

Corporate Governance

Membership and Functioning of the Board of Directors

In compliance with regulatory requirements, the Board of Directors consists of not less than seven members and not more than thirteen members, and its composition includes:

- more than 50% Independent members,
- two Executive members, not constituting more than 25% of the members of the Board of Directors, one of them being the Chief Executive Officer,
- an Independent member holding the position of the Chairperson of the Board of Directors,
- a non-Executive member holding the position of the Vice Chairperson and fulfilling the roles and responsibilities of the Chairperson in the absence of the latter,
- an Independent member being appointed as Senior Independent member, who cannot also hold the position of the Chairperson or the Vice-Chairperson

USB Bank has issued a policy and accompanying procedure, which establish the parameters for the selection, nomination and appointment of members of the Board of Directors of the Bank. The aforementioned outline inter alia, the practices of the Bank for identifying and selecting nominees, taking into consideration the Bank's needs for each vacant position and the necessary qualifications in order to ensure that nominated candidates are duly qualified for the particular position and also fulfil the fitness and probity requirements and are in compliance with the regulatory requirements of the Central Bank of Cyprus.

The Company Secretary assists in the proper induction of new Board of Directors members and provides assistance to the Chairman of the Board of Directors in assessing the training needs of all members thereafter. Furthermore, training needs are also identified, during the evaluation process of the members of the Board of Directors.

Any departures/ appointments/ terminations/ withdrawals of members of the Board of Directors are notified to the Central Bank of Cyprus in accordance with regulatory requirements. In cases of unscheduled withdrawals, the Bank requests departing members to submit Appendix III of the 'Directive to Authorised Credit Institutions on the Assessment of the Fitness and Probity of the members of the Management Body and Managers of Authorised Credit Institutions' of 2014 to the Central Bank of Cyprus.

Committees

The Board of Directors has established four (4) Committees, namely:

The [Audit Committee](#)

The [Risk Committee](#)

The [Nominations and Internal Governance Committee](#)

The [Remuneration Committee](#)

Meetings of the Board of Directors and/or its Committees

The Board of Directors and the Committees hold regular meetings in order to carry out their responsibilities adequately and effectively, in which decisions are taken by a majority.

Additionally, the non-executive members of the Board of Directors hold regular meetings on their own or with the external auditors and/or the heads of the control functions as appropriate. Furthermore, in line with the process of overseeing Senior Management, the Board of Directors, invites as deemed appropriate, members of the Senior Management to meetings of the Board of Directors and the Committees, so that they can update and inform the members.

USB Bank has issued a guidance, based on regulatory requirements of the Central Bank of Cyprus, which outlines the procedure followed with regards to the keeping and finalization of minutes of the meetings of the Board and the Committees by the Company Secretary.

Duties and Responsibilities of the Board of Directors

The Board of Directors of USB Bank PLC has the primary responsibility for internal governance at all times. It defines, oversees and periodically assesses the implementation and effectiveness of governance arrangements that ensure effective and prudent management of the Bank.

In line with the above, the Board of Directors:

- has the overall responsibility for the Bank and approves and oversees the implementation of the Bank's strategic objectives, risk strategy and internal governance,
- ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,
- oversees the process of disclosure and communication,
- is responsible for providing effective oversight of Senior Management and the Control Functions,
- takes appropriate steps to address any deficiencies.

More specifically, the main responsibilities of the Board of Directors inter alia include:

1. Setting and overseeing strategy,
2. Setting and overseeing the allocation of responsibilities and authority,
3. Setting and overseeing selection and succession of key functions,
4. Overseeing the Senior Management,
5. Setting and overseeing code of business conduct and alert procedures,
6. Approving and periodically reviewing technical criteria for the Bank and treatment of risks,
7. Ensuring Regulatory compliance,
8. Ensuring the design and implementation of a sound internal control framework,
9. Setting and overseeing remuneration policy and practices,
10. Approval of procurement procedures and outsourcing,
11. Ensuring reliable and transparent financial reporting,
12. Ensuring effective and transparent communication,
13. Ensuring the implementation of appropriate information security policies, standards and procedures and
14. Monitoring and evaluation of the governance framework, on an ongoing basis.

In discharging its duties, the Board of Directors oversees the establishment and periodic review of the Internal Governance Manual as well as inter alia, of policies on:

- Remuneration.
- AML and Combating the Financing of Terrorism.
- Know Your Customer (KYC).
- Compliance.
- Outsourcing.
- Customer Complaints Management.

Senior Management oversight

The Board of Directors oversees the Control Functions of the Bank through periodic reports and presentations made to the Board of Directors and Committees. The Heads of Control Functions are evaluated by the Committees and goals are set. Furthermore Action plans are submitted by the Heads of Control Functions to the Board of Directors and the Committees.

The Board of Directors oversees other members of the Senior Management through reports which are submitted to the Board of Directors and the Committees as necessary and include recommendations if required. Furthermore, Senior Management oversight includes annual evaluations and goal setting, which are performed by the CEO and communicated to the Board of Directors.