



**ASTROBANK PUBLIC COMPANY LIMITED**

**INTERNAL REGULATION ON  
CORPORATE GOVERNANCE**

**SEPTEMBER 2024**

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## **PREAMBLE**

The Board of Directors (hereinafter "the BoD") of AstroBank Public Company Limited (hereinafter "the Bank") is committed to ensure that the Bank complies with the "Internal Governance of Credit Institutions Directive of 2021" (hereinafter "the Governance Directive"), the "Directive to Authorised Credit Institutions on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of 2020" (hereinafter "the Suitability Directive") which were issued by the Central Bank of Cyprus (hereinafter "the CBC") in October 2021 and April 2020 respectively, and the EBA Guidelines on Internal Governance (EBA/GL/2021/05) and any amendments or replacements of the above that may occur from time to time.

Consequently, the BoD reviews whenever necessary and approves this Internal Regulation on Corporate Governance (hereinafter "the Regulation"). The Regulation is published on the Bank's website and is considered to be complementary to the above Directives.

The Regulation, which is binding on the instruments of the Bank, incorporates the above-mentioned legislative provisions as well as the framework of its internal supervision and management. The aim of the Regulation is to provide transparency and efficiency to the current corporate governance system and to determine the rules of sound and responsible administration in order to strengthen the confidence of shareholders, employees and customers towards the Bank.

The Regulation and its Appendices, which are deemed to be integral parts of the former, aim to cover topics which are not included in the provisions of the Articles of Association of the Bank. It goes without saying that, being an internal document of the Bank, the Regulation does not create any rights for any third party against the Bank. The laws and any action of regulatory character take precedence over the Regulation. The Regulation, as a self-regulatory rule of the instruments, does not undermine the Articles of Association, which constitute the hierarchically superior rule of the Bank.

## **1. ORGANISATIONAL STRUCTURE OF THE BANK**

The BoD is the supreme governing body. The Chief Executive Officer (hereinafter "the CEO"), is the highest management body and has executive functions. The Bank's Organisational Chart depicts its organisational structure, showing the bodies and organisational units as well as the hierarchical relationship between them. Ensuring the effective organisational structure of the Bank and clearly defining the responsibilities and limits of responsibility of each business unit in the Bank constitute the basis underlying the activities of the Bank. The organisational chart of the Bank allows the development of the single business concept and ensures:

- the segregation between negotiation, settlement and accounting activities for transactions, as well as between these and risk management and control, and
- the segregation of activities relating to the safekeeping of the assets of the Bank or its clients from the above-mentioned activities.

Amendments to the organisational structure are approved by the BoD.

## **2. BOARD OF DIRECTORS**

### **2.1 THE BOARD OF DIRECTORS AS A BODY**

The BoD has the primary responsibility for internal governance at all times and defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Bank, including the segregation of duties and the prevention of conflicts of interest. In this respect, the BoD is responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy and internal governance; ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards; overseeing the process of disclosures and communications to external stakeholders and competent authorities; and effectively supervising the senior management.

The BoD shall fully know and understand the legal, organisational and operational structure of the Bank ('know your structure') and ensure that it is in line with its approved business and risk strategy and risk appetite.

#### **Size and composition of the BoD:**

The size and composition of the BoD is set by taking into account the principle of proportionality, ensuring that the majority of the members and the Chairperson of the BoD are independent. In particular, the following must be ensured:

- the BoD consists of at least seven (7) members and not more than thirteen (13) members;
- the executive members must be at least two (2) and not more than twenty five percent (25%) of the members of the BoD rounded down, one of which must be the CEO;
- the BoD is sufficiently diverse as regards age, gender and educational and professional background to reflect an adequately broad range of experiences and facilitate a variety of independent opinions and critical challenge;
- the BoD possesses adequate collective knowledge, skills and experience to be able to understand the Bank's activities, including the main risks.

The members of the BoD may not appoint alternate members to represent them in their absence.

The heads of the internal control functions may not be appointed as members of the BoD.

The nomination, selection, reappointment and succession of members of the BoD is decided in accordance with the Policy on the Assessment of Suitability of the Members of the Management Body and Key Function Holders and the Diversity Policy.

The appointed members of the BoD are subject to re-election at the Annual General Meeting every 3 years from the date of their appointment.

### Organisation and functioning of the BoD:

Concerning the organisation of meetings of the BoD and its Committees:

- The BoD and its Committees hold ordinary meetings for the adequate and efficient performance of their duties;
- The BoD meets at least once every three (3) months, preferably at dates fixed in advance at the beginning of the calendar year. The BoD has the flexibility to hold meetings whenever necessary;
- Every effort is exercised to hold at least once a year a regular BoD meeting with the physical presence of all members;
- The arrangement of attending scheduled or special/ad hoc meetings via teleconferencing or videoconferencing shall not be abused but used with caution by the members ensuring that at least the majority of the members are physically present at any scheduled or special/ad hoc meeting;
- Members of the BoD may not be absent from scheduled or special/ad hoc meetings, whether physically or otherwise, for more than two (2) consecutive meetings or twenty five percent (25%) of the annual meetings;
- Proxy voting may be permitted for a member who is absent from a meeting, if the exercise of proxy voting is limited to one (1) per annum per each member attending the meeting and members who vote via proxy are held accountable for their proxy vote;
- Persons nominated by the Bank for the position of member of the BoD for which the decision of the competent authority is pending are prohibited to be present as observers. It is provided that the person performing the duties of acting CEO may attend the meetings of the BoD, only upon the relevant invitation of the BoD, for specific issues and for specific reasons related to his/her executive duties. This individual shall not be present at the part of the meeting concerning the discussions and decision-making of the BoD.

No other person shall attend meetings of the BoD, unless formally invited to attend for specific item(s) on the agenda. Any such person is present only during the discussion of the specific item(s) and leaves the meeting room immediately after, without any participation in the decision-making process.

### Conflicts of interest

With regards to the treatment of interest or conflict of interest or potential interest or conflict of interest of members of the BoD, members must disclose any conflicts of

interest and abstain from participating in the decision-making or voting on any matter where they may have a conflict of interest. In particular:

- (i) prior to the commencement of any meeting the acting chairperson of the meeting is required to read all items on the agenda, one by one, and request that each participant, including himself/herself and the members, for each item states clearly whether there is an interest or a conflict of interest or a potential interest or conflict of interest or not. Provided that, a proxy holder shall in addition state for each item whether the member he/she represents has an interest or a conflict of interest or a potential interest or conflict of interest or not;
- (ii) Upon completion of the procedure referred to above, the Chairperson must invite comments from all members participating in the meeting regarding the statements made;
- (iii) if a conflict of interest is identified for an item of the agenda, then the member involved must abstain from the discussion and from the voting for that particular item either in person or via proxy.

The above process must also be followed if any other/ad hoc issues are discussed.

In addition, the members must inform the Secretariat before they engage in certain activities such as serving on another entity's management body, so that a review is carried out to ensure that such new engagement does not create a conflict of interest.

### Minutes of the Meetings

Minutes are kept by the Secretariat for each meeting of the BoD as follows:

- (a) detailed minutes shall be kept for each meeting, which shall be finalised not later than fifteen (15) business days following the meeting and formally approved at the next meeting;
- (b) the minutes are submitted to the CBC within one (1) month from the date of the meeting. In case a meeting of the BoD does not take place within one (1) month, the minutes shall be approved by circulation by all members present at the meeting and shall be submitted to the CBC within the aforementioned deadline;
- (c) the minutes of the meeting shall record:
  - (i) the time of the meeting, location held and attendees including invitees, present physically and via electronic means;
  - (ii) the reasoning for inviting persons to attend the meeting, the relevant item(s) on the agenda and their views and/or opinions;
  - (iii) all items on the agenda and the respective discussions, decisions, voting results, opinions and views of the minority, as well as concerns not resolved;
  - (iv) declarations by members in connection with any conflicts of interest, recorded separately under the title 'identification of interests or conflicts of interest or potential interests or conflicts of interest'.
  - (v) the Secretary's assessment, in a separate paragraph, as to whether the meeting had been held in compliance with internal rules and regulations of the BoD, the provisions of the Governance Directive and other applicable legal and supervisory requirements.



## Duties of the BoD

The constant pursuit of the BoD is to enhance the long term economic value of the Bank and the safeguarding of the general interests of the Bank by always applying the provisions of the institutional framework, the internal regulations of the Bank and the principles of corporate governance. The BoD is mainly responsible for charting the strategy, establishing policies and monitoring compliance with these, as well as for the overall supervision of the functions and the activities of the Bank. The individual obligations, duties and responsibilities of the BoD are in accordance with relevant regulations and/or directives and/or legislation in force from time to time as well as the Articles of Association of the Bank. The BoD shall monitor, review on a periodic basis and address any weaknesses identified in the implementation of processes, strategies and policies related to its responsibilities.

The BoD shall ensure that the delegation of responsibilities to each member of the BoD takes due account of whether each member has the competence and the level of independence and objectivity required to perform the tasks assigned to him or her.

For the proper functioning of the Bank the BoD delegates the management of the Bank to the CEO, who is given the authority to take various decisions except on the following matters, for which the responsibility remains exclusively with the BoD:

1. Setting, approving and overseeing the implementation of the following:
  - (i) the overall business strategy and the key policies of the Bank taking into account the Bank's long-term financial interests and solvency, and evaluating at least once a year the level of effectiveness of the Bank's management of regulatory risk. The BoD is also responsible to monitor and constructively challenge the Bank's strategy;
  - (ii) the overall risk strategy, including the risk appetite of the Bank and its risk management framework and measures to ensure that the BoD devotes sufficient time to risk issues. The BoD should ensure that adequate resources are allocated to the management of all material risks addressed by the Governance Directive, the provisions of the harmonisation with the Capital Requirements Directive and the Capital Requirements Regulation, as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks. Also, the BoD will approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks to which the Bank is or could be exposed, including those posed by the macroeconomic environment in which it operates, taking into account the phase of the business cycle;
  - (iii) the amounts, types and distribution of both internal capital and regulatory capital to adequately cover the risks of the Bank;
  - (iv) targets for the liquidity management of the Bank;
  - (v) arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the Business of Credit Institutions Law of 1997 and relevant standards.

When performing the above actions, the BoD shall aim at ensuring a business model and governance arrangements, including a risk management framework, that take into account all risks, including environmental, social and governance risks (ESG).
2. Significant capital expenditure, the limits of which are set by the BoD.
3. Transactions which by their nature are considered by the CEO to be unusual.
4. Mergers, acquisitions and disposals of a significant part of the Bank's assets.
5. Adoption and possible changes in the application of accounting standards which materially affect the financial statements of the Bank.

6. Selection, appointment and termination of the services of the CEO as well as designation, selection, replacement, supervision and termination of the services of the Chief Financial Officer ("CFO"), the Heads of the Internal Control Functions and other Key Function Holders following the recommendations of the BoD Committees.
7. Remuneration package and the employment contract of each Executive Member of the BoD, whose remuneration falls outside the salary scales of the collective agreements as well as determination of the remuneration of the CEO.
8. Appointment and change of the Secretary and Assistant Secretary of the Bank.
9. Appointment of Members of the BoD at the recommendation of the Nomination and Remuneration Committee.
10. Composition and appointment of Members to the BoD Committees and approval of the terms of reference of these Committees.
11. Possible redefinition of the duties or discharge of a BoD Member from his/her duties before the expiry of his/her term and the appointment of his/her replacement.
12. Setting, approving and overseeing the implementation of an adequate and effective internal governance and internal control framework that includes a clear organisational structure and well-functioning independent risk management, compliance, audit and information security functions that have sufficient authority, stature and resources to perform their functions, and ensures compliance with the regulatory requirements related to prevention and suppression of money laundering.
13. Setting, approving and overseeing the implementation of the information and communication technology (ICT) strategy of the Bank in the context of its overall business strategy, as well as for the establishment of an effective risk management framework for the ICT and security risks. Additionally, the BoD will set and approve the digital operational resilience strategy of the Bank as referred to in Article 6(8) of the Digital Operational Resilience Act (DORA), including the determination of the appropriate risk tolerance level of ICT risk of the Bank.
14. The BoD bears the final responsibility for ensuring that the Bank applies an effective system to prevent money laundering and terrorist financing.
15. Approval of the Bank's policies, including inter alia:
  - i. Conflict of Interest Policy
  - ii. Compliance Policy
  - iii. Whistle Blowing Policy
  - iv. Outsourcing Policy
  - v. Remuneration Policy
  - vi. Information Security Policy
  - vii. New Products Approval Policy
  - viii. Policy on the Assessment of the Suitability of Members of the Management Body and Key Function Holders
  - ix. Diversity Policy for Membership of the Board of Directors.

In general the BoD approves policies for which the legal and regulatory framework requires and provides for effective authorisation by the BoD.
16. Appointment and monitoring of the work of External Auditors.
17. Approval of procedures that ensure:
  - i. handling of emergencies that place the smooth operation of the Bank at risk and
  - ii. restoring and smooth continuity of business operations and
  - iii. procedures which are generally considered as requiring the approval of the BoD.
18. The BoD approves and/or adopts and/or reviews the following reports:
  - Annual Report of the Head of the Compliance Department

- Annual Report of the Anti-Money Laundering Compliance Officer and AML Risk Management Report
  - Annual Sanctions Risk Assessment Report of the Head of the Compliance Department
  - Annual Report on "the Internal Capital Adequacy Assessment Process" (ICAAP)
  - Annual Report on "the Internal Liquidity Adequacy Assessment Process" (ILAAP)
  - Annual Report of the Risk Management Department
  - Annual Report of the Information Security Department
  - Annual Report of the Internal Audit Department on the adequacy and effectiveness of the Internal Control System
  - Annual Performance Assessment Report of the governing body as a whole, its Committees and individual members including assessment of the Chairperson of the BoD
  - Report every three years assessing the adequacy of the Internal Control System on a standalone and consolidated basis by External Auditors
  - Report every three years assessing the composition and operations of the management body and its Committees prepared by External Consultants
  - Financial Statements
  - Annual Pillar III Disclosure Report submitted by the Risk Management Department through the Risk Management Committee, in accordance with the Capital Requirements Regulation (CRR), the Capital Requirements Directive IV (CRD IV) and the relevant EBA guidelines
  - The Bank's financial results / Business Plan prepared by the Finance Department
  - The Bank's Recovery Plan.
19. Approval for setting limits for the following, beyond which the power of authorisation remains with the BoD:
    - i. Write-off limits
    - ii. Credit limits
    - iii. Expenditure limits (operating expenses and capital expenditure)
    - iv. Transaction limits.
  20. Approval of loans to Directors, major shareholders and their related parties according to the Business of Credit Institutions Law of 1997, as amended from time to time (hereinafter "the Banking Law") and the Central Bank of Cyprus regulations, directives and circulars.
  21. (a) Overseeing the organisation of the Bank for the provision of investment and ancillary services, such as the personnel, resources and the arrangements for the provision of the services;  
 (b) Ensuring compliance with obligations under MiFID II;  
 (c) Assessing and periodically reviewing the effectiveness of the policies, arrangements and procedures put in place to comply with the said obligations; and  
 (d) Taking appropriate measures to address any deficiencies.
  22. Approval of credit requests which fall outside the authority limits of the Credit Committees of the Bank.

### Time commitment

The members of the BoD are required to devote sufficient time to the performance of their duties. This includes preparation time for the meetings, attendance at meetings as

well as any additional time required due to their appointment in any Board Committee. In this respect, all new directors are provided with a letter setting out their roles and responsibilities as well as the expected time commitment required.

Where non-executive directors hold additional positions such as Chairperson, Vice Chairperson, Senior Independent Member, Committee Chairperson and Committee member then additional time should be allocated by them.

## **2.2 CHAIRPERSON AND VICE CHAIRPERSON OF THE BOARD OF DIRECTORS**

With regards to the organisational structure of the BoD, an independent member of the BoD holds the position of the Chairperson of the BoD in accordance with the provisions of the Governance Directive and Section 19B of the Banking Law.

A non-executive member of the BoD holds the position of the Vice Chairperson of the BoD to assume the roles and responsibilities of the Chairperson in the absence of the latter.

The Bank has defined the term of office and the maximum number of terms an individual may serve as the Chairperson of the BoD as follows:

- The term of office of the Chairperson of the BoD is three (3) years and
- the maximum number of terms is two (2), with a maximum period of six (6) years whether consecutive or not.

The responsibilities of the Chairperson of the BoD include the following:

### **(a) Ensuring the effective functioning of the BoD**

The Chairperson of the BoD is responsible for leading the BoD, contributing to an efficient flow of information, both within the BoD and between the BoD and its committees, and is also responsible for the effective overall functioning of the BoD. In this regard, the Chairperson is responsible for:

- encouraging and promoting an open and critical discussion and ensuring that dissenting views can be expressed and discussed within the decision-making process;
- setting the items on the agenda of the meetings and ensuring that strategic issues are discussed as a matter of priority.
- ensuring that the decisions of the BoD are taken on a sound basis and after adequate information and ensuring that the relevant documents and information are received in a timely manner before the meeting;
- ensuring that the members of the BoD are given sufficient time to consider important issues and receive answers to any questions or concerns they may have, without being faced with unrealistic deadlines for taking decisions;
- contributing to the clear allocation of duties between the members of the BoD and ensuring the existence of an efficient flow of information between them, so as to enable members to constructively contribute to the discussions and to cast their votes on a sound and well-informed basis.
- ensuring that the Bank complies with the provisions of the Governance Directive concerning the meetings of the BoD and the documentation of their minutes as set out in Section 2.1 above;

- ensuring, through an explicit procedure, the notification of conflicting interests to the BoD and the abstention of members from the process of discussion, decision-making or voting on any issue for which they may have a conflict of interest.

(b) Ensuring the induction, development and performance evaluation of members of the BoD

The Chairperson of the BoD must ensure that members of the BoD possess at all times sufficient knowledge and skills to perform their duties. In this regard the Chairperson must:

- ensure that new members of the BoD participate in a full, formal and tailored induction programme, facilitated by the Secretary of the Bank;
- identify the training needs of the individual members of the BoD as well as the BoD as a whole and ensure that these needs are met.

The Chairperson of the BoD must ensure that an evaluation of the BoD, its committees and members of the BoD individually is carried out in accordance with paragraph 16 of the Governance Directive and that the Bank takes action commensurate with the results of those assessments, recognising the strengths and addressing the weaknesses of the BoD.

(c) Ensuring effective communication with supervisory authorities and shareholders

The Chairperson of the BoD must maintain adequate contact with the CBC and other supervisory authorities.

The Chairperson of the BoD must ensure that the views and concerns of the CBC, other supervisory authorities and any views and concerns of shareholders that s/he becomes aware of, are communicated in their entirety to the BoD.

## **2.3 INDIVIDUAL MEMBERS OF THE BOARD OF DIRECTORS**

### Duties of individual members of the BoD

Each member of the BoD must engage actively in the business of the Bank and must be able to make their own sound, informed, objective and independent decisions and judgements to fulfil their individual and collective responsibilities. In this respect, each member of the BoD must:

- ensure they have a clear understanding of the Bank's governance arrangements and their role in them;
- ensure they have an up-to-date understanding of the business of the Bank including areas for which they are not directly responsible but are collectively accountable;
- commit sufficient time to perform their functions in the Bank including the preparation of BoD meetings;
- act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor management decision-making;
- not use their position to gain undue personal advantage or cause any detriment to the Bank;

- constructively challenge and critically review propositions, explanations and information they receive when exercising their judgment and taking decisions;
- disclose to the Bank any matter that may result, or has already resulted, in a conflict of interest or in an incident of non-compliance with the requirements of the Suitability Directive;
- ensure their concerns which cannot be resolved about the directing of the Bank are recorded in the BoD minutes;
- acquire, maintain and deepen their knowledge and skills to fulfil their responsibilities;
- ensure that the Bank, through the Secretary, is informed of all external professional and political positions held by the member of the BoD and immediately inform the Secretary where changes to such positions occur;
- inform the Bank immediately, through the Secretary, of any material changes relating to them concerning their suitability criteria, independence criteria (where applicable) and sufficient time for exercising their duties.

All members of the BoD shall be fully aware of the structure and responsibilities of the BoD, and of the division of tasks between different functions of the BoD and its Committees.

The members of the BoD shall be aware of the regulatory environment in which the Bank operates, ensure that the Bank has an appropriate regulatory compliance framework and maintains an effective and productive relationship with the competent authorities.

Members of the BoD must at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

Members of the BoD shall be responsible for their role and duties as prescribed by applicable law and by the instructions of the CBC. Each member of the BoD shall not cease to be liable for his/her role and responsibilities for the duration of the appointment as a member of the BoD.

### **2.3.1 Executive members**

The executive members of the Board are those that have a contract of employment with the Bank and are responsible for managing the business of the Bank.

Executive members of the BoD are responsible for proposing strategies to the BoD and for executing the agreed strategies to the highest possible standards.

### **2.3.2 Non-Executive members**

The non-executive members of the BoD are responsible for overseeing and monitoring management decision-making and do not have executive duties within the Bank.

The term of office of non-executive members is three (3) years. Subject to the provisions of the Suitability Directive, the Bank has defined the maximum number of terms an individual may serve as a non-executive member of the BoD as follows:

- a member can serve as a non-executive member for a maximum period of service of twelve (12) years.
- for a non-executive independent member the maximum period of service is nine (9) years. It is noted that independent members can remain as members of the



Board for a further three (3) years, after the completion of their 9-year period of service, however, they will not be considered as independent.

#### Duties of the non-executive members of the BoD

Non-executive members of the BoD are responsible for monitoring executive activity and contributing to the development of strategies. In this respect, non-executive members of the BoD should, in addition to their other duties:

- constructively challenge and contribute to the development of strategies;
- scrutinise the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy themselves that financial information is accurate and that the risk and compliance management frameworks and the internal control framework are robust and defensible;
- have a prime role in appointing, and where necessary removing, senior management and key personnel in internal control functions, and in succession planning;
- ensure and periodically assess the effectiveness of the Bank's internal governance framework and take appropriate steps to address any identified deficiencies;
- monitor that the risk culture of the Bank is implemented consistently;
- oversee and monitor that the Bank's strategic objectives, organisational structure and risk strategy, including its risk appetite and risk management framework, as well as other policies, such as the Remuneration Policy, and the disclosure framework are implemented consistently;
- monitor the implementation of the internal audit plan, after the prior involvement of the risk and audit committees;
- provide objective views on resources, appointments and standards of conduct.

In addition to the above, the non-executive members of the BoD:

- hold regular meetings on their own or with the external auditors and/or the heads of the internal control functions as appropriate, without the presence of the executive members, at least on a semi-annual basis;
- meet without the Chairperson present at least annually to appraise the Chairperson's performance.

#### **2.3.3 Independent members**

Independent members of the BoD are those that do not have any present or recent past relationships or links of any nature with the Bank or its management that could influence the member's objective and balanced judgement and reduce the member's ability to take decisions independently. All independent members of the BoD fulfil the independence criteria as set out in the Suitability Directive and confirm to the Bank on an annual basis whether the independence criteria continue to apply and that they still qualify as independent. In case any member states that one of the independence criteria no longer applies, this does not automatically qualify the member as not being independent. The Bank will immediately assess the situation taking into consideration the member's ability to exercise objective and balanced judgment and to take decisions independently. Any necessary remedial measures will be implemented within one (1) month.

Independent members of the BoD play a key role in enhancing the effectiveness of checks and balances within the Bank by improving oversight of management decision-making and must maintain, under all circumstances, their independence of thought and opinion. Additionally, independent members should ensure that:

- (i) the interests of all stakeholders, including minority shareholders, are taken into account in the discussions and decision making of the BoD;
- (ii) no individual or small group of members dominates decision-making; and
- (iii) conflicts of interest between the Bank, its business units, other entities within the accounting scope of consolidation and external stakeholders, including customers are appropriately managed.

#### **2.4 SENIOR INDEPENDENT MEMBER**

The Bank in accordance with the Governance Directive, has ensured with regards to the organisational structure of the BoD that an independent member of the BoD, who does not also hold the position of Chairperson or Vice-Chairperson, is appointed as Senior Independent Member of the BoD.

##### **Roles and responsibilities of the Senior Independent Member of the BoD:**

The duties of the Senior Independent Member of the BoD include inter alia the following:

- to act as a point of contact for shareholders and other stakeholders regarding concerns that could not be addressed or resolved or that could not be addressed or resolved through the usual channels of communication with the Chairperson of the BoD or senior management.
- to ensure that the BoD has a balanced understanding of the most significant issues and concerns of shareholders.
- to chair the meetings with the non-executive members of the BoD, without the presence of the Chairperson, at least annually, in order to evaluate the performance of the Chairperson in accordance with paragraph 11 of the Governance Directive.
- to chair the BoD during the examination of the succession of the Chairperson of the BoD and to ensure the smooth process of succession.

#### **2.5 AML RESPONSIBLE BOARD MEMBER**

In accordance with the provisions of the Directive of the CBC on the Prevention of Money Laundering and Terrorist Financing (the 'AML Directive'), the Bank has appointed the Chairperson of the Audit Committee as the Board member responsible for the implementation of the Prevention and Suppression of Money Laundering Activities Law of 2007 ('the AML Law'), the AML Directive, circulars and/or regulations issued by the CBC pursuant to the AML Law and of any other relevant acts of the European Union ('the AML Responsible Board Member').

The duties and responsibilities of the AML Responsible Board Member are the following:

- To inform/advise the BoD on the level of AML/CFT risk experienced by the Bank based on the recent trends, typologies and identified new risks arising;
- To inform/advise the BoD as escalation of any interventions on the recommendations made by the Compliance Department from the BoD and/or members of the Management of the Bank and/or other business lines;



- To inform/advise the BoD as escalation of any differences of opinion on the treatment of customers/transactions between the business lines and the Compliance Department;
- To inform/advise the BoD of any identified AML/CFT shortcomings/discrepancies as audit findings following the review/audit/assessment of the Compliance Department.

In order to assist the AML Responsible Board Member with the above duties and responsibilities the Compliance Department shall provide the said Member with the following material:

- Ad hoc information on the monitoring of the legal/regulatory framework pertaining to AML related matters.
- Analysis of any material published or made available on the internet or the local and international press, which is monitored through various news outlets, pertaining to AML and/or Terrorist Financing.
- Any material notification, circular, letter or other documents provided by the CBC on AML, CFT and Sanctions that the Department has been provided with.
- Any material requests from supervisory authorities in relation to AML / Compliance issues of the Bank and further to an assessment carried out.
- Advice on any Regulatory Compliance Risk arising from AML issues including the following: legal, reputational, administrative and financial loss risk.
- Information as escalation of any interventions on the recommendations made by the Compliance Department from the BoD and/or members of the Management of the Bank and/or other business lines.
- Information as escalation on any differences of opinion on the treatment of customers/transactions between the business lines and the Compliance Department.
- Information on any AML/CFT shortcomings/discrepancies identified as audit findings following the review/audit/assessment of the Compliance Department.
- Ad hoc reports on material breaches of the AML framework of the Bank, which have been identified, or of any significant deficiencies in the fulfilment of the obligations of the Department.
- The AMLCO Annual and quarterly reports, the Risk Assessment Report and the Sanctions Risk Assessment Report.

## **2.6 SECRETARIAT OF THE BOARD OF DIRECTORS AND ITS COMMITTEES**

The Secretary and Assistant Secretary are officers of the Bank and are appointed to these positions by the BoD. When appointing the Secretary, the BoD must avoid any conflict of interest. In case of the Secretary's absence, the Assistant Secretary will undertake the Secretary's roles and responsibilities.

The Secretary may delegate his/her tasks to third persons provided there is no conflict of interest and the Secretary checks and signs paperwork and remains responsible and accountable for the outcomes of the delegation. However, the Secretary may not assign his/her tasks to heads of the internal control functions.

The responsibilities and duties of the Secretary of the BoD and its Committees shall be in accordance with the provisions of the Governance Directive, the Companies Law (Cap. 113), the Suitability Directive and the Articles of Association of the Bank, as amended from time to time.

The Secretary is responsible for facilitating the functioning of the BoD as follows:

(1) The Secretary must ensure that the BoD and its Committees are constituted and function in compliance with internal rules and regulations of the BoD, the Articles of Association of the Bank, the provisions of the Governance Directive and other applicable legal and supervisory requirements.

(2) The Secretary must act as a source of information and advice to members of the BoD and must ensure that adequate information flows within the BoD and its Committees, between senior management and non-executive members and between heads of internal control functions and non-executive members.

(3) The Secretary must ensure that non-executive members have access to independent professional advice at the Bank's expense if required.

(4) The Secretary must be closely involved in preparing the schedule of all BoD and Committee meetings. The Secretary must:

- prepare the agendas for these meetings in cooperation with the Chairperson, ensuring matters which require the attention or action of the BoD or a Committee are included in the items of the agendas;
- ensure that relevant information is dispatched timely to all members of the BoD to enable them to prepare adequately for these meetings.

(5) The Secretary must ensure minutes are kept in accordance with paragraph 12 of the Governance Directive and must:

- ensure minutes are circulated, finalised and approved in a timely manner by all members present at the meeting;
- ensure finalised minutes are distributed in a timely manner to all recipients;
- ensure decisions taken are properly communicated to the Division Heads concerned, pursue follow up actions and report on matters arising. It should be noted that if any decision of the BoD is not adhered to or implemented, then the Division Head concerned, will inform the Secretariat accordingly and the Secretariat will immediately inform the BoD.

(6) The Secretary must provide support to the BoD, to the Chairperson of the BoD and/or to the Nomination and Remuneration Committee in setting succession planning and overseeing succession and rotation of tasks of non-executive members of the BoD.

The Secretary is also responsible for facilitating the induction and development of members of the BoD:

(1) The Secretary must arrange induction programmes for non-executive members of the BoD which provide a full, formal and tailored introduction to the Bank and to their duties and responsibilities.

(2) The Secretary must assist the Chairperson in assessing and meeting the training needs of members of the BoD and ensure that there is an ongoing programme to keep members well informed of developments in the Bank and in respect of matters relevant to their responsibilities generally.

## **2.7 EVALUATION OF THE BOARD OF DIRECTORS**

The BoD, its Committees and each individual member of the BoD are evaluated on an annual basis.



The evaluation of the executive members, the non-executive members and the Chairperson of the BoD is based on the Bank's Procedure for the Annual Evaluation of the members of the Board of Directors.

In addition, every three (3) years, the review and evaluation of the composition, efficiency and effectiveness of the BoD is assigned to an independent external consultant.

## **2.8 CODE OF CONDUCT AND CORPORATE VALUES**

The BoD shall establish, adopt, adhere to and promote high ethical and professional standards and corporate values that shall guide the daily activities of the Bank for the BoD itself, the Executive Directors and the remaining employees of the Bank. In this context, the BoD has approved and / or issued the Code of Conduct of Bank Employees, the Code of Service, the Disciplinary Code, the Policy on Conflicts of Interest, the Policy on Whistleblowing and the Procedure of Personal Complaints.

The BoD shall oversee the implementation and maintenance of the abovementioned codes and policies to identify, manage and mitigate actual and potential conflicts of interest.

### **3. COMMITTEES OF THE BOARD OF DIRECTORS**

The Bank is obligated to establish an Audit Committee, a Risk Management Committee, a Nomination Committee and a Remuneration Committee which must operate in line with the provisions of the Governance Directive.

The Committees must report to the BoD on a regular basis and they must circulate their minutes to the BoD in advance of BoD meetings. Additionally, each Committee may communicate with any of the other Committees either by direct communication of the Chairpersons of the Committees, or through cross-participation or through the Secretary.

Following the approval of the CBC to combine the Nomination and Remuneration Committees, the Bank has established the following permanent Committees of the BoD:

#### **3.1 AUDIT COMMITTEE**

The purpose of the Audit Committee is to assist the BoD in order to perform its oversight and governance duties, and has, among others, the following responsibilities: (i) monitoring the implementation of measures that have been decided by the BoD, (ii) monitoring and evaluation of the adequacy and effectiveness of the Bank's internal control system and information systems, (iii) monitoring and evaluation of the process for the preparation of the annual and interim financial statements, (iv) reviewing the Group's accounting policies and practices, (v) evaluating the statutory (external) auditors' independence and objectivity and the effectiveness of the external audit process, (vi) monitoring the Group's whistleblowing procedures, (vii) assessing the independence, adequacy and effectiveness of the Internal Audit and Compliance Units, (viii) monitoring the compliance with the Bank's Code of Conduct and (ix) addressing other matters as may be referred to the Audit Committee by the BoD.

The Audit Committee consists of members who are all Non-Executive Members and who are in their majority Independent Members. The Chairperson of the Committee is an Independent Member of the BoD.

The approved Terms of Reference of the Audit Committee are attached in **Appendix I**.

#### **3.2 RISK MANAGEMENT COMMITTEE**

The Risk Management Committee advises and supports the BoD on high level risk related matters and has, among others, the following responsibilities: (i) advising on the monitoring of the Bank's overall actual and future risk appetite and strategy, (ii) overseeing the implementation of the strategies for capital and liquidity management as well as for all other relevant risks and assessing their adequacy, (iii) reviewing and providing input on the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Pillar III Disclosure reports, (iv) monitoring the Arrears Management Strategy, (v) reviewing and providing input on the Recovery Plan and Business Plan, (vi) assessing and monitoring the independence, adequacy and effectiveness of the Risk Management Unit and the Information Security Department and advising the BoD accordingly and (vi) reviewing the composition, powers and independence of the internal control functions and reporting to the BoD accordingly. Moreover, the Risk Management Committee works closely together with the Nomination and Remuneration Committee and ensures that the Remuneration Policy is consistent with and promotes sound and effective risk management.

The Risk Management Committee consists of Members who, individually and collectively, have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and risk-taking policy of the Bank, as well as its management and risk control practices. All the members are Non-Executive Members and in their majority are Independent Members. The Chairperson of the Committee is an Independent Member of the BoD and cannot be the Chairperson of the BoD or any other Committee.

The approved Terms of Reference of the Risk Management Committee are attached in **Appendix II**.

### **3.3 NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee's responsibilities include, among others, the following: (i) to propose to the BoD a person or persons suitable to succeed the Chairperson of the BoD or the CEO, person(s) suitable to be appointed or re-appointed as members of the BoD or to replace any member in case of resignation, retirement, disqualification from their office or permanent incapacity to perform their duties for any reason, (ii) to decide on the members of the BoD to be appointed as Chairperson, Vice-Chairperson, Senior Independent Director, the AML Responsible Board Member and the composition of the Board Committees and recommends them to the BoD for approval, (iii) to evaluate annually the structure, size, composition and performance of the BoD and make recommendations for any changes, (iv) to assess the suitability of Key Function Holders (except the Heads of the internal control functions) and recommend their appointment to the BoD for approval, (v) to approve the Remuneration Policy of the Bank, following the positive recommendation of the Risk Management Committee, (vi) to perform annual reviews of the Remuneration Policy, (vii) to review the remuneration of the Executive members of the BoD, the Heads of the internal control functions and other identified staff, and (viii) to propose and approve the remuneration of the Non-Executive members of the BoD.

The Nomination and Remuneration Committee consists of members who are all Non-Executive Members and in their majority Independent Members. The members of the Committee must have, individually and collectively, appropriate knowledge, skills and expertise regarding the candidate selection process and their suitability requirements. With regards to remuneration issues, the members shall have, collectively, appropriate knowledge, expertise and professional experience in remuneration policies and practices, risk management and control activities, in particular as regards to the mechanism for aligning the remuneration structure with the risk and capital profile of the Bank. The Chairperson of the Committee is an Independent Member of the BoD.

The approved Terms of Reference of the Nomination and Remuneration Committee are attached in **Appendix III**.

#### **4. MAIN EXECUTIVE AND ADMINISTRATIVE COMMITTEES**

The BoD notes that the setting up of other committees is decided on the basis of regulatory requirements and the cost / benefit principle. In consideration of the above, a number of Internal Executive and Administrative Committees (hereinafter the “Internal Committees”) have been set up comprised of executives for the better management of individual issues. These committees meet whenever necessary, depending on the issues arising.

The general guidelines for the operation of the Internal Committees are attached in **Appendix IV**.

The Bank has established the following Internal Committees:

##### **4.1 ASSETS AND LIABILITIES COMMITTEE (ALCO)**

The ALCO manages the balance sheet of the Bank from both a risk and a business perspective and oversees the implementation the directives set forth. The Committee ensures that business opportunities identified and pursued by business lines fall within safe limits and parameters.

##### **4.2 PROVISIONING COMMITTEE**

The composition and terms of reference of the Provisioning Committee are governed by the Bank’s IFRS9 Expected Credit Loss Policy (“ECL”) as approved by the BoD.

The mission of the Committee is to approve individual and collective ECL provisions prepared in accordance with applicable International Accounting Standards, EBA/ECB Guidelines and the Bank’s internal Policies and Procedures, as presented by the Finance Department and Risk Management Department.

##### **4.3 IT STEERING COMMITTEE**

The main purpose of the Committee is to monitor and provide guidance for (a) the implementation of the Bank’s IT and Information Security Strategy as communicated by the BoD, (b) the implementation of the Policies approved by the BoD relevant to the Security and Integrity of the IT systems and data and (c) the implementation of best practices regarding IT and Information Security Governance.

##### **4.4 APPEALS COMMITTEE (established under the Arrears Management Directive)**

The Appeals Committee reports to the Audit Committee and through it to the BoD. The Committee submits analytical reports to the Audit Committee of the BoD, with notification to the CEO and the Regulatory Compliance Unit.

Its mission is to review each borrower’s appeal thoroughly, fairly and objectively and to ensure that the borrower’s restructuring request has been fairly handled within the Code Framework, so that a compromising solution may be reached between the borrower and the Bank and legal proceedings may be avoided to the maximum possible extent.

#### **4.5 CRISIS MANAGEMENT COMMITTEE**

The Crisis Management Committee was established in 2020 and convenes whenever a crisis occurs. The Committee is responsible for the recommendation of preventive measures and monitors that all control measures and containment steps have been implemented.

The Crisis Management Committee currently consists of five members and is chaired by the Chief Operations Officer.

#### **4.6 DISCIPLINARY COMMITTEE**

The Disciplinary Code defines the procedures, rules and measures to be followed in cases where a member of the Bank staff commits a disciplinary offence.

The Disciplinary Committee currently consists of five members, three of which (the Chairperson and two members) are appointed by the Management of the Bank and two members by the Cyprus Union of Bank Employees (ETYK).

#### **4.7 DISCIPLINARY APPEALS COMMITTEE**

The Employee being disciplined shall have the right to appeal against the decision of the Disciplinary Committee.

The Appeals Committee currently consists of five members, three of which are appointed by the Management of the Bank and two by the Cyprus Union of Bank Employees (ETYK).

#### **4.8 PERSONAL COMPLAINTS COMMITTEE**

The Personal Complaints Procedure defines the mechanism for the handling of any problem that is created at the workplace (Health and Safety) or results from labour relations (e.g. harassment, threats, etc.) or any other complaint that the staff would like to raise.

The Committee comprises of five staff members, three of whom are appointed by the Management and two by the Cyprus Union of Bank Employees (ETYK).

#### **4.9 PROMOTIONS APPEALS COMMITTEE**

The object of the Promotions Appeals Committee is to examine objections raised by members of the Bank's staff after the completion of the promotions' procedure and their announcement. Its establishment is provided for in the Collective Agreement with Cyprus Union of Bank Employees (ETYK).

The Committee currently consists of three members, two of which are appointed by the Management of the Bank, one of whom acts as the Chairperson of the Committee and the other member is appointed by the Cyprus Union of Bank Employees (ETYK).





The recommendations of the Committee are submitted for approval to the CEO of the Bank who has the final say.

#### **4.10 CREDIT COMMITTEES**

The Bank has established the following Credit Committees that are responsible for the decision-making on credit related issues:

- 4.10.1 Senior Credit Committee for Corporate & SME
- 4.10.2 Junior Credit Committee for Corporate & SME
- 4.10.3 Exceptions Credit Committee for Retail & PBU
- 4.10.4 Restructurings Credit Committee for AMU
- 4.10.5 Senior Credit Committee for Debt Servicing Company
- 4.10.6 Junior Credit Committee for Debt Servicing Company

Credit Committees currently consist of three (3) voting members with the same basic composition irrespective of which Business Line has submitted the credit application.

The Committees meet regularly and decisions are taken by a majority of votes by the voting members present at the meeting. In the event of a tie, the Chairperson of the Committee has the casting vote.

#### **4.11 ESG STEERING COMMITTEE**

The purpose of the ESG Steering Committee is to support the Bank's on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability, and other public policy matters and to assist the Bank and senior management in meeting its responsibilities relating to environmental, social and governance (ESG) matters.

The ESG Steering Committee consists of at least three (3) members appointed by the CEO of the Bank. The composition of the Committee and its Terms of Reference are approved by the BoD.



## **5. INTERNAL CONTROL SYSTEM**

The Internal Control System aims at effectively managing risks threatening the Bank.

The Bank's Management is responsible for establishing and monitoring the adequacy and effectiveness of the Bank's Internal Control System and implements the actions required for the continuous management of risks, the prudent conduct of business, the effective segregation between supervisory and operational functions, the compliance with the legal and supervisory framework, the reliability of information as well as ensuring the effectiveness and efficiency of its activities. At the same time, the Bank uses appropriate early warning mechanisms, the consistent application of control mechanisms, and full compliance by all concerned with the principles and objectives of the Internal Control System.

The BoD members are ultimately responsible for maintaining the Internal Control System, the monitoring and evaluation of its adequacy and its effective implementation.

The BoD shall ensure that the heads of the internal control functions are able to act independently and, regardless of the responsibility to report to other internal bodies, business lines or units, can raise concerns and warn the BoD in its supervisory function directly, where necessary, when adverse risk developments affect or may affect the Bank.

### **5.1 INTERNAL AUDIT DEPARTMENT**

The Bank has established a strong Internal Audit Department (IAD) which assesses the adequacy and effectiveness of the Internal Control System. The Internal Audit Department is independent of units with executive functions and its Head reports to the BoD of the Bank through the Audit Committee and to the CEO for administrative matters.

IAD delivers services relating to two broad categories:

- a. Assurance work, delivered through individual internal audit engagements (including special investigations and other non-scheduled audit engagements), and
- b. Advisory work, provided in accordance with the provisions of the Institute of Internal Auditors' International Internal Audit Standards, through IAD's participation in various individual stages for the development of procedures and activities, information or network systems, following a request from Senior Management or in the context of ensuring the effective operation of the Audit Committee. The IAD also provides advice and feedback to Senior Management and to the Board of Directors for the ongoing improvement and establishment of an adequate internal control system.

The IAD is governed by the Internal Audit Charter, which is formed in accordance with the standards of the Institute of Internal Auditors and complies with the requirements of the Internal Governance Directive. The Internal Audit Charter is approved by the Board of Directors.

Pursuant to the Internal Audit Charter, the IAD prepares an annual audit plan. One of the basic components for developing the audit plan is the definition of the 'audit universe'. The audit universe comprises of all the Bank's activities that fall within the

scope of the IAD. It is noted that the Bank follows a three-year audit cycle for covering the operations and processes of the “audit universe”. Areas which have been assessed as “high” risk are covered annually, those that have been classified as “medium” risk are covered 1-3 times in the audit cycle and those that are classified as “low” risk are covered once in the audit cycle. In addition, IAD covers the areas that current legislation and regulation explicitly determine that should be specially treated.

The audit plan is prepared considering the IAD’s mission, the assessment of the Bank’s major processes, the prevailing legal and regulatory regime and the stakeholders’ expectations. The plan focuses on the audit engagements derived from the risk assessment performed for the Bank’s processes, with higher priority assigned to processes that have been assessed to have the most significant/highest residual risks. The plan is submitted to the Audit Committee and the CEO and is approved by the BoD.

The objectives of the audit plan are to:

- Determine the audit engagements that will be conducted by the IAD during the next year, based on the risk assessment performed.
- Maintain efficient and effective audit processes.
- Plan the most effective use of the audit resources so as to achieve sustained value for the Bank.
- Organise IAD’s human resources development of skills and competencies based on medium to long term needs.

The Head of Internal Audit briefs the Audit Committee on any changes to the Audit Plan that may occur.

Other responsibilities of the IAD include, amongst others, the following:

- The development of a risk register, which includes identified key risks mapped to each functional activity and the relevant controls that are in place for mitigating that risk.
- The assessment as to whether the internal control system of the Bank is "adequate" and "effective". The resulting findings, as well as remedial actions considered and agreed as necessary are communicated to the Heads of audited units/divisions, Senior Management and to the Board of Directors through the Audit Committee, so that existing procedures are further enhanced, aiming to ensure the safe execution of banking operations.
- Communication with other internal control functions of any findings relating to them which can serve as a feedback mechanism to the latter functions in assessing their areas of responsibility in related internal control policies and procedures. The IAD promotes cooperation with other control functions aiming for a two-way communication, sharing of information and concerns.
- Collaboration with supervisory bodies and external auditors of the Bank in order to ensure that audit needs are adequately covered and duplication of effort is minimised.
- Participation in various individual stages of the development of procedures and activities, information or network systems, providing opinion for the ongoing improvement and establishment of an adequate internal control system.

## **5.2 RISK MANAGEMENT DEPARTMENT**

The Risk Management Department (RMD) reports to the BoD through the Risk Management Committee and to the CEO for administrative matters and is subject to the audit of the Internal Audit Department with regards to the adequacy and effectiveness of risk management procedures. The main responsibilities of RMD are those defined in the Risk Management Charter.

The Bank applies special emphasis on effective monitoring of risk management with a view to maintaining the stability and continuity of its operations. In this context, the competent bodies of the Bank ensure the recording and regular re-evaluation of its Operational Strategy concerning the taking up, monitoring and handling of risks and the classification of transactions and clients by level of risk, setting the maximum acceptable exposure limits applicable each time in total for each type of risk and the further specialisation of each of the above limits, and establishing limits for termination of loss-making activities or other corrective actions.

The Bank also ensures that reliable, effective and comprehensive policies and procedures are adopted to assess and maintain on an ongoing basis the level, composition and distribution of own funds, which are considered by the management of the Bank as adequate to cover the nature and level of risk management undertaken or which may be undertaken by the Bank. These policies and procedures are subject to regular internal review and evaluation in order to ensure that they remain comprehensive, adequate and proportionate to the nature, extent and complexity of the activities of the Bank.

## **5.3 INFORMATION SECURITY DEPARTMENT (ISD)**

The operation of the Bank's IT systems aims both at effectively supporting the business strategy and operations of the Bank and at the secure handling, processing and storing of critical business information and data of the Bank. To this end, the Bank pays special attention to the formulation and periodic evaluation and updating of its strategy on the formulation and continuous development of a framework of principles for the secure, efficient and smooth operation of its systems. The Bank ensures the recording and constant updating of policies, standards, procedures and methodologies for the daily management and operation of its security systems. The main responsibilities of ISD are those defined in the Information Security Charter.

The ISD is directly accountable and reports to the BoD through the Risk Management Committee and to the Head of the Risk Management Department for administrative matters. Additionally, it is subject to the audit of the Internal Audit Department.

The Bank also recognises the need for the existence of an emergency plan for the handling of extraordinary operational issues and for a recovery plan from potential disaster and has established a Business Continuity Plan in order to ensure continuity of its most critical operations.

## **5.4 COMPLIANCE DEPARTMENT**

The Compliance Department (CD) is independent of units with executive/business functions and reports to the BoD through the Audit Committee and to the CEO for administrative matters. It is also subject to the audit of the Internal Audit Department.

The mission of the CD is to act proactively in order to address effectively the risk of regulatory compliance. The CD establishes, implements and maintains appropriate mechanisms and activities for promoting and maintaining a culture of compliance and integrity within the Bank. Furthermore the Bank has established and implemented appropriate policies and procedures that apply to the entire Bank, in order to achieve the timely and continued compliance of the Bank with the current anti-money laundering ('AML') and combating the financing of terrorism ('CFT') regulatory framework.

The aim is to ensure that the Bank is in compliance with the applicable legal and regulatory framework that governs the prevention of the use of the financial system for money laundering and terrorist financing and in this respect prevent the Bank from being used for any illegal operations.

In compliance with the requirement for the management of regulatory compliance risk, the Bank has issued the Compliance Policy of AstroBank Public Company Limited.

The main responsibilities of the CD are to:

- Ensure that the Bank complies with the applicable legal and regulatory framework.
- Assist senior executives in the design, development and implementation of an adequate and effective compliance framework.
- Inform the Management of the Bank and the BoD through its annual reports on the existing procedure for the management of the compliance process.
- Apply appropriate practices and methodologies for the identification, measurement and assessment of the compliance risk.
- Ensure, through appropriate policies and procedures, that deadlines for the fulfilment of obligations under the current regulatory framework are kept.
- Ensure the continuous updating of employees on developments in the regulatory framework which is relevant to their responsibilities as well as assisting and performing the AML training program for Bank employees.
- Manage requests of Supervisory and Regulatory Authorities concerning the compliance of the Bank.
- Participate in an advisory capacity in designing new products and procedures to ensure compliance with the regulatory framework.
- Determine the appropriate procedures and standards for reporting suspicious transactions to the competent authorities, as well as procedures for the exchange of information among the units of the Bank.
- Arrange and implement inspections and audits for the business lines of the Bank and make recommendations based on the findings.
- Draft and update the AML/CFT policies and procedures of the Bank.
- Assess new applications for the onboarding of new high risk customers; maintain a register of high risk customers and their risk indicators; and assess applications of existing customers whose risk category has changed to high risk.
- Assess the requests for approving third parties acting as intermediaries ('approved business introducers'); reviewing existing relationships of approved business introducers on an ongoing basis; and recommending the approval, continuation or termination of these relationships.
- Monitor databases and public sources towards negative findings and perform ad hoc searches for identifying such negative findings for customers of the Bank.
- Monitor and assess the correct and effective implementation of the relevant policies, procedures and controls.
- Establish and enforce the MiFID II monitoring programme on the investment activities offered by the Bank according to the regulatory and legal framework of MiFID II.

## **6. ALLOCATION ARRANGEMENTS**

The Bank shall maintain a record of its allocation arrangements, as follows:

### **6.1 BOARD OF DIRECTORS AND COMMITTEES**

The Secretary of the BoD shall maintain a record of the members and composition of the BoD and its Committees with a clear indication where applicable of the members' specific roles, responsibilities and authorities. These records shall be updated accordingly whenever a change occurs and each record shall be maintained for a period of seven (7) years after being replaced by a more up-to date record.

### **6.2 SENIOR MANAGEMENT AND HEADS OF CONTROL FUNCTIONS**

The Human Resources Department shall maintain a record of the members of the Bank's Senior Management and the Heads of Control Functions with a clear indication of their roles, responsibilities and authorities. These records shall be updated accordingly whenever a change occurs and each record shall be maintained for a period of seven (7) years after being replaced by a more up-to date record.



## **APPENDIX I – TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Approved by the Board of AstroBank Public Company Limited on  
14/12/2021.**

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## 1. INTRODUCTION

- These Terms of Reference govern the operations of the AstroBank Board Audit Committee (“Audit Committee”).
- The Audit Committee is established under the provisions of the Directive on Internal Governance of Credit Institutions of 2021 of the Central Bank of Cyprus (the ‘Governance Directive’) and the Auditors Law of 2017.
- The Audit Committee is a sub-committee of the Board of Directors (BoD) of AstroBank Public Company Limited (the Bank).
- The Terms of Reference have been issued in compliance with the legal and regulatory framework as applicable, the terms and conditions of which they specify and implement. These Terms of Reference comply with the Institute of Internal Auditors’ International Professional Practices Framework.
- The Audit Committee communicates with the Management of the Bank through the Chairperson of the Audit Committee.

## 2. MISSION

The purpose of the Audit Committee is to assist the BoD in order to perform its oversight and governance duties for matters concerning primarily:

- the Bank’s internal control system,
- the procedures of preparation of the annual and interim financial reports,
- the statutory (external) auditors,
- the Internal Audit Unit (IAU)
- the Compliance Unit (CU)
- the compliance with the Bank’s Code of Conduct
- other matters as may be referred to the Committee by the BoD of AstroBank.

The Chairperson of the Audit Committee shall inform the BoD on the activity of the Committee during BoD meetings and circulate its Minutes to the BoD before its meetings.

## 3. DELEGATION OF AUTHORITIES

The Audit Committee is authorized by the BoD to:

- Request any type of information and clarifications or assistance that it deems necessary for the exercise of its responsibilities from:
  - any committee, officer, or employee of the Bank
  - any third party collaborating with the Bank
  - any competent AuthorityAll employees or officers of the Bank are required to co-operate with any request made by the Audit Committee.
- Request the presence at its meetings of any officer or employee of the Bank or a third party collaborating with the Bank if it deems it necessary.
- Have access to any type and form of data and information of the Bank considered to be necessary for performing its work.
- Inform the BoD about any restriction encountered during its work.



## **4. COMPOSITION AND TERM IN OFFICE OF MEMBERS OF THE AUDIT COMMITTEE**

### **4.1 Audit Committee Members**

The Audit Committee is appointed by the BoD and must comprise a minimum of three (3) Non-Executive members of the BoD. More than 50% of the Members of the Committee must be Independent Non-Executive Members of the BoD. The Chairperson of the BoD may not be a member of the Audit Committee.

The term in office of the Members of the Committee is (three) 3 years. The Committee members are always eligible for re-election. If a member of the Committee resigns or is no longer present, then the Board may elect a replacement, complying with the eligibility requirements described below.

Members of the Audit Committee cannot participate in more than two (2) committees of the BoD, including the Audit Committee.

Upon appointment of an Audit Committee Member, the Secretary of the Audit Committee should furnish the new Member with copies of these Terms of Reference, Annual plan and Annual report of Internal Audit and Compliance Units.

### **4.2 Audit Committee Chairperson**

The BoD shall appoint one of the Audit Committee Members to serve as the Audit Committee Chairperson. The Chairperson of the Audit Committee must be independent and have specialist knowledge and expertise in the application of accounting principles and internal control processes.

Article 58D of the Prevention and Suppression of Money Laundering Activities Law of 2007 (AML Law) requires that, where there is a Board of Directors Audit Committee, the Bank appoints the Chairman of the Audit Committee as the member of the Board of Directors who will be responsible for the implementation of the AML Law and Directives, circulars and/or regulations issued by the Central Bank of Cyprus pursuant to the AML Law, and of any other relevant acts of the European Union including the corresponding policies and procedures of the Bank.

### **4.3 Eligibility for Membership**

In addition to the independence criteria set out in the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions Directive, the Audit Committee as a whole should have:

- recent and relevant practical experience in the area of financial markets or professional experience directly linked to financial services activity and
- knowledge of the Bank's broader business environment, including information systems and technology.



#### **4.4 Objectivity and Independence**

Members of the Committee must not hold any other posts or positions or conduct transactions, which could be considered to be in conflict with the Audit Committee Terms of Reference and the Bank's Conflict of Interest Policy.

If a certain event or relationship is likely to affect or be deemed to affect the independence and objectivity of a member of the Committee, this should be reported immediately and in writing (expressly including electronic communication) to the Chairperson of the BoD by the Chairperson of the Audit Committee.

Members must disclose any conflicts of interests and abstain from participating in the decision-making or voting on any matter where they may have a conflict of interest. In particular, prior to the commencement of any meeting the acting Chairperson of the meeting is required to read all items on the agenda, one by one, and request that each participant, including him/herself and the members, for each item states clearly whether there is an interest or a conflict of interest or a potential interest or conflict of interest or not.

### **5. AUDIT COMMITTEE SECRETARY**

The Audit Committee is assisted by the Secretary and an Assistant Secretary, who are appointed by the Committee.

### **6. MEETINGS OF THE COMMITTEE**

#### **6.1 Meetings**

Each Member of the Audit Committee has the right to request, by addressing such request to the Chairperson of the Committee or the Chairperson of the BoD in writing, the convocation of the Committee in order for specific items to be discussed. Such right is also granted to the BoD's Chairperson, the CEO of the Bank, as well as, to the Head of Internal Audit, the Head of the Compliance Unit and the External Auditors.

The absence of an Audit Committee's Member from for more than two (2) consecutive meetings or twenty five percent (25%) of the meetings held annually, should be notified directly to the BoD by the Chairperson of the Audit Committee or by two other Members of the Committee. The BoD may decide on the replacement of the Member, after the Member has been invited to provide clarifications to the Chairperson of the BoD regarding her/his absence. Where possible, efforts are made to hold at least once a year a regular Audit Committee meeting with the physical presence of all members.

#### **6.2 Frequency**

The Audit Committee convenes, at least, four times a year, within each calendar quarter. Where appropriate, Audit Committee meetings must coincide with important financial reporting dates. Additional meetings may be held, as and when required.

### **6.3 Decision taking**

For decision taking, only the Audit Committee's Members shall have a voting right. Decisions are made by majority. In the event of a tie, the Chairperson shall have a casting vote in the Audit Committee's meeting.

### **6.4 Quorum/Agenda/Minutes**

In order for any meeting to proceed and a quorum to be reached, the presence of at least 50% of the Audit Committee's Members plus one member, rounded down, are present at any scheduled meeting, whether physically or via teleconference.

The Committee may convene using electronic means of communication following a respective decision of its Chairperson and the notification of its Members by the Secretary. A Member's participation through such means in the Committee's meetings is considered as valid but must not be abused. Each member of the Audit Committee may grant a written authorization to another Member of the Audit Committee to represent her/him, in case s/he cannot attend the Committee's meeting, either by physical presence or through electronic means of communication. In such case, the vote of the absent Member is counted, and the decision is made by the majority, mentioned as above.

The meeting covers items that have been included in the meeting's agenda, which is notified with supporting documentation at least five (5) working days in advance of the meeting, to the Members of the Audit Committee by the Secretary in consultation with the Chairperson of the Audit Committee.

The Secretary of the Audit Committee will circulate minutes of meetings to Members of the Audit Committee. The minutes are validated by the Chairperson of the Audit Committee or her/his replacement and are available fifteen (15) working days following the Audit Committee's meeting. The Secretary of the Audit Committee ensures that the Audit Committee's minutes and decisions are kept in accordance with Paragraph 12 of the Governance Directive, which it circulates to the Board.

The Bank must submit to the Central Bank the finalised minutes of the meetings of the Audit Committee within one month from the meeting date. In case there will not be another meeting of the Audit Committee within one month from the meeting date, the minutes should be approved by circulation in order to be submitted to the Central Bank within the aforementioned deadline.

### **6.5 Attendees**

The Chairperson of the Committee must ensure that no other person is present, including other Members of the BoD, unless formally invited to attend for a specific item(s) on the agenda. Any such person is present only during the discussion of the specific item and leaves the meeting room immediately after, without any participation in the decision making process.

### **6.6 Other**

The Chairperson of the Audit Committee may hold meetings with the Head of Internal Audit, the Chief Financial Officer, the Head of the Compliance Unit and the Head of the Risk Management Unit, in addition to the scheduled meetings of the Committee. Other members of the Committee may also participate in such meetings provided that they

are invited by the Chairperson of the Audit Committee. Such meetings do not substitute, nor do they constitute Audit Committee meetings.

The Audit Committee liaises and holds meetings with External Auditors frequently to discuss matters arising from their audit findings.

## **7. DUTIES AND RESPONSIBILITIES**

In fulfilling its mission, the Audit Committee has the following duties and responsibilities:

### **7.1 Financial Statements**

The Audit Committee monitors and evaluates the process for preparing the annual and interim financial statements of the Bank, according to the Accounting Standards, prior to their submission to the BoD for approval, in order to ascertain the integrity, accuracy and reliability of the information contained therein and expresses its opinion, with particular attention on the following matters:

- overseeing the establishment of accounting policies and practices by the Bank
- the supervision of the audit of the annual and interim financial statements of the Bank carried out by the external auditors,
- any significant or unusual transactions or matters brought to its attention that have a material effect on the financial statements, and how these are disclosed,
- any significant or unusual transactions or matters requiring the exercise of Management's judgement affecting the preparation of financial statement such as the provisions,
- any significant changes proposed by the external auditor.

The Audit Committee monitors the effectiveness of the internal quality control and risk management systems, and, where applicable, the internal audit, with regards to the interim and annual financial reporting of the Bank, without breaching its independence.

### **7.2 External Auditors**

The Audit Committee is responsible to:

- make recommendations to the BoD, to enable it to put forward its recommendations to shareholders for their approval in the General Meeting, in relation to the appointment, re-appointment, compensation, terms and scope of engagement, substitution, rotation and removal of External Auditors
- evaluate the independence and objectivity of the External Auditors, taking into account all relevant professional and regulatory requirements, including:
  - seeking from External Auditors information about the policies and procedures for maintaining independence and compliance with relevant requirements, at least on an annual basis
  - seeking reassurance that the External Auditors and their staff have no family, financial, employment or business relationship with the Bank (other than the normal course of business)
  - discussing with the External Auditors the threats to independence and applicable safeguards, as well as the key issues related to independence in the Auditor's Additional Report to the Audit Committee and mitigation actions
  - taking account of the Audit Firm's Partners rotation policy

- overseeing the External Auditors' compliance with the reporting requirements in relation to the Audit Report and the Auditor's Additional Report to the Audit Committee
- monitoring the history of new key management staff joining the Bank in relation to previous employment by the incumbent External Auditors
- Assist in the financial reporting process and the integrity of the Bank's financial statements and any formal announcements relating to the institution's financial performance and other disclosures.
- oversee the relationship between the Bank and the External Auditors, including being responsible for the process of their selection, remuneration and termination
- evaluate the extent and effectiveness of the audits and examines ways to co-ordinate the audit effort to ensure complete audit planning and scope, reliance on the work of Internal Audit for avoidance of unnecessary overlap of work and best use of available audit resources
- monitor the statutory audit of the annual and consolidated financial statements, taking into account any findings or conclusions of the Cyprus Public Oversight Board
- review the audit scope and frequency of the statutory audit of annual or consolidated accounts
- inform the BoD and/or the Regulator of the outcome of the statutory audit, explaining its contribution to the integrity of the Bank's financial statements and what the role of the Audit Committee was in that process
- evaluate the statements made / matters identified in the Audit Report and the Auditors' Additional Report to the Audit Committee
- evaluate the observations and recommendations of the External Auditors with regard to the management of the Bank, the preparation and presentation of its financial statements and the monitoring of their implementation
- submit a proposal to the Board and the Management on specific areas where additional audits should be carried out by the External Auditors or specialised consultants.

The Audit Committee is responsible to develop and implement a policy on the engagement of External Auditors to supply audit and non-audit services for the Bank and its subsidiaries, taking into account the relevant legislation, regarding the provision of audit and non-audit services by an External Auditor. The Audit Committee is further responsible to consider and approve audit and non-audit services to be provided by the External Auditor, in accordance with the said Policy.

### **7.3 Internal Audit and Internal Control System (ICS)**

The Audit Committee is responsible to monitor and evaluate annually the adequacy and effectiveness of the Bank's ICS and Information Systems, based on data and information given by the IAU, the findings and observations of the External Auditors and supervisory authorities and submit to the BoD proposals to address the weaknesses identified.

The Audit Committee reviews the quarterly and annual reports submitted by the Head of Internal Audit. The annual reports are subsequently submitted to the Board.

The Audit Committee reviews and approves the annual audit plan and budget of the Internal Audit Unit ensuring that the budget is sufficiently flexible to adapt to variations in response to developments. Any changes that are likely to be made to the audit plan or the budget during the year must be also approved by the Audit Committee.

The Audit Committee assesses the independence, adequacy and effectiveness of the Internal Audit Unit. It ensures that the IAU has adequate resources and appropriate standing within the Bank.

The Audit Committee approves the Internal Audit Standards of the Internal Audit Unit and their amendments.

The Audit Committee submits to the BoD its recommendations on the appointment and replacement of the Head of Internal Audit and the Head of the Compliance Unit

The Audit Committee assesses on an annual basis the performance of the Head of Internal Audit and the Head of the Compliance Unit and submits his/her annual appraisal to the BoD.

The Audit Committee shall appoint at least every five (5) years, an Independent External Consultant (other than the External Auditors) to perform a Quality Assessment Review of the Internal Audit Unit based on the requirements of the Institute of Internal Auditors. The Audit Committee shall receive and review the Quality Assurance results.

The Audit Committee shall appoint at least every three (3) years, a Firm of External Auditors- accountants, which is different from its statutory auditors-accountants, and which has the necessary experience to evaluate the adequacy of the internal control system in accordance with Paragraph 82 of the Governance Directive. Before starting the assessment, the Audit Committee shall specify the units to be included in the scope of the assessment. This shall be based on the criteria of the significance of each unit, as well as on other quantitative criteria. The Audit Committee shall bring promptly the scope of the assessment to the attention of the CBC (Supervision and Regulation of Credit Institutions and Licensing Department). The report on the assessment of the internal control system must be reviewed by the Audit Committee. The selected Firm cannot carry out more than two (2) consecutive assessments.

#### **7.4 Compliance and Code of Conduct**

The Audit Committee receives and reviews the annual Action Plan and budget of the Compliance Unit as this is submitted through the CEO and determines if the Plan complies with the provisions of the applicable legislation, ensuring that the budget is sufficiently flexible to adapt to variations in response to developments.

The Audit Committee assesses and monitors the independence, adequacy and effectiveness of the Compliance Unit.

The Audit Committee assesses on an annual basis the performance of the Head of Compliance Unit and submits his/her annual appraisal to the BoD.

The Audit Committee submits to the BoD its recommendations on the appointment and replacement of the Head of Compliance Unit.

The Audit Committee reviews the quarterly and annual reports submitted by the Head of Compliance Unit. The annual reports are subsequently submitted to the Board.

The Audit Committee advises the BoD on the adequacy and effectiveness of the Compliance Framework, drawing on the work of the Compliance Unit and External Auditors and taking into account the following:

- the annual report of the AMLCO, responsible for Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF)
- the annual report of the Head of Compliance Unit
- the annual report of the Head of Internal Audit
- the quarterly reports of the Compliance Unit, laying emphasis on AML/CTF, regulatory matters and MiFID II
- the findings and observations of supervisory authorities.

The Compliance Unit informs the Audit Committee on substantial changes in relevant issues.

The Audit Committee approves the Code of Conduct of the Bank and any amendments made to it, and ensures that it is available to all members of staff e.g. on the Bank's intranet. The Audit Committee advises the BoD, drawing on the work of the Compliance Unit, on the adequacy and effectiveness of the framework for business conduct.

## **7.5 Whistleblowing**

The Audit Committee is responsible for monitoring the Bank's whistleblowing procedures by which the employees may, in confidence and with anonymity, raise concerns. The concerns are submitted in the context of the Bank's relevant policy.

## **8. OTHER RESPONSIBILITIES**

The Audit Committee informs immediately the BoD and/or the Management on events that have come to its knowledge and are likely to affect substantially the Bank's activities.

The Audit Committee oversees that Senior Management takes the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other weaknesses identified by the External Auditors, the Internal Audit and Compliance Units and the supervisory Authorities.

The Audit Committee assesses the adequacy and effectiveness of the appeals process, based on the reports of the Appeals Committee and, of the Appeals Committee itself.

The present Terms of Reference will be reviewed on an annual basis in order to make sure they are updated in accordance with relevant regulations and/or directives and/or legislations in force from time to time. The Secretary of the Committee is responsible to document this review in the Committee's minutes. The Terms of Reference and all subsequent amendments made should be submitted to the Board of Directors for approval.

The Audit Committee will be informed of concerns regarding the systems of measuring and managing risks by the Board Risk Committee.

The Audit Committee may engage, at the Bank's expense, independent counsel and other advisers, as it determines necessary, to carry out its duties. The Audit Committee may also obtain appropriate funding, as it so determines, for payment of compensation of such advisers, to any auditors and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate for carrying out its duties.



The Audit Committee should carry out a self-assessment and report its conclusions and recommendations for improvements and changes to the BoD.

The Audit Committee shall periodically review, in cooperation with the Risk Management and Nomination and Remuneration Committees, the composition, powers and independence of the Internal Control Functions and report to the Board accordingly.





## **APPENDIX II – TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE**

**Approved by the Board of AstroBank Public Company Limited on 11 September 2024**

### **1. INTRODUCTION**

- The Risk Management Committee ('the Committee') is a Committee of the Board of Directors ('BoD') of AstroBank Public Company Limited ('the Bank'), from which it obtains its authority and to which it regularly reports.
- The Committee is established under the provisions of the Internal Governance of Credit Institutions Directive of 2021 ('the Governance Directive').
- The Terms of Reference govern the operations of the Committee and are reviewed annually.

### **2. AUTHORITY**

Within the scope of its role and responsibilities, the Committee may:

- request any type of information and clarifications and assistance that it deems necessary for the exercise of its responsibilities from any Director, officer or employee of the Bank or any third party collaborating with the Bank. Consequently, all employees of the Bank are required to cooperate with and respond to any request made by the Committee, including a request to attend a meeting of the Committee.
- obtain independent legal or other professional advice as it deems necessary to fulfil its responsibilities. The remuneration of such consultants shall be borne by the Bank.
- invite other people to its meetings, whether or not they are employees of the Bank, when it considers that this is necessary.
- have access to adequate financial resources.

Additionally, the Committee should:

- have access to all relevant information and data necessary to perform its role, including information and data from relevant corporate and control functions (e.g. legal, finance, human resources, IT, internal audit, risk, ICT and security risk, compliance, including information on AML/CTF compliance and aggregated information on suspicious transaction reports and ML/TF risk factors);
- receive regular reports, ad hoc information, communications and opinions from heads of internal control functions concerning the current risk profile of the Bank, its risk culture and its risk limits, as well as on any material breaches, that may have occurred, with detailed information on and recommendations for corrective measures taken, to be taken or suggested to address them;

- periodically review and decide on the content, format and frequency of the information on risk to be reported to it; and
- where necessary, ensure the proper involvement of the internal control functions and other relevant functions (human resources, legal, finance) within their respective areas of expertise and/or seek external expert advice.

### **3. COMPOSITION AND TERM IN OFFICE OF MEMBERS OF THE RISK MANAGEMENT COMMITTEE**

#### **3.1 Risk Management Committee Members**

- The Risk Management Committee is appointed by the BoD in accordance with the Governance Directive, as in force, and consists of Board members who possess sufficient knowledge and experience in risk management. The number of the Committee members is determined by the BoD and shall not be less than three, all Non-Executive members, and of which more than 50% are Independent.
- The Committee members are appointed by the BoD, following the recommendation of the Nomination and Remuneration Committee of the BoD, for the same duration as the term of the BoD members, but the BoD is entitled to withdraw or replace members of the Committee at any time. The loss of membership in the BoD shall result in loss of membership in the Risk Management Committee.
- Committee members cannot participate in more than two (2) committees of the BoD.
- The Committee members should have, individually and collectively, appropriate knowledge, skills and expertise in order to fully understand and monitor the risk strategy and the risk-taking policy of the Bank, as well as the risk management and control practices.
- Members of the Committee must not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Committee's Terms of Reference and the Bank's Conflict of Interest Policy.

#### **3.2 Risk Management Committee Chairperson**

- The Chairperson of the Committee must be an independent member of the BoD and is recommended by the Nomination and Remuneration Committee to the BoD for approval. It is provided that the Chairperson of the BoD and the Chairpersons of other BoD Committees cannot be appointed as the Chairperson of the Committee.
- The Chairperson should encourage and promote open and critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.
- The Chairperson should ensure that decisions are taken on a sound basis and well-informed basis and that documents and information are received in enough time prior to the meeting.

- The Chairperson should ensure that the Members have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making.

## **4. MEETINGS OF THE COMMITTEE**

### **4.1 Frequency**

The Committee shall meet at the invitation of the Chairperson whenever necessary but not less than once quarterly. Every member of the Committee has the right to request in writing a meeting of the Committee to discuss specific issues.

### **4.2 Quorum, Decision making and Minutes**

The presence, whether physical or via teleconference, of at least 50% of the Committee members plus one member, rounded down, is necessary for a quorum to be formed and for the Committee to reach a decision, except in cases of force majeure. The decisions of the Committee require the consent of a majority of 2/3 of the members present. In the event of a tie, the Chairperson shall have a casting vote. If a member is unable to attend, that member of the Committee may authorise in writing another member to be his/her representative in a particular Committee meeting and vote on his/her behalf on the items of the Agenda.

The Committee may convene using electronic means of communication following a respective decision of the Chairperson and the notification of its Members by the Secretary. A Member's participation through such means in the Committee meetings is considered as valid but must not be abused.

A Committee member may not be absent from more than two (2) consecutive meetings or 25% of the meetings held annually. Such an absence should be notified directly to the BoD by the Chairperson of the Committee or by two (2) other Members of the Committee. The BoD may decide on the replacement of the Member, after the Member has been invited to provide clarifications to the Chairperson of the BoD regarding his/her absence.

For all Committee meetings minutes shall be kept, which are validated by the Chairperson and the Secretary of the Committee. The minutes must be finalised within fifteen (15) working days following the meeting and formally approved at the next meeting.

The Secretary of the Committee must submit to the CBC the finalised minutes of the meetings of the Committee within one (1) month from the meeting date. In case there will not be another meeting of the Committee within one month from the meeting date, the minutes should be approved by circulation in order to be submitted to the CBC within the aforementioned deadline.

### **4.3 Attendees**

The Committee has the right to invite to its meetings any employee, executive or director it deems appropriate or useful and the Chairperson of the Committee shall ensure that no person, including other members of the BoD, shall be present at its meetings, unless formally invited to attend with respect to a specific item on the Agenda. Any such person shall be present only during the discussion of the specific matter and shall leave the meeting room immediately after that, without any involvement in the decision-making process.

The Chairperson of the Committee, prior to the commencement of any meeting, is required to read all items on the Agenda and request that each Member separately, including him/herself, reports whether there is an interest or conflict of interest or potential conflict of interest on any topic. It is provided that, in case a Member has been authorised as a representative of another Member, then the Member should state whether the absent Member has any interest or conflict of interest or potential conflict of interest on any topic. If there is any conflict of interest, then it is recorded and the particular Member is not entitled to participate in the discussion and decision of that issue and must depart the meeting room. All these must be recorded in the Committee's minutes. Decisions on establishing policy, procedures, rules or criteria on risk management issues or other issues of general application are not covered by this limitation.

## **5. SECRETARY OF THE RISK MANAGEMENT COMMITTEE**

The Secretary of Committee shall be appointed by the Committee in line with the provisions of the Governance Directive in force.

The Secretary shall be responsible for gathering material and information s/he deems useful or necessary for carrying out the work of the Committee. The Secretary also prepares the issues to be discussed by the Committee and is responsible for keeping the registry of decisions of the Committee, preparing the minutes of the Committee meetings in accordance with Paragraph 12 of the Governance Directive and of conducting the correspondence between the Committee, the units and the BoD as well as for monitoring the notification of decisions of the Committee. The Secretary is assisted by employees of the Bank.

## **6. DUTIES AND RESPONSIBILITIES**

### **6.1 Risk Appetite and Strategy**

The Committee:

- (a) advises and supports the BoD on the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Bank;

- (b) assists the BoD in overseeing the implementation by Senior Management of the Bank's risk strategy and the application of the corresponding limits set;
- (c) oversees the implementation of the strategies for capital and liquidity management as well as for all other relevant risks, such as market, credit, operational (including legal and ICT and security risks) and reputational risks, and drawing on the work of the Audit Committee, the Risk Management Unit and the external auditors assesses their adequacy against the approved risk strategy and risk appetite and assesses the adequacy of the provisions and the effectiveness of the strategies and policies regarding the maintenance, on a continuous basis, of amounts, types and distribution of both internal capital and own funds, adequate to cover the risks of the Bank;
- (d) provides the BoD with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the Risk Management Unit;
- (e) provides advice on the appointment of external consultants that the BoD may decide to engage for advice or support;
- (f) reviews a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile would react to external and internal events;
- (g) oversees the alignment between all material financial products and services offered to clients and the business model and risk strategy of the Bank, taking into consideration the EBA Guidelines on Product Oversight and Governance Arrangements for Retail Banking Products. The Committee should assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services. The Committee should review whether the pricing of assets and liabilities offered to clients take fully into account the Bank's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the Committee shall present a remedy plan to the BoD;
- (h) assesses the recommendations of internal or external auditors related to its areas of concern and follows up on the appropriate implementation of measures taken; and
- (i) collaborates with the Audit Committee and the Nomination and Remuneration Committee when their activities may have an impact on the risk strategy and regularly communicates with the Bank's internal control functions and particularly with the Risk Management Unit and the Information Security Department.

## **6.2 Capital and Liquidity Management, Arrears Management and Recovery and Resolution**

The Committee:

- (a) reviews and provides input on the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) reports submitted by the Risk Management Unit and recommends them to the BoD for approval;
- (b) reviews and provides input on the Pillar III Disclosure report submitted by the Risk Management Unit, in accordance with the Capital Requirements Regulation (CRR), the Capital Requirements Directive IV (CRD IV) and the relevant EBA guidelines, and recommends it to the BoD for approval;
- (c) has the responsibility of monitoring the Arrears Management Strategy (AMS) as defined in the Directive of the Central Bank of Cyprus on Arrears Management. The Committee assesses at least every six months the AMS and the underlying assumptions and submits a revised strategy to the CBC. The analysis and evaluation of the effectiveness and efficiency of the arrears' management shall be based on the relevant Measurements (e.g. Key Performance Indicators) on a quarterly basis to the Committee by the Risk Management Unit as specified in the relevant CBC Directive; and
- (d) reviews and provides input on the Recovery Plan and Business Plan and recommends them to the BoD for approval.

## **6.3 Remuneration policies and practices**

The Committee:

- (a) shall, without prejudice to the tasks of the Nomination and Remuneration Committee and in order to contribute to the formulation of proper remuneration policies and practices, examine whether incentives provided by the remuneration policies and practices take into consideration the Bank's risk, capital, liquidity and the likelihood and timing of earnings;
- (b) works closely together with the Nomination and Remuneration Committee and ensures that the Remuneration Policy is consistent with and promotes sound and effective risk management; and
- (c) reviews the Remuneration Policy of the Bank and provides its positive recommendation and/or any comments to the Nomination and Remuneration Committee which in turn will examine the Policy and recommend it to the BoD for approval.

#### **6.4 Internal control functions**

The Risk Management Unit and the Information Security Department report to the BoD through the Committee. Additionally, the Committee:

- (a) reviews the quarterly and annual reports of the Risk Management Unit and recommends the annual report to the BoD for approval;
- (b) reviews the annual reports of the Information Security Department and recommends the annual report to the BoD for approval;
- (c) submits recommendations to the BoD for the appointment or removal of the Heads of the Risk Management Unit and the Information Security Department;
- (d) carries out the annual appraisal of the Heads of the Risk Management Unit and the Information Security Department and submits them to the BoD;
- (e) assesses and monitors the independence, adequacy and effectiveness of the Risk Management Unit and the Information Security Department and advises the BoD accordingly;
- (f) assesses and monitors the adequacy and effectiveness of the information security framework which, inter alia, ensures the protection of the Bank's confidential and proprietary information;
- (g) reviews and approves the budgets of the Risk Management Unit and the Information Security Department, ensuring that they are sufficiently flexible to adapt to variations in response to developments;
- (h) reviews and approves policies prepared by the Information Security Department that aim to ensure the maintenance of high standards of availability, authenticity, integrity and confidentiality of data;
- (i) approves, oversees and periodically reviews the implementation of the Bank's ICT business continuity policy and ICT response and recovery plans, referred to, respectively, in Articles 11(1) and (3) of the Digital Operational Resilience Act (DORA). It is noted that, according to DORA, these may be adopted as a dedicated specific policy forming an integral part of the Bank's overall business continuity policy and response and recovery plan;
- (j) approves and periodically reviews the Bank's policy on arrangements regarding the use of ICT services provided by ICT third-party service providers;
- (k) ensures that it is duly informed by the Head of the Information Security Department on arrangements concluded with ICT third-party service providers on the use of ICT services; any relevant planned material changes regarding the ICT third-party service providers; and the potential impact of such changes on the critical or important functions subject to those arrangements, including a risk analysis summary to assess the impact of those changes, and at least major ICT-related incidents and their impact, as well as response, recovery and corrective measures;



- (l) together with the Audit Committee, is involved in the monitoring of the implementation of the internal audit plan prior to the involvement of the BoD; and
- (m) shall periodically review, in cooperation with the Audit and Nomination and Remuneration Committees, the composition, powers and independence of the Internal Control Functions and report to the BoD accordingly.

## **7. COMMITTEE GOVERNANCE**

- The Chairperson of the Committee shall inform the BoD on the work of the Committee in the context of the Board meetings, and shall submit the minutes of meetings of the Committee to the BoD for information.
- The Committee shall conduct an annual self-assessment on its rules of operation and its responsibilities, and submit to the BoD its conclusions and suggestions for improvement.
- The Committee shall annually review its Terms of Reference. The Secretary of the Committee is responsible to document this review in the Committee's minutes. Any amendments are then submitted to the BoD for approval.
- Notwithstanding these Terms of Reference, the Committee shall take any other necessary actions contributing to the effective fulfilment of its mission.



## **APPENDIX III – TERMS OF REFERENCE OF THE NOMINATION & REMUNERATION COMMITTEE**

**Approved by the Board of AstroBank Public Company Limited on 29 February 2024**

### **1. INTRODUCTION**

- The Nomination and Remuneration Committee (“the Committee”) is a Committee of the Board of Directors of AstroBank Public Company Limited (“the Bank”) from which it obtains its authority and to which it regularly reports.
- The Committee is established under the provisions of the Internal Governance of Credit Institutions Directive of 2021 (“the Governance Directive”) and the approval of the Central Bank of Cyprus (“CBC”) to combine the Nomination and Remuneration Committees.
- These Terms of Reference govern the operations of the Bank’s Nomination and Remuneration Committee and are reviewed annually. The Secretary of the Committee is responsible to document this review in the Committee’s minutes. Any amendments to the Terms of Reference are then submitted to the Board of Directors for approval.

### **2. MISSION**

The Committee has a dual mission in that it acts as a Nomination Committee for the appointment / replacement / succession / evaluation of members of the Board of Directors and the appointment and replacement of Key Function Holders and as a Remuneration Committee.

### **3. AUTHORITY**

Within the scope of its role and responsibilities, the Committee may:

- request any type of information and clarifications and assistance that it deems necessary for the exercise of its responsibilities from any Director, officer or employee of the Bank or any third party collaborating with the Bank. Consequently, all employees of the Bank are required to cooperate with and respond to any request made by the Committee, including a request to attend a meeting of the Committee.
- obtain independent legal or other professional advice as it deems necessary to fulfil its responsibilities. The remuneration of such consultants shall be borne by the Bank.
- invite other people to its meetings, whether or not they are employees of the Bank, when it considers that this is necessary.
- have access to any type and form of data and information of the Bank considered to be necessary for the performance of its work including all data and information of the

Board of Directors in its supervisory function on the remuneration policies and practices design and implementation, oversight and review.

- Have access to adequate financial resources.

Additionally, the Committee should:

- have access to all relevant information and data necessary to perform its role, including information and data from relevant corporate and control functions (e.g. legal, finance, human resources, IT, internal audit, risk, ICT and security risk, compliance, including information on AML/CTF compliance and aggregated information on suspicious transaction reports and ML/TF risk factors;
- receive regular reports, ad hoc information, communications and opinions from heads of internal control functions concerning the current risk profile of the Bank that pertain to the Committee's duties and responsibilities, its risk culture and its risk limits, as well as on any material breaches, that may have occurred in connection thereof, with detailed information on and recommendations for corrective measures taken, to be taken or suggested to address them;
- periodically review and decide on the content, format and frequency of the information on risk to be reported to it; and
- where necessary, ensure the proper involvement of the internal control functions and other relevant functions (human resources, legal, finance) within their respective areas of expertise and/or seek external expert advice.

#### **4. MEMBERSHIP AND TERM IN OFFICE OF MEMBERS OF THE COMMITTEE**

- Membership of the Committee is approved by the Board of Directors following the recommendation of the Committee. It should be noted that the Chairperson and Members of the Committee are selected taking into account the need for member rotation. The composition of the Committee shall always comply with the provisions of the applicable Directives of the CBC. Specifically:
  - (i) the Committee shall be composed of members of the Board of Directors who do not perform any executive function in the Bank who in their majority should be Independent;
  - (ii) the Committee should be composed of at least three (3) members;
  - (iii) cross committee membership must ensure that no individual exercises excessive influence or control; in any case, a member of the Board of Directors must not be member of more than two (2) of the Board Committees;
  - (iv) Members of the Committee shall have the knowledge and expertise required for their role.
- The Committee is assisted by the Secretary of the Committee who is appointed by the Committee.
- The composition of the Committee must be communicated to the CBC within one (1) month of its set up or of any change in the composition.

- Members of the Committee must not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Committee's Terms of Reference and the Bank's Conflict of Interest Policy.
- With respect to remuneration, the Members of the Committee should have collectively appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Bank's risk and capital profiles.
- When exercising the duties of the Nomination Committee, the Members of the Committee should have, individually and collectively, appropriate knowledge, skills and expertise concerning the selection process and suitability requirements.

## **5. OPERATING RULES OF MEETINGS**

### **5.1 Frequency**

The Committee shall meet whenever necessary and at least once a year.

Every Member of the Committee has the right to request in writing the convening of a Committee meeting to discuss specific issues.

The notice of the meeting together with the agenda and supporting material of the items to be discussed shall be forwarded to each Member of the Committee at least 5 calendar days prior to the meeting by the Secretary in consultation with the Chairperson of the Committee.

### **5.2 Attendees**

The Chairperson of the Committee shall ensure that no person, including other members of the Board of Directors, shall be present at its meetings, unless formally invited to attend with respect to a specific item on the Agenda. Any such person shall be present only during the discussion of the specific matter and shall leave the meeting room immediately after that, without any involvement in the decision-making process.

The Chairperson of the Committee, before the discussion of each subject of the Agenda, asks each Member separately, including him/herself, to report whether there is an interest or conflict of interest or potential conflict of interest on any topic. If there is any conflict of interest, then it is recorded and the particular Member is not entitled to participate in the discussion and decision of that issue and must depart the meeting room. All these must be recorded in the Committee's minutes. The above prohibition does not cover decisions on the setting of policy, programmes, terms or criteria for remuneration or other matters of general application.

The members of the Committee may attend the meetings either physically, or via teleconference.

### **5.3 Quorum, Decision making and Minutes**

In order for any meeting to proceed and a quorum to be reached, the presence of at least 50% of the Committee Members plus one Member, rounded down, are present, whether physically or via teleconference.

For decision making, only the Committee Members shall have a voting right. Decisions are made by majority and in the event of a tie, the Chairperson has a casting vote. However, if the quorum is only two (2) members, the decision must be unanimous.

A Member of the Committee may grant a written authorisation to another Member of the Committee to represent her/him, in case s/he cannot attend the Committee's meeting, either by physical presence or through electronic means of communication. In such case, the vote of the absent Member is counted and the decision is made by the majority as mentioned above.

The Committee may convene using electronic means of communication following a respective decision of its Chairperson and the notification of its Members by the Secretary. A Member's participation through such means in the Committee meetings is considered as valid but must not be abused.

A Committee member may not be absent from more than two (2) consecutive meetings or 25% of the meetings held annually. Such an absence should be notified directly to the Board of Directors by the Chairperson of the Committee or by two (2) other Members of the Committee. The BoD may decide on the replacement of the Member, after the Member has been invited to provide clarifications to the Chairperson of the Board of Directors regarding her/his absence.

Minutes shall be kept for all Committee meetings by the Secretary of the Committee. The minutes must be finalised within fifteen (15) working days following the meeting, formally approved at the next meeting and authenticated by the Chairperson of the Committee. The Secretary of the Committee ensures that the minutes and decisions are kept in accordance with Paragraph 12 of the Governance Directive.

The Committee shall regularly report to the Board of Directors and shall circulate its Minutes to the Board of Directors before its meetings.

## **6. DUTIES AND RESPONSIBILITIES**

### **6.1 Board and CEO Appointments, Board Composition and Evaluation**

The Committee:

- (a) Proposes to the Board of Directors a person or persons suitable to succeed the Chairperson of the Board of Directors or the CEO in case of resignation, retirement or permanent incapacity to perform their duties for any reason during their term in office.
- (b) Proposes to the Board of Directors a person or persons suitable to be appointed or re-appointed as members of the Board or to replace any member of the Board in case of resignation, retirement, disqualification from their office or permanent incapacity to perform their duties for any reason during their term in office. The Committee must prepare and submit to the Board of Directors an assessment of each individual recommended to fill such vacancy.

The assessment should take the following into consideration:

- The appointment should be made on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender, as well as background in order to ensure that the Board is not composed solely of like-minded individuals;

- The candidate should have a broad set of qualities and competences as set out in the Assessment of the Suitability of Members of the Management Body and Key Function Holders of Authorised Credit Institutions Directive of 2020;
  - In the case of the appointment of a non-executive director, take into account the necessary skills and knowledge required in relation to relevant Committees of the Board; and
  - Ensure that the candidate is able to allocate sufficient time to the Bank to be able to discharge his/her duties and responsibilities effectively.
- (c) For the purposes of paragraph (b) above, decides on the subject of setting the target for the representation of the under-represented gender in the Board of Directors and annually reviews the policy on the way of increasing the number of members of the under-represented gender in the Board of Directors, so that this objective may be attained. The purpose, the policy and the implementation are published in accordance with the provisions of Article 435 paragraph (2)(c) of Regulation (EU) No. 575/2013.
- (d) Shall provide the following information to the shareholders at the general meeting where the appointment of a member of the Board of Directors is on the Agenda:
- (i) description of the roles, experience and capabilities of the proposed appointee;
  - (ii) description of the role and duties of the particular vacancy;
  - (iii) the expected time commitment; and
  - (iv) an explanation as to the reason why the specific individual was considered suitable.
- (e) Decides on the members of the Board of Directors to be appointed as Chairperson, Vice-Chairperson, Senior Independent Director, the AML Responsible Board Member and the composition of the Board Committees and recommends them to the Board for approval. Additionally, the Committee should consider the occasional rotation of the chairs and members of the Board Committees, taking into account the specific experience, knowledge and skills that are individually or collectively required for those Committees.
- (f) In the performance of its duties, shall take into account, as far as possible and on an ongoing basis, the need to ensure that decision-making by the Board of Directors is not dominated by a single person or a small group of individuals in a manner prejudicial to the interests of the Bank as a whole.
- (g) Shall evaluate annually the skills, knowledge and expertise of individual members of the Board of Directors and the Board of Directors collectively, and shall report thereon to the Board of Directors.
- (h) Shall evaluate annually the structure, size, composition and performance of the Board of Directors and make recommendations to the Board for any changes.
- (i) Shall examine issues related to planning the succession periodically, and at least annually, to ensure that successions within the Board occur smoothly; an appropriate balance of diversity, skills and experience is maintained; and ensure the progressive renewal of the Board and report to the Board accordingly.
- (j) Shall periodically review, in cooperation with the Audit and Risk Management Committees, the composition, powers and independence of the Internal Control Functions and report to the Board accordingly.

## **6.2 Appointment of Key Function Holders**

The Committee, following a relevant recommendation by the CEO, assesses the suitability of Key Function Holders and recommends their appointment to the Board of Directors for approval. The suitability of the Heads of the internal control functions is not assessed by the Committee since this task is undertaken by the Audit and Risk Management Committees, in line with the Governance Directive.

## **6.3 Remuneration**

The Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the Board of Directors. When preparing its decisions and recommendations, the Committee must take into account the long-term interests of shareholders, investors and other stakeholders in the Bank and the public interest and ensure that they are closely linked with the Bank's business objectives and strategies. Specifically, the Committee:

- (a) Approves the Remuneration Policy of the Bank, following the positive recommendation of the Risk Management Committee, and recommends it to the Board of Directors for approval.
- (b) Annually reviews the Remuneration Policy and ensures that it sets out the Bank's policy on remuneration and other benefits received by the Executive Members of the Management of the Bank and the staff of the Bank in accordance with the Governance Directive, the EBA Guidelines on Sound Remuneration Policies and taking into account where applicable, the Collective Agreements between the Bank and the Cyprus Union of Bank Employees (ETYK). Additionally, the Committee ensures that the Remuneration Policy:
  - (i) properly takes into account all types of risks, liquidity and capital levels and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interests of the Bank; and that it
  - (ii) is gender neutral and supports the equal treatment of staff of different genders.
- (c) Ensures that the Executive Members of the Board of Directors receive pay and benefits commensurate with their duties and responsibilities, able to attract and retain bank executives of high-calibre and efficiency, which are equivalent to those given by other financial institutions of comparable size and work in Cyprus and abroad. In determining the remuneration of each Executive it shall take into account their contribution to the attainment of the Bank's objectives.
- (d) Aligns the interests of shareholders with those of the Executive Members of the Board of Directors through fixed or variable remuneration linked to the profitability or the return on equity or in general with the financial results of the Bank.
- (e) Ensures that the Internal Control Functions are involved in the design, review and implementation of the Remuneration Policy.



- (f) Ensures that staff members who are involved in the design, review and implementation of the remuneration policies and practices have relevant expertise and are capable of forming independent judgement on the suitability of the remuneration policies and practices, including their suitability for risk management.
- (g) Reviews the remuneration of the Executive members of the Board of Directors, the Heads and Senior Officers of the internal control functions and other material risk takers as these are defined in the relevant Remuneration Policy of the Bank (as amended from time to time) for submission to the Board of Directors for its approval, following recommendations put forth by the Human Resources Division and the CEO. It is noted that for the Heads and Senior Officers of the internal control functions the recommendations of the Human Resources Division and the CEO are submitted to the Audit Committee or the Risk Management Committee of the Board, depending on the internal control function concerned, prior to their submission to the Committee.
- (h) Reviews and approves any voluntary retirement schemes following the recommendation of the Human Resources Division (through the CEO) and then recommends them to the Board of Directors for approval.
- (i) In accordance with the provisions of the Remuneration Policy, reviews and approves the granting of variable remuneration in certain cases, following recommendations put forth by the Human Resources Division and then recommends it to the Board of Directors for approval.
- (j) Proposes and approves the remuneration of the Non-Executive members of the Board of Directors and submits it to the Board of Directors and then the Annual General Meeting of the shareholders for their subsequent approval. It should be noted that Non-Executive members of the Board are not included in the beneficiaries of performance related remuneration.
- (k) Supports the Board of Directors in overseeing the remuneration practices and processes and compliance with the Remuneration Policy.
- (l) Ensures the adequacy of the information provided to shareholders on the Remuneration Policy, in particular on a proposed higher maximum level of the ratio, between fixed and variable remuneration.
- (m) Ensures that the Remuneration Policy and practices of the Bank are subject to a central and independent review by the Internal Audit Division annually. The review should include an analysis of whether the Remuneration Policy is gender neutral.
- (n) Ensures that a remedial action plan is proposed, approved and timely implemented, where periodic reviews reveal that the Remuneration Policy does not operate as intended or prescribed, or where recommendations are made.
- (o) Reviews the appointment of external remuneration consultants that the Board of Directors may decide to engage for advice or support.
- (p) With the assistance of the Risk Management Unit:
  - (i) assesses the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements; and

- (ii) reviews a number of possible scenarios to test how the Remuneration Policy will react to future external and internal events and back-test the criteria used for determining the award and the ex ante risk adjustment based on the actual risk outcomes.
- (q) Carries out any other tasks relating to remuneration practices of the Bank as set out in the Remuneration Policy.

#### **6.4 Policies of the Bank**

The Committee shall periodically, and at least annually, review, approve and recommend to the Board for approval, the following policies:

- (a) Remuneration Policy;
- (b) A policy on the nomination, selection, development, appointment and succession of the members of the Board of Directors and the Key Function Holders of the Bank;
- (c) A policy promoting diversity on the Board of Directors; and
- (d) A policy for recruitment, rotation and promotion of members of staff.

#### **7. COMMITTEE GOVERNANCE**

- (a) The Committee shall annually review its Terms of Reference and submit to the Board of Directors any proposed amendments.
- (b) The Committee conducts an annual self-assessment and informs the Board of Directors of its conclusions and any suggestions for improvements and changes.
- (c) The Chairperson of the Committee shall inform the Board of Directors on the work of the Committee after each meeting.
- (d) The Committee immediately informs the Board of Directors of any matters that have come to its knowledge and are likely to substantially affect the Bank's activities.

## **APPENDIX IV GENERAL GUIDELINES FOR THE OPERATION OF THE INTERNAL COMMITTEES**

Every internal committee of the Bank should follow the below general operation guidelines and have terms of reference which include relative provisions as follows:

### **1. AUTHORITY, MEMBERSHIP AND FUNCTIONING**

- Reference to the authority that appoints the members
- Capacity of members (Chairperson, Members, Secretary)
- Voting rights of the members and decision-making process
- Terms of appointment

### **2. MEETINGS: FREQUENCY, PARTICIPATION AND MINUTES**

- Frequency of meetings
- Required quorum
- Preparation of the Agenda and the notification of its members in a reasonable time before each meeting of the committee
- Recording of minutes for each meeting
- Appointment of a person who is responsible for the recording of minutes (where a Secretary has been appointed, the Secretary is responsible for the minutes)
- Minutes must include without limitation the following:
  - Where the meeting is held
  - Date and Duration
  - Presences
  - If there is a required quorum
  - Minutes approval of the previous meeting
  - Matters arising out of previous meetings
  - Voting results of the decisions made
  - Essential information such as important resolutions, objections and concerns expressed during the meeting from the committee members
  - Any actions to be taken, the persons who are responsible for any actions as well as the time/deadline for their implementation.
  - Description of the actions concerning the monitoring of the pending issues (follow-up)
  - The Chairperson of each committee, before the discussion of each subject of the agenda, asks each member separately, including him/herself, to report whether there is an interest or conflict of interest or potential conflict of interest on any topic. If there is any conflict of interest, then it is recorded and the particular member is not entitled to participate in the discussion and decision of that issue and must depart the meeting room. All these must be recorded on the committee's minutes.
- The Secretary is obliged to destroy all hand-written notes and draft minutes taken for the purpose of drafting the minutes, once the final set of minutes of the relevant meeting is approved. Approved minutes should be the sole official document showing the deliberations of the committee during any meeting. The above has retrospective effect and application to all previous hand-written notes and draft minutes.

- Archiving of the minutes of the meetings of the committee by the Secretary of the committee who will also be responsible for the delivery of the archive to any future Secretary.

### **3. MAIN DUTIES AND RESPONSIBILITIES**

A framework for observation of the Internal Committees' operational decision making process must be in place, as follows:

- The Committees' Secretaries or any other person responsible for the recording of minutes must upon finalisation, approval and signing of each meeting's minutes notify all involved persons of the decisions taken by the Committee which need to be implemented and if necessary, follow up on the implementation at a later stage.
- In the event of the majority of the members having a conflict of interest then the issue will be referred to the CEO for his/her decision, who in return would indicate that there is no conflict of interest. In the event that the CEO has a conflict of interest then the issue will be sent to the BoD.
- Indication as to where the committee will be in the hierarchy and whether reports must be prepared for reference purposes.
- Indication as to where the committee minutes should be published (Management, the BoD, the committee etc.)
- The role and the purpose of the committee (Advisory role, decision – making role, any limits on their authority).
- Annual review of the terms of reference.
- Any other duties and the responsibilities of the committee.