

**GROUP NOMINATION &
CORPORATE GOVERNANCE COMMITTEE**

TERMS OF REFERENCE

Nicosia, February 2016

A. Authority

1. The Group Nominations and Corporate Governance Committee (“the Committee”) is a Committee of the Board of Directors (“the Board”) of the Bank of Cyprus Public Company Ltd (“the Group”) from which it obtains its authority and to which it regularly reports.
2. The Committee has delegated authority by the Board with respect to the functions and powers in these Terms of Reference.
3. The Committee is concerned with the business of the whole 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 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 Chairman’s limit though to this respect, is limited to approval of capital or revenue expenditure up to a maximum of EUR20.000 and he is obliged to inform the Committee at the next meeting.
6. The Committee reviews annually the Terms of Reference and recommends necessary changes to the Board.

B. Role of the Committee

The role of the Committee is to support and advise the Board in relation to Chairman, Vice-Chairman, Director and CEO development and succession planning and ensuring it is comprised of members who are best able to discharge the duties and responsibilities of Directors.

The Committee focuses primarily on the composition, appointments, succession and effectiveness of the Board , but also oversees the adoption of appropriate internal policies on the assessment of the fitness & probity of members of the Group Executive Committee, other Senior Managers and Heads of the Internal Control Functions.

The Committee keeps the Board’s governance arrangement under review and makes appropriate recommendations to the Board to ensure that the Group’s arrangements are consistent with best practice corporate governance standards and practices in place.

C. Composition

1. The Committee has a minimum of 3 and a maximum of 9 members. The Committee must consist entirely of non-executive Directors of whom the majority must be independent Directors.
2. The Chairman of the Board will chair the Committee, except when it meets to discuss the Chairman of the Board's succession or performance.
3. The Chairman of the Committee cannot chair any other Committee of the Board.
4. The composition of the committee must be communicated to the Central Bank of Cyprus within one (1) month of their set up or of change of composition.
5. The Board appoints the members of the Committee annually.
6. The Board appoints a Chairman of the Committee.
7. The Company Secretary or his nominee acts as secretary to the Committee.

D. Meetings

1. The Committee holds regular meetings, and additionally, ad hoc meetings whenever called by the Chairman 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 to attend no later than 4 working days before the date of the meeting.
3. The Chairman of the Committee ensures that:
 - a) the Agenda appropriately addresses the issues that require the Committee's attention and keeps the Committee focused on its primary oversight responsibilities and
 - b) the Committee is proactive in setting its agenda.
4. The Company Secretary or his nominee shall record and maintain detailed minutes of the meetings of the Committee. The minutes of all Committee meetings must be finalised no later than fifteen (15) business days following the meeting, formally approved at the next meeting.
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 Chairman shall have a second or casting vote
7. The Board's directions for minimum annual attendance requirements for Committees of the Board provide for participation in at least $\frac{3}{4}$ of all meetings (regular and extraordinary) and any continuous absences to not exceed 2 in number.
8. Attendees:
 - a) Regular Attendees
 - Chief Executive Office.
 - Corporate Governance Compliance Officer.
 - Executive Board members.

withdrawing if required to do so by the Chairman.
 - b) By invitation of the Committee
 - Any Director, officer or employee of the Group.
9. The Chairman 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. The Secretary of the Committee is responsible to create and maintain a Conflicts of Interest Register as per the provisions of the Group Conflicts of Interest Policy and the Board Manual process for dealing with conflicts of interest.

E. Responsibilities

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 of Directors and of the Board of Directors collectively in coordination with the Corporate Governance Compliance Officer of the Group.
- Assess periodically, at least annually, the structure, size and composition and performance of the Board and of each Board Committee in coordination with the Corporate Governance Compliance Officer of the Group,.
- Engage a broad set of qualities and competences when recruiting members and re-appointing existing members to the Board as per the Nominations Policy

(*Appendix 4*) and implement the Diversity Policy (*Appendix 23*) of the Board. Review the Diversity Policy annually in order to meet the target set for the representation of the underrepresented gender.

- 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 the appointment of the chairman or a non-executive director an explanation should be provided in the Annual Report.
- Make appropriate recommendations to the Board with a description of how it ended up with its recommendations of candidates to fill in Board vacancies.
- Review periodically, and at least annually, succession plans for the Board to ensure on the one hand that successions occur smoothly and an appropriate balance of diversity, skills and experience is maintained and on the other hand the progressive renewal of the Board, and report to the Board accordingly.
- Nominate members for the material¹ subsidiary Boards taking into consideration the requirements of the various supervisory bodies relevant to each subsidiary. (non-material subsidiary Boards to be appointed by CEO)

2. Board Effectiveness

- 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, conducted in coordination with the Corporate Governance Compliance Officer of the Group, and review its findings.
- Ensure that the evaluation process covers, as a minimum, the following:
 - performance of the Board as a whole, of Committees and of individual members,
 - contribution of the Board as a whole, of Committees and of individual members (i) to develop the business objectives, risk appetite and strategies, (ii) to set and oversee the risk and compliance management frameworks and (iii) to establish and maintain consistent organizational and operational arrangements and internal control mechanisms,
 - composition of the Board and its Committees,
 - communication with management, shareholders and competent authorities,

¹ Material subsidiaries are Uniastrum, BOC UK, Eurolife and GIC

- the roles of Chairman of the Board, Company Secretary and Senior Independent member of the Board,
 - time commitment of non-executive members and capacity to critically review information,
 - evaluation of the fitness and probity of each member of the Board and particularly the independence of each independent member.
- 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 fulfill their obligations.

3. Fitness & Probity of members of the Board, the Executive Committee and other Senior Managers

- Define the profile (job description / qualifications) for the position of Chief Executive Officer taking into account the scope of the Group's operations.
- Assist the Board in identifying individuals as candidates as per the Fitness & Probity Policy (*Appendix 17*), that fit the profile for the position of Chief Executive Officer, having relevant extensive experience and capable of leading the organization and effectively implementing its strategy.
- Develop compensation and benefits packages for the Chief Executive Officer of the Group, including pension rights and any share option schemes and inform the HRRC of his KPIs and pay.
- Perform the annual appraisal of the performance of the CEO against set targets
- Approve specific remuneration packages of Executive Directors after recommendation from HRRC.
- Approve and review the Fitness & Probity Policy of the Group annually.
- Review periodically, and at least annually, the Policy of the Board for selection, development, appointment and replacement of senior management and heads of the internal control functions and making recommendations to the Board.
- Review periodically the Policy for recruitment, rotation and promotion of staff and reporting to the Board accordingly.
- Approve major changes to the Group's corporate structure (together with CEO).

4. Corporate Governance

- Approve the Corporate Governance Policies of the Group and review their effectiveness and adequacy in coordination with the Corporate Governance Compliance Officer of the Group.
- Ensure the Corporate Governance Compliance Officer 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 Corporate Governance Compliance Officer of the Group, and make appropriate recommendations to the Board.
- Review and approve the Terms of Reference of all the Committees of the Board at least annually, in coordination with each Committee and with the Corporate Governance Compliance Officer of the Group.
- Review and approve the Board of Directors 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 Committees of the main Board.
- Ensure the existence of adequate human and financial resources for the induction and training of the members of the Board. Make available, through the Company Secretary, to new members a suitable induction process and on-going training where appropriate and as discussed with the Committee.
- Consider and authorize 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 Committee, the composition, authority and independence of internal control functions and report to the Board accordingly.
- Ensure to the extent possible and on an ongoing basis, that the Board's decision making 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.

5. Communication and Reporting

- Formulate and recommend for approval to the Audit Committee and the Board the Annual Corporate Governance Report of the Group for inclusion in the Annual Report.
- Formulate the annual Nominations & Corporate Governance Committee Report included in the Annual Corporate Governance Report of the Group.
- Respond, through the Chairman of the Committee, to shareholder questions regarding Director development and succession, and / or Corporate Governance Policy of the Group at the Annual General Meeting.
- Report to the Board at least once a year.
- Conduct an annual self assessment and report its conclusions and recommendations for improvements and changes to the Board.

6. Regulatory framework

1. Directive on Governance and Management Arrangements of Credit Institutions 2014,
2. CSE Code 4th Edition, 2014
3. Directive on the Fitness & Probity (assessment Criteria) of the Directors & Managers of Banks 2006 and 2007
4. EBA Guidelines in relation to the suitability of members of the management body and key function holders
5. Fitness & Probity Policy
6. Corporate Governance Policy
7. Code of Conduct,
8. Anti-Bribery Policy,
9. BOC Group Conflict of Interest Policy,
10. Any other relevant legislation or external and internal regulation,

in each case, as amended or updated from time to time.

F. Delegation of Authorities by the Main Body of the Board of Directors

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 specific remuneration packages of Executive Directors
- Approval for process of performance evaluation of Board and Board Committees and review of findings.
- Determination of independence of non-executive Directors.
- Approval of the Board Manual and the Terms of Reference of the Committees.
- Approval of Corporate Governance Policy
- Approval of Group Policy on Fitness & probity of Directors, Managers and Identified Staff
- Approval of Group Board Diversity Policy
- Approval of Group Board Nominations Policy

The NCGC Chairman will be responsible to present in summary to the Main Body the various decisions taken on matters delegated by it.