

Terms of Reference Audit & Risk Committee

Appointment and membership

The Audit and Risk Committee (the “Committee”) is appointed by the Board of Directors (“BOD”) of CNP Zois S.M.S.A. (the “Company”) following a recommendation of the CNP Cyprus Insurance Holdings Ltd (“CNP CIH”) Remuneration and Nominations Committee, to carry out any activity within its terms of reference, for a term of 3 years.

The Committee shall comprise of at least three members, the majority of which must be independent non-executive directors.

Audit & Risk Committee		
Chairperson	Independent Non -Executive	Stelios Stephanou
Member	Non-Executive	Thierry Desvignes
Member	Non-Executive	Celine Byl
Member	Independent Non-Executive	Howard Prince – Wright
Member	Independent Non-Executive	Gabriel S. Ambizas
Secretary		Dina Panayiotides

Members of the Audit & Risk Committee should not hold any other posts or positions or conduct transactions which could be in conflict with the objective of the Committee.

The Chairperson of the Committee shall be voted by the members of the Audit & Risk Committee and must be an independent non-executive director of the Company.

The Chairperson of the Committee should possess the necessary knowledge and expertise for the supervision of auditing procedures, internal control processes, accounting matters and risk management matters which are of concern to the Committee. The Committee as a whole should possess appropriate knowledge and expertise of the broader business environment in which the Company operates.

In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

Only members of the Committee have the right to attend committee meetings. If considered advisable, the Chairperson of the Committee may invite upon his discretion, to a Committee meeting, the CEO, the General Manager and other Executives including the Chief Risk Officer and the Appointed Actuary, the External Auditors, the Head of Internal Audit, the Compliance Officer, depending on the issue to be examined / discussed. These individuals may be in attendance but are not considered as members of the Committee, and therefore cannot make a decision.

The members of the Audit & Risk Committee must comply with the Fit & Proper requirements.

Secretary

The Secretary of the Committee shall be appointed by the Company's BoD and has no voting right during the Committee's meetings.

Quorum

Decisions made by the Committee are based on a majority voting of its members and of the members present at the meeting (whether physically or by videoconference or by conference call or by email).

A quorum shall be formed when at least three members are present, one of whom should be the Committee Chairperson unless he is unable to attend due to exceptional circumstances.

An independent non-executive member with the necessary knowledge and expertise for the supervision of auditing procedures, internal control processes, accounting matters and risk management matters which are of concern to the Committee, must be present at the Committee meeting during which the financial statements of the Company are subject for approval.

Frequency, Notice and Minutes of Meetings

The Committee shall meet with such frequency as it may consider appropriate but, in any event, not less than two times a year. Meetings may be held by videoconference or conference call or by email if required.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary shall be responsible for circulating the minutes to the Committee members.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Delegated Authority

The Committee is authorized by the Board of Directors of the Company to investigate any activity within these Terms of Reference, and within its scope of responsibilities, to seek any information it requires and to ensure the attendance of management representatives at meetings as appropriate.

The Committee shall be accountable to the Board of Directors and shall assist the BoD in meeting its responsibilities in ensuring:

- An effective system of internal control and compliance for the Company.
- Assistance to the BoD for meeting its external financial reporting obligations, including its obligations under applicable laws and regulations and shall be directly responsible on behalf of the BoD for the selection, oversight and remuneration of the external auditor.

- Assistance with the formulation of the overall risk strategies and policies for managing significant business risks; the design and implementation of the Company's Risk Management Framework; the monitoring and review of the risk exposures.
- Review, challenge and approve actuarial reserves.

The Committee has the authority to obtain outside legal and/or may appoint, employ or retain such professional advisors as the Committee may consider appropriate.

Duties

Without limiting the generality of the Committee's objective, the Committee shall have the following responsibilities, powers, authorities and discretions:

External Audit

- To make recommendations to the BoD, for it to put to the shareholders for their approval in the general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and the terms of engagement of the external auditor.
- To ensure that at least every ten years or as otherwise stipulated by the relevant legislation, the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by incumbent auditor and those other audit firms; and in respect of such tender oversee the selection process.
- To review and monitor the independence and objectivity of the external auditors, taking into consideration relevant professional and regulatory requirements and reports from the external auditors on their own policies and procedures regarding independence and quality control. Among other things, the Committee shall review the nature and extent of any non-audit services provided by the external auditor (either directly or through a related entity).
- To provide to the BoD such additional assurance as it may reasonably require regarding the reliability of financial information submitted to it.
- To discuss with the external auditors their general approach to, and the scope of, their audit and reporting obligations before the audit commences, including, in particular, the nature of any significant unresolved accounting and auditing problems and reservations arising from their interim reviews and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary), major judgmental areas, the nature of any significant adjustments, the going concern assumption, compliance with accounting standards, compliance with legal requirements, reclassifications or additional disclosures proposed by the auditors which are significant or which may in the future become material and the nature and impact of any material changes in accounting policies and practices.

- To monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them. In reviewing the Company's financial statements, the Committee shall focus particularly on:
 - Any changes in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from audit
 - The going concern assumptions and any qualifications
 - Compliance with accounting standards
 - Compliance with legal requirements in relation to financial reporting.

In regard to the above:

- Members of the Committee shall liaise with the BoD, and via the CEO with members of Senior Management and the Chief Financial Officer. Independent communication is made with the Compliance Officer.
 - The Committee shall meet, at least once a year with the external auditor and the Head of Internal Audit to ensure that there are no unresolved issues and concerns.
- To review the external auditors' management letter and the response of the Senior Management any material queries raised by the external auditors to the Senior Management in respect of the accounting records, financial accounts or systems of control and Senior Management's response.
 - The Committee shall meet regularly with the external auditors and shall meet the external auditor at least once a year, without Management being present, to discuss their remit and any issues arising from the audit.

Internal Audit

- To review the Company's internal financial controls, its internal control and risk management systems, without violating the independence of the Internal Audit Function.
- To monitor and review the adequacy and effectiveness of the Internal Audit function, and to consider the major findings of internal investigations of internal control matters as delegated by the BoD or on the Committee's initiative and Senior Management's response.
- To review and approve the Internal Audit Charter, the annual Risk-based Internal Audit Plan, and ensure co-ordination between the internal and external auditors.
- To ensure that the Internal Audit function is adequately resourced and has an appropriate standing within the Company and are free from constraints or other restrictions. The Committee shall approve any decisions on the appointment or removal of the Internal Audit Head.

- To review and approve the budget for the internal audit ensuring it is sufficiently flexible to adapt to variations in response to developments.
- To review promptly all reports on the Company from Internal Auditors which are presented to the Committee.
- To oversee that Senior Management take the necessary corrective actions in timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other weaknesses identified by external auditors, the internal audit, the compliance function and supervisory authorities.

Compliance

- To monitor the activities of the Compliance Officer with respect to all supervisory and other regulations to which the Company is subject. The Committee shall give due consideration to any matters raised by the Compliance Officer.
- To ensure that the Compliance function is adequately resourced and has appropriate standing within the Company and is free from constraints or other restrictions. The Committee shall approve any decisions on the appointment or removal of the Compliance Officer.
- To monitor the adequacy and effectiveness of the Compliance function and drawing on the work of the Compliance Function advise the BoD on the adequacy and effectiveness of the framework for business conduct and the compliance framework.
- To review and approve the budget for the compliance function ensuring it is sufficiently flexible to adapt to variations in response to developments.
- To ensure that the Compliance Officer provides to the BoD such assurance as it may reasonably require regarding compliance by the Company, its subsidiaries and those of its associates for which it provides management services with all supervisory and other regulations to which they are subject.
- To review and approve the annual Compliance Plan, the Compliance Manual, and the reports submitted by the Compliance Officer including the annual report submitted outlining the following:
 - Level of implementation of the plan
 - Significant findings
 - Other activities of the Compliance Function
 - Level of compliance of the Company with the laws and regulations
 - List of new laws and regulations applicable to the Company.

Whistleblowing and fraud

The Committee shall:

- Review the Company's procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters and for the confidential, anonymous submission by employees of concerns.
- Review the Company's arrangements for its employees to raise concerns in confidence about possible wrongdoing and ensure these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Review the Company's procedures for detecting fraud and the prevention of bribery.

Risk Management System

The Committee shall:

- Oversee the development, implementation and maintenance of:
 - The Company's overall Risk Management Strategy and Framework.
 - Processes for identifying, measuring, evaluating and reporting risk exposures across the Companies of the Group for all significant business risks the Companies are facing.
 - The Company's overall system of internal control.
- Advise the BoD on the formulation of the Company's risk appetite, profile and tolerance.
- Approve and recommend to the BoD detailed risk policies ensuring that these are consistent with the risk appetite and policies.
- Monitor the implementation and effectiveness of, and compliance with, approved risk appetite, policies and standards as they are applied, and the resultant action taken in respect of policy breaches.
- Ensure the development, maintenance and implementation of the necessary framework and supporting infrastructure to enable the Company to prepare its ORSA for approval by the BoD and submission to the regulator.
- Ensure rigorous stress and scenario testing of each Company's key risk exposures and profile and regularly review the parameters used in these measures and models and methodology adopted.
- Review promptly all reports on the Company from the Chief Risk Officer.
- Ensure that the Risk Management Function is adequately resourced and has appropriate standing within the Company and is free from constraints or other restrictions. The Committee shall approve any decisions on the appointment or removal of the Chief Risk Officer.

Risk assessment and monitoring

The Committee shall:

- Oversee and review the development and maintenance of the Company's risk register, ensuring processes are in place for recording that all current, emerging and future risk exposures are recorded and analyzed.
- Monitor and review the Company's risk profile and concentrations of risk against the Company's risk appetite and tolerances.
- Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance. Ensure the key risks of the Company are managed cost effectively and within the Company's risk appetite, tolerances and strategies set out in policies approved by the BoD.
- Review reports to external stakeholders on risk matters.
- Escalate to the BoD any breaches of risk appetite or tolerances.

Risk Management review

The Committee shall:

- Review regulators' reports and their risk assessment of the Company's risk management framework and systems and review and approve statements to be included in the annual report of the Company concerning internal controls and risk management.
- Review reports on the effectiveness of the Company's system of internal controls including any significant failures and regulatory breaches.
- Ensure that there are in place processes for the launching of new products and the start of new activities or operations which consider all risks involved and ensure that they are carefully examined and the necessary controls and mitigation action are determined before the launch of the new products or start of new activities or operations
- Advise the BoD on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence risk appraisal of the proposition is undertaken with the support of external advice when appropriate and available.

Actuarial and Reserving

The Committee shall:

- Monitor and review the reserving methodologies, practices, models and reporting are fit-for-purpose and advise the BoD.
- Review, challenge and approve actuarial reserves and advises the Board of Directors on the adequacy of reserves.

- Review promptly all reports on the Company from the Appointed Actuary.
- Ensure that the Actuarial function is adequately resourced and has appropriate standing within the Company and is free from constraints or other restrictions. The Committee shall approve any decisions on the appointment or removal of the Actuary.

Reporting Responsibilities

- The Committee shall report to the Company's BoD when needed and at least once per year.
- The Audit & Risk Committee shall submit an annual report of its activities to the General Meeting. This report shall include a description of the Company's sustainable development policy.
- To undertake or consider on behalf of the Chairperson or the BoD any related tasks or topics as the Chairperson or the BoD may from time to time entrust to it.
- The Committee shall review annually its Terms of Reference and its own effectiveness and recommend to the BoD any necessary changes.
- Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the BoD on action needed to address the issue or make improvements.