
BANK OF CYPRUS
CORPORATE RESPONSIBILITY REPORT

2017

GRI Index



GRI Index

This Corporate Responsibility Report of the Bank of Cyprus is based on the guidelines of the Global Reporting Initiative (GRI G4 Version) and covers the activities implemented in 2017. It was assessed by the Centre for Sustainability and Excellence and comply with in accordance level "Core".

GENERAL STANDARDS DISCLOSURES

Strategy and Analysis

| Item | Description |
|-------------|--|
| G4-1 | Statement from the most senior decision-maker of the organization Read Bank of Cyprus CEO statement "Our Commitment to Corporate Responsibility: Beyond Banking" |

Organizational Profile

| Item | Description |
|-------------|---|
| G4-3 | Name of the organization Bank of Cyprus Holdings Public Limited Company, the holding company, its subsidiary Bank of Cyprus Public Company Limited, "The Bank" and together with the Bank's subsidiaries, the "Group". |
| G4-4 | Primary brands, products, and services The Bank of Cyprus Group provides a wide range of financial products and services in Cyprus which include: <ul style="list-style-type: none"> • Retail banking • Corporate banking • Brokerage • Commercial banking • Fund management • Finance • Private banking • Factoring • Life insurance • Investment banking • General insurance |
| G4-5 | Location of the organization's headquarters 51, Stasinou Street, 2002, Nicosia, Cyprus |
| G4-6 | Countries where the organization operates The Group has 123 branches, of which 121 are in Cyprus, 1 in Romania and 1 in the United Kingdom. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The scope of this Report is Bank of Cyprus banking operations in Cyprus. |



G4-7 Nature of ownership and legal form

The share capital of Bank of Cyprus Holdings Public Limited Company since 19 January 2017 amounted to €44,619,993.30 divided into 446,199,933 ordinary shares of a nominal value of €0.10 each.

As at 31 December 2017, the following shareholders own 3% or more of the Bank's issued share capital*:

- Lamesa Investments Limited (affiliate of Renova Group), with a holding of 9.27%
- European Bank for Reconstruction and Development, with a holding of 5.02%

- TD Asset Management, with a holding of 4.34%
- Cyprus Popular Bank Public Co Ltd, with a holding of 4.81%
- Senvest Management LLC, with a holding of 3.67%
- Osome Investments Limited, with a holding of 3.32%
- Eaton Vance, with a holding of 3.07%

* On December 31, 2017

G4-8 Markets served

The Group has 121 branches in Cyprus

G4-9 Scale of the organisation

Total number of Bank of Cyprus employees for 2017: 3,699

The Financial Results for the year ended 2017, can be found on our website

<http://www.bankofcyprus.com/en-GB/investor-relations-new/reports-presentations/financial-results/>

G4-10 Information of workforce by category, gender, age group, mobility and other differentiation indicators

Employees' breakdown for 2017:

By region:

| REGION | NO. OF STAFF |
|--------------|--------------|
| Nicosia | 2,402 |
| Limassol | 675 |
| Larnaca/Fsta | 381 |
| Pafos | 241 |

By position - Managers Vs non-Managers:

| POSITION | NO. OF STAFF |
|--------------|--------------|
| Managers | 707 |
| Non-Managers | 2,992 |



By gender:

| GENDER | NO. OF STAFF |
|--------|--------------|
| Male | 1,484 |
| Female | 2,215 |

By years of employment:

| YEARS OF SERVICE | NO. OF STAFF |
|------------------|--------------|
| 0-10 | 583 |
| 11-20 | 1,293 |
| 21-30 | 1,634 |
| 31-40 | 189 |

By age group:

| AGE | NO. OF STAFF |
|-------|--------------|
| 18-30 | 54 |
| 31-40 | 1,071 |
| 41-50 | 1,828 |
| 51-60 | 717 |
| 61-65 | 29 |

G4-11 Percentage of total employees covered by collective bargaining agreements

Approx. 99% of the Bank's employees are covered by collective bargaining agreements whereas approx. 98.5% are trade union members.



G4-12 Description of the organization's supply chain

We hold ourselves accountable to the highest transparency standards in all our operations. In this context the Bank has adopted and upgraded its supplier selection assessment procedures in all areas of operation.

During 2017, the Bank co-operated with 1,334 suppliers receiving services in Technology (products and services), Consumables (stationery, office equipment for branches and offices, cleaning materials), Consultancy Services (legal and accounting, valuations, communication and advertising), Security, Technical Services, etc.

| SERVICE | NO. OF SUPPLIERS |
|--------------------------|------------------|
| Accommodation | 16 |
| Advertising | 149 |
| Air tickets | 14 |
| Archives | 2 |
| Cards | 6 |
| Cash & Security Services | 11 |
| Data Feeds | 8 |
| Digipass | 1 |
| Insurance | 12 |
| IT related | 124 |
| Legal Services | 74 |
| Other | 373 |
| Postal services | 1 |
| Professional services | 204 |
| Rating | 2 |
| Regulatory | 7 |
| Stock Exchange fees | 4 |
| Subscriptions | 30 |
| Supplies | 79 |
| Surveys | 7 |
| Technical services | 137 |
| Transportation | 14 |
| Valuations | 59 |
| Grand Total | 1,334 |



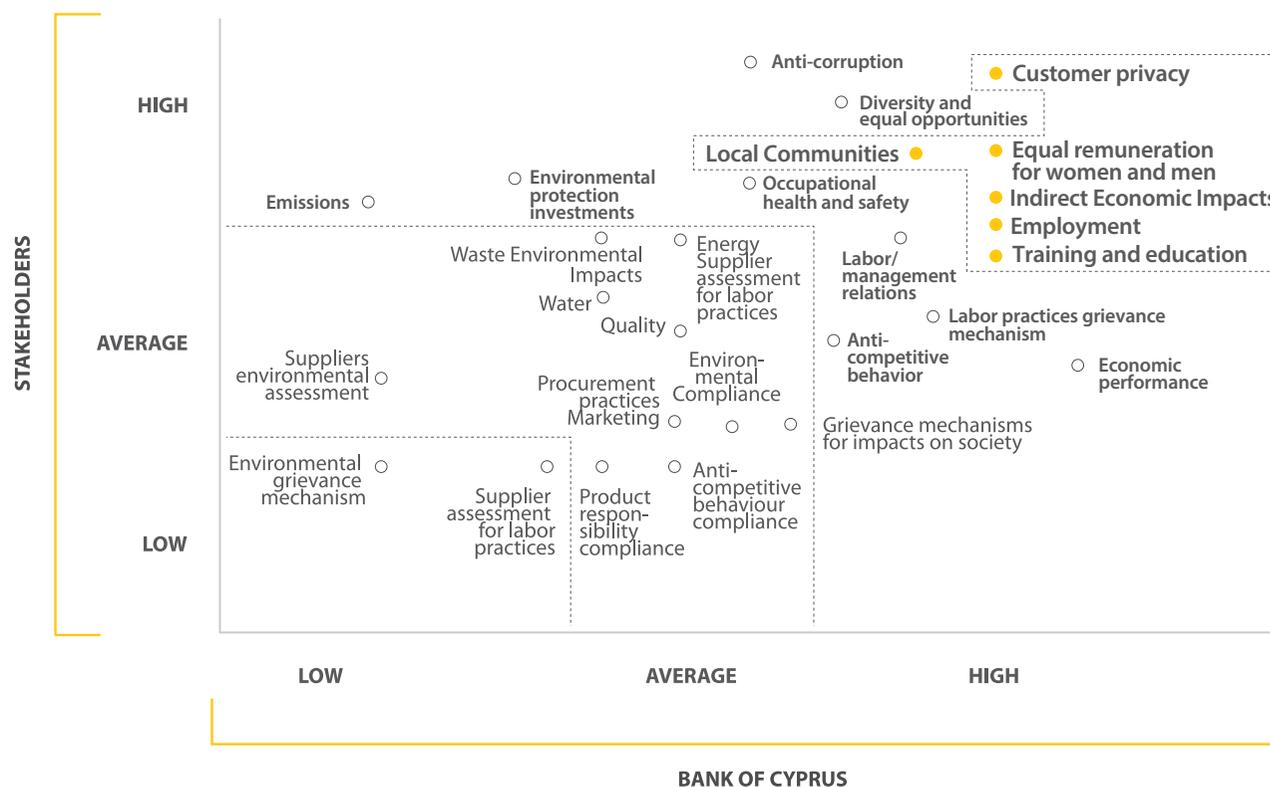
| | | |
|--------------|---|--|
| G4-13 | Significant changes during the reporting period | None |
| G4-14 | Whether and how the precautionary approach or principle is addressed by the organization. | <p>The principles governing every Bank of Cyprus requests for proposal procedure for the supply of goods and services are:</p> <p><i>Fair competition:</i> all candidates must enjoy fair treatment, through neutral specification of requirements focusing on meeting specific needs of the Bank.</p> <p><i>Conflict of interest:</i> any conflicts of interest relating to the Bank's business activity or the parties involved in the process must be explicitly declared.</p> <p><i>Cost-Quality-Effectiveness:</i> decisions shall not only be made on the basis of the financial proposal but should also factor in the quality of the goods/services as well as in the candidates' performance.</p> |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorse | <p><i>Social:</i></p> <ul style="list-style-type: none"> • Bank of Cyprus Oncology Centre • Cyprus Anticancer Society • NGO Reaction • Folia Centre for Rare Disorders • NGO Goal sti Zoe • NGO Fundraising • Association of Large Families Nicosia • European Youth Parliament (Cyprus) • Rotary Club of Larnaca Kition • Sophia Foundation for Children |
| G4-16 | List memberships of associations and national or international advocacy organisations in which the organisation participates or has membership. | <p>The Bank of Cyprus is a member of and is actively present in the following bodies, promoting industry - wide concerns in a national-level dialogue in an effort to continue supporting nationally beneficial policy:</p> <ul style="list-style-type: none"> • Cyprus Employers and Industrialists Federation • Association of Cyprus Banks • Cyprus Advertisers Association • Cyprus Chamber of Commerce and Industry • Limassol Chamber of Commerce and Industry • Business Integrity Forum supported by Transparency International (Cyprus) • Institute of Certified Public Accountants of Cyprus • Cyprus Organisation for Standardization • Cyprus Association of Listed Entities, SYDEK • CSR Cyprus |



Identified Material Aspects and Boundaries

| Item | Description |
|-------|---|
| G4-17 | <p>List all entities included in the organisation's consolidated financial statements or equivalent documents.</p> <p>http://www.bankofcyprus.com/en-GB/investor-relations-new/reports-presentations/financial-results/</p> |
| G4-18 | <p>Process for defining the report's content</p> <p>The Corporate Responsibility report lays the emphasis on the environmental and social aspects that are of great importance for our stakeholders. To identify the material aspects for the Bank of Cyprus, we have conducted a Materiality Assessment based on the principles of Relevance, Materiality and Prioritization, which analysed input from both external and internal Bank of Cyprus sources. This process comprised the following steps:</p> <p>Step 1: Identification and understanding of material aspects with our stakeholders. The aspects that are material for the Bank of Cyprus were determined following a survey conducted among:</p> <ul style="list-style-type: none"> • Employees • Representatives of bodies / Non-Governmental Organisations (NGOs) • Media representatives • Customers in business with the Bank. <p>Step 2: Identification and understanding of material corporate strategy aspects for the Bank of Cyprus, through internal processes (staff and senior management).</p> <p>Step 3: Aligning all results in a chart, the so called Materiality Matrix. Each aspect was prioritized by a degree of materiality according to its relevance for the stakeholders and the Bank of Cyprus. Aspects within the 8-10, weighting on a 1-10 scale in both axes, are considered more important (material), as presented in the following graph, by both stakeholders and the Bank of Cyprus executives.</p> <p>Step 4: We have included in the report all aspects with the highest materiality. Aspects with the lowest materiality are being mentioned too.</p> |

Materiality Matrix



G4-19 List all the material aspects identified in the process for defining report content.

Based on our stakeholders' guidance, we determined that the most important priority areas are:

- Local communities
- Customer privacy
- Equal remuneration for women and men
- Indirect economic impacts
- Employment
- Training and education

G4-20 For each material aspect, report the Aspect Boundary within the organization.

Boundaries and Limitations of Material Aspects Table.



G4-21 For each material aspect, report the Aspect Boundary outside the organization.

Boundaries and Limitations of Material Aspects Table.

G4-22 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.

This is the first Corporate Responsibility Report of the organisation.

Stakeholder Engagement

| Item | Description |
|------|-------------|
|------|-------------|

G4-24 List of stakeholder groups engaged by the organisation

- | | |
|--|--|
| <ul style="list-style-type: none"> • Employees • Shareholders • Media | <ul style="list-style-type: none"> • Customers • Suppliers/ Business Associates • Community |
|--|--|

G4-25 Report the basis for identification and selection of stakeholders with whom to engage.

The Bank's communication with its stakeholder group is a continuous process. This will enable the Bank to identify and act upon the key demands, concerns and expectations of each stakeholder group (Press, suppliers, customer groups etc).

Through the Bank's daily operations, activities and communication, part of which is its Corporate Responsibility Report, the Bank makes sure these demands and concerns are answered in the best possible way; while at the same time it continuously strives to improve performance. For more information, please take a look at the Table of Stakeholders.

G4-26 Organisation's approach to stakeholder engagement

Table of Stakeholders

Report Profile

| Item | Description |
|------|-------------|
|------|-------------|

G4-27 Key topics and concerns that have been raised through stakeholder engagement

Table of Stakeholders
Report Profile

G4-28 Reporting period for information provided

1.1.2017 - 31.12.2017

G4-29 Date of most recent previous report (if any)

This is the first Corporate Responsibility Report of the organisation

G4-30 Reporting cycle

Annual



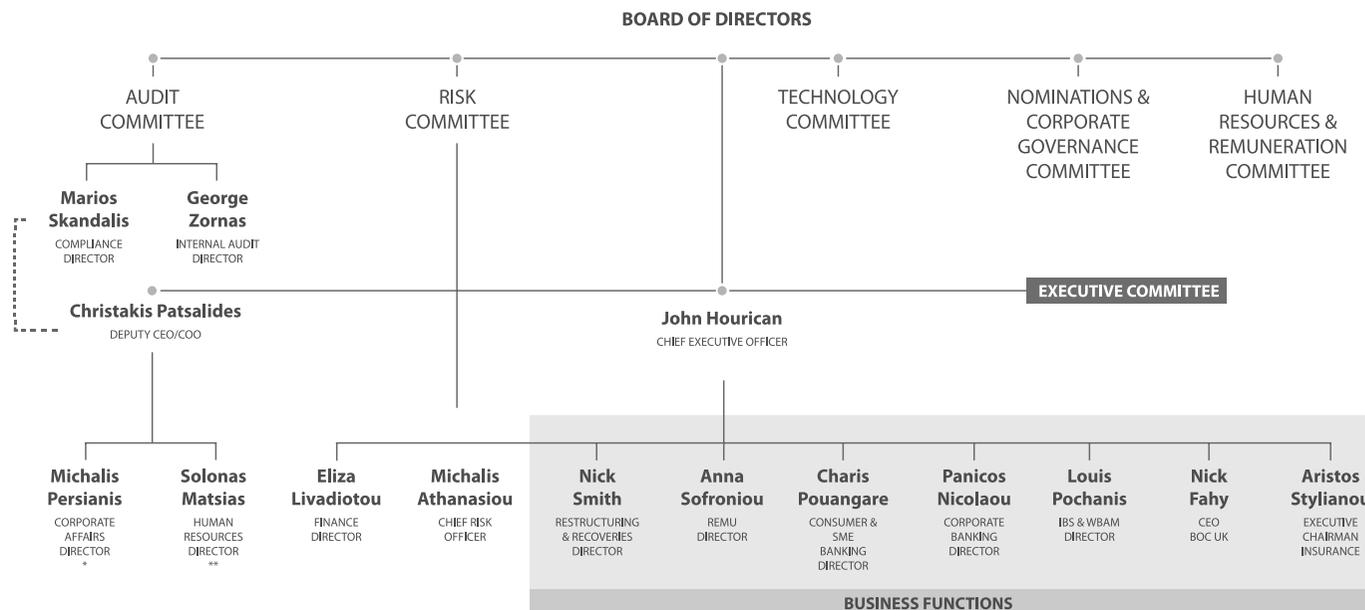
- G4-31 Contact point for questions regarding the report or its contents**
For any clarifications on the Corporate Responsibility Report for the years 2017, please contact the Corporate Affairs Division, Corporate Responsibility at +357 22122304, email: bankofcypruscsr@bankofcyprus.com.

- G4-32 'In accordance' option the organisation has chosen**
GRI Content Index
Reference to the External Assurance Report

- G4-33 Organisation's policy and current practice with regard to seeking external assurance for the report.**
For our report we have chosen to assure it with AA1000 Assurance Standard See Assurance Statement

Governance

| Item | Description |
|-------|--|
| G4-34 | Governance structure of the organization |



* REPORTS ALSO TO THE CEO ** FUNCTIONALLY REPORTS TO THE HUMAN RESOURCES & REMUNERATION COMMITTEE



The admission to Listing and Trading on the London Stock Exchange in addition to the Cyprus Stock Exchange in 2017 is a solid confirmation of the Board's commitment to best international practices of Corporate Governance and Transparency, and sets the hallmark of our Bank's new culture.

The Board's commitment to diversity and in achieving its target for 40% representation of the underrepresented gender on the Board by 2020 has led to the appointment of two female Board members in 2017 (approved by the European Central Bank (ECB) on 7 February and 27 October 2017 respectively). In 2017, the Board, having recognised the importance of technology in the banking industry, formed the Technology Committee, to guide and lead the Bank's work in the area of information technology, including the digitalisation of its banking operations. Both the new members of the Board are well versed in

Information Technology, digitalisation and cyber-security.

Bank of Cyprus Holdings Company Limited is the only organisation in Cyprus that fully complies with both the Corporate Governance Code of Cyprus Stock Exchange and the UK Corporate Governance Code as well as with the Governance Directive of the Central Bank of Cyprus, with adherence to best international practices. The Company has incorporated the provisions of the above codes in the relevant Group's Corporate Governance policies. The policies, together with the Board Manual, the Terms of Reference of the Board Committees and the practices followed by the Board and its Committees, constitute an important and robust framework for maximising shareholder value. For the Annual Corporate Governance Reports, you can visit our website at:

<http://www.bankofcyprus.com/en-GB/investor-relations-new/corporate-governance/governance-reports/>

Ethics and Integrity

| Item | Description |
|-------|---|
| G4-56 | <p>Organisation's values, principles, standards and norms of behaviour such as Codes of Conduct and Codes of Ethics.</p> <p><i>Compliance with the Procurements Policy</i></p> <ul style="list-style-type: none"> • Products and services use and labelling • We are enforcing a reviewing process of Bank's advertising campaigns and external outside communication, ensuring compliance with applicable national law and its own internal regulations. • We are making every conceivable effort to ensure compliance with all regulations and Voluntary Codes on information, products and services labelling, marketing practices etc. • We apply the EU's PSD (Payment Services Directive), one of the greatest steps ever taken towards creation of the Single European Market. <p><i>Compliance with the Anti-bribery Policy</i></p> <p>The Board of Directors continue to apply a "zero - tolerance" approach to acts of bribery by any of our employees or any business partners. During 2017, Bank of Cyprus was the main sponsor of an informative meeting for the international standard ISO 37001 (Anti -Corruption Management System). In this context, the participants were presented with the 'Good</p> |
| | <p>Practice Implementation of International Standard ISO 37001 in Bank of Cyprus'.</p> <p>Payment services</p> <p>We have amended the terms and conditions governing the payment services provided and, based on the relevant law provisions, have drafted the following agreements:</p> <ul style="list-style-type: none"> • Supplementary Agreement governing the relation between the Bank of Cyprus Public Company Ltd and its customers. • Terms and Conditions of the use of Visa/Mastercard/American Express. • Terms and Conditions of 1 bank. • Terms and Conditions governing the execution of payment transactions where the customer does not hold a payments account with Bank of Cyprus Public Company Ltd. <p>With every product sold (loan, credit/debit/prepaid card), customers receive a form with all the relevant information, terms and charges.</p> |



GENERAL STANDARDS DISCLOSURES

Category: Economic

Indicator Material Aspects:

G4-EC8 Indirect Economic Impacts

Description

The Financial Results for the year ended 2017, can be found on our website:
<http://www.bankofcyprus.com/en-GB/investor-relations-new/reports-presentations/financial-results/>

Category: Social

Sub-Category: Labour Practices and Decent Work

Indicator Material Aspects:

G4-LA2 Employment

Description

Benefits provided to fulltime employees by significant locations of operation

We offer a competitive pay and benefits package to our employees which include:

- Provident Fund
- Medical Fund
- Life insurance
- Competitive holiday entitlement

G4-LA9 Training and Education

Average hours of training per year per employee by gender, and by employee category

We recognise that our employees are the main key to achieving our strategic plan and objectives. We are therefore committed to ensuring that all staff has access to learning and development opportunities which create and/or develop the relevant competencies and right behaviours that are appropriate for meeting the Bank's specific strategic priorities.

We are continuously exploring new ways of learning, with 99% of our employees participating in e-learning programs during 2017.

During 2017, all employees, attended one-hour e-learning seminars on the topics of Anti-Corruption & Bribery and Conflicts of Interest and everyone passed the relevant assessments.

In 2017 our anti-financial crime training program focused mostly in reforming the culture of all staff to adapt to the new behavioural pattern stemming from the new Anti-Financial Crime framework of our Bank. We have completed 8,854 hours of training on financial crime issues for all the Bank employees.

Training Programmes during 2017 covered the following themes:

- Operating Systems
- Technical Aspects
- Regulatory Compliance
- Personal Development



| (E-LEARNING % OF EMPLOYEES TO TOTAL EMPLOYEES TRAINING) | AVERAGE NO. OF TRAINING HOURS PER EMPLOYEE | AVERAGE NO. OF TRAINING DAYS PER EMPLOYEE | TRAINING ALLOCATION BETWEEN MANAGEMENT AND NON-MANAGEMENT EMPLOYEES | | TRAINING RATIO |
|---|--|---|---|---------|----------------|
| 2017 | 2017 | 2017 | 2017 | | 2017 |
| | | | Non Manager | Manager | |
| 99% | 20.7 | 2.8 | 2,957 | 720 | 1.3% |

G4-LA13 Equal remuneration for women and men

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations

Bank of Cyprus supports equal opportunities as well as the respect for - and proper management of - diversity. The aim is to ensure that all members of staff receive fair and impartial treatment in the workplace. Therefore, the Bank ensures that all employees receive equal opportunities through relevant practices implemented on employee selection and

recruitment, training and development, performance assessment and rewards, promotions, relocations and transfers. Such practices are adopted and implemented irrespective of gender, age, religion, ethnicity or race, sexual orientation, physical abilities or political convictions.

Sub-Category: Society

Indicator Material Aspects:

G4-SO1 Local communities

Description

Percentage of operations with implemented local community engagement, impact assessments, and development programs

The Bank proceeded with the materiality assessment for the first time during creating its Corporate Sustainability Report.

Surveys, regular communications and consultations, not only limited to the collection of materiality assessment data, are used to identify infrastructure investments and other actions for the benefit of local communities and to understand the significant indirect impacts at local level.

The evaluation of the conclusions of all our assessments leads to a

redesign of actions. It was noted that local communities expect actions focusing on supporting vulnerable groups.

Also, when designing a new investment, the bank's care is taken to address both direct and indirect impacts to local communities and its stakeholders. Bank's policies and practices aim to understand the impact on local communities and to build partnerships with stakeholders.



Sub-Category: Product Responsibility

Indicator Material Aspects:

G4-PR8 Customer Privacy

Description

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Customer personal data protection

The Bank is committed to protect its customers' privacy and handling their personal data in an open and transparent manner. We don't disclose any personal data and any disclosure of information is performed according to our regulatory obligations. Disclosure of information to third parties is allowed only after a court order/legal obligation.

- It is prohibited for employees to receive any commission or other payment from third parties, in exchange for information on the Bank's customers or portfolio.
- All information kept, either in soft or hard copy, regarding customer accounts and their dealings with the Bank, are used according to law strictly for the purpose of concluding the services provided, taking all necessary security measures for their protection.
- Use of customer-related confidential information to secure personal gain is strictly prohibited. Any violation may incur serious consequences.
- Complete transparency and data protection for all documents and tenders relating to supplies procurements.

- Customers are afforded the opportunity to file complaints via the Bank's website.
- The Bank expressly informs customers on the reasons why personal data may be requested.

Handling of complaints

The Bank continues to maintain a robust complaint's management framework. To further strengthen the complaint management process, the Complaints Management Unit has been established. The Unit operates under the Consumer & SME Banking Division and its responsibility is to handle and monitor complaints, facilitate resolution of complaints, recommend remedial actions and organize and facilitate the implementation of these required actions.

During 2017, the specific unit captured 567 customer complaints concerning all lines of business within the Bank. These complaints are handled within the time frame set up by the Central Bank.



BOUNDARIES AND LIMITATIONS OF MATERIAL ASPECTS TABLE

| MATERIALS ASPECTS | BOUNDARIES WITHIN THE ORGANISATION | BOUNDARIES OUTSIDE THE ORGANISATION | LIMITATIONS |
|--------------------------------------|---|-------------------------------------|---|
| Local communities | Bank of Cyprus | Media, Community | The report covers only the activities of the Bank of Cyprus in Cyprus |
| Customer privacy | Bank of Cyprus | Media, Customers | |
| Equal remuneration for women and men | Bank of Cyprus Employees | Media | |
| Indirect Economic Impacts | Bank of Cyprus Shareholders | Credit rating agencies | |
| Employment | Bank of Cyprus Employees, Shareholders | | |
| Training and education | Bank of Cyprus Employees, Shareholders | | |



STAKEHOLDERS TABLE

| STAKEHOLDERS | KEY DEMANDS | COMMUNICATION | FREQUENCY |
|------------------|--|--|--|
| Employees | Achieve, measure, recognise and reward performance | <ul style="list-style-type: none"> • Personal and/or group meetings and presentations • Employee portal and email announcements • Open Days • Staff Opinion Survey • Management • Practices Survey | <ul style="list-style-type: none"> • On-going |
| | Transparent, interactive and timely communication with employees and provision of honest feedback | | |
| | Creation of a caring working environment in which employees are supported in their financial, health and other needs | | |
| | Provision of opportunities for career advancement and life long learning and development | | |



| STAKEHOLDERS | KEY DEMANDS | COMMUNICATION | FREQUENCY |
|---------------------|---|--|---|
| Shareholders | Publication of Annual, Mid-year and Quarterly Financial results, as well as the publication and distribution of related announcements and presentations | <ul style="list-style-type: none"> • Via the website and email • Through announcements • Annual and Extraordinary General Meetings • Conference Calls • Meetings • Roadshows | <ul style="list-style-type: none"> • Quarterly (Financial Results) • On-going |
| | Publication of announcements in line with the Group's regulatory obligations and compliance with all the applicable legislation, rules and regulations as these are resulting from the listing on the Cyprus Stock Exchange and the London Stock Exchange | | |
| | Deliver appropriate risk adjusted returns | | |
| | Publication of a clear plan of action to achieve Groups' Medium Term Targets | | |
| | Transparency and equitable provision of information to all the investors | | |
| Media | Constant direct contact and cooperation | <ul style="list-style-type: none"> • Via email • Through in-person meetings • Through Press Conferences | <ul style="list-style-type: none"> • On-going |
| | Interviews, press releases | | |
| | Advertising campaigns for products/services and the Corporate Image | | |



| STAKEHOLDERS | KEY DEMANDS | COMMUNICATION | FREQUENCY |
|------------------|--|--|--|
| Customers | Transparent financial conditions, reliability and honesty in transactions on products/services | <ul style="list-style-type: none"> • Via the Bank's website • By the post (account statement with a promotional insert) • Via telephone from your personal banker • Through media campaigns • Through in-person meetings • Through skype or teleconference | <ul style="list-style-type: none"> • On-going |
| | Pricing policy | | |
| | Offering flexible products/ services that better meet their needs | | |
| | Flexible procedures/ Cutting red-tape | | |
| | Covering the financing needs of businesses and individuals | | |
| | Offering Facilities/ Arrangement schemes for customers' debts | | |
| | Protection of consumers, personal data and banking secrecy | | |



| STAKEHOLDERS | KEY DEMANDS | COMMUNICATION | FREQUENCY |
|--------------------------------------|---|--|--|
| Suppliers/Business Associates | Further enhancing of business relationships | <ul style="list-style-type: none"> • Business contracts • Contact via telephone, e-mail • Personal meetings | <ul style="list-style-type: none"> • On-going |
| | Constant contracts and cooperation | | |
| | Transparency and adequate assessment procedures in all areas of cooperation | | |
| | Generating business in the market and greatly contributing to the economy of Cyprus | | |
| Community | Health and Education through our Sponsorships/ Donations & Partnerships policy | <ul style="list-style-type: none"> • Contact via telephone, e-mail • Personal meetings • Media campaigns | <ul style="list-style-type: none"> • On-going |
| | Support a compelling societal need exists, not served by the public sector | | |