



NATIONAL BANK  
OF GREECE

# NBG GROUP COMPLIANCE POLICY

**NBG GROUP  
COMPLIANCE AND CORPORATE GOVERNANCE DIVISIONS**

**June 2021**

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## Definitions

<b>NBG Group</b>	<ul style="list-style-type: none"> <li>○ National Bank of Greece SA and its Group Companies operating in Greece or abroad.</li> </ul>
<b>Unit</b>	<ul style="list-style-type: none"> <li>○ Self-contained administrative entity of NBG and/or a Group Company which reports to the Senior Management and is either: <ul style="list-style-type: none"> <li>- Administrative Unit (Central Service), or</li> <li>- Network Unit (Branch).</li> </ul> </li> </ul>
<b>Senior Management</b>	<ul style="list-style-type: none"> <li>○ The individuals filling the positions of Assistant General Manager and above that level, and/or the respective hierarchical positions of a Group company.</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>○ Members of the Board, Senior Management, employees of the Bank or of its Group companies, and in general any other person working for the Bank or NBG Group, whether under a labor contract or otherwise (e.g. Management Advisors, Special Associates, staff of partner companies of the Bank or of its Group Companies).</li> </ul>
<b>Compliance risk</b>	<ul style="list-style-type: none"> <li>○ The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities (together, “compliance laws, rules and standards”).</li> </ul>
<b>Internal Control System</b>	<ul style="list-style-type: none"> <li>○ A set of rules and controls governing the bank’s organizational and operational structure, including reporting processes, and functions for risk management, compliance and internal audit.</li> </ul>
<b>Governance and Compliance Function</b>	<ul style="list-style-type: none"> <li>○ The dedicated Bank Units falling under the supervision of the Group Chief Compliance and Corporate Governance Officer and which are responsible for compliance.</li> <li>○ The dedicated Bank Unit responsible for AML/CFT is an integral part of the Compliance function, however, for the purposes of this Policy and taking into account the particular Group AML/CFT Policy, unless stated otherwise, it is not included in the Governance and Compliance functions.</li> </ul>

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## Introduction

### **The concept of Compliance**

In view of increasing legal and regulatory intervention in the workings of the financial sector throughout the EU, and for enhancing sound practices in banking organisations supervisory authorities require financial institutions to have in place procedures for preventing and addressing risk deriving from failure to comply with the current operating and regulatory framework, namely “compliance risk”.

For the development and the review of the present Policy, the following have been taken into account, as well as further European and international instruments, guidelines and best practices:

- ▶ Law 4706/2020, “Corporate Governance of Sociétés Anonymes, modern capital market, transposition of Directive (EU) 2017/828 of the European Parliament and of the Council into Greek legislation, implementation measures of Regulation (EU) 2017/1131 and other provisions»
- ▶ Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
- ▶ European Banking Authority’s “Guidelines on internal governance under Directive 2013/36/EU” (EBA/GL/2017/11)
- ▶ “Corporate Governance principles for Banks”, Basel Committee (2015)
- ▶ Law 4261/2014, transposing into Greek legislation Directive (EU)2013/36 (CRD 4), as amended by Law 4799/2021, transposing into Greek legislation Directive (EU) 2019/878 (CRD 5)
- ▶ BoG Governor's Act No. 2577/2006, as in force
- ▶ “Compliance and the compliance function in banks”, Basel Committee (2005)

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## Purpose

### **The Group’s Compliance Policy should aim to:**

- ▶ set out the basic principles and standards for the compliance function and the management of compliance risks in NBG Group;

- ▶ define roles and responsibilities of the compliance function and the relationship with other internal control functions within the Group ;
- ▶ put in place adequate measures and procedures designed to ensure compliance risks are identified, and adequately mitigated taking into account the nature, scale and complexity of its business, and the nature and range of investment and banking services and activities undertaken in the course of that business;
- ▶ establish effective internal procedures and organizational structures in the Group to address and manage pro-actively risks associated with compliance of the Group with current legislation in the countries where it is active;
- ▶ detect any risks and address any type of fallout resulting from failure, on the part of NBG or its affiliated companies, to comply with the applicable or current legislative and regulatory framework and the codes of conduct to which the Group is subject in the countries where it operates;
- ▶ manage cases of conflict of interest, ensuring effective separation of duties between the members of the Board, Senior Management, and executives, as well as between them, the Bank and those engaging in transactions, while observing the Bank's corporate governance guidelines;
- ▶ ensure the good reputation and credibility of the NBG Group vis-à-vis its shareholders, customers, investors and regulatory and other authorities;
- ▶ prevent and avert any misconduct and irregularities that could put at risk the reputation and the interests of the Bank, its shareholders and customers;
- ▶ enhance a compliance culture within the staff of the NBG Group, as a model for corporate conduct and a measure for strengthening corporate identity.
- ▶ ensure compliance with ethical principles specific to banking activities and investment services undertaken by the NGB Group, as well as compliance with rules of good conduct and ethics principles the Group follows;
- ▶ ensure awareness-raising and training of all stakeholders in preventing non-compliance and reputational risks.

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## Scope – Governance of the Policy

The present Policy:

- ▶ applies to all members of the Board, Senior Management, employees of the Bank and its Group companies, and in general to any other person working for the Group, whether under a labour contract or otherwise (e.g. Management Advisors, Special Associates, staff of partner companies of the Bank or Group Companies).

- ▶ covers all activities of NBG and the Group in Greece or overseas, including operations of any Bank Unit, subsidiary or associated company, agent, counsel or third party acting for the account or in collaboration with the Bank and the Group.
- ▶ completes the internal compliance framework and principles of moral conduct and ethics of NBG and the Group, as set out in the current Policies of NBG and the Group (e.g. Code of Ethics, Policy for avoiding conflicts of interest for Board members, Senior Executives and other Related Parties of NBG, Anti-Bribery Policy, AML/CFT Compliance Policy), and under particular relevant terms of the Bank's Labour Regulation.
- ▶ The Boards of Group companies are responsible for adopting similar Policies, adjusted appropriately to the nature, scope and complexity of their activities, considering also the applicable regulatory framework of the country in which they operate.

The present Policy is approved and regularly reviewed by the Board of Directors, upon recommendation of the Compliance, Ethics & Culture Committee, following proposal by the Group Chief Compliance and Corporate Governance Officer.

The Governance and Compliance Function, shall:

- ▶ assist the Board of Directors and the Compliance, Ethics and Culture Committee in the development, consistent implementation and review of the Policy, whenever required;
- ▶ communicate the Policy to the Boards of Directors of the NBG Group companies and ensure the adoption of respective Policies by subsidiaries, taking into consideration the national provisions of the country in which they operate and the nature, size and organization of each subsidiary;
- ▶ provide guidelines on the Policy and its implementation to Compliance Units of Group companies and international branches;
- ▶ monitor the Group's compliance with the present Policy and the relevant processes, conducting relevant controls on at least an annual basis.
- ▶ submit annually to the Compliance, Ethics and Culture Committee a report on the implementation of the present Policy.

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## Principles of Compliance Culture

i. **Tone from the top:**

*“Compliance starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the Board of Directors and Senior Management lead by example”<sup>1</sup>.*

In this context, the Bank’s Board of Directors is responsible among others:

- ▶ to oversee the management of the Bank’s compliance risk;
- ▶ to oversee the implementation of a well-documented compliance policy, which should be communicated to all staff;
- ▶ to ensure that an effective system for implementing this policy is in place, comprising a fundamental component of Bank’s Internal Control System (ICS).
- ▶ to promote on an ongoing basis the compliance culture of the Bank;
- ▶ to monitor and assess on an ongoing basis the compliance risk of the Bank;
- ▶ to set and communicate the Bank’s core values and expectations, and the compliance culture to all staff, with the assistance of the Bank’s Senior Management. The behavior of its members should reflect the values being espoused.

**ii. Dedicated function**

The Bank has established a permanent and effective Compliance function to manage compliance risk and has appointed a person to be responsible for this function across the entire institution (the Group Chief Compliance and Corporate Governance Officer). The Compliance function, including the head of compliance, is independent of the business lines and internal units it controls and has sufficient authority, stature and resources. Staff within the compliance function possesses sufficient knowledge, skills and experience in relation to compliance and relevant procedures, and has access to regular training.

**iii. Compliance concerns everyone**

Compliance forms part of the culture of the Bank; it is not just the responsibility of the compliance staff. It concerns everyone within the Bank and should be viewed as an integral part of the Bank’s business activities. All staff acts in accordance with applicable laws and regulations and promptly escalates observed non-compliance issues. The Bank holds itself to high standards when carrying on business, and at all times strives to observe the spirit as well as the letter of the law. Failure to consider the impact of its actions on its shareholders, customers, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken.

The management of compliance risk and the implementation of the Compliance Policy, as approved by the Board, is a key responsibility **of all Group staff**.

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<sup>1</sup> The Basel Committee, Compliance and the Compliance Function in Banks (2005)



## Governance and Management of compliance risk

### A. The NBG Group's Compliance bodies

The operational structure and the competencies of the key bodies running the management of the **compliance risk** and the implementation of the Bank's **Compliance Policy** are as follows:

#### i. Board of Directors

The Bank's Board of Directors is responsible especially for the following:

- ▶ to oversee the management of the Bank's compliance risk;
- ▶ to ensure that a policy is in place to manage the bank's compliance risk and govern compliance of the Bank and the Group, and that an effective system for implementing this policy is in place, comprising a fundamental component of its System of Internal Controls (ICS);
- ▶ to approve and regularly review the Compliance Policy, and all the Bank's policies for identifying, assessing, monitoring and reporting and advising on compliance risk, and communicating to all staff;
- ▶ to evaluate/oversee the effective implementation of this policy, through the Annual Compliance reports submitted to the Board, including to ensure that compliance issues are resolved effectively and expeditiously by senior management with the assistance of the Governance and Compliance Function;
- ▶ to evaluate annually the degree of Compliance, as per the relevant reports of the NBG Group Governance and Compliance Function, and outline improvements to be made;
- ▶ to assess annually the extent to which the Bank is managing its compliance risk;
- ▶ to review and assess reports submitted by the NBG Group Governance and Compliance Function and/or the officers responsible for regulatory compliance,
- ▶ to ensure appropriate oversight and reporting to the Board and/or its Committees by the NBG Group Governance and Compliance Function on matters within its area of responsibility,
- ▶ to adopt a Code of Conduct, implemented by the Board and staff as a whole at the Bank, on the basis of generally accepted principles of conduct at work.
- ▶ to ensure the delivery of representative governance and risk frameworks that afford better alignment, improved data quality and new business models that enable sound market and customer outcomes.



ii. **Compliance, Ethics & Culture Committee of the Board of Directors**

The **Compliance, Ethics & Culture Committee** of the Board of Directors, as per case provided in its Charter, shall:

- ▶ ensure that an appropriate policy is in place to manage the Bank's compliance risk and oversee the implementation of the policy, including ensuring that compliance issues are resolved effectively and expeditiously by senior management, with the assistance of the competent Governance and Compliance Function Units,
- ▶ evaluate the adequacy and the effectiveness of the present Policy periodically and be responsible for submitting recommendations to the Bank's Board for its review, upon proposal of the Group Chief Compliance and Corporate Governance Officer, whenever required, depending on any changes in the legal and regulatory framework, and taking into consideration the Group's strategic plans;
- ▶ assist the Board in monitoring and reviewing periodically the effectiveness of compliance framework of the Bank and the Group;
- ▶ propose to the Board the appointment of the Group Chief Compliance and Corporate Governance Officer, evaluate his/her performance and submit to the BoD the relevant evaluation, and consult with the Remuneration Committee before the latter approves his/her compensation/remuneration;
- ▶ receive prompt reports of the Compliance Functions Units on any material compliance failures (e.g. failures that may attract a significant risk of legal or regulatory sanctions, material financial loss, or loss to reputation)perform any other task assigned to the Committees by the BoD within its responsibilities for overseeing the compliance risk.

The **Compliance, Ethics & Culture Committee** jointly with the **Audit Committee** of the Board of Directors:

- ▶ review the Annual Compliance & Corporate Governance Report including the Annual Compliance & Corporate Governance Plan for the Bank and the Group before submission to Bank of Greece and
- ▶ assess the annual AML/CFT Report submitted to BoG according to provisions of Banking and Credit Committee of the Bank of Greece Decision 281/5/17.3.2009 and the Bank of Greece Governor's Act 2577 9.03.2006, as in force including the annual AML/CFT Plan for the Bank and the Group companies.

The above reports are submitted to the Compliance, Ethics and Culture Committee as well as to the Audit Committee.

In any case the Committees perform their duties in accordance with their Charters, while in discharging their duties, the Committees may cooperate with other Committees of the Board.

### iii. Senior Management and Management

#### a. General Managers/Assistant General Managers

The responsibilities of the said officers include the following:

- ▶ Effective management of the bank's compliance risk within their spheres of responsibility
- ▶ Ongoing monitoring of the implementation of the Compliance Policy, within their spheres of responsibility
- ▶ Consolidation of business ethics and implementation of mechanisms and procedures that prioritize compliance and prevent and avert associated risks,
- ▶ Adoption, in cooperation with the NBG Group Governance and Compliance Function, of compliance and monitoring mechanisms and prevention of conflict of interest within their spheres of responsibility,
- ▶ Timely pinpointing of compliance risk, mainly on the basis of reports submitted to them by the competent units and/or officers.
- ▶ with the assistance of the Governance and Compliance function Identification and assessment, at least annually, of the main compliance risk issues facing the units that they supervise and the plans to manage them.

#### b. *The heads of the Divisions of the Bank's central administration, branch managers, and senior officers at the Group's companies are responsible for implementing Compliance Policy within their spheres of responsibility, and shall endeavour to:*

- ▶ Update officers and staff working under them with regard to the need for strict implementation of the Compliance Policy;
- ▶ Coordinate efforts and take measures, within the scope of their responsibilities, to ensure compliance and avoid associated risks;
- ▶ Maintain sufficient resources, human and material, to monitor compliance issues and to maintain daily communication and collaboration with the NBG Group Governance and Compliance Function;
- ▶ Ensure effective implementation of the internal control mechanisms and deterrence of conflict of interest within their spheres of responsibility;
- ▶ Provide information to the NBG Group Governance and Compliance Function on the level of effective implementation of the Compliance Policy within their spheres of responsibility;
- ▶ Report to the NBG Group Governance and Compliance Function regarding any irregularities or breaches of law, as well as the legal and financial penalties or sanctions imposed by the regulatory authorities, and regarding the conduct of controls and investigations by the regulatory or other authorities.

**c. The Group Chief Compliance and Corporate Governance Officer is responsible first and foremost for the following:**

- ▶ to coordinate the identification and management of the Bank's compliance risk;
- ▶ to supervise the activities of the compliance function staff across the entire institution;
- ▶ to supervise the effective implementation of the Compliance Policy in the Bank and the Group;
- ▶ to coordinate compliance -related actions across the Bank's units and the companies of the Group;
- ▶ to appoint Compliance officers in the Group's subsidiaries in Greece and abroad;
- ▶ to inform the Board of Directors on the measures and results of implementation of the Compliance Policy in the Bank and the Group.
- ▶ to recommend to the BoD the appointment of the MLRO and Deputy MLRO, approve the appointment of MLROs of the Group entities and approve the appointment of AML Liaisons, when necessary. The Heads of Compliance of the Group Entities report functionally to the GCCGO and each of the Group Entities shall incorporate the Group Governance Policy for the supervision of the Compliance Function into their internal governance framework."

The appointment or replacement of the Group Chief Compliance and Corporate Governance Officer needs the prior approval of the BoD and should be notified to the Bank of Greece and any other competent authority, along with the reasons for his/ her replacement.

The Group Chief Compliance and Corporate Governance Officer has adequate authority and independence, and his remuneration is not linked to the performance of the activities the compliance function monitors and controls, and not otherwise likely to compromise his objectivity.

Besides the regular reporting lines, he has access and reports directly to the BoD and its Committees to raise concerns and warn the Board, where appropriate, when specific developments affect or may affect the Bank and the Group. The Bank's Board of Directors places particular importance on promoting and maintaining an effective and sound governance and compliance framework, and within this context compliance and governance expertise in the Boardroom is desirable, while ideally the Executive overseeing Compliance and Governance is an executive Board member.

Moreover, he is directly accountable to the BoD and his performance is reviewed by the BoD with the co-operation of the Compliance, Ethics and Culture Committee.

***d. The NBG Group Governance and Compliance Function and its role in implementing the Compliance Policy in the NBG Group.***

NBG constantly aiming at ensuring ongoing compliance of its Group companies in Greece and abroad, has since 2006 set up an independent Group Compliance Division. With a view to further enhancement of the Compliance and Corporate Governance framework of NBG Group, at present, the NBG Group Governance and Compliance Function consists of the following Divisions: Group Corporate Governance Division, Group Business Regulatory Compliance & Client Conduct Division, Group Financial Crime Compliance Division and Group Corporate Social Responsibility & Sustainability Division.

The NBG Group Governance and Compliance Function is an independent administrative function and has expanded responsibilities and full authorisation in performing their duties, as well as access to all the documentation and archives of the Bank.

It reports to the Group Chief Compliance and Corporate Governance Officer who reports to the Board of Directors through the Compliance, Ethics & Culture Committee and the Corporate Governance and Nominations Committee in the case of corporate governance issues, and administratively to the CEO.

The compliance function is provided with sufficient and appropriate resources to carry out its responsibilities effectively and to ensure that compliance risk within the bank is managed effectively.

Compliance function staff has the necessary qualifications, skills, experience and professional and personal qualities to enable them to carry out their specific duties. Regular and systematic education and training is provided to the staff in order to maintain and develop their professional skills especially with respect to keeping up-to-date with developments in compliance laws, rules and standards.

Staff's remuneration is not related to the financial performance of the business line for which they exercise compliance responsibilities.

Bank employees and officers serving in the Group Governance and Compliance Function provide their services only to this Function in order to avoid conflict of interest.

The NBG Group Governance and Compliance Function is subject to audits performed by the Internal Audit Division, and external and regulatory audits performed in accordance with the applicable legal and regulatory framework.

The NBG Group Governance and Compliance Function cooperates with the Risk Management Function and exchange information as appropriate to perform their respective tasks. The findings of the compliance function should be taken into account by the Risk Management Function and the management body in decision making processes.

In order to implement effectively Compliance Policy, the NBG Group Governance and Compliance Function shall be fully aware of the Organisation Chart of the Bank and its Group, and of the modus operandi of their various other units.

The priority of the NBG Group Governance and Compliance Function is to ensure timely prevention and deterrence of risk related to possible contravention of legal rulings, and thereby to safeguard the reputation and credibility of the Bank and its Group vis-à-vis its shareholders, customers, investors and regulatory and other authorities.

The NBG Group Governance and Compliance Function monitors and controls governance and compliance issues and reports on the legislative and regulatory compliance of NBG Group in the countries in which it is active. The Function's primary role is to ensure NBG Group has in place robust and effective corporate governance and compliance arrangements, with a view to promoting long term sustainability and creation of value for the benefit of shareholders and the protection of the interests of all stakeholders, and to promote continuation and further enhancement of the Group's historical contribution to the Economy and Society.

## **B. Management of Compliance risk**

### ***i. Identification and assessment of compliance risk***

Compliance risk exists as an inherent part of doing business. Hence, compliance risk management in the Group is considered to be of key importance. The identification of compliance risks, their assessment and appropriate risk management shall be elements to consider in any process and form the basis for a risk based approach, when establishing appropriate and applicable countermeasures to mitigate the risk.

Group Compliance must oversee the development and periodic review of the product governance arrangements on financial instruments with regard to MiFID II. In this regard, information about products that are manufactured and distributed by the Group, including their distribution strategies, shall be systematically and at least annually, included in the compliance reports to the management body and made available to National Competent Authorities on request.

Compliance with the data protection regulation is supported by and follows the provisions of this Compliance Policy. In the role as DPO, Group Compliance must oversee compliance with the General Data Protection Regulation (GDPR) and applicable national data protection laws.

Compliance risk classification shall be made taking into account the following criteria and /or combination thereof:

- ▶ Impact on the Bank's customer base
- ▶ Amount of fines provided for non-compliance
- ▶ Number of Bank Units affected
- ▶ Number of Customers affected

- ▶ Complexity of implementation
- ▶ Time limits to implement and harmonize
- ▶ Historical related complaints and /or fines imposed to the Bank

The Bank ensures that their subsidiaries and branches take steps to guarantee that their operations are compliant with local laws and regulations. If local laws and regulations hamper the application of stricter procedures and compliance systems implemented by the group, especially if they prevent the disclosure and exchange of necessary information between entities within the group, subsidiaries and branches should inform the Group Compliance function.

**ii. Measures to prevent and address compliance risk from the operations of NBG at a Group level**

NBG and its Group companies provide banking and other financial services in Greece and abroad. Considering the variety of Group activities and Group structure, NBG has in place “a system for ongoing monitoring and reporting” of activities of the Bank and its Group companies in Greece and abroad. Specifically, local officers must be appointed as “Compliance Officers” charged with the task of monitoring, jointly with local legal advisors where necessary, developments vis-à-vis legislation and regulatory rules that may affect the operations of the Bank’s unit in that country and which, if failure to comply with such rules occurs, could have an adverse impact on the Bank’s finances or even damage the reputation of the NBG Group in general.

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## NBG Group Governance and Compliance Function mission and key areas of responsibilities

**A. Mission**

The mission of the NBG Group Governance and Compliance Function first and foremost includes the following:

- ▶ Safeguarding the Group’s reputation, integrity and credibility towards shareholders and stakeholders (customers, personnel, investors, suppliers, authorities, creditors, communities etc),
- ▶ Maintaining a high level corporate governance framework at the Bank and the Group, preserving and facilitating governing bodies’ effective functioning and continuous development,
- ▶ Offering continuous support to the governing bodies, promoting prudent decision-making and preserving compliance in business decisions,
- ▶ Keeping informed and advising the board and senior management on the Bank’s compliance and measures to be taken to ensure compliance with applicable laws, rules,

regulations and standards, and assessing the possible impact of any changes in the legal or regulatory environment on the institution's activities and compliance framework.

- ▶ Providing guidance to staff on the appropriate implementation of applicable laws, rules and standards in the form of policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines.
- ▶ Implementing effective compliance in conjunction with the Group's strategic goals and business development, acting as a permanent partner and facilitator of the business,
- ▶ Adjusting in a timely and efficient manner to new laws and regulations in order to prevent and avoid regulatory risks and to explore business opportunities within the evolving regulatory environment,
- ▶ Enabling business innovation, technological development, facilitating the Bank's business processes, and reinforcing customer experience,
- ▶ Maintaining day to day business continuity and offering business solutions and ongoing support for continuous compliance,
- ▶ Ensuring there is a permanent effective compliance control environment (monitoring) in place at the Bank and the Group,
- ▶ Promoting ethical behaviour and a corporate culture of appropriate conduct and responsible business.
- ▶ Enhancing governance and strengthening operational resilience.
- ▶ Providing assistance to the management for adopting appropriate actions against internal or external fraudulent behaviour and breaches of discipline (e.g. breaches of internal procedures, breaches of limits).
- ▶ Conducting investigations of possible breaches of the compliance policy and to request assistance from specialists within the bank (e.g. legal or internal audit) or engage outside specialists to perform this task if appropriate. in all departments of the bank in which compliance risk exists
- ▶ Ensuring that compliance monitoring is carried out through a structured and well-defined compliance monitoring programme and that the compliance policy is observed.
- ▶ Monitoring and testing compliance by performing sufficient and representative compliance testing. The results of the compliance testing should be reported up through the compliance function reporting line in accordance with the bank's internal risk management procedures.
- ▶ Monitoring on a permanent basis and assessing, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place in to detect any risk of failure by the Bank to comply with its obligations under Law 4514/2018

implementing Directive 2014/65/EU (MiFID II), and the actions taken to address any deficiencies in the Bank's compliance with its obligations;

## **B. Areas of responsibility**

The **areas of responsibility** of the NBG Group Governance and Compliance Function include the following:

- ▶ providing assistance to senior management in managing effectively the compliance risks faced by the bank and co-operation with business units in order to identify and manage compliance risks at an early stage;
- ▶ identifying, documenting and assessing on a pro-active basis, the compliance risks associated with the bank's business activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships, or material changes in the nature of such relationships;
- ▶ developing ways to measure compliance risk (e.g. by using performance indicators) and use such measurements to enhance compliance risk assessment. Technology can be used as a tool in developing performance indicators by aggregating or filtering data that may be indicative of potential compliance problems (e.g. an increasing number of customer complaints, irregular trading or payments activity, etc);
- ▶ monitoring and regularly assessing legislative and regulatory developments as well as the practices of regulatory and other authorities applicable to its activities in Greece and the countries where the Group is active;
- ▶ drawing up an annual action programme with specific targets, and other procedures required to carry out its mission, and implementing the Compliance Policy and the Compliance programme. The responsibilities of the compliance function should be carried out under a compliance programme that sets out its planned activities, such as the implementation and review of specific policies and procedures, compliance risk assessment, compliance testing, and educating staff on compliance matters. The compliance programme should be risk-based and subject to oversight by the head of compliance to ensure appropriate coverage across businesses and co-ordination among risk management functions;
- ▶ informing the competent Group Divisions of Regulatory Compliance issues;
- ▶ establishing and implementing the appropriate procedures for ensuring timely and continuous compliance of the Bank with the current regulatory framework and internal Regulations so as to maintain an ongoing picture of the degree to which this objective is achieved;
- ▶ providing, in the event of amendments to the current regulatory framework, guidelines for corresponding adjustment of internal regulatory procedures applied by the Bank's administrative units as well as its branches and subsidiaries in Greece and abroad;



- ▶ anticipating likely sources of risk related to compliance , and notifying the Board of Directors and Management of possible breaches of legislation or of organizational or administrative lapses;
- ▶ reporting to the Board, at least on an annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and on the complaints-handling reporting as well as remedies undertaken or to be undertaken;
- ▶ participating in associations and committees/working groups that participate in the formulation of new regulations and review Bank issues or policies for which preventive compliance controls are required;
- ▶ organizing training and information programmes for the officers of the Bank and its Group;
- ▶ continuous updating and training the Bank's staff about compliance issues, so as to make it possible to recognize the risks associated with the compliance of the Bank, which mainly concern the services and products it provides, and its operations more generally;
- ▶ establishing written guidance to staff on the appropriate implementation of compliance laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines, and act as a contact point within the bank for compliance queries from staff members;
- ▶ monitoring and coordinating those responsible for compliance at Group companies, including branches abroad;
- ▶ cooperating with competent Bank Units in order to ensure that new products and services as well as new procedures and the taking of key business decisions (such as mergers and acquisitions) comply with the current legal and regulatory framework and, where appropriate, with any known forthcoming changes to legislation, regulations and supervisory requirements;
- ▶ establishing of a risk-based monitoring program. When it comes to investment services, activities and any related ancillary services, the said program takes into account all areas of, including relevant information gathered in connection with the follow-up of complaint handling. The monitoring program establishes priorities defined by the compliance risk assessment that ensures that the compliance risk is fully monitored;
- ▶ monitoring the operations of the complaints-handling process with regard to investment services, activities and any related ancillary services and consider complaints as a source of relevant information in the context of its general monitoring responsibilities;

- ▶ statistical processing and internal examination of the penalties and sanctions imposed on the Bank by regulatory authorities or other independent administrative bodies, and of anonymous reports submitted by employees and officers of the Bank, and customer complaints;
- ▶ performing sample controls with a view to preventing violations of the legal framework;
- ▶ communicating and formal representation at regulatory and other authorities on issues concerning compliance;
- ▶ collaborating with Internal Audit – Inspection Division and with other units, as well as with the relevant Board committees;
- ▶ submitting proposals to the Board and control for prevention of situations that may give rise to conflict of interest;
- ▶ ensuring that the Bank complies with legislation designed to prevent money laundering and financing of terrorism;
- ▶ controlling conditions and requirements for outsourcing activities and operations of the Bank in line with the conditions set by regulatory authorities, including advisory participation of the NBG Group Governance and Compliance Function in the approval or notification process to the Bank of Greece vis-à-vis outsourcing;
- ▶ generally, observing the deadlines vis-à-vis the framework for compliance and the implementation of reporting requirements in accordance with the regulatory framework, as applicable;
- ▶ assisting the Board of Directors and the Compliance, Ethics & Culture Committee in the development, consistent implementation and review of the Policy, whenever required;
- ▶ communicating the Policy to the Boards of Directors of the NBG Group companies and ensure the adoption of respective by subsidiaries, taking into consideration the national provisions of the country in which they operate and the nature, size and organization of each subsidiary;
- ▶ providing guidelines on the Policy and its implementation to Compliance Units of Group companies and international branches; the aim is to ensure that subsidiaries and branches take the appropriate steps to ensure that their operations are compliant with local laws and regulations. If local laws and regulations hamper the application of stricter procedures and compliance systems implemented by the group, especially if they prevent the disclosure and exchange of necessary information between entities within the group, subsidiaries and branches should inform the compliance officer or the head of compliance of the consolidating institution;
- ▶ monitoring the Group's compliance with the present Policy and assess the appropriateness of the bank's compliance procedures and guidelines; promptly follow

up any identified deficiencies, and, where necessary, conduct relevant controls and formulate proposals for amendments;

- ▶ liaising with relevant external bodies, including regulators, standard setters and external experts for compliance issues.

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## Reporting

The Group Compliance and Corporate Governance function, adhering to the Bank's legal and regulatory requirements, submits, among others, the following reports:

- (i) At least once a year, a report should be submitted to the Board of Directors or a Committee of the Board on the bank's management of its compliance risk, in such a manner as to assist board members to make an informed judgment on whether the bank is managing its compliance risk effectively. In this context, the following regular reports are submitted:
  - ▶ By 30 June each year, the NBG Group Governance and Compliance Function files with the Board and the Bank of Greece an annual report on the issues for which it is responsible, including an annual report on its activities throughout the year, its achievements vis-à-vis targets, and proposals for improving the quality of the Bank's Regulatory Compliance Policy, and an action plan for the year ahead, containing specific targets and setting out the actions and procedures by which such targets may be achieved.
  - ▶ By 31 March each year, NBG Group Governance and Compliance Function files with the Board and the Bank of Greece a respective annual report on AML/CFT compliance activity. Further, throughout the year the Group Governance and Compliance Function submits regular reports to the Compliance, Ethics & Culture Committee, the Audit Committee and the Corporate Governance and Nominations Committee of the Board, and to any other Board Committee as deemed appropriate, on all important developments and key issues concerning compliance and corporate governance issues.
- (ii) The Group Chief Compliance and Corporate Governance Officer reports on a regular basis to the Board on compliance matters. The reports refer to the compliance risk assessment that has taken place during the reporting period, including any changes in the compliance risk profile based on relevant measurements such as performance indicators, summarize any identified breaches and/or deficiencies and the corrective measures recommended to address them, and report on corrective measures already taken. The reporting format should be commensurate with the bank's compliance risk profile and activities.

- (iii) Also any material compliance failures (e.g. failures that may attract a significant risk of legal or regulatory sanctions, material financial loss, or loss on reputation) should be reported promptly to the Board of Directors or a committee of the board. The Governance and Compliance function reports to the Board on any irregularities or possible breaches disclosed by its investigations, without fear of retaliation or disfavour from management or other staff members.

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## Levels of defense

### **“Defence levels” for the effective prevention and management of Regulatory Compliance risks**

Control, prevention and management of Compliance risk is segregated as follows among the three lines of defence within the organisation:

**First level of defence:** This includes those Divisions of the Bank that develop the Bank’s relations with customers-consumers, and the respective Divisions supporting their activity, e.g. Retail Banking, Private Banking, Corporate & Investment Banking etc.

**Second level of defence:** This includes the Governance and Compliance Function (including the AML/CFT unit), the Risk Management Function, and the Internal Control Function.

An independent compliance function is a key component of the bank’s second line of defence. In particular, as provided in the current legislation, the Compliance function, together with the Internal Audit and Risk Management functions, are the units that are responsible for the establishment of the Internal Control System, particularly all the control mechanisms and procedures that cover continuously every activity of the Bank and contribute to its efficient and safe operation.

These control mechanisms aim, inter alia, to identify and address all risks arising in the context of the conduct of the Bank’s activities.

**Third and last level of defence:** This comprises the role of the Internal Audit Divisions, which are responsible for regularly controlling the entire System of Internal Control as per Bank of Greece Governor’s Act 2577/9.03.2006 and relevant legal and regulatory framework. In this context, the efficiency of the NBG Group Governance and Compliance Function can be assessed, as well as the overall implementation of the regulatory framework by all of the Group’s units, granted that: ***“Constant compliance with the current legal rules and the prevention and avoidance of risks related to Compliance is an obligation of all departments, bodies and employees of all grades of the Bank and its Group.”***