effectively within the FOs time frames.
8. 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.
9. 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.
10. The BoC Group benefits 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
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 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 BoC Group entity ensures that they maintain and implement written policies, procedures and controls for complaint management and handling that encompasses 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 are embedded in the BoC Group governance structure with Senior Management actively monitoring the process and driving remedial actions and policies to improve procedures, products etc. Senior Management has 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 are documented in local procedures manuals and circulars. The definition of complaint is adequately explained in all related written complaints procedures (e.g., with practical examples) and includes but is not restricted only to complaints arising from the negotiations of credit terms and granting of loan facilities and loan restructurings, etc.
3. Proactive and efficient measures are designed and implemented to promote the BoC Group policy that all customers complaints are welcomed based on the BoC Group commitment to deliver excellent service upon all customer interactions with any of the BoC Group Entities. Additionally, such measures are used as a source of information to help the BoC Group 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 is resolved is adequately communicated to customers in an easily accessible manner. For example, this includes:
  - a. Reasonably means that it is made available to customers to file a complaint, e.g., in writing, in person visiting the BoC Group'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 is 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 are always adhered to. It is noted that the timeframes may differ from regulation to regulation. Therefore, these are considered accordingly and are 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 BoC Group (including contact details of FO/ADR Body).
  - e. Clients and potential clients are able to submit complaints free of charge.  
This procedure is at least published on the BoC Group's website. It can also be displayed at the BoC Group's service points and included as a reference for customer documentation.
5. All employees are aware of the relevant procedures and receive appropriate training. Guidance is 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 BoC Group'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 are recorded. The BoC Group have in place processes and procedures that allow easy and non-bureaucratic recording of complaints. This is actively monitored and embedded by local management in internal procedures.
8. All complaints are investigated thoroughly, consistently, fairly, promptly and impartially. Management controls are in place to foster/achieve this.
9. The procedures 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 is 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 BoC Group'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 are used to eliminate legal and other related risks.
10. Processes 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, come to the attention of senior management for remedial action. More specifically, root- cause -analysis is used and remedial actions are properly planned, implemented and monitored to avoid recurrence and eliminate potential operational, regulatory and reputational risks.

11. Procedures and management information tools are in place to ensure proper internal and external reporting on complaints. Reporting requirements are well identified and implemented, and reporting ownership is decided, even though, as a general principle, reporting is done and monitored at each Line Level. Reporting also includes pro-active recommendations for management response. As regards external reporting, each entity ensures that it provides the respective competent authority/ies with timely and effective reports as required by the local regulatory framework.
12. Procedures and controls are 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 are assigned to act as a central point of contact with the FO or other ADR Body. The liaisons ensure that the complaints received through the FO or other ADR Body are duly dealt with.
14. BoC Group customers and other external stakeholders may use the complaints handling mechanism to also report any suspicions of fraud. These cases are escalated in strict confidence and in accordance with the BoC Group's internal procedures.
15. Local Management actively oversees the implementation process and ensures that all complaints are properly and efficiently escalated, resolved and recorded and that the customer is properly and timely informed.

Each department of the BoC Group 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 has 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:

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Approves the Policy</li> <li>• Bears the ultimate responsibility for the effective implementation of the Policy and for setting the right tone from the top.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Recommends the Policy for approval (to the Board of Directors).</li> <li>• Make sure that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the policy.</li> <li>• Monitors the effective implementation of the Policy via the Control Functions.</li> </ul>
<b>ExCo</b>	<ul style="list-style-type: none"> <li>• Reviews the Policy prior to submission to the AC.</li> <li>• Ensures that it is effectively embedded throughout the Group's operations.</li> </ul>

<b>Chief Executive Officer</b>	Provides approval for the exemptions to the policy (only if applicable).
<b>Deputy Chief Executive Officer</b>	Provides approval for the exemptions to the policy (only if applicable).
<b>Compliance Division</b>	<ul style="list-style-type: none"> <li>Has the overall responsibility for the drafting and enforcing the policy.</li> <li>Prepares and updates relevant procedures/circulars as required.</li> <li>Organizes and conducts relevant training for all staff.</li> <li>Carries out monitoring reviews to assess the effective implementation of the Policy and recommends corrective action where required.</li> </ul>
<b>Internal Audit Division</b>	<ul style="list-style-type: none"> <li>Responsible for providing independent and objective assurance to the BoD, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to this policy.</li> <li>Informs AC of its findings and relevant recommendations.</li> </ul>
<b>People &amp; Change Division</b>	<ul style="list-style-type: none"> <li>Develops and implements Human Resources (HR) strategies.</li> <li>Takes a leadership role in developing a high-performance culture that enables employees to perform in accordance with the BoC Group's strategy and objectives.</li> <li>Provides leadership in driving excellence in HR initiatives that support the company's strategic plans and reinforce the BoC Group's image as an employer of choice.</li> </ul>
<b>Legal Services &amp; Company Secretary's Office</b>	Manages the legal work related to the Bank's Units with the main objective of providing legal advice / opinions to requests / queries and safeguarding the Bank's position and interests against third parties.
<b>Operational Risk Management Department</b>	Ensures the development and adoption of procedures and methods for effective management of operational risk and draws up acceptable limits for undertaking operational risk in the Group, with the aim of improving prevention and reduction of operational risks.
<b>Information Technology Services</b>	Deploys and manages a service-oriented IT Function that acts both as an enabler of Business Strategy but also as a Driver of Transformation.
<b>Director</b>	<ul style="list-style-type: none"> <li>Responsible to enforce the policy.</li> </ul>

	<ul style="list-style-type: none"> <li>Oversees the operational performance of the business line, ensuring alignment with organizational goals and objectives.</li> </ul>
<b>Business Manager</b>	<ul style="list-style-type: none"> <li>Responsible to enforce the policy.</li> <li>Lead and manage day-to-day operations of the business unit, ensuring efficient and effective performance.</li> <li>Align business unit activities with the overall strategic goals and objectives of the bank, contributing to the achievement of the organization's success.</li> </ul>
<b>Compliance Liaison</b>	<ul style="list-style-type: none"> <li>The primary point of contact between 1st line Division / Department and the Compliance Division.</li> <li>Pro-actively supports the local management in carrying out their responsibilities for compliance with regulatory changes, addressing compliance issues and implementing controls in adherence to compliance principles.</li> <li>Identifies, measures, monitors and reports risks and ensures compliance with internal and external requirements within his/her department.</li> </ul>
<b>Compliance &amp; Complaints Management Department</b>	Participate in the organization and coordination of tasks related to the monitoring of the Legal Framework governing the Management of Complaints and Negotiations / Mediations in the Group and updating the Group Policy, ensuring the implementation of the appropriate procedures for their registration and monitoring, with the aim of their timely and effective management and resolution.
<b>All staff</b>	Staff are responsible for complying with ALL policies.

## 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 BoC Group 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 BoC Group. The Audit Committee to be notified accordingly.

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

1. A Circular is drafted by each implementing Entity of BoC Group and submitted to local compliance function for approval. The Circular describes the standards and procedures for handling customer complaints in such a way as to comply with this policy and applicable legislation/regulatory requirements. It is revised as the need arises.
2. Each Country Unit implementing a Customer Complaint application(system) configures 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 BoC Group requirements),
  - c. It suits its current/local infrastructure; however, the application is implemented in such a way, that it is accessible to all members of staff, depending on their predetermined role.
3. All responsibilities are clearly defined and monitored. The assignment of responsibilities is 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.