



## HELLENIC BANK PUBLIC COMPANY LIMITED

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. **Establishment / Mission**

The Audit Committee was established to ensure Hellenic Bank Public Company Limited (“the Company”) complies with the Directives published by the Central Bank of Cyprus in accordance with the provisions of the Business of Credit Institutions Laws.

The primary mission of the Committee is to ensure the fulfilment, in a reliable and effective manner, of the obligations imposed on the Company by the abovementioned Directives, the compliance with the relevant provisions of the Code of Corporate Governance issued by the Cyprus Stock Exchange and to review and challenge, where necessary, Group policies, practices, controls and actions and judgement of the management team that contribute to the sound management and conduct of the operations and activities of the Company.

The Audit Committee is responsible for assisting the Board of Directors (“the Board”) in the effective monitoring of the activities and operations of the Group.

In order to accomplish its mission, the Committee has under its direct monitoring and control the Internal Audit Unit, which is independent of the Executive Management and accountable to the Committee. Also, the Compliance Unit reports quarterly to the Committee on matters related to the adequacy and effectiveness of the Compliance Framework and the Framework for Business Conduct.

The Committee has adequate access to the Internal Control Functions and with the approval of the Board, it obtains independent professional advice whenever it deems this necessary.

#### 2. **Composition and Term-in-Office of Members of the Audit Committee**

The Board appoints at least three and up to seven non-Executive Directors as Members of the Committee. The majority of the Members of the Committee must be independent non-Executive Members of the Board.

The Audit Committee as a whole should have:

- (a) Recent and relevant practical experience in the area of financial markets or professional experience directly linked to financial markets activity and
- (b) Knowledge of the Group’s broader business environment, including information systems, technology, compliance and internal audit.

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 Terms of Reference of the Committee.

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

The Chairperson of the Committee shall be independent and have specialist knowledge and experience in the application of accounting principles and internal control processes and will be appointed by the Board.

The Chairperson of the Board shall not be a Member of the Audit Committee.

The term-in-office of the Members of the Committee is decided by the Board.

### **3. Meetings of the Committee**

The Committee holds meetings, at least quarterly, which, where appropriate, must coincide with important financial reporting dates. In emergency or crisis situations, the Committee may convene via teleconferencing for decision-taking. The next integral number of one half of the Members comprises a quorum.

The Committee invites regularly to its meetings the Head of the Internal Audit Unit, the Head of the Compliance Unit and any officers of the Group, whose opinion it considers necessary for the best conduct of its duties and compliance.

The Chairperson of the Committee must ensure that no other person is present, including other Members of the Board, 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.

The Company Secretariat must be closely involved in the preparation of the meeting's agenda and ensure it is distributed, including supporting papers where relevant, at least three (3) business days in advance of the meeting.

The Committee reports regularly to the Board and the Company Secretariat ensures that minutes of the Committee's meetings and decisions are kept in accordance with Paragraph 7(4) of the Governance and Management Arrangements Directive of 2014 of the Central Bank of Cyprus, which it circulates to the Board.

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

### **4. Decision-making Process**

#### **4.1** The Committee is authorized by the Board to:

- (a) Investigate any activity within its Terms of Reference,

- (b) Seek any information and clarifications from any employee of the Company. All employees are required to co-operate with any request made by this Committee.

**4.2** The decisions of the Committee are taken by majority voting. In the event of an equality of votes, the Chairperson of the meeting shall not have a second or casting vote.

## **5. Duties and Responsibilities**

The duties and responsibilities of the Committee are the following:

### **5.1 Financial Statements**

5.1.1 It monitors the integrity, accuracy and reliability of the Group's quarterly and annual financial reporting process and Financial Statements, as well as any formal announcements relating to the Group's financial performance.

5.1.2 It assesses the adequacy of the provisions in line with applicable accounting policies and standards and submits a relevant report to the Board of Directors and the Risk Management Committee on a quarterly basis.

5.1.3 It monitors the establishment of applicable accounting policies and practices, paying particular attention to the following:

- (a) Changes to critical accounting policies and practices,
- (b) Decisions requiring a significant element of judgement,
- (c) Unusual transactions and how these are disclosed.

5.1.4 It monitors the effectiveness of the internal quality control and risk management systems as well as internal audit in relation to the Group's quarterly and annual financial reporting.

### **5.2 External Audit**

5.2.1 It submits proposals to the Board regarding the appointment, compensation, terms and scope of engagement and substitution or rotation of the approved Auditor and other external Auditors of the Group. It is responsible for any selection procedure run and complying with all the regulatory requirements in relation to such procedures.

5.2.2 It monitors and ensures the independence and effectiveness of the Auditors, including:

- (a) Seeking from the Auditors information about the policies and procedures for maintaining independence and compliance with relevant requirements, at least on an annual basis,
- (b) Seeking reassurance that the Auditors and their staff have no family, financial, employment or business relationship with the Company (other than in the normal course of business),

- (c) Discussing with the Auditors the threats to independence and applicable safeguards as well as the key issues related to independence in the Auditors' Additional Report to the Audit Committee and mitigation actions,
- (d) Taking account of the Audit Firm's Partners rotation policy,
- (e) Overseeing the Auditors' compliance with the reporting requirements in relation to the Audit Report and the Auditors' Additional Report to the Audit Committee,
- (f) Monitoring the history of new key management staff joining the Group in relation to previous employment by the incumbent Auditors.

5.2.3 It oversees the relationship between the Group and its Auditors.

5.2.4 It evaluates the extent and effectiveness of the audits and examines ways to better co-ordinate the audit effort to ensure complete coverage, avoidance of overlapping work and the best use of available audit resources (cost effectiveness).

5.2.5 It monitors the Statutory Audit of the Annual Financial Statements, taking into account any findings or conclusions of the Cyprus Public Audit Oversight Board.

5.2.6 It informs the Board of the outcome of the Statutory Audit, explaining its contribution to the integrity of the Group Financial Statements.

5.2.7 It evaluates the statements made / matters identified in the Audit Report and the Auditors' Additional Report to the Audit Committee.

5.2.8 It evaluates the comments and proposals of the Auditors with regard to the management of the Group, the preparation and presentation of its Financial Statements and the monitoring of their application.

5.2.9 It is responsible for the oversight of permissible non-auditing services to the Bank and its subsidiary or affiliated companies by the Auditors, taking into account the nature of the services offered, the threats to their independence and the safeguards applied.

5.2.10 It monitors the volume, nature, fees and extent of permissible non-auditing services provided by:

- (a) The Auditors at Group level, aiming to maintain the balance between objectivity and the value added by the services offered.
- (b) In the case where non-auditing services are offered to a subsidiary or affiliated company of the Bank and the volume is such that it downgrades the objectivity of their audits, the Committee informs the corresponding Committee (where it exists) of the subsidiary company or its Board of Directors.

- (c) The Committee is informed, at least once a year, by Finance, about the nature, extent and fees for non-auditing services or other advisory duties of the Auditors.

5.2.11 It prepares annually a report in which the auditing and non-auditing services are recorded by category, time and fees paid to the Auditors. This report is submitted to the Board, along with the relevant comments of the Committee.

### **5.3 Internal Audit**

5.3.1 It approves and evaluates the Internal Audit Charter.

5.3.2 The Internal Audit Unit submits its annual audit plan and budget to the Audit Committee for review and approval, ensuring appropriate coverage, prioritisation and flexibility 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 also be approved by the Committee.

5.3.3 It submits to the Board its recommendations on the appointment and replacement of the Head of the Internal Audit Unit.

5.3.4 It assesses, on an annual basis, the performance of the Head of the Internal Audit Unit and submits his/her annual appraisal to the Board.

5.3.5 It assesses and monitors the independence, adequacy and effectiveness of the Internal Audit Unit.

5.3.6 It monitors and assesses, on an annual basis, the adequacy and effectiveness of the Group's internal control systems and information systems, based on reports of the Internal Audit Unit and the observations and comments of the external Auditors and the competent supervisory authorities.

5.3.7 It reviews the quarterly and annual reports submitted by the Chief Internal Auditor, which are subsequently submitted to the Board.

5.3.8 It submits to the Board reports regarding the following:

- (a) Proposals for addressing any weaknesses of the internal control systems and information systems, which have been identified based on reports of the Internal Audit Unit and the observations and comments of the external Auditors and the competent supervisory authorities.
  - (b) Matters relating to the independence and smooth execution of the audit work carried out by the Internal Audit Unit.
- 5.3.9 (a) It confirms that the Company assigns the assessment of the adequacy of the Internal Control System, on an individual and consolidated base, to external Auditors who have the necessary experience.
- (b) It evaluates the findings of the above assessment and proposes corrective measures to the Board.

5.3.10 It ensures that the Internal Audit Unit has adequate resources and appropriate standing within the Company.

#### **5.4 Compliance**

5.4.1 It assesses and monitors the independence, adequacy and effectiveness of the Compliance Unit.

5.4.2 It submits to the Board its recommendations on the appointment and replacement of the Head of the Compliance Unit.

5.4.3 It assesses, on an annual basis, the performance of the Head of the Compliance Unit and submits his/her annual appraisal to the Board.

5.4.4 It advises the Board, drawing on the work of the Compliance Unit, on the adequacy and effectiveness of the Framework for Business Conduct.

5.4.5 It advises the Board, drawing on the work of the Compliance Unit and external Auditors, on the adequacy and effectiveness of the Compliance Framework (including the Compliance Monitoring Programme and Compliance Policies). Anti-Money Laundering Compliance is not included therein but it is the direct responsibility of the Board to monitor.

5.4.6 The Compliance Unit submits its annual audit plan and budget to the Audit Committee for approval, ensuring that they are sufficiently flexible to adapt to variations in response to developments.

5.4.7 It reviews the quarterly and annual compliance reports submitted by the Head of the Compliance Unit, which are subsequently submitted to the Board. The annual reports of the Money Laundering Compliance Officer are submitted directly to the Board.

5.4.8 It ensures that the Compliance Unit has adequate resources.

#### **5.5 Miscellaneous Issues**

5.5.1 It assigns to the Internal Audit Unit or to independent experts, following the authorisation of the Board, the investigation of any matters which fall within its mission and responsibilities.

5.5.2 It requests information from Management on the significant risks to which the Group is exposed; it evaluates the measures taken by the Management and the Board to minimise these risks and submits its recommendations for the improvement of those measures.

5.5.3 It investigates any other important data, information or facts that concern and influence the performance and operation of the Company or its compliance with the laws and regulations that govern it.

5.5.4 It 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 external Auditors, the Internal Audit and Compliance Units and the supervisory authorities.

- 5.5.5 Following a decision of the Audit Committee, the Chairperson of the Audit Committee convenes a joint meeting with the Members of the Audit Committee of a subsidiary company to discuss and study any matters concerning that company as may be deemed necessary.
- 5.5.6 The Committee has the responsibility for examining any significant transactions, of any nature, carried out by the Bank and/or its subsidiary companies, in which a Member of the Board, the Chief Executive Officer, a Senior Executive, the Company Secretary, the Auditor or a major shareholder of the Company (who directly or indirectly holds more than 5% of the issued share capital of the Company or its voting rights) has, directly or indirectly, any significant interest, so as to ensure that these transactions are carried out within the framework of the Company's normal commercial practices (at arm's length).
- The above definition includes the Members of the Board of subsidiary companies.
- 5.5.7 It prepares, with the assistance of the Executive Officer responsible for ensuring compliance with the Corporate Governance Code, the Report of the Board of Directors on Corporate Governance to be included in the Group's Annual Report.
- 5.5.8 It handles any eponymous or anonymous reports by employees, submitted in the context of the Group's formal relevant policy.
- 5.5.9 It assesses the adequacy and effectiveness of the appeals process, based on reports of the Appeals Committee, and of the Appeals Committee itself. It identifies any weaknesses or gaps in the loans restructuring process and it subsequently informs the Management and the Board on further action as it considers necessary.
- 5.5.10 It carries out a self-assessment and reports to the Board its conclusions and recommendations for improvements and changes in relation to the structure, the responsibilities and the work of the Committee.
- 5.5.11 The Chairperson of the Committee will be available for personal, telephone, electronic or written communication, upon request of the Company's shareholders, regarding issues concerning the work of the Committee. He/She will also be available to answer any questions raised during the Annual General Meeting or any other informative meeting of the Company's shareholders.
- 5.5.12 Information regarding the structure and work of the Committee will also be included in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

## **6. Validity and Amendments of the Terms of Reference**

The Terms of Reference are reviewed regularly, at least annually, to ensure continuing appropriateness. The reviews must be documented and include, where necessary, recommendations to the Board on revisions so as to reflect any new practices that may be adopted by the Group. These may include organisational

restructuring, Directives of the Central Bank of Cyprus, amendments in the relevant legislation, new Directives of the Securities and Exchange Commission or new Regulations of the Cyprus Stock Exchange which are added to the Code.

## **7. Code of Corporate Governance**

Notwithstanding the above, the Audit Committee will function strictly within the framework of the relevant provisions of the Code of Corporate Governance, as determined in Chapter C of the Code.