

## BOARD NOMINATIONS AND DIVERSITY POLICY

### 1. PURPOSE AND SCOPE OF POLICY

The regulatory framework relating to corporate governance requires (i) the establishment of a process for the appointment of directors as well as (ii) a diversified board of directors. In particular, the CBC Governance Directive<sup>1</sup> indicates that the NCGC is responsible for ensuring the appropriate balance of diversity, skills and experience is maintained on the board of directors. The CBC Suitability Directive<sup>2</sup> states that credit institutions must implement a policy promoting diversity on the management body with the aim of promoting a diverse pool of board membership. In addition to the latter, the 2018 UK Code indicates that “*appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management*”.<sup>3</sup>

The Board Nominations and Diversity Policy (the “**Policy**”) sets out (i) the Board’s process for identifying Candidates, (ii) the manner by which shareholders may recommend Candidates and (iii) the necessary competencies, skills and academic or professional qualifications to ensure expertise and conformity with the regulatory requirements. The Policy also sets out the Board’s approach to diversity on the Board of the Bank in accordance with international best practices.

This Policy applies to the members of the Board of the Bank. The Policy does not apply to diversity in relation to employees of the Group nor to the boards of subsidiaries within the Group, which, where required, have standalone diversity policies for their respective boards.

### 2. ABBREVIATIONS

Within this document, the following abbreviations are used:

Abbreviation	Definition
<b>Bank</b>	Bank of Cyprus Holdings Public Limited Company (BOCH) and its subsidiary Bank of Cyprus PCL.
<b>Board</b>	The Board of Directors of the Bank.
<b>CBC</b>	Central Bank of Cyprus
<b>CBC Governance Directive</b>	CBC Internal Governance of Credit Institutions Directive of 2021.
<b>CBC Suitability Directive</b>	Directive on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions of 2022.
<b>CGCO</b>	Corporate Governance Compliance Officer.
<b>CSE</b>	Cyprus Stock Exchange.
<b>CSE Code</b>	Cyprus Stock Exchange (CSE) Corporate Governance Code 5 <sup>th</sup> Edition.
<b>ECB</b>	European Central Bank.
<b>NCGC</b>	Nominations and Corporate Governance Committee.
<b>2018 UK Code</b>	2018 UK Corporate Governance Code.

<sup>1</sup> Section 23(d) of the CBC Governance Directive

<sup>2</sup> Section 19 of the CBC Suitability Directive

<sup>3</sup> Provision 17 of the 2018 UK Code.

<b>FCA</b>	Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000.
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### 3. DEFINITION OF TERMS

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For the purposes of this policy, the term listed below has the following meaning:

<b>Term</b>	<b>Meaning</b>
<b>Bank</b>	Means the Bank of Cyprus Holdings Public Limited Company (BOCH), which is a public limited company, registered under Part 17 of the Companies Act 2014 together with its subsidiary Bank of Cyprus PCL.
<b>Board</b>	Means the Board of Directors of the Bank collectively.
<b>Board Committees</b>	Means the Audit Committee, Risk Committee (RC), Nominations and Corporate Governance Committee (NCGC), Human Resources and Remuneration Committee (HRRC), Technology Committee (Non statutory) (TC) and Ethics, Conduct and Culture Committee (Non statutory) (ECCC) collectively.
<b>Candidate</b>	Means an individual who applies to fill in a director vacancy on the Board.
<b>Director(s)</b>	Means the member(s) of the Board of the Bank.
<b>Group</b>	Means the Bank and its subsidiaries.
<b>Nominated director</b>	Means an individual whose nomination has been approved by the Board while the approval of the ECB is pending.
<b>IMAS Portal</b>	Means the ECB electronic portal, which allows supervised banks and third parties to submit information related to the supervised processes, track their status and exchange information with supervisors.

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## 4. GENERAL PRINCIPLES

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### 4.1. Annual Assessment Factors considered by the NCGC

In coordination with the CGCO of the Bank, the NCGC assesses periodically, and at least annually, the following:

1. **Board composition, skills, and diversity:** these refer to the skills, knowledge, experience, independence of mind<sup>4</sup>, diversity<sup>5</sup> and independence of the Board collectively and individually, considering the challenges and opportunities facing the Bank. In addition to the above, the structure, size, composition, and performance of the Board and of each Board Committee, including, *inter alia*, ensuring that there is (i) an appropriate mix of executive and non-executive directors, (ii) appropriate gender diversity, (iii) that no individual or small group of individuals can dominate Board decision-making and (iv) that there is progressive refreshment of the Board are also considered.
2. **Board dynamics and processes:** These include the board behaviour, relationships and challenge in terms of the interaction of the Directors, their behaviour in terms of being committed to their role and actively participating during the Board and Committee meetings, coming prepared to the Committee meetings and independent attitude that results in the courage to challenge decisions.
3. **Board meetings, their conduct, focus and priorities.**
4. **Induction, development, and training.**
5. **Board Committees and clear visions of responsibilities.**
6. **Board support and information quality.**
7. **Stakeholder and shareholder engagement.**
8. **Climate-related and environmental risks as well as social and governance matters i.e. ESG matters.**

The above criteria are together referred to as the “**Assessment Factors**”.

### 4.2. Diversity

The Bank recognizes the benefits and necessity of having an adequately diverse Board and considers diversity as requisite to maintaining a competitive advantage and meeting its business strategy. The promotion of diversity is anchored in the corporate governance framework of the Bank. The Bank recognises the importance of diversity as one of the criteria for the composition of the Board to improve and sustain effective risk oversight as well as the resilience of the Bank. A diverse Board includes and makes good use of differences in the skills (in particular those skills identified as relevant to the business of the Bank, including financial services, strategy development, finance, risk management, business experience, economics, corporate finance, human resources, credit and IT skills, regional and industry experience, sustainability and stakeholder management), background, nationality, ethnicity, gender, age and other qualities of Directors. Such differences are taken into account when determining the optimum composition for a Board to discharge its governance roles and responsibilities objectively and effectively.

The Board of the Bank is committed to achieving the most appropriate blend and balance of diversity possible over time. All appointments to the Bank are made on merit, against objective criteria determined by the NCGC, and designed to ensure that the overall composition of the Board reflects an adequately diverse range of knowledge, skills and experience and simultaneously respects the principle of equal opportunities.

#### 4.2.1. Measurable Objectives in relation to Gender Diversity

In order to ensure that an appropriate balance is achieved and maintained, a target has been set to maintain at least 40% female representation on the Board. The changes in the composition of the Board in 2022 increased diversity at 40%. The Board remains committed to maintaining its set target.

### 4.3. Considerations prior to the commencement of the appointment process

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<sup>4</sup> In accordance with the ESMA and EBA guidelines on suitability, independence of mind refers to the individual’s ability to “act with honesty, integrity and independence of mind”.

<sup>5</sup> In accordance with the ECB “the facets of diversity include – but are not limited to – age, disability, ethnicity, gender, gender identity, race, religion, sexual orientation and other characteristics.”

The NCGC shall consider the below factors in assessing the need for the appointment of a new director (the “**Relevant Considerations**”):

1. **Annual Board Performance Evaluation:** As part of the annual Board Performance Evaluation, which is a powerful and valuable feedback mechanism for improving effectiveness, maximising strengths, and highlighting areas for further development, the NCGC will consider the balance of skills, experience, independence and knowledge of the Board and the diversity representation of the Board, including gender, and how the Board works together as a unit, and other factors relevant to its effectiveness.

2. **Succession planning:**

Succession planning has increasingly been recognised by the Board and the NCGC as being a vital aspect of good corporate governance. The aims of succession planning of the Bank include:

- 2.1. Ensuring that the Board has the right membership, in terms of number, validity, with the right diversity of skills and talent needed, amongst others, to successfully deliver the Bank’s strategy and promote its long-term success.
- 2.2. Creating a board of the right size, with the right balance between non-executive and executive directors, and with the right person performing each key board role.
- 2.3. Being timely prepared for the replacement of executive and non-executive directors following their departure, whether planned or unexpected.
- 2.4. Assisting in establishing a diverse board by promoting the search for, and focus on, a diversity of individuals on the board including gender and ethnic diversity.
- 2.5. Ensuring that the membership of the Board is refreshed on a regular basis, to prevent stagnation.
- 2.6. Making the Board more resilient by staggering board changes to provide continuity and to allow a smooth transition of skills and knowledge to incoming board members.
- 2.7. Giving confidence to investors about the resilience of the board and the management of its board membership reflecting its readiness to successfully address all current and upcoming market challenges.

Furthermore, the 2-year Succession Planning Procedure, which is reviewed and updated annually, forms a vital part of the succession planning of the Bank. The 2-year Succession Planning Procedure includes, *inter alia*, the following:

- 2.8. Renewal of the Directors and primarily the ones reaching their maximum tenure during the 2-year period in question.
- 2.9. Actions in relation to diversity enhancement.
- 2.10. Specialised enhancements in terms of skillset necessary to address current and upcoming market challenges
- 2.11. Matters relating to Board Committees’ composition.
- 2.12. Other challenges relating to the composition of the Board and its Committees.

The Succession Planning Procedure is hereto attached as **Appendix A** where the detailed process followed to apply the goals of the succession plan, is described.

**(A) Consideration of the Assessment Factors outlined above.**

The Board decides in relation to the need for the appointment of new Directors whether to fill a skills gap or to replace a retiring director and assigns the issue to the NCGC. The NCGC leads the process for Board appointments and makes recommendations to the Board, all pursuant to the process set out below.

**4.4. Assessment Process**

Upon the assignment of a Board appointment to the NCGC, the NCGC shall prepare a description of the role and capabilities required for the appointment, in light of the Relevant Considerations, including in the case of a non-executive director the following:

1. **The time commitment** – Any significant time commitments of a prospective new director must be disclosed to the Board before the appointment, including an indication of the amount of time involved, and the Board should be informed of any subsequent changes in those commitments.

2. **Independence** – The NCGC and Board will need to consider whether the prospective director can be treated as independent. The document containing the Directors’ Independence Criteria is attached hereto as **Appendix B**.
3. **Suitability Assessment** – The Suitability Policy, which sets out the relevant suitability criteria considered, is hereto attached as **Appendix C**.

The above considerations are collectively referred to as the “**Description**”.

The NCGC conducts the search for suitable candidates in a formal, rigorous, and transparent manner, identifying individuals who satisfy the Description and who complement the range of skills, experience and background of existing directors and has the necessary capabilities to undertake the role for which he/she is intended. Subsequently, the NCGC makes a recommendation to the Board on merit based on objective criteria, including skills, ethics, and experience and irrespective of colour, race, nationality /ethnicity, disability, age, gender, religion, sexual orientation, political opinion or any other unfair criterion. Collectively the members of the Board shall have sufficient knowledge, professional competencies, and experience to understand the Bank’s activities and related risks.

In addition, the NCGC shall consider the following criteria, which form part of the Suitability Policy (which is hereto attached as **Appendix C**):

- a) **Personal attributes:** Each Candidate must possess some of the following including, *inter alia*, intellect, critical assessment, ability to listen, ability to forge relationships, ability to develop trust and strength of character.
- b) **Integrity and Judgment.** Each Candidate must be an individual of high personal and professional integrity and ethical behaviour and possesses the ability to exercise sound business judgment on a broad range of issues.
- c) **Experience and Accomplishments.** Each Candidate shall have sufficiently broad experience and proven superior performance and shall have demonstrated significant achievements in business, finance, government, education, law, technology, or other fields important to the operation of the Group.
- d) **Education and Knowledge.** The education and knowledge is twofold and covers practical and theoretical aspects including skills and knowledge. In this respect, a Nominated Director should possess basic theoretical banking knowledge relating to, *inter alia*, (i) banking and financial markets, (ii) regulatory framework and legal requirements, (iii) strategic planning, (iv) accounting and auditing and (v) risk. At least one director must possess appropriate knowledge and expertise on human resources and remuneration issues. Each Candidate shall be of a professional and educational background that enables him/her to have a general appreciation of the major issues facing financial institutions. Such issues include corporate governance issues, regulatory obligations of a public issuer, human resources, technology, climate related and environmental risks, and strategic business planning.
- e) **Commitment.** Each Candidate shall have the willingness and ability to devote the necessary time to Board duties, including preparing for and attending meetings of the Board and its Committees.
- f) **Representation of Shareholders.** Each Candidate must be prepared to represent the best interests of the Bank and its shareholders and must be committed to enhancing shareholder value.
- g) **Independence.** A majority of the directors shall be independent directors in accordance with the provisions of the CSE Code, CBC Governance Directive and 2018 UK Code requirements as well as such other standards as the Board may adopt from time to time. The document containing the Directors’ Independence Criteria is hereto attached as **Appendix B**.
- h) **Financial Literacy.** At least one director who is eligible to serve on the Audit Committee of the Board as Chairperson shall be financially literate. He/she must have specialised knowledge and experience in the application of internal control procedures and accounting issues relevant to the Audit Committee and must have significant, recent, and relevant financial experience.
- i) **Diversity.** The NCGC should give due regard to the benefits of a diverse Board, including in terms of gender, ethnic membership, professional experience, skills, background and psychological type (recognising that it is important to ensure that the Board is not composed solely of like-minded individuals) and ensure that targets set by the Board, to achieve 40% representation of female non-executive members, which was achieved in 2022, is maintained. The decision-making process for strategic and risk-taking within the Bank can be positively affected by supporting a range of backgrounds, experience, values, opinion, and views in the Board of the Bank.

- j) **Committee Membership.** In the case of the appointment of a non-executive director, account shall be taken of the necessary skills and knowledge required in relation to relevant Board Committees of the Board.

Prior to appointment, candidates must satisfy themselves that they have the knowledge, skills, experience, and time to make a positive contribution to the Board.

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## 5. GOVERNANCE

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### 5.1 Roles and Responsibilities

The NCGC shall identify Candidates for appointment to the Board using a variety of means as it determines are appropriate or necessary. The NCGC may use open advertising and/or retain any search consultancy (and approve such search firm's fees and other retention terms) to assist in the identification of candidates. The NCGC may also solicit recommendations from current and former directors, management or others who may be familiar with qualified candidates and may consider current directors for re-election.

The NCGC will also consider candidates recommended for nomination to the Board by shareholders of the Company. Shareholders may make such a recommendation by submitting a completed Director Nomination Form, attached as **Appendix D**, not less than six (6) days nor more than twenty-one (21) days prior to the Annual General Meeting of shareholders. The Completed Nomination Forms shall be sent to:

*Company Secretary  
Bank of Cyprus Public Company Ltd  
51 Stassinou Street  
2002 Strovolos  
Nicosia  
Cyprus  
Or by email to: [Company.Secretary@bankofcyprus.com](mailto:Company.Secretary@bankofcyprus.com)*

The NCGC:

1. Considers candidates on merit, against objective criteria and with due regard for promoting the benefits of diversity on the board, including of gender, social and ethnic backgrounds, and cognitive and personal strengths, taking care that candidates have enough time available to devote to the position;
2. Reviews and assesses Board composition as well as diversity, in order to maintain an appropriate range and balance of skills, experience, knowledge and character on the Board;
3. Reviews and updates the 2-year succession planning strategy and makes relevant considerations to the Board for approval;
4. Evaluates the annual performance of the Board, Board Committees, and individual Directors by considering the balance of skills, experience, knowledge and independence of the Board, its diversity (including gender), how the Board works together as a whole and other factors relevant to its effectiveness; and
5. Reviews the results of the Board Performance Evaluation process that relate to the composition of the board, its diversity and how effectively the members of the Board work together to achieve objectives;
6. Initiates through executive search firms quests to identify suitable candidates including to meet targets set by the Group for a balanced gender representation on the Board.
7. The NCGC shall evaluate each Candidate in the context of the Description and the Relevant Considerations and by also considering the following:
  - a) **Board Contribution.** The NCGC shall evaluate a Candidate's mix of skills and qualifications and determine the contribution the Candidate could be expected to make to the overall functioning of the Board and its Committees, including ensuring that executive directors are able to lead on setting and implementing

strategy and that non-executive directors are (i) independent in character and judgment, (ii) able to constructively challenge and help develop strategy and (iii) able to play an appropriate complimentary role with the Chairperson and the executive directors.

- b) **Collective Suitability** – The NCGC will assess the Board as a whole and whether it possesses the adequate collective knowledge, skills, and experience to be able to understand the Bank’s activities including the main risks. The Board must have adequate collective knowledge, skills, and experience necessary for the prudent and effective management of the Bank. This requires the NCGC to consider both the individual suitability of the Directors and their collective suitability though the composition of the Board as a whole.
- c) **Past Performance.** With respect to current Directors, the NCGC shall consider the latest evaluation of Board Performance and effectiveness.
- d) **Interviews and Other Input.** The NCGC, at its discretion, may designate one or more of its members to interview any candidate. In addition, the NCGC may seek input from the Group’s CEO or other member of the Group’s management or the Board who may interview any candidate and will seek third party references.
- e) **Shareholders’ Recommendation.** The NCGC will seek and consider information concerning any relationship between the shareholders and the candidate to determine if the candidate can represent the interests of all shareholders. The Director Nomination Form must provide that the potential candidate has indicated a willingness to serve as a director, to comply with the expectations and requirements for Board service as publicly disclosed by the Company and to provide all the information necessary to conduct an evaluation of the candidate.

The CGCO after collecting all the information relevant for the nomination of a candidate shall proceed with full due diligence of the candidate and assessment of potential conflicts of interest that may arise due to the candidate’s current employment or affiliations. The CGCO will prepare a report for the NCGC.

The Company Secretary must properly and adequately minute the meeting (i.e. record explicitly who nominated the candidate, the procedure followed to arrive at the recommendation to the Board) so that a body of evidence is available for the competent authorities and as a means to ensure compliance with relevant procedures. Also, the extract of the minutes of the Board approving a Nominated Director are submitted to the ECB through the IMAS Portal.

When considering the appointment of the Chairperson, the meeting should be chaired by the Senior Independent Director, unless he/she is a candidate, in which case the member with the longest tenure on the Board will chair the meeting, but will not have a casting vote. When considering the appointment of a non-executive Director, the NCGC shall ensure that a candidate’s other significant commitments are disclosed to the Board before appointment, with a broad indication of the time involved.

The NCGC will prepare a report and make a recommendation to the Board 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, all in the context of the Relevant Considerations and the Description. The Chairperson of the NCGC must confirm to the Board that the process described in the Nominations Policy was followed.

The Board will examine the NCGC’s report and decide accordingly, taking into consideration the Relevant Considerations (including succession planning for meeting the needs of Board composition). The Board’s decision on the Nominated Director will be submitted by the CGCO to CBC and the ECB for their approval/consent, as required by regulatory arrangements electronically through the IMAS Portal. Once the CBC/ECB consent for the appointment is received, the Chairperson of the Board sends an appointment letter (attached as **Appendix E**) to the new director, setting out the terms and conditions of appointment and the expected time commitment. The appointment is ratified with the written acceptance of the content of the appointment letter by the nominee. The appointment is valid until the next Annual General Meeting of shareholders where the director must offer himself/herself for election by the shareholders.

On appointment of a non-executive director, the applicable terms and conditions of appointment shall be made available for inspection at the company’s registered office during normal business hours and at the AGM.

The Directors in office are subject to an annual effectiveness review and based on the results of this review the Committee recommends 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.

## 5.2 Supporting Documentation

1. Appendix A
2. Appendix B
3. Appendix C
4. Appendix D
5. Appendix E

## 5.3 Reporting

As part of the Committee's annual review of the structure, size and composition of the Board, the NCGC will expressly consider and recommend to the Board on the subject of the diversity of the Board, any measurable objectives to be set for implementing the Policy (or adjustments to objectives already set) and (if measurable objectives are set) progress made towards achieving those objectives.

The NCGC shall maintain any records it deems necessary regarding its process for identifying and evaluating candidates for election to the Board. This archive will be maintained for a five-year period. A candidate that may not fit in with the overall composition of the Board at a certain time will not necessarily be deemed as not fit and proper and may in future be considered again for nomination.

The NCGC will review the Nomination and Diversity Policy annually to ensure its effectiveness and recommend to the Board any revisions for approval.

A summary of this Policy's key principles and provisions will be provided in the Corporate Governance Report, which forms part of the Annual Report of the Company. Its key principles and provisions are available on the Company's official website.

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## 6. EXCEPTION APPROVAL PROCESS

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## 7. IMPLEMENTATION PROCEDURES (KEY PROCESSES)

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BoD Succession Planning Procedure (**Appendix A**).