



# **EFG EUROBANK ERGASIAS S.A.**

## **CORPORATE GOVERNANCE CODE AND PRACTICES**

22 March 2011

## TABLE OF CONTENTS

<b>Section A: Introduction</b> .....	<b>3</b>
<b>Section B: Board of Directors</b> .....	<b>3</b>
B.1 The Role of the Board of Directors .....	3
B.2 Division of Responsibilities .....	4
B.3 The Chairman .....	4
B.4 Non-executive Directors .....	4
<b>SECTION C: Effectiveness</b> .....	<b>5</b>
C.1 The Composition of the Board .....	5
C.2 Appointments to the Board .....	5
C.3 Commitment .....	6
C.4 Development .....	6
C.5 Information and Support .....	6
C.6 Evaluation .....	7
C.7 Re-election .....	7
<b>SECTION D: Accountability</b> .....	<b>7</b>
D.1 Financial And Business Reporting .....	7
D.2 Risk Management and Internal Control .....	8
D.3 Audit Committee and Auditors .....	8
D.4 Eurobank Risk Committee .....	9
<b>SECTION E: Remuneration</b> .....	<b>9</b>
E.1 The Level and Components of Remuneration .....	9
E.2 Procedure .....	10
<b>SECTION F: Relations with Shareholders</b> .....	<b>11</b>
F.1 Dialogue with Shareholders .....	11
F.2 Constructive use of the General Meeting .....	11

## **Section A: Introduction**

The Corporate Governance Code and Practices (the Code) describe the main corporate governance principles and practices adopted by EFG Eurobank Ergasias SA (the Bank) and its subsidiaries (collectively Eurobank EFG or the Group). The Code is in compliance with the local legislation and is based on the international best practices on corporate governance focusing on the sustainable success of Eurobank EFG over the longer term.

The Code is approved by the Board of Directors. The responsibility for ensuring the Code is up-to-date rests with the Group Corporate Governance. The Board, following clearance by the Audit Committee, will review and approve the contents of the Code once a year.

## **Section B: Board of Directors**

### **B.1 The Role of the Board of Directors**

#### **Main Principles**

The Bank is headed by a Board which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with international best practices.

The Board of Directors' (Board) role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensure that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. All Directors must act in what they consider to be the best interests of the Group, consistent with their statutory duties.

#### **Practices**

B.1.1 The current Board consists of sixteen directors, five of whom are Executive, and four of whom are Independent Non Executive. In addition, one government representative has been appointed as non executive member in accordance with Law 3723/2008 requirements.

Executive Directors have responsibility for the day-to-day management and control of Eurobank EFG. Non-Executive Directors are responsible for the overall promotion and safeguarding of Eurobank EFG's interests.

The principal duties and responsibilities of the Board are to:

- review and guide the strategy of Eurobank EFG, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor performance; oversee major capital expenditures, acquisitions and divestitures
- monitor the effectiveness of Eurobank EFG's governance practices, making changes as needed
- select, compensate, monitor and, when necessary, replace key executives and oversee succession planning
- align key executive and board remuneration with the longer term interests of Eurobank EFG and its shareholders
- ensure a formal and transparent board nomination and election process
- monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions
- ensure the integrity of Eurobank EFG's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards
- oversee the process of disclosure and communications

The Board meets regularly every quarter and on an ad hoc basis given at least two working days notice. Submissions to the Board are circulated together with the agenda. Board Meetings minutes are kept by the Secretary of the Board, are approved at subsequent board meetings and signed by all directors present.

B.1.2 The Board delegates some of its responsibilities to the Risk, Audit, Remuneration and Nomination Committees, assesses their performance, and approves their mandate and composition. The structure of the Board and Board Committees' membership is fully described in Eurobank EFG's Annual and Directors' Reports under [www.eurobank.gr](http://www.eurobank.gr) which also sets out the number of meetings of the board and its committees and overall attendance by Directors.

B.1.3 Eurobank EFG has arranged appropriate insurance cover in respect of legal action against its Directors

## B.2 Division of Responsibilities

### Main Principle

There is a clear division of responsibilities at the head of Eurobank EFG between the proper operation of the Board and the day-to-day management and control of Eurobank EFG business. No one individual has unfettered powers of decision.

### Practice

B.2.1 The roles of chairman and chief executive officer are not exercised by the same person. The division of responsibilities between the chairman and chief executive officer are clearly established and set out in Eurobank EFG Internal Governance Manual which is approved by the Audit Committee.

## B.3 The Chairman

### Main Principle

The Chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role. He oversees the proper operation of the Board, is a member of the Board's Audit and Risk Committees and attends Management Committees as required. He is co-responsible (together with the CEO) for Eurobank EFG towards Bank of Greece.

The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate by facilitating the effective contribution of non executive directors in particular and ensuring constructive relations between executive and non-executive directors. In addition, he ensures that the Directors receive accurate, timely and clear information. Finally, the Chairman is available should shareholders raise any issues.

## B.4 Non-executive Directors

### Main Principle

As part of their role as members of a unitary Board, non-executive directors constructively challenge and help develop proposals on strategy.

Non-Executive Directors are responsible for the overall promotion and safeguarding of Eurobank EFG's interests. The main duties of the non-executive directors, performed either within the Board or through Board committees, are to:

- constructively challenge and contribute to the development of strategy
- monitor the reporting of performance
- scrutinise the performance of management in meeting agreed goals and objectives
- ensure that financial information is accurate and that financial controls and systems of risk management are robust and defensible
- determine the appropriate level of remuneration of executive directors
- have a prime role in appointing and, where necessary, removing executive directors and in succession planning
- support executives in their leadership of the business while monitoring their conduct

### Practice

B.4.1 Where they considered it necessary, the Independent Non Executive Directors should submit, to the ordinary or extraordinary Shareholders' General Meetings of Eurobank EFG, their own reports on a specific subject, either individually or together.

## SECTION C: Effectiveness

### C.1 The Composition of the Board

#### Main Principles

The Eurobank EFG Board and its Committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively.

The Board has a sufficient size ensuring that the requirements of the business can be met; changes to the Board's composition and its Committees can be managed without undue disruption.

Decisions are taken following discussions which exhaust the issues to the satisfaction of all Directors present.

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Risk, Nomination, Audit or Remuneration Committee, but others may attend at the invitation of the Committee.

#### Practices

C.1.1 The General Meeting appoints the Board members, and determines their term of office.

C.1.2. Eurobank EFG identifies in the annual report each Independent Non-Executive Director. Eurobank EFG's current Board includes four Independent Non Executive Directors. The Nomination Committee considers which members qualify under local regulations and international governance standards as independent non-executive directors and recommends to the Board their appointment.

The Nomination Committee is also responsible to review regularly the independence of non executive directors and make recommendations to the Board with regard to any changes.

The Nomination Committee considers the following circumstances as evidence that a Director is not Independent:

- holds more than 0.5% of Eurobank EFG's shares
- has a material business relationship with the Group, particularly if he is an important supplier or client of the Bank
- has been an employee of the Group within the last five years
- has close family ties with any of the Bank's advisers, Directors or senior employees
- represents a significant shareholder
- has served on the Board for more than nine years from the date of their first election

### C.2 Appointments to the Board

#### Main Principle

Eurobank EFG has a formal, rigorous and transparent procedure for the appointment of new Directors to the Board that is carried out by the Nomination Committee. The current Nomination Committee consists of 3 non executive Board members, one of whom is independent<sup>1</sup>.

The Nomination Committee identifies and recommends, for the approval of the Board, candidates to fill Board vacancies and satisfies itself that plans are in place properly considering issues related to the succession planning of senior management.

#### Practices

C.2.1 The Nomination Committee has the responsibility to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of key management personnel.

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. The Nomination Committee is comprised of three members, two non- executives and one independent non-executive director, appointed and approved annually by the Board. The Chairman is appointed by the Board.

At least once every two years the Committee reviews its own performance and terms of reference. Any changes considered necessary are submitted to the Board for approval.

<sup>1</sup> Information regarding current composition and short biographical details of Nomination Committees' members may be found at the Bank's website ([www.eurobank.gr](http://www.eurobank.gr)).

C.2.2 The Nomination Committee evaluates the balance of skills, experience, independence of Non-Executive members, time available for carrying out their duties and knowledge on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

C.2.3 The Nomination Committee recommends to the Board, for it to put to the shareholders for their approval in General Meeting, the members to be designated as non-executive Directors for a specified term.

### **C.3 Commitment**

#### **Main Principle**

All Eurobank EFG Directors allocate sufficient time to undertake the role to which they have been appointed.

#### **Practices**

C.3.1 The Nomination Committee identifies positions and responsibilities and recommends to the Board the appropriate Board structure for it to put to the shareholders for their approval in General Meeting.

C.3.2 When the Nomination Committee recommends candidates to fill Board vacancies it ensures that they have sufficient time to meet what is expected of them.

Annually, the Nomination Committee, consider the Directors' other significant commitments and directorships outside Eurobank EFG and escalate to the Board any significant issues.

C.3.3 It is forbidden to Directors to pursue personal interests if these are in conflict with the Group's interests. All Directors have a duty to inform the other members of the Board, of any personal interests they may derive or any conflict of interest that may occur, in carrying out their duties as Directors.

### **C.4 Development**

#### **Main Principle**

All Eurobank EFG Directors receive a formal induction on joining the Board and regularly update and refresh their skills and knowledge.

#### **Practice**

C.4.1 All Directors on appointment receive a full and formal update on Eurobank EFG business and strategy along with information about their obligations under the local regulations and the Board's procedures. The Chairman attends Management Committees as required and ensures that Directors receive necessary updates on the Bank's activities on an ongoing basis.

### **C.5 Information and Support**

#### **Main Principle**

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

#### **Practices**

C.5.1 The Chairman, through the Secretary to the Board or the Office of the Chief Executive Officer, ensures that the Directors receive accurate, timely and clear information. Management has an obligation to provide such information and Directors seek clarifications or amplification where necessary.

C.5.2 The Secretary of the Board and Group Corporate Governance advise the Board on all governance matters.

C.5.3 The Board ensures that Directors, especially Non-Executive, have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as Directors. Committees are provided with sufficient resources to undertake their duties and are empowered to seek independent, professional advice whenever required.

C.5.4 All Eurobank EFG Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Board Secretary are matters for the Board as a whole.

## **C.6 Evaluation**

### **Main Principle**

The Nomination Committee undertakes a formal evaluation of the Board's performance once every two years.

### **Practice**

C.6.1 The Nomination Committee undertakes, once every two years, a performance evaluation of the Board, assessing the skills, knowledge and experience of individual directors as well as effective contribution and commitment to the role, and report on this to the Board. The Board acts on the results of the evaluation by recognising the strengths and addressing the weaknesses. Additionally, the Board takes note of the self-evaluation reports of the Board Committees.

## **C.7 Re-election**

### **Main Principle**

The Eurobank EFG Annual General Meeting appoints the whole Board at the same AGM and its term expires on the date of the AGM three years later.

### **Practice**

C.7.1 The Nomination Committee recommends to the Board the reappointment of Directors at the conclusion of term of office and the appointment of any Board vacancies and the Board puts to the General Meeting for election for a specified term.

Biographical details and any other relevant information are provided on the Bank's website to enable shareholders to take an informed decision on their election.

## **SECTION D: Accountability**

### **D.1 Financial And Business Reporting**

#### **Main Principle**

The Directors present a balanced, detailed and understandable assessment of Eurobank EFG's position and prospects.

The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

#### **Practices**

D.1.1 The Directors provide a statement regarding the compliance of annual and semi-annual financial statements with applicable accounting standards and the fair presentation of financial position and results of Eurobank EFG. Furthermore, the auditors provide a statement regarding their reporting responsibilities on the financial statements.

D.1.2 The Executive Directors of the Group provide all stakeholders on a quarterly basis a presentation of financial results and an analysis of performance highlights.

The Board provides, through its annual and semi-annual reports, financial results review, business outlook and risks as well as any other relevant information to stakeholders required by applicable laws and corporate governance standards.

## D.2 Risk Management and Internal Control

### Main Principle

The Board determines annually the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and determines the capital required to support the risk profile of its balance sheet and its business operations going forward, even under further extreme adverse conditions, should they materialize.

The Board approves all strategic risk management decisions (e.g. local risk appetite, balance sheet profile and risk management structure) and monitors the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

It has also established a system of internal controls that is based on international best practice and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations
- reliability and completeness of financial and management information
- compliance with applicable laws and regulations

### Practice

D.2.1 The Eurobank EFG Board has delegated its Risk Management and Internal Control responsibilities to the Risk and Audit Committees who report to the Board on a regular basis.

Following clearance by the Board Committees, the Board ratifies for submission to the Bank of Greece:

- a) Audit Committee's annual report on the evaluation of Internal Audit's annual assessment of the systems of internal controls
- b) Internal Audit's annual assessment of the systems of internal control
- c) Compliance's annual assessment of regulatory compliance policies and
- d) Risk Committee's Risk Management Annual Report

The Board approves the mandate and composition of the Risk and Audit Committees and assesses their performance

## D.3 Audit Committee and Auditors

### Main Principle

The primary function of the Audit Committee is to assist the Board of Directors in discharging its oversight responsibilities primarily relating to:

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

### Practices

D.3.1 The General Meeting upon proposal by the Board appoints the Audit Committee members, for a term of 3 years. The Audit Committee consists of six non executive Directors. Two (one of whom independent) have extensive knowledge and experience in accounting and auditing issues, two have recent and relevant financial experience, and two (one of whom independent) have recent and relevant legal experience.

D.3.2 The main role and responsibilities of the Audit Committee as set out in its written terms of reference which provide details on the purpose, organisation, authority, duties and responsibilities and relationship with external auditors, are:

- to monitor the integrity of the financial statements to be published, reviewing significant financial reporting judgements contained in them
- to review the internal control and risk management systems;
- to monitor and review the effectiveness of the internal audit and compliance functions
- to make recommendations to the Board, for it to put to the shareholders for their approval in General Meeting, in relation to the appointment, remuneration and terms of engagement of the external auditor
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements
- to develop and implement policy on the engagement of the external auditor to supply non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm



Eurobank EFG's Directors Report in its Corporate Governance Statement describes the main terms of reference of the Audit Committee under par.3.1.

D.3.3 The Audit Committee 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 (whistle blowing). Care is taken to ensure the protection of the whistleblower.

D.3.4 The Audit Committee:

- ensures that the Internal Audit and Compliance functions are independent, adequately organized, have unrestricted access to any pertinent information and operate efficiently and effectively.
- proposes to the Board the appointment, replacement or dismissal of the Internal Audit Director and Head of Compliance and periodically assesses their performance and remuneration together with the Remuneration Committee.
- approves the Terms of Reference and Annual Plans of the Internal Audit and Compliance functions
- has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor

D.3.5 The Audit Committee considers any issues pertaining to the External Auditors' independence and objectivity (including the provision of non-audit services), communicates the result to the Board and recommends, appropriate action. The Committee receives annual confirmation from the External Auditors regarding their independence. Relevant reference is included in the Eurobank EFG's Directors Report in its Corporate Governance Statement under par. 3.1.

## D.4 Eurobank Risk Committee

### Main Principle

The Eurobank Risk Committee approves all strategic risk management decisions (e.g. local risk appetite, balance sheet profile and risk management structure) and is in charge of monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

### Practice

D.4.1 The main duties and responsibilities of the Eurobank Risk Committee indicatively are to:

- Review on a regular basis the adequacy of the control environment
- Monitor changes in the control environment
- Express opinions on new risk related procedures
- Review systematically risks, including the conduct of stress tests
- Monitor the implementation of new activities
- Sponsor any risk related projects
- Ensure that risk related decisions, taken by the relevant authorities, are communicated on a timely basis
- Delegate market and credit limits to the Bank's management committees
- Approve credit lines greater than the authorities granted to the Bank's Credit Committee
- Keep the Audit Committee updated on relevant matters.

## SECTION E: Remuneration

### E.1 The Level and Components of Remuneration

#### Main Principle

The Eurobank EFG remuneration policy aims to align the individual Directors and employees objectives with the long-term business objectives and strategy of Eurobank EFG and the long-term value creation for shareholders. Consequently, the operating standards and mechanisms which have been adopted ensure that the levels of rewards are directly linked to results and desired behaviours.

The Bank has established a competitive compensation framework, in order to attract, engage and retain its Directors and employees. Its basic principles are to:

- Avoid excessive risk behaviour
- Link compensation with long-term performance
- Safeguard that the compensation is sufficient to retain and attract executives with appropriate skills and experience
- Monitor that internal equity between business units is applied

The Remuneration Committee reviews on a regular basis the remuneration policy in comparison with market practices and trends on local and international level so as to create a competitive and balanced remuneration scheme.

## Practices

E.1.1 The remuneration of all Directors is approved by the General Meeting of Shareholders following a recommendation from the Remuneration Committee to the Board of the Eurobank EFG.

Substantial part of variable remuneration is deferred, so as to assure that the undertaken risk has been assessed on a long-term basis and short-term gain is avoided. Variable remuneration can be disbursed in alternative ways (e.g. shares) and phased in order to take into consideration current and future risks that are associated with performance on a long-term basis.

Any equity remuneration related scheme is approved by the General Meeting.

Consideration is given to the use of provisions that permit the Bank to reclaim variable components of remuneration in exceptional circumstances of misstatement or misconduct.

E.1.2 The remuneration of the non-executive Directors is associated with the performance regarding the duties assigned to them and not the short-term results of the organization.

E.1.3 Under Greek Company Law, the appointment of a Director may be revoked at any time without notice by the General Meeting.

## E.2 Procedure

### Main Principle

The Remuneration policy is determined by the Board following a recommendation from the Remuneration Committee.

The remuneration policy is subject to independent internal auditing. Any audit findings are reported to the Remuneration Committee.

The Remuneration Committee consults the Chief Executive Officer about his proposals relating to the remuneration of other Executive Directors.

### Practices

E.2.1 The Board has delegated to the Remuneration Committee the responsibility to consider matters related to remuneration policy, benefits and long-term incentive schemes of the Bank's Directors and employees, including the executive and key management personnel.

The majority of the members of the Committee are non-executive directors<sup>2</sup>. A quorum shall be two members.

E.2.2 The Remuneration Committee is responsible to:

- propose the remuneration policy of the Group to the Board
- approve variable remuneration, share option and other long-term incentive plans, in line with the approved guidelines issued by the Board
- determine criteria and targets for any performance related remuneration schemes
- approve the implementation of the remuneration policy of the Group
- approve the individual remuneration packages of the key management personnel i.e. Executive Directors, Executive Committee members, Legal Counsel, Head of Internal Audit and Head of Compliance.
- propose to the Board the remuneration of its members (executive and non-executive) to be approved by the General Meeting.
- consider and recommend to the Board any payment or compensation commitment to be made to an executive director on termination of his/her office
- review, annually, the remuneration policy as per current laws and regulations and compare it against best practice and industry standards
- approve all exposures to directors and key management personnel and ensure no conflicts of interest arise.

---

<sup>2</sup> Information regarding current composition and short biographical details of Remuneration Committee's members may be found at the Bank's website ([www.eurobank.gr](http://www.eurobank.gr)).

## SECTION F: Relations with Shareholders

### F.1 Dialogue with Shareholders

#### Main Principle

Eurobank EFG is actively facilitating communication between Management and the shareholders.

#### Practice

F.1.1 Eurobank EFG is actively facilitating interactive communication between the Management and the shareholders, through the following mechanisms:

- The Board's proposals to the General Meeting are accompanied by detailed explanations available on the website to enable an informed and constructive discussion of the issues at the General Meeting.
- Through the Shareholder's Registry Sub-Division, all shareholders are able to address issues to Management either physically or by e-mail or by telephone and submit their proposals.
- Roadshows: Roadshows and meetings enable institutional investors to maintain contact with Management, through the Group's Investor Relations Department.
- Publications: Twice a year, the Shareholder's Registry Department and the Investor Relations Department issue a bulletin available in printed form and on the Group's website, which contains information about key issues concerning Eurobank EFG and its shareholders. The bulletin makes extensive reference to the means available to shareholders for sending their comments and recommendations to the appropriate Departments of the Group.
- Provide its shareholders with the following capabilities through its website:
  - Shareholder FAQ: the Shareholder's Registry Sub-Division gives uniform answers to frequently asked questions (FAQ) by the shareholders on the same subject.
  - Electronic updates and alerts: interested parties who complete the "Electronic Updates Form" can receive timely alerts about the information they are interested in, specifying the exact web page where this information will be posted.

### F.2 Constructive use of the General Meeting

#### Main Principle

The Board uses the General Meeting to communicate with shareholders and to encourage their participation.

#### Practices

F.2.1 The shareholders are called to express their opinions on the issues under review, during an open discussion.

Any shareholder may request the Board of Directors to provide the General Meeting with specific information regarding Eurobank EFG business, to the extent that this is useful for the actual assessment of the items on the agenda.

Shareholders representing 5% of the paid-up share capital may require the Board of Directors to include additional items on the General Meeting's agenda or publish alternative draft resolutions for items already included in the agenda.

Shareholders representing 20% of the paid-up share capital may require the Board of Directors to provide the General Meeting with information about the course of the Eurobank EFG affairs and financial situation.

F.2.2 At any General Meeting, Eurobank EFG proposes a separate resolution on each substantially separate issue, and especially, proposes a resolution at the Annual General Meeting relating to the annual financial statements. For each resolution, proxy forms provide shareholders with the option to direct their proxy to vote either for, against or to abstain.

F.2.3 Eurobank EFG ensures that all valid proxy appointments received for general meetings are properly recorded and counted. Voting is always by ballot. For each resolution Eurobank EFG ensures that the following information is made available, within 5 days after the General Meeting, on its website:

- the number of shares casting valid votes
- the percentage of share capital represented by these votes
- the total number of valid votes
- the number of votes for or against each resolution
- the number of shares in respect of which the vote was abstained

F.2.4 Board and Board Committees' members are available to answer questions at the Annual General Meeting.

F.2.5 The Board arranges for the Notice of the General Meeting and related papers to be available to shareholders at least 20 working days before the meeting.