



# **BOARD NOMINATION & CORPORATE GOVERNANCE COMMITTEE TERMS OF REFERENCE**

**November 2020**

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### List of Abbreviations

Abbreviation	Explanation
AC	Audit Committee
CBC	Central Bank of Cyprus
CEO	Chief Executive Officer
CGCO	Corporate Governance Compliance Officer
ECCC	Ethics, Conduct and Culture Committee
Group	Company and all of its subsidiaries (including the Bank)
HRRC	Human Resources & Remuneration Committee
IAD	Internal Audit Division
KFH	Key Function Holders
NCGC	Nominations & Corporate Governance Committee
RC	Risk Committee
TC	Technology Committee

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## A. AUTHORITY

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1. The Board Nominations and Corporate Governance Committee ("**the Committee**") is a Committee of the Board of Directors ("**the Board**") of the Bank of Cyprus Holdings Plc ("**the Company**") from which it obtains its authority and to which it regularly reports.
2. The Committee has been delegated authority by the Board in respect of the functions and powers in these Terms of Reference.
3. The Committee is concerned with the business of the Company, its business units and subsidiaries (the Company and its subsidiaries being "**the Group**") and accordingly its authority extends to all relevant matters relating to the Group.
4. The Committee has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any Director, officer or employee of any member of the Group.
5. The Committee has authority to obtain independent advice and information from external parties, as long as the commitment and obligations it incurs on behalf of the Group are reasonable and within the Terms of Reference of the Committee. The Chairperson's limit in this respect is limited to approval of all sorts of expenditure up to a maximum of €20.000 and he/she is required to inform the Committee at the next meeting.
6. For expenditure within the approved budget, regarding services, Compliance Division requests the approval of the Committee provided that the Bank's applicable procurement guidelines have been followed. The Chairperson is authorised to provide approval up to €100.000, with the requirement that all Committee members are notified (through an e-mail) and the majority provides their positive confirmation.
7. The Committee reviews annually the Terms of Reference and recommends necessary changes to the Board.

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## B. ROLE OF THE COMMITTEE

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The role of the Committee is to support and advise the Board in relation to:

- Board recruitment (including regularly reviewing, reporting on and taking into account when making further appointments the composition and effectiveness of the Board);
- Vice-Chairperson, Director and CEO development (under the overall responsibility and supervision of the Chairperson of the Board);
- Chairperson development (under the overall responsibility and supervision of the Senior Independent Director);
- the ongoing evaluation of the structure, size, composition and performance of the Board, its Committees and individual Directors; and
- succession planning for Directors and senior management,

and ensuring that the Board is comprised of members who are best able to discharge the duties and responsibilities of Directors.

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The Committee also:

- oversees the adoption of appropriate internal policies on the assessment of the suitability of Key Function Holders, keeps the Board's governance arrangements under review and makes appropriate recommendations to the Board to ensure that such arrangements are consistent with best corporate governance standards and practices in place;
- defines the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity and social equity for the Group and its stakeholders; and
- Supports the Board in fulfilling its oversight responsibilities relating to the Bank's strategy and supports the development and implementation of the Strategic Plan.

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## **C. COMMITTEE COMPOSITION**

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1. The Committee has a minimum of 3 members. The Committee must consist entirely of non-executive Directors of whom the majority must be independent Directors.
2. The Chairperson of the Board will chair the Committee, except when it meets to discuss the his/her succession or performance.
3. The composition of the committee must be communicated to the CBC within one (1) month of their set up or of change of composition.
4. The Board appoints the members of the Committee annually.
5. The Board appoints a Chairperson of the Committee.
6. The Company Secretary or his nominee acts as secretary to the Committee.
7. The Committee shall be provided with sufficient resources to effectively undertake its duties.

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## **D. COMMITTEE MEETINGS**

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1. The Committee holds regular meetings, at least 2 per year and additionally, ad hoc meetings whenever called by the Chairperson of the Committee.
2. Notice of meetings together with the agenda and support material of the items to be discussed shall be forwarded to each member of the Committee or any other person required or invited to attend no later than 5 working days before the date of the meeting.
3. The Chairperson of the Committee (using the services of the Company Secretary to the extent necessary and appropriate) ensures that:
  - (a) the Agenda appropriately addresses the issues that require the Committee's attention;
  - (b) the Committee members are provided with information in a timely manner in order to effectively consider and decide on the agenda issues and to keep the Committee focused on its primary oversight responsibilities; and
  - (c) the Committee is proactive in setting its agenda.

4. The Company Secretary or his/her nominee shall record and maintain detailed minutes of the meetings of the Committee, including noting the names of those present and in attendance. Draft minutes must be finalised no later than fifteen (15) business days following the meeting, formally approved at the next meeting, and at the same time be submitted to the Board (unless in the opinion of the Committee Chairperson it would be inappropriate to do so).
5. The quorum for a meeting is 2 members or 50% rounded up, whichever is the highest.
6. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairperson shall have a second or casting vote.
7. The Board's directions for minimum annual attendance requirements for Committees of the Board require Committee members to participate in at least 3/4 of all meetings (regular and extraordinary) and that any continuous absences not to exceed 2 in number.
8. Attendees:
  - a) Regular Attendees Chief Executive Officer,  
Corporate Governance Compliance Officer,  
withdrawing if required to do so by the Chairperson
  - b) By invitation of the Committee Any Director, officer or employee of the Group.

No person other than a Committee member is entitled to attend meetings of the Committee, although others may attend at the invitation of the Committee.

9. The Chairperson of the Committee is entitled to invite other Directors that are not members of the Committee, members of the management of the Group or external parties to participate in a meeting, in order to advise or inform the Committee on the issues discussed at the meeting. Any such persons are present only during the discussion of the specific items and leave the meeting room immediately after, without any participations in the decision-making processes.
10. Each member/attendee is personally responsible / liable to declare any conflicts of interest and abstain from the meeting during which the conflicted issue is under discussion. The Secretary of the Committee maintains a relevant section in the Committee minutes and is also responsible for creating and maintaining a Conflicts of Interest Register as per the provisions of the Group Conflicts of Interest Policy (*Appendix 15*) and the Board Manual process (*Section G of the Board Manual*) for dealing with conflicts of interest.
11. The Secretary of the Committee, under the overall responsibility and supervision of the Chairperson of the Committee shall ensure that training is provided to members of the Committee on an induction, ongoing and timely basis. The induction programme shall cover the role of the Committee (including its Terms of Reference and expected time commitment of its members) and an overview of the Company's business model and strategy (identifying the main business dynamics and risks).
12. The Committee shall have access to the services of the Company Secretary, who has the responsibility of ensuring that the Committee receives information and papers in a timely manner.
13. The Committee shall annually establish a schedule of major topics to be discussed during the year.

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## E. RESPONSIBILITIES

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### 1. *Composition of the Board*

- Assess and determine periodically, and at least annually, the skills, knowledge, experience, diversity and independence of the members of the Board and the collective suitability of the Board, taking into account the challenges and opportunities facing the Group, in coordination with the CGCO of the Group.
- Assess regularly, at least annually, the structure, size, composition and performance of the Board (including in the context of ensuring that no individual or small group of individuals can dominate the Board's decision making) and of each Board Committee in coordination with the CGCO of the Group.

When considering an appointment to the Board:

- prepare a description of the role and capabilities required for each appointment (including, in the case of a non-executive Director, the time commitment expected, recognising the need for availability in the event of a crisis), including in relation to appropriate commercial and functional experience and in the light of the assessments of the Board referred to above and the Board succession planning referred to below;
  - engage a broad set of qualities and competences as per the Nominations Policy (*Appendix 4*) and the Diversity Policy (*Appendix 23*) of the Board;
  - conduct searches for Board candidates, and make appointments, on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender (recognising that diversity of psychological type, background and gender is important to ensure that the Board is not composed solely of like-minded individuals);
  - in the case of the appointment of a non-executive Director, take into account the necessary skills and knowledge required in relation to relevant Committees of the Board;
  - ensure that the procedure for appointment of Directors to the Board is formal, rigorous and transparent; and
  - ensure that the potential Director is able to allocate sufficient time to the Company to be able to discharge his or her responsibilities effectively.
  - Consider all other directorships of the candidate and ensure they are within regulatory limits and assess as to potential conflict of interest or reputational risk or regulatory restrictions.
- When considering the appointment of the Board Chairperson: (a) prepare a job specification, including an assessment of the time commitment expected (recognising the need for availability in the event of a crisis); and (b) ensure that a nominee Director's other significant commitments are disclosed to the Board before appointment.
  - Review the Diversity Policy annually in order to determine and recommend whether any new or revised principles should be set for Board diversity (including gender), and, if so establish or propose to the Board relevant action plans and targets for consideration.
  - Define membership criteria for the directors of the Board, as per the Nominations Policy.
  - Use the services of an external search consultancy or open advertising to identify qualified individuals as nominees for election, re-election or appointment as Directors of the Board, who will enrich and enhance the strategic direction provided by the Board to executive management. When not using the services of an external search consultancy or open advertising for such appointments an explanation should be provided in the Annual Report.

- Prepare a report for submission to the Board and make recommendation for suitable candidates to be appointed as Directors. Where relevant, the NCGC will indicate in its reports the range of candidates considered, the selection process followed, and the key considerations that were relevant for the selection of the proposed candidate/s relative to other candidates. The Chairperson must confirm to the Board that the process included in the Nominations Policy was followed.

Under the overall responsibility and supervision of the Chairperson, review periodically, and at least annually, succession plans for the Board and senior management so as to (a) ensure that successions occur smoothly (b) maintain an appropriate balance of diversity, skills, independence, knowledge and experience and (c) ensure the progressive renewal of the Board, and report to the Board accordingly.

- Review the annual effectiveness of the Directors in office and based on the results of this review recommend to the Board that each Director proposed annually for re-election continues to be effective and that each one demonstrates the level of commitment required in connection to their role on the Board and the needs of the business.
- Nominate members for the material<sup>1</sup> subsidiary boards taking into consideration the requirements of the various supervisory bodies relevant to each subsidiary. (Non-material subsidiary boards to be appointed by the CEO).

## 2. *Board Effectiveness*

Under the overall responsibility and supervision of the Chairperson:

- develop the high-level principles for the evaluation process in coordination with the CGCO;
- approve the process of at least an annual evaluation of the effectiveness of the Board, of each Board Committee and of each individual member of the Board (as described in more detail below);
- conduct such review annually in coordination with the CGCO of the Group; and
- assess the findings of such a review and make relevant recommendations to the Board;
- approve a plan of action leading to the implementation of the recommendations approved by the Board.
- ensure that the evaluation process is formal and rigorous and covers, as a minimum, the following:
  - performance of the Board as a whole, including the balance of skills, experience, independence and knowledge, its diversity (including gender), how the Board works together as a unit and other factors relevant to its effectiveness;
  - performance of Committees and of individual members;
  - in relation to the Board as a whole and Board Committees, as well as individual members of the Board, the ability:
    - to develop the Company's business objectives, risk appetite and strategies;
    - to set and oversee the risk and compliance management frameworks; and
    - to establish and maintain consistent organisational and operational arrangements and internal control mechanisms;

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<sup>1</sup> Material subsidiaries are the Bank, EuroLife and GIC

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- composition (including diversity) of the Board and its Committees;
  - in the case of individual evaluation, an assessment as to whether each member continues to contribute effectively and demonstrates commitment to the role (including commitment of time for Board or Committee meetings and other duties);
  - communication with shareholders, including steps taken to understand major shareholders' issues and concerns and to ensure that the whole Board is aware of these issues and concerns;
  - communication with management and competent authorities;
  - effectiveness and clarity of the roles of Chairperson of the Board, Company Secretary and Senior Independent member of the Board, including as required by the Group Corporate Governance Policy;
  - relationship between the Chief Executive Officer and the Chairperson of the Board;
  - time commitment of non-executive members and capacity to critically review information and challenge the executive members, including their ability to constructively challenge and help develop proposals on strategy;
  - evaluation of the suitability of each member of the Board and particularly the independence of each independent member;
  - clarity of, and the leadership given to, the purpose, direction and values of the Company;
  - quality of papers and presentations to the Board;
  - quality of discussions around key issues;
  - quality of the decision-making process, including the extent of involvement of non-executive members and obtaining expert opinions, time for debate and challenge, timely closure and clarity of course of action, timescale and responsibilities;
  - succession planning;
  - processes for identifying and reviewing risks; and
  - Board training.
- Ensure that non-executive members of the Board regularly self-appraise their individual skills, knowledge and expertise, and determine whether further professional development would help them develop their expertise and fulfil their obligations.
  - Ensure that the evaluation of the Chairperson of the Board is carried out by the non-executive directors, taking into account the views of the Executive Directors, under the overall supervision and responsibility of the Senior Independent Director.
  - Ensure that the Chairperson of the Board regularly reviews and agrees with each Director their training and development needs.

### **3. *Suitability of members of the Board and KFH***

- Define the profile (job description / qualifications) for the position of CEO taking into account the scope of the Group's operations and the need for a clear division between the responsibilities of the CEO and the Chairperson.

Assist the Board in identifying individuals as candidates as per the Group Policy on the suitability of members of the management body and KFH (*Appendix 17*), that fit the profile for

the position of CEO, having relevant extensive experience and capable of leading the organisation and effectively implementing its strategy, setting an example to employees, communicating the expectations of the Board in relation to the Company's culture, values and behaviour and supporting the Chairperson in ensuring that appropriate standards of corporate governance permeate through all parts of the Group.

Given that the NCGC runs the CEO search process, while the HRRC is responsible for his/her contract & remuneration terms, joint NCGC and HRRC meetings should be scheduled so that any decision taken is agreed by both Committees.

- Assess the suitability of individual members on appointment and re-assess whenever circumstances prescribe it.
- Perform the annual appraisal of the performance of the CEO and other executive Directors against set targets.
- Consider periodically, and at least annually, the adequacy of proposals for the succession, over the longer term, to key positions within the Group, taking into accounts the challenges and opportunities facing the Group.
- Review at regular intervals and at least once a year, a report on the Group's Talent Management programme, including any measures being taken to improve the pipeline of talent.
- Approve and review the Group Policy on the suitability of members of the management body and KFH annually.
- Approve appointments of members of the Management Body to another entity's board so as to ensure that such new engagements do not create a conflict of interest.
- Approve major changes to the Group's corporate structure as recommended by the CEO.
- Annually review the list of Material Risk Takers

#### 4. *Corporate Governance*

- Review and recommend to the Board for approval the Corporate Governance Policy of the Group. Review the effectiveness and adequacy of the corporate governance framework in coordination with the CGCO of the Group.
- Review and approve the policies that make up the rest of the corporate governance framework and ensure they place a focus on sustainability.
- Develop a strategy for sustainability based on the four pillars below and ensure it is embedded throughout the operations of the Bank:
  - Ethical – in coordination with the ECCC ensure that in all decision-making the Group promotes actions and behaviour that apply the Group's Code of Conduct, values and culture.
  - Social:
    - In coordination with ECCC actively promote human rights, fair working conditions, diversity and gender equality.
    - Actively contribute to society's development by pursuing actions that promote human rights, social equity and well-being in society.

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- Environmental – in coordination with the ECCC contribute to a sustainable use of finite resources by the Group, its suppliers and its corporate clients and promote green buildings and lower carbon imprint of the Group; and
  - Economic: –
    - Group – by promoting a culture whereby the Group achieves economic development and financial sustainability by strengthening its long-term competitiveness, pursuing cost savings, generating revenue.
    - Customers – similarly when reaching decisions re financing of customers explore new business opportunities with a view to sustainability; ensure their long-term competitiveness, their sustainability and economic development.
  - Review and approve the CSR report.
  - Ensure the CGCO has the necessary authority, access to information and resources to carry out his duties adequately and effectively.
  - Monitor compliance of the Group with Corporate Governance Policy in coordination with the CGCO of the Group and make appropriate recommendations to the Board.
  - Review and approve minor changes to the Terms of Reference of all the Committees of the Board at least annually, in coordination with each Committee and with the CGCO of the Group.
  - Review and approve minor changes to the Board Manual
  - Ensure that cross committee memberships do not allow individuals to exercise excessive influence or control. No Director can be a member of more than two of the regulated Committees of the Board.
  - Under the overall responsibility of the Chairperson, ensure the availability of adequate human and financial resources for the induction and training of the members of the Board and offer, through the Company Secretary, to new Board members a suitable induction process and ongoing training where appropriate and as discussed with the Committee.
  - Consider and authorise a situation in which a Director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Group, providing that the situation cannot reasonably be regarded as likely to give rise to a conflict of interest at the time that authorization is sought.
  - When considering that such a situation gives rise to a conflict of interest and cannot be authorized then the Committee should decide on remedial action to eliminate such conflict or seek to terminate the situation giving rise to it.
  - Conduct annual reviews of the Conflict Register maintained by the Secretary of the Committee and review any disclosure relating to conflicts of interest to be made public.
  - Monitor the assignment of the review and evaluation of the composition, efficiency and effectiveness of the Board and its Committees to an independent external consultant at least once every three (3) years.
  - Review periodically, and at least annually, in collaboration with the Audit and Risk Committees, the composition, authority and independence of internal control functions and report to the Board accordingly.

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- Ensure to the extent possible and on an ongoing basis, that the Board's decision-making process is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Group as a whole.

### *Strategy Oversight*

- Advise, support and guide the CEO and Executive Team in formulating and implementing a business strategy geared to the sustainable development of the Bank
- Monitor the establishment of processes for planning, implementing, assessing and adjusting the business strategy.
- Oversee the Executive Team's implementation of the strategic plan and the execution progress against strategic milestones and goals.
- Review the strategic plan and its strategic initiatives and make appropriate recommendations to the Board
- Discuss with and advise the Executive Team:
  - as to whether the governance, risk appetite, financial and capital planning, liquidity and funding management control environment and resources can support the Bank's strategic objectives
  - on divesture and merger and acquisition strategy including post transaction performance tracking on the impact of changes in the competitive environment

## **5. *Communication and Reporting***

- Formulate the annual NCGC Report included in the Annual Corporate Governance Report of the Group describing the work of the Committee, including:
  - the process it has used in relation to board appointments (including an explanation if neither an external search consultancy nor open advertising has been used in the appointment of the Chairperson or a non-executive Director);
  - a description of the Board's policy on diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives; and
  - where an external search consultancy or performance review facilitator has been used, it should be identified and a statement made as to whether it has any other connection with the Company.
- Respond, through the Chairperson, to shareholder questions regarding Director development and succession, and / or Corporate Governance Policy of the Group at the Annual General Meeting.
- Annually receive reports from Directors who from time to time participate in meetings with shareholders which are organised by the Bank's IR team and in accordance with the ToRs of the NCGC.
- Report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

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- Conduct an annual self-assessment and report its conclusions and recommendations for improvements and changes to the Board.
  - Ensure that the Committee's Terms of Reference are available on the Company's official website.

## 6. *Regulatory framework*

As per *Section R of the Board Manual*

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## F. **DELEGATION OF AUTHORITIES BY THE MAIN BODY OF THE BOARD OF DIRECTORS**

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The following matters are delegated by the Main Body of the Board of Directors to the NCGC:

- Major changes to the group's corporate structure (excluding internal reorganisations which may be approved by the Group Chief Executive Officer).
- Approval of the process of performance evaluation of Board and Board Committees and of the review of the findings.
- Determination of independence of non-executive Directors.
- Approval of minor changes to the Board Manual and the Terms of Reference of the Committees.
- Approval of Group Policy on the Suitability of members of the management body and KFH
- Approval of Group Conflicts of Interest Policy
- Approval of Group Board Diversity Policy
- Approval of Group Board Nominations Policy
- Approval of the CSR report

The NCGC Chairperson will be responsible for presenting in summary to the Main Body of the Board, the various decisions taken on matters delegated to the NCGC.