



**Audit Committee**

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**of  
Eurobank S.A.  
TERMS OF REFERENCE  
March 2020**

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## 1. INTRODUCTION

The Audit Committee (the Committee) of Eurobank S.A. (the Bank) and its subsidiaries (Group) is a committee of the Board of Directors (the Board) of the Bank.

These Terms of Reference (ToR) are drafted in accordance with international best practices and conform to the standards and practices of the Institute of Internal Auditors, the applicable laws and regulations and the Relationship Framework Agreement (RFA) between the Bank and the Hellenic Financial Stability Fund (HFSF).

The ToR are approved by the Board and are reviewed once every two (2) years and revised if necessary, unless significant changes in the role, responsibilities, organization and / or regulatory requirements necessitate earlier revision. Revised ToR will be approved, as stated above.

## 2. PURPOSE

The purpose of the Committee is to assist the Board in discharging its oversight responsibilities primarily relating to:

- a. The review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process.
- b. The review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements.
- c. The External Auditors' selection, performance and independence.
- d. The effectiveness and performance of the Internal Audit function.
- e. The effectiveness and performance of the Compliance function.

In doing so, it is the responsibility of the Committee to provide for open communication channels between the Board, Management, Internal and External Audit and to promote communication with the appropriate Supervisory Authorities.

## 3. AUTHORITY

The Board authorizes the Committee, within its scope of responsibilities to:

- Conduct or authorize investigations into any and all aspects of the Bank's operations.
- Have unrestricted access to information and to members of Management and employees, who should cooperate with and support the Committee.
- Work and liaise as necessary with all other Board Committees.
- Obtain outside legal or other professional advice, as it deems necessary, provided that no conflict of interest arises. To that effect the Committee shall receive appropriate funding.

#### 4. MEMBERSHIP

- 4.1 The members of the Committee are appointed by the Shareholders' General Meeting, upon the Board's proposal to the General Meeting, following the recommendation of the Nomination Committee to the Board.
- 4.2 The Chairperson of the Committee is appointed by the members of the Committee or, on BoD's proposal, by the Shareholders' General Meeting<sup>1</sup>, while the Committee's members may also appoint a Vice Chairperson. The appointment of the Chairperson and the Vice-Chairperson shall go through the Nomination Committee's proposal process. The Chairperson must be an independent non-executive member, with adequate knowledge and solid experience in financial management, accounting and auditing.
- 4.3 The Chairperson of the Committee should not serve as the Chairperson of the Board of Directors or Chairperson of the Board's Risk Committee, while s/he should be a member of the Board's Risk Committee. Similarly, the Chairperson of the Board Risk Committee should be a member of the Audit Committee.
- 4.4 The Committee shall comprise at least of 3 members. The Committee members should not exceed 40% (rounded to the nearest integer) of total BoD members (excluding the HFSF Representative). All members of the Committee should be non-executive, while 75% (rounded to the nearest integer) of the members (excluding the HFSF Representative) should be independent. The Representative of the HFSF appointed to the Board, as per the provisions of L. 3864/2010 and the RFA, must also be a member of the Committee. The independent members of the Committee fulfill the requirements of local legislation (Greek Law 3016/2002, the European Commission Recommendation 2005/162/EC and the Joint ESMA and EBA Guidelines GL/2017/12).
- 4.5 The Committee as a whole must possess the skills and experience required to carry out its tasks, including knowledge of the Bank's broader operating environment (both in Greece and abroad) and of Information Technology systems, while the majority should have competence in financial management, auditing and/or accounting.
- 4.6 The tenure of the Committee members coincides with the tenure of the Board of Directors, with the option to renew their appointment, but in any case the service in the Committee should not be more that twelve (12) years in total.
- 4.7 The Committee members should have no direct authority over and should be independent of Management.
- 4.8 The Committee's Chairperson may assign specific duties, tasks and areas of responsibility to Committee members.
- 4.9 The members of the Committee may participate in other committees of the Bank's Board and/or in the

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<sup>1</sup> Per Law 4449/2017, article 44

Boards and Audit Committees of subsidiary entities.

4.10 The members of the Committee are not allowed to hold positions and conduct transactions through which a conflict regarding the Committee's mission might arise.

## 5. MEETINGS

5.1 The Committee shall meet at least eight (8) times per year or more frequently, as circumstances require, and shall report to the Board, on a quarterly basis, on its activities.

5.2 The HFSF Observer in the Committee shall act as an observer and will have no voting rights.

5.3 The agenda together with the relevant material shall be sent to the AC members and HFSF Observer at least five (5) calendar days prior to the meeting.

5.4 The Committee meetings should provide for:

- Private sessions with the Internal Audit of the Group (IAG) to approve the internal audit plan, review activity reports, performance, and address staffing and other issues as deemed necessary.
- Private sessions with the Head of Group Compliance Sector to approve the annual plan, review activity reports, performance and address staffing and other issues.
- Private sessions with the External Auditors, at least, twice a year, to discuss audit issues and also matters relating to their performance and independence.
- Private sessions with the Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Audit Executive, the Group Chief Risk Officer and the External Auditors (as required) to review and approve the Interim and Annual Financial Statements.
- Open sessions with Management to: (i) review corrective actions pertaining to weaknesses in Internal Controls identified by Internal and External Audits, inspections of Regulatory Authorities, Compliance, etc. (ii) review Operational Risk Reports including fraud prevention and detection activities.

5.5 The Committee is in quorum and meets validly when half of its members plus one are present or represented provided that no less than three (3) members, including the Chairperson or the Vice Chairperson, are present. Each member of the Committee may validly represent only one of the other Committee members. Representation in the Committee may not be entrusted to persons other than the members thereof. In determining the number of members for the quorum, fractions, if any, will not be counted.

5.6 The Committee resolutions shall be validly taken by an absolute majority of the members who are present and represented. In case of a tie, the Chairperson and in case of his/her absence the Vice Chairperson of the Committee shall have the casting vote. The Board shall be informed whenever a decision of the Committee is not reached unanimously. Decisions may be taken **through** the drawing up and signing of minutes by circulation, by all the members of the Committee or their representatives, which is equal to a decision of the Committee, even if no meeting has preceded.

- 5.7 The Chairperson updates the BoD members on the material matters covered by the Committee during the previous period at the quarterly meetings of the BoD.
- 5.8 The Committee may convene by teleconference. Mandatory minimum attendance of Committee members should be achieved as described in the Board and Board Committees' Attendance Policy. In particular, each Board member is expected to achieve mandatory minimum attendance to the Board and Board Committees where s/he participates of not less than 85% every calendar year, while meetings up to 15% can be missed only if a valid excuse is provided.
- 5.9 Only members of the Committee have the right to attend Committee meetings. However, the Chairperson of the Committee may invite to the meetings members of Management, Internal and External audit, Compliance, Legal Advisors, the Chairperson of the subsidiaries' Audit Committees or outside advisors or experts, as deemed appropriate. The number of invitees should be confined at a minimum, so as not to impact the effectiveness and efficiency of the meeting.
- 5.10 The Committee appoints its Secretary who reports to the Group Company Secretariat and cooperates with the Chairperson of the Committee. The Secretary is responsible to minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance, issue true copies/ extracts of the Committee's minutes and notify the responsible managers regarding the Committee's decisions that are relevant to them or on which they need to take action. In case of non-unanimous decisions, the views of the minority should be also minuted.
- 5.11 The decisions and minutes shall be submitted to the HFSF Representative as soon as they are finalized but no later than ten (10) calendar days after the meeting. Additionally, after their finalization, the minutes shall be signed by all Committee members.
- 5.12 Once approved, minutes shall be available to all Board members through the software application of the Committees' meetings support [Diligent Boards].

## 6. DUTIES AND RESPONSIBILITIES

### 6.1 Internal Control System and Risk Management

The Committee:

- 6.1.1. Reviews and evaluates the adequacy of the Bank's Internal Control System, in particular over financial reporting, security of information systems and applications and contingency plans in the event of a systems breakdown.
- 6.1.2. Reviews and monitors the level of operational risk in the Bank by:

- evaluating the efficiency and effectiveness of the organizational structure, the key processes and internal controls designed to mitigate significant operational risks in the Bank;
  - evaluating the level of operational losses being incurred in the Bank;
  - ensuring that management is taking adequate corrective steps to reduce the level of operational risk where necessary.
- 6.1.3. Ensures that fraud preventive and detection activities are adequately addressed and followed up by Management.
- 6.1.4. Reviews all significant regulatory issues received from Regulatory and Tax Authorities, which include internal control, regulatory, corporate governance, compliance and supervision.
- 6.1.5. Reviews and monitors the implementation of corrective actions to recommendations made by the Internal and External Auditors (including recommendations in the Management Letter), as well as by Regulatory Authorities, to strengthen the internal control and risk management systems.
- 6.1.6. Reviews and proposes to the Board the approval of the contents of the Internal Governance Control Manual.
- 6.1.7. Reviews the report that Internal Audit submits annually to the BoG regarding the adequacy of the Bank's Internal Control System. Prepares its own Assessment report on IAG's evaluation report and submits both documents to the BoD for discussion (minutes required), prior to submission to the BoG.
- 6.1.8. Proposes, at least once every three years, that an Audit firm, meeting the criteria set by BoG, performs an independent review of the adequacy of the Internal Control System of the Bank and authorizes the Auditors to inform BoG of the results of their review. Proposes to the Board the replacement of these Auditors after carrying out two consecutive reviews.
- 6.1.9. Ensures that the Bank has established and maintains appropriate procedures for the receipt, retention and treatment of complaints regarding accounting, internal control, or auditing matters from both inside and outside the organization.
- 6.1.10. Assesses the confidential procedures established by Management for employees to submit complaints and comments regarding compliance with the applicable legislation, internal regulations and proper practices (reporting of unethical conduct). Care should be taken to ensure the protection of the person making such report.
- 6.1.11. Ensures that the Bank has mechanisms to monitor share and other securities transactions of BoD members and personnel (employees, advisors etc.) in accordance with relevant regulations and the disciplinary measures against employees, who do not comply with procedures.

6.1.12. Collaborates with the Remuneration Committee for the design and proper functioning of the Remuneration Policy and practices both at Bank and Group level.

6.1.13. Discloses a positive or negative statement, that the system of internal controls has been evaluated, in the annual Director's Report.

## 6.2. Financial Reporting

The Audit Committee:

6.2.1. Monitors the financial reporting process and submits recommendations or proposals to ensure its integrity.

6.2.2. Supervises and assesses whether the internal controls related to financial reporting are adequate and effective and that these controls are adjusted to reflect any major changes in the risk profile of the Bank.

6.2.3. Reviews significant accounting, reporting and footnote disclosure issues, focusing on judgmental areas and methods used in the valuation of assets and liabilities.

6.2.4. Reviews any legal or tax matters which could significantly impact the Financial Statements.

6.2.5. Reviews with Management the financial results presentation. Prior to their release, it also reviews the Interim and Annual Financial Reports, including Financial Statements, Auditors' Report, Director's Report. In addition, it annually reviews the Annual Corporate Governance Code and Practices and the Consolidated Pillar III report.

6.2.6. Meets with Management to discuss any changes in accounting policies, critical accounting estimates, one-off items impacting the Financial Statements, significant variances from prior year, unadjusted differences, capital adequacy and any other issues of significance.

6.2.7. Reviews and discusses the letter of representations, requested from Management by the External Auditors.

6.2.8. Meets with the External Auditors (with or without Management present) to discuss all of the above, in addition to any significant changes required to the External Auditors' audit plan.

6.2.9. Based on the results of the above review, recommends to the Board the approval of the Interim and Annual Financial Reports, the Corporate Governance Code and Practices and the Consolidated Pillar III Report.

- 6.2.10. Discusses with Management, the Internal and External Auditors, the adequacy of Management Information Systems, including significant risks and controls over such risks.
- 6.2.11. Ensures that the Bank has established clear processes which ensure that any other financial reporting required by the Regulators to have Board and / or Committee clearance is promptly prepared and submitted for such clearance. Reviews and recommends submission to the Board of such financial reporting.
- 6.2.12. While the Board retains the responsibility for the approval and monitoring of the Business Plan and Budget, the Committee receives reports on the monitoring of the above items by Management, for information purposes.

### 6.3. External Audit

The Committee:

- 6.3.1. Defines the criteria and the procedures for the appointment or replacement of the External Auditors and makes recommendations to the Board on the appointment or replacement of External Auditors, for approval by the AGM.
- 6.3.2. Ensures that periodic tendering and rotation of the External Auditor after five (5) consecutive years at a maximum takes place.
- 6.3.3. Reviews the scope of audit work and audit approach and assesses the process for identifying and responding to key audit and internal control risks.
- 6.3.4. Considers any issues pertaining to the External Auditors' independence and objectivity in accordance with the applicable legislation, communicates the result to the Board and recommends, if necessary, taking appropriate action. The Committee receives annual confirmation from the External Auditors regarding their independence and approves the Bank's Policy on External Auditors Independence.
- 6.3.5. Reviews the terms of the contract (engagement letter) to be signed with the External Auditors and makes recommendations to the BoD on the External Auditors fees, for approval by the AGM.
- 6.3.6. Ensures that Eurobank has established clear policies in order to adhere to the governing laws and regulations regarding limitations in the scope of External Auditor's activities, including the relevant rules regarding the hiring of employees from the external audit firm.
- 6.3.7. Ensures that the nature of non-audit related services prior to their being undertaken by the External Auditors has been reviewed and approved and that there is proper balance between audit and non-audit

work.

- 6.3.8. Evaluates, on an annual basis, the work and contribution of the External Auditors, the robustness of the audit, the quality of service and the co-operation with IAG.
- 6.3.9. Meets with the External Auditors on a regular basis to discuss audit, accounting, financial reporting and internal control issues raised by them.
- 6.3.10. Reviews the additional report submitted to the Audit Committee by the External Auditors that explain the results of the statutory audit.
- 6.3.11. Updates the Board for the results of the audits, the contribution of the audits to the integrity of the financial reporting and the role of the Audit Committee in the whole process.
- 6.3.12. Ensures that all information and findings of the External Auditors on the financial statements of the Bank are discussed among the Bank and the External Auditors and significant findings are communicated to the SSM and/or the Bank of Greece.
- 6.3.13. Investigates any disputes that may arise between the Bank's Management and the External Auditors regarding the solo and consolidated Financial Statements of the Bank.

#### **6.4. Internal Audit**

The Committee:

- 6.4.1. Monitors and reviews the effectiveness of the Internal Audit function.
- 6.4.2. Ensures that the Internal Audit function is independent (Internal Audit General Division has a functional reporting line to the Audit Committee and a dotted reporting line for administrative matters to the CEO), adequately organized, has unrestricted access to any pertinent information and operates efficiently and effectively in compliance with the Standards of the Institute of Internal Auditors.
- 6.4.3. In consultation with the Nomination Committee proposes to the Board for approval the appointment, replacement or dismissal of the Group Chief Audit Executive and annually assesses his (her) performance, while his (her) annual compensation is approved in accordance with the relevant provision of the Remuneration Committee's ToR which provides for Remuneration Committee's consultation with the AC.
- 6.4.4. Approves the Terms of Reference of the IAG and any subsequent amendments proposed by the IAG.
- 6.4.5. Evaluates the process for developing the annual Internal Audit Plan focusing on issues regarding risk assessment, priorities as a result of changes in the economic environment and coordination with the

External Auditors (combined Audit Plan).

- 6.4.6. Approves the annual Internal Audit plan and the three year high level Audit Plan and makes recommendations, on any additional areas that need to be covered. The Committee shall be informed of the nature and extent of any significant special work or any other deviation from the approved annual Internal Audit plan. The Committee submits the Plans to the Board
- 6.4.7. Reviews the organizational structure of IAG, financing, budgeting and staff related issues, including personnel costs, recruitment, training and professional advancement. The Committee ensures that IAG has the appropriate skillset and capacity to audit and evaluate the effectiveness of the internal control framework with special emphasis on the areas of risk and capital management, as well as financial control.
- 6.4.8. Considers and reviews with Management:
- Significant findings of Internal Audit and Management's response, including the timetable for implementation to correct weaknesses.
  - Any difficulties encountered by Internal Audit in the course of their audits such as restrictions on the scope of their work or access to information.
- 6.4.9. Reviews and approves the Internal Audit budget, previously agreed with Management.
- 6.4.10. Receives and reviews the quarterly Activity Report prepared by the Group Chief Audit Executive for the purpose of the regular meetings. Such report shall outline the audit and risk assessment issues, planning issues and personnel matters.

## 6.5. Compliance

The Committee:

- 6.5.1. Ensures that the Group Compliance of the Bank is a permanent and independent function (the Head of Group Compliance has dual reporting to the CEO and the Audit Committee of the Bank), adequately organized, has unrestricted access to any pertinent information and operates efficiently and effectively.
- 6.5.2. Has the oversight of compliance issues (especially relating to Anti Money Laundering (AML) quarterly assessment and regulatory reporting, MiFID, Market Abuse, Conflict of interests, Antitrust, Clients/Consumer Protection/Transparency regulation, etc.).
- 6.5.3. In consultation with the Nomination Committee, proposes to the Board for approval the appointment, replacement or dismissal of the Head of Group Compliance and annually assesses his (her) performance, while his (her) annual compensation is approved in accordance with the relevant provision of the Remuneration Committee's ToR which provides for Remuneration Committee's consultation with the AC.

- 6.5.4. In consultation with the Nomination Committee, proposes to the Board for approval the appointment, replacement or dismissal of the Anti-Money Laundering Reporting Officer of the Bank, who may be the same person as the Head of Group Compliance, as well as his/her deputy.
- 6.5.5. Reviews and approves the Mandate of the Group Compliance and any subsequent amendments proposed by Group Compliance.
- 6.5.6. Approves the Group Compliance annual plan and reviews the Group Compliance medium term plan. The Committee shall be informed of the nature and extent of any deviations from the approved annual plan.
- 6.5.7. Reviews the organizational structure of Group Compliance, budgeting and staff related issues, including training and professional advancement costs. The Committee ensures that Group Compliance has the appropriate skillset and capacity to carry out its plan.
- 6.5.8. Reviews and approves the Bank's Code of Professional Conduct as well as reviews and approves or submits its proposal for approval to the BoD, where required, key Policies under the responsibility of Group Compliance, such as the Group's Anti-Money Laundering and Counter Financing of Terrorism Policy, the Group's Compliance Policy, the Group's Conflict of Interest Policy and the Group's Anti-Bribery and Corruption Policy, etc.
- 6.5.9. Reviews the annual reports that Group Compliance submits to the BoD as per Bank of Greece requirements and approves the annual report on Anti-Money Laundering and Combating Terrorist Financing prior to submission to the Board for discussion. Prepares its own Assessment report on the above reports and submits to the Board for discussion (minutes required) prior to submission to the BoG.
- 6.5.10. Is informed, as per regulatory requirements, on the External Auditor's evaluation reports regarding the assessment of the adequacy of the arrangements for the safeguarding of clients' financial assets and regarding the Bank's adherence to the regulatory framework for Dormant Accounts.
- 6.5.11. Ensures that a mechanism has been set for monitoring compliance with internal and external rules and regulations, including Group Guidelines and Bank's Code of Professional Conduct.
- 6.5.12. Ascertains that the Bank has an effective process for determining risks and exposures from unasserted litigations and claims from non-compliance with laws and regulations.
- 6.5.13. Reviews with Legal Counsel, Operational Risk, Group Compliance, Internal Audit and others as required any legal, tax or regulatory matters, presently encountered, or foreseeable changes on applicable laws and regulations that may have a material impact on the Bank's operations and the Financial Statements.

- 6.5.14. Is informed by Management of audits performed by Regulatory and/or Tax authorities and the results of these audits.
- 6.5.15. Reviews quarterly reports on Director's substantial Stock Exchange transactions submitted by Group Company Secretariat.
- 6.5.16. Reviews the quarterly compliance reports prepared by Group Compliance and communicates to the Board any compliance related non-conformities that may have a material impact on the Bank's operations, reputation or Financial Statements.

## 7. REPORTING

The Committee is responsible for submitting the following reports:

- 7.1. Quarterly reports to the Board regarding its activities. Alternatively, the Chairperson of the Committee shall inform the Board during the BoD meeting.
- 7.2. Annually submits to the Board (a) the Internal Audit annual evaluation report relating to the assessment of the Internal Control System and the Committee's Assessment thereon (b) the assessment report of the Group Compliance Annual reports on Anti-Money Laundering and Combatting Terrorist Financing and on Compliance matters, in the areas apart from Anti-Money Laundering, and (c) the Committee's Annual Activity Report.
- 7.3. Every three years submits to the BoG, the Internal Control System Adequacy Evaluation Report provided by independent certified accountants – auditors and the Committee's Assessment thereon. The report is submitted within the first six months of every three year period.
- 7.4. The Committee shall:
- Report Committee actions to the Board with recommendations, as the Committee may deem appropriate, and follow up effective implementation of recommendations.
  - Report Committee actions to the Board for the special areas for which additional audits are required either from internal or external auditors
  - Provide for any report, which is required from the Committee by applicable laws and regulations.
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## 8. PERFORMANCE EVALUATION

The Committee's performance is evaluated annually according to the provisions of the Board and Board Committees Evaluation Policy of the Bank. In order to perform their role effectively, the Committee members need to maintain and develop their skills and knowledge.

## 9. FRAMEWORK OF CO-OPERATION WITH HFSF

Specific requirements in relation to the co-operation of the Committee with the HFSF have been added throughout the Terms of Reference as appropriate. In addition, the following specific rules apply:

- 9.1. The HFSF Representative has the right to submit in writing to the Chairperson of the Committee proposed additional items for the agenda of the meeting. These must be submitted in writing at least one (1) day prior to the day of the Committee.
- 9.2. The HFSF Representative has the right to request that a Committee is convened within seven (7) calendar days from the HFSF Representative's written request to the Chairperson of the Committee. The relevant request shall include the proposed items of the agenda. If the Chairperson of the Committee does not proceed to the convocation of the Committee within the above deadline or does not include all the proposed items in the invitation, then the HFSF Representative shall be entitled to convoke the Committee within five (5) days as of the expiry of the above seven (7) days period. Such invitation shall be notified to all the members of the Committee and to the HFSF Observer.
- 9.3. The Committee will co-operate with HFSF in order to allow HFSF to carry out an overall evaluation of the Committee's performance, if required.

## 10. OVERSIGHT OF EUROBANK SUBSIDIARIES' AUDIT COMMITTEES (WHERE APPLICABLE)

The oversight primarily consists of:

- 10.1. Ensuring that the subsidiaries' Audit Committees' Terms of Reference comply with those of Eurobank, unless otherwise provided in local or other relevant legislation.
- 10.2. Approving the memberships of the subsidiaries' Audit Committees.
- 10.3. Obtaining semi-annual Activity Reports by the subsidiaries Audit Committees' covering all major issues in each area of oversight of these Committees. Establishing communication channels and enhancing cooperation with the Chairperson of the subsidiaries' Audit Committees (i.e. annual workshop).