



**ALPHA BANK**

## **Risk Management Committee**

### **Charter**

**SEPTEMBER 2021**

## **Charter of the Risk Management Committee**

### **1. Preamble**

- 1.1. The present Charter is a document of Alpha Bank S.A. (the “Bank”) that sets the principles and the framework for the proper operation of the Risk Management Committee (the “Committee”).
- 1.2. The Committee has been established and operates in accordance with all applicable laws and regulations.

### **2. Scope**

The Committee assists the Board of Directors in achieving the following objectives:

- 2.1. Promoting a sound risk culture at all levels throughout the Bank and the Subsidiaries (the “Group”), fostering risk awareness and encouraging open communication and challenge across the Organization.
- 2.2. Ensuring that the risk and capital management strategies correspond to the business objectives of the Bank and the Group.
- 2.3. Ensuring that the Bank and the Group adopt a well-defined risk appetite statement and framework, which are embedded across the Organization (including the NPE/NPL Management Unit) and cascade into limits per country, sector and business unit. The Committee ensures that the risk appetite framework is fully aligned with the Bank’s and the Group’s strategy, budget process, capital and liquidity planning and remuneration framework and that the Bank adequately embeds ESG risks in the overall risk appetite statement and framework, business strategy and risk management framework.
- 2.4. Monitoring the achievement of objectives in risk management, especially in the areas of NPEs and capital ratio.
- 2.5. Ensuring the adequacy and effectiveness of the risk management policies and procedures of the Bank and the Group.
- 2.6. Overseeing the implementation of effective mitigating and corrective measures, in cooperation with the Audit Committee, as appropriate.
- 2.7. Ensuring that there is an adequate level of communication on risk management issues among the Internal Auditor, the External Auditors, the Supervisory Authorities, the Audit Committee and the Board of Directors.

### **3. Composition**

- 3.1. The Committee consists of no fewer than three Members and no more than 40% of the total number of the Members of the Board of Directors of the Bank (rounded to the nearest whole number), excluding the representative of the Hellenic Financial Stability Fund (the “HFSF”). The exact number of the Members of the Committee is determined by the Board of Directors or the General Meeting of Shareholders. All Committee Members are Non-Executive Members of the Board of Directors, the majority of whom are Independent (excluding the HFSF representative). The representative of the HFSF is a Member of the Committee. The Committee generally includes one Member of the Audit Committee to ensure proper sharing of information in common areas of interest.
- 3.2. The Chair of the Committee (the “Chair”) is an Independent Non-Executive Member of the Board of Directors with significant experience in the banking sector. The Chair of the Committee cannot simultaneously act as Chair of the Board of Directors or of any other Board Committee.
- 3.3. All the Members of the Committee should have prior experience in the financial services sector and, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices. At least one Member (the NPL Expert) should have solid risk and capital management experience as well as familiarity with the local and the international regulatory framework. One Member should be in charge of overseeing ESG issues.

### **4. Tenure**

- 4.1. The Chair and the Members of the Committee are appointed for a period of four years, by a resolution of the Board of Directors, on the recommendation of the Corporate Governance, Sustainability and Nominations Committee. They may be appointed for up to eight years from the date of their first appointment. To the extent possible, changes to the Committee’s composition shall occur in a staggered manner.

### **5. Functioning**

- 5.1. The Committee convenes at least once a month and may invite any Member of the Management or Executive to attend its meetings. The Chief Risk Officer (CRO) is a regular attendee of the Committee meetings and has unhindered access to the Chair and the Members. The CRO, while administratively reporting to the Chief Executive Officer (CEO), shall report functionally to the Board of Directors through the Committee.
- 5.2. The Chair shall convene a meeting of the Committee, if any Member deems that such a meeting is necessary. The representative of the HFSF may convene an extraordinary meeting if the Chair has not convened such a

meeting within seven days from the submission of the relevant request by the HFSF representative. In this case, the meeting is convened within five days from the expiration of the seven-day period.

- 5.3. The Chair, with the support of the Secretary, sets the agenda of each Committee meeting. The agenda and the accompanying materials are sent to the Members of the Committee at least five business days prior to the scheduled date of the meeting. At the discretion of the Committee Chair, accompanying materials relating to specific agenda items may exceptionally be submitted less than five business days prior to the meeting. The representative of the HFSF may request the addition of specific items to the agenda.
- 5.4. The Chair shall ensure that minutes of Committee meeting proceedings (the “Minutes”) are appropriately kept by the Secretary. The Committee shall approve the Minutes of each meeting in the subsequent meeting and then the Chair and the Members shall sign them.
- 5.5. Any Member of the Committee may request that his/her opinion should be recorded in the Minutes.
- 5.6. The Committee may request and receive all information within the Bank that the former deems important for the proper discharge of its responsibilities. Where necessary, the Committee ensures the proper involvement of the internal control functions and other relevant functions of the Bank (e.g. human resources, legal, finance) within their respective areas of expertise.
- 5.7. The Chair regularly informs the Board of Directors of the work of the Committee. The Chair also submits to the Board of Directors a formal annual report on the work of the Committee conducted during the previous year, parts of which are included in the Bank’s annual Corporate Governance Statement.
- 5.8. The Committee collaborates with the Audit Committee as necessary on the effective oversight of certain key areas of risk, including ESG risks, and capital management and their repercussions on the Internal Control System. The Committee also convenes jointly with the Audit Committee to discuss and review issues relevant to the remediation plans from regulatory/supervisory assessments and certain operational risk or other issues of importance and common interest.
- 5.9. The Committee may appoint reputable independent experts and consultants to support it in the exercise of its duties.

## **6. Decision-making procedure**

- 6.1. The Committee shall be deemed in quorum when at least three Members are present, whether physically or by videoconference.

- 6.2. In the absence of the Chair, the Committee is chaired by the Independent Non-Executive Member with the longest tenure on the Board of Directors among those present.
- 6.3. Decisions shall be passed by majority vote with the Chair (or his/her replacement) having the casting vote. In case there is no unanimous decision, the views of the minority shall be recorded in the Minutes. Non-unanimous decisions shall be reported as such to the Board of Directors.
- 6.4. Decisions may be approved through the circulation of documents to all Members and the approval of the Minutes documenting such decisions.

## **7. Responsibilities**

The Committee has the following responsibilities:

### *Risk Appetite and Strategy*

- 7.1. Reviews regularly and recommends to the Board of Directors for approval the risk and capital management strategy, ensuring alignment with the business objectives of the Bank and the Group. In this context, the Committee considers the adequacy of the technical (e.g. modelling tools, IT systems, etc.) and human resources available to implement the risk and capital strategy and ensures the communication of key aspects of the risk strategy throughout the Group.
- 7.2. Reviews and recommends annually to the Board of Directors for approval the Group's risk appetite framework and statement, considering also ESG risks, i.e. the risks of any negative financial impact to the Bank stemming from the current or prospective impacts of ESG factors on its counterparties, such as climate-related risks, and ensuring alignment with the Group's strategic objectives and capital allocation. In this context, the Committee sets the Bank's risk capacity, portfolio limits and tolerance in all key areas of the Bank's activity. The risk appetite framework should be clearly communicated throughout the Group and articulated/monitored via a set of metrics.
- 7.3. Receives regular reports from the CRO and the Chief Financial Officer (CFO) on the implementation of the risk strategy and risk appetite of the Bank and the Group.
- 7.4. Makes recommendations to the Board of Directors on corrective actions in case of deviations from the risk appetite.
- 7.5. Reviews a number of possible scenarios, including stress scenarios, to assess how the Bank's risk profile would react to external and internal events.

- 7.6. Oversees the alignment between all material financial products and services offered to Customers and the business model and risk strategy of the Bank. The Risk Management Committee should assess the risks associated with the financial products and services offered and take into account the alignment between the prices assigned to and the profits gained from those products and services. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the Risk Management Committee shall present a remedy plan to the Board of Directors.

#### Risk Policies

- 7.7. Determines the principles which govern risk management across the Bank and the Group in terms of the identification, measurement, monitoring, control and mitigation of risks.
- 7.8. Recommends to the Board of Directors for approval Bank-wide and Group-wide high-level policies on the management of credit, market, liquidity, operational and other risks, including but not limited to the provisioning and the write-off policies. It also reviews policies potentially affected by ESG risks, including the (credit) policies for each sector and product.
- 7.9. Periodically reviews reports on the implementation of risk policies and proposes to the Board of Directors amendments, modifications and corrective measures as necessary. In particular, the Committee, in coordination with the Audit Committee, takes into account relevant reports prepared by the Internal Audit Division and the External Auditors regarding:
- The observance and the effectiveness of risk management policies and procedures, including credit procedures and the provisioning policy;
  - The observance and the adequacy of policies and procedures in relation to the evaluation of the internal capital adequacy of the Bank;
  - The observance and the completeness of policies and procedures regarding the methodology for pricing loans, the impairment of assets and any possible alterations thereof during the fiscal year.
- 7.10. Reviews on an annual basis or whenever it deems necessary, a report from the CRO on the adequacy and the overall effectiveness of the risk policy framework of the Bank and the Group.

#### Risk Management Framework

- 7.11. Oversees the adequacy of the internal risk management system and its integration with operational decision-making processes across the Bank and the Group.
- 7.12. Monitors the on-going effectiveness, governance and independence of the risk management function in the Bank and across the Group and ensures that it is

adequately resourced. The risk management function shall be administratively independent of the business lines and units whose risks it controls and shall report to the Board of Directors through the Committee.

- 7.13. Monitors the incorporation of ESG risks, and in particular the specifics of ESG transmission channels into prudential risks categories, in this line of functions that are independent from the business lines and units, in order to ensure that the long-term impact of ESG risks is accounted for in the decision-making process and to overall minimize the Bank's exposure to ESG risks.
- 7.14. In consultation with the Chief Executive Officer (CEO), recommends to the Board of Directors for approval the appointment or removal of the CRO.
- 7.15. Consults with the Remuneration Committee on the remuneration of the CRO.
- 7.16. Is responsible for reviewing and approving the CEO's evaluation of the CRO, discusses the performance and the objectives as well as reviews, amends, if required, and approves the CRO Scorecard and goals, in accordance with the provisions of the Bank's "Policy for the Evaluation of Senior Executives and Key Function Holders".
- 7.17. Reviews and endorses the CRO's successor list and submits it to the Corporate Governance, Sustainability and Nominations Committee for approval, in accordance with the provisions of the Bank's "Policy for the Succession Planning of Senior Executives and Key Function Holders".
- 7.18. Reviews the CRO's assessment of the suitability of the Heads of the respective Risk Management Units of the Group Banks.
- 7.19. Is appropriately informed by the CRO on the appointment or removal of the Heads of Risk Management Units of the Group Banks.
- 7.20. Evaluates on an annual basis or more frequently, if necessary, the appropriateness of risk identification and measurement systems, methodologies and models, including the capacity of the Bank's IT infrastructure to record, report, aggregate and process risk-related information.
- 7.21. Evaluates the effectiveness of early warning systems regarding the potential ability of borrowers to meet their obligations and ensures that the Bank develops and maintains an appropriate range of solutions for the mitigation of delinquencies and the preservation of the value of its assets.
- 7.22. Approves the nature, structure, format and frequency of risk reports to be submitted by the CRO to the Committee and ensures regular and high-quality reporting by the CRO to the Board of Directors.

- 7.23. Provides the Board of Directors with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the risk management function.

#### Risk Profile

- 7.24. In each meeting, discusses a report by the CRO on the Bank's and the Group's risk profile and performance against the risk appetite statement for the period and the Key Risk Indicators set therein.
- 7.25. Receives periodic reports from the NPL Units and the Management on the Bank's progress against agreed Key Risk Indicators for NPLs/NPEs. In this context, the Committee assists the Board of Directors in ensuring that there are appropriate oversight mechanisms and controls in place for the monitoring and the effective management of troubled assets.
- 7.26. Ensures that the Board of Directors is appropriately informed of the most significant risks facing the Bank and the Group.

#### Capital and Liquidity

- 7.27. Reviews regularly, at least annually, the Group's Internal Capital Adequacy Assessment Process (ICAAP)/Internal Liquidity Adequacy Assessment Process (ILAAP) and related target ratios and recommends their approval to the Board of Directors.
- 7.28. Reviews the availability of resources for the conduct of firm-wide stress tests at least annually, approves the Bank's firm-wide stress test scenarios and considers the results of stress tests.
- 7.29. Assesses the overall effectiveness of capital planning, allocation processes and systems and the allocation of capital requirements to risk types.

#### Other

- 7.30. Advises the Remuneration Committee on the alignment of remuneration with risk appetite. The Committee, without prejudice to the tasks of the Remuneration Committee, examines whether the incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
- 7.31. Consults with the Remuneration Committee on the remuneration of the CRO, prior to the Remuneration Committee submitting its proposal to the Board of Directors.

- 7.32. Keeps itself informed of recent regulatory developments, emerging supervisory expectations, the results of supervisory requests and the Supervisory Review and Evaluation Process (SREP) conclusions.
- 7.33. Ensures the availability of resources, within and outside the Bank, required to support the work of the Committee.
- 7.34. Provides advice on the appointment of external consultants on risk management issues, whom the Board of Directors may decide to engage for advice or support.
- 7.35. Reviews the Group' Risk Management Committees Annual and Semi-Annual Activity Reports regarding the fulfillment of their responsibilities.

## **8. Review of the Charter**

The present Charter is reviewed annually by the Committee, which may propose relevant amendments to the Board of Directors for approval.