

# Annual Corporate Governance Report **2019**

## Introduction

The Board of Directors (the 'Board') of the Bank of Cyprus Holdings Plc (the 'Company') is committed to the highest standards of corporate governance and aims to ensure on an ongoing basis that the Company is a modern, transparent, competitive and sustainable organisation. A key objective of the governance framework of the Company together with its subsidiaries (the 'Group') is to ensure compliance with applicable legal and regulatory requirements. The Company is subject to the Code of Corporate Governance of the Cyprus Stock Exchange (available on [www.cse.com.cy](http://www.cse.com.cy)), as well as the Directive on Governance and Management Arrangements of the Central Bank of Cyprus (the 'CBC Directive on Governance') and the Directive on the Assessment of Fitness & Probity of the members of the management body and managers of authorised credit institutions (the 'CBC Directive on Fitness & Probity') (available on [www.centralbank.cy](http://www.centralbank.cy)).

The Company has also elected to apply the revised 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK (the 'UK Code' which is available on [www.frc.org.uk](http://www.frc.org.uk)).

### Part A

The Company has fully adopted the Code of Corporate Governance of the Cyprus Stock Exchange (5<sup>th</sup> revised edition – January 2019) (the 'CSE Code'), has incorporated its provisions in the Group's Corporate Governance Policy and fully implements its principles. The policy together with the Board Manual, the terms of reference of the Board committees and the practices followed by the Board and its committees, constitute important foundations for maximising shareholder value.

### Part B

The Company confirms that it has complied with the provisions of the CSE Code throughout 2019. The Company applies the provisions of the Code throughout the Group. As at the date of this Report, all significant subsidiary companies maintain an audit committee and a risk committee. Details of how the Company has applied the provisions of the CSE Code throughout 2019 are set out in this Corporate Governance Report and in the Remuneration Policy Report on page 365.

The Directors further consider that the Company has complied with the provisions of the UK Code, other than as set out herein:

- Following the resignation of Mr. Michael Spanos on 21 January 2019 until 26 February 2019 when Mr. Zographakis was appointed to the role, there was no Senior Independent Director. There was only one intermediate meeting in this time which took place on 25 February and continued into 26 February 2019 because of the large number of matters to be discussed. During this period the Investors Relations Department was ready to take any queries / concerns and address them to the Board if relevant.
- The update on the views received from shareholders and actions taken were not published within six months of the AGM, given that a new Chairman was appointed to the Board in June and a new CEO in September 2019 and discussions with shareholders were slightly delayed to obtain their views on the change in the leadership of the Group. An update is included in this report on page 327.

The narrative that follows also covers how the Company has applied the principles, provisions and disclosure requirements set out in the UK Code.

The Board considers that the Group's governance arrangements are robust and include a clear organisational structure and well defined, transparent and consistent lines of responsibility which support the maintenance of a strong control environment. These governance arrangements also include well-defined and consistent authority limits, reporting mechanisms to higher levels of management and the Board as well as effective processes through which to identify, manage, monitor and report risks to which the Group is or might be exposed. They provide systems of checks and controls to ensure accountability and drive better decision-making, supported by policies and procedures which ensure the Board and its committees operate effectively. The Group has appropriate internal control mechanisms including sound administrative and accounting procedures, Information Technology ('IT') systems and controls. The Board continually monitors and reviews internally, at least once a year, its governance framework and that of the Group's subsidiary companies (where applicable) through effective oversight. Corporate governance principles are constantly evolving, and the Board is committed to monitoring and reviewing its corporate governance framework accordingly.

## Introduction (continued)

### Part B (continued)

In late October 2019, the Group's operational structure was re-organised, to ensure that the Group is structured effectively to achieve the Group's vision, mission and transformation. The new senior management structure is based on three pillars: Functions; Business; and Legacy to better focus and align with the Group's key objectives. These objectives include significant de-risking of the balance sheet, the building of core activities in the light of the new digital age and the rationalization of the Group's operating activities, with emphasis on digital transformation and cost reduction.

#### 1. Board of Directors

The Board derives its authority to act from the Articles of Association of the Company and the prevailing companies, stock exchange and banking laws, the directives of the CBC, as well as the CSE and UK Codes. The role of the Board and its committees is well described and analysed in the Board Manual that is annually fully revised and incorporates all responsibilities that emanate from the regulatory framework and best practices.

On 18 January 2017 the Company became the sole shareholder of Bank of Cyprus PCL ('BOC PCL' or 'the Bank'). A common board and committee structure applies, with the same directors sitting on the Board of Directors of the Company and on the Board of Directors of BOC PCL and on the committees of each of the two Boards.

The Board is collectively responsible for the long-term success of the Group; it sets the Group's strategic objectives and risk appetite to support the strategy; integrates sustainability into the way business is conducted; ensures that the necessary financial and human resources are in place for the Group to meet its objectives; and reviews management performance. The Board also ensures that its obligations towards its shareholders and other stakeholders are understood and met. The Board recognises the need to be adaptable and flexible to respond to changing circumstances and emerging business priorities, whilst ensuring the continuous monitoring and oversight of core issues.

The Board has delegated authority to committees of the Board to support its oversight of risk and control. The committees are the Audit Committee (the 'AC'), the Risk Committee (the 'RC'), the Nominations and Corporate Governance Committee (the 'NCGC'), the Human Resources and Remuneration Committee (the 'HRRC'), the Technology Committee (the 'TC') and the Ethics, Conduct and Culture Committee (the 'ECCC'). Details of these committees are set out in section 5 of this report. The chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meetings of the Board and minutes of these meetings are tabled at the Board as soon as possible for noting and/or discussion, as necessary. The committee terms of reference are reviewed annually by the relevant committees and by the Board and are available on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) or by request to the Company Secretary.

##### 1.1 The Role of the Board

The Board's role is to provide effective leadership of the Group and promote the Group's vision, values, culture and behaviour, within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board is responsible for ensuring that management maintains an appropriate system of internal controls which provides ongoing assurance of effective operations, internal financial controls and compliance with rules and regulations. It has the overall responsibility for the Group and approves and oversees the implementation of the Group's strategic objectives, risk strategy and internal governance.

Furthermore, the Board has the responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects, including in relation to the annual and interim financial statements and other price-sensitive public reports and reports required by regulators and by law.

The Board is the decision-making body for all matters of importance because of their strategic, financial or reputational implications or consequences. A formal schedule of matters reserved for approval by the Board ensures that control of these key decisions is maintained by the Board. The schedule is reviewed and updated regularly. Matters requiring Board approval include amongst others:

- *Strategy and Risk Appetite*
  - The Group's long-term objectives and strategy;
  - The overall risk policy and risk management procedures;
  - The Group's Risk Appetite Statement;

## 1. Board of Directors (continued)

### 1.1 The Role of the Board (continued)

- *Transactions*
  - Capital expenditures for amounts over €20 million;
  - Unusual transactions;
  - Mergers, acquisitions and disposals of the Group's assets for amounts over €20 million;
- *Management*
  - The annual and three-year budgets and business plans;
  - Intra-group guarantees, indemnities and security;
- *Corporate Governance*
  - Directors' conflicts of interest;
  - The selection, appointment, re-appointment of directors of the Company and the termination of the services of the Chief Executive Officer;
  - Overseeing the corporate governance and succession planning framework; setting the right tone; and promoting the appropriate culture, values and ethics of the Group; and
  - The Remuneration Policy.

Moreover, the Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group. Their appropriateness for the role is monitored on an ongoing basis. A full schedule of matters reserved for the Board can be found at [www.bankofcyprus.com](http://www.bankofcyprus.com).

### Stakeholders

The Board recognises that the relationship with the Group's stakeholders is a critical component of the drive towards sustained and sustainable growth. Responding to the concerns of stakeholders is a key element of the Group's corporate responsibility and transparency projects and initiatives. The Group has identified, inter alia, the following key stakeholders: regulators, society, suppliers, customers, shareholders and employees.

The Chairman and members of the Board regularly meet with regulators including the Joint Supervisory Team ('JST') and the Central Bank of Cyprus ('CBC'), the European Central Bank ('ECB') and others. Discussions include regulation and supervision, risk governance and oversight, the future of the banking industry, strategic challenges and rebuilding culture. The Board is regularly updated on these meetings.

Following the equity participation of the European Bank for Reconstruction and Development ('EBRD') in the Company's capital in 2014, and in view of its commitment to environmental and social (E&S) issues, the Company is committed to applying certain environmental and social policies and procedures to its lending activities based on specific criteria. The key elements of these procedures are as follows:

- Screening of lending activities against any eligibility criteria and determining the level of E&S risk;
- Obtaining satisfactory assurance that customers comply, at a minimum, with national environmental, health, safety and labour regulations and standards;
- Conducting further due diligence as required on lending above a specified E&S risk level and including such findings in the overall lending decision making;
- Using contractual requirements (where required) to ensure customer compliance with national health and safety requirements, and any other actions to be taken by the customer to mitigate E&S risk;
- Monitoring E&S transactions throughout the life of the facility;
- Reporting to the EBRD on E&S issues on an annual basis.

The Company has adopted the United Nations 2030 Agenda, as represented by the Sustainable Development Goals (SDGs) for 2030. The Group's management has decided that the Company should actively contribute to the achievement of the SDGs through promoting well-being in society, committing to protecting the environment and supporting employee development. To this respect the CEO has endorsed the initiative 'CEOs call to Action' undertaken by CSR Europe.

The Bank recognises the importance of waste resource management, and for that reason for several years Bank of Cyprus PCL has had in place a paper recycling programme on all Bank premises. The Bank continually strives to meet environmental and social challenges by:

## 1. Board of Directors (continued)

### 1.1 The Role of the Board (continued)

- Considering all factors which affect the Company, be it risk management or management strategies for alternative investments;
- Expanding the new procedures and criteria for the supply chain, ensuring a smooth and transparent process in the selection of suppliers;
- Adopting and upgrading supplier assessment and selection procedures in all areas of cooperation; and
- Expanding the larger bidders' list by 10%.

The Company remains a strong pillar of society and a key driver for sustainable growth in Cyprus. It develops initiatives that aim to improve the living conditions of the more vulnerable groups of society and preserve local culture. Community activities fall within the two pillars: Health and Education. Each year, the Bank supports more than 300 Non-Governmental Organisations (NGOs), charity organisations, associations, municipalities, schools, sports federations and sports academies with the amount of approximately €1 million. During 2019 Bank of Cyprus continued to actively support significant institutions in the area of health improvement and society welfare and was engaged in numerous initiatives supporting Education, Youth, New Entrepreneurship and highlighting Cyprus' strong heritage. More information on the initiatives of the Company with respect to its role in society can be found in the Corporate Responsibility Report on [www.bankofcyprus.com](http://www.bankofcyprus.com).

The Bank maintains a Donations, Sponsorships and Partnership Policy which does not allow sponsorship of political parties or any associations or organisation related directly or indirectly to one.

The Group plays a key role and contributes to the growth of Cyprus economy as the largest banking and financial services group in Cyprus, with a long presence and tradition. The Board recognises that the Group's performance is highly correlated to the Cypriot economy. Though Cyprus has had strong economic recovery in 2015-2019, the COVID-19 pandemic can lead to a significant slowdown in 2020 and even to a potential recession. Growth in new lending is focused on the consumer, SME and corporate sectors. It is focused on selected industries that are more in line with the Company's target risk profile such as tourism, trade, professional services, information/communication technologies, shipping, energy, education, health and green projects. The Board has approved the budgets and plans of the business lines supporting this focus.

The Company is improving its risk profile by reducing its non-performing exposures either organically or through sales of loans while enhancing its liquidity and capital positions as well as focusing on diversifying its income streams by optimising fee income from international transaction services, wealth management and insurance. The Board has reviewed the three-year plan of the Restructuring & Recoveries Division ('RRD') and approved individual steps in this direction.

The Group embarked on a journey of digitization in 2018 which involved digitising and automating its processes and directing routine customer interaction over to digital channels. The Bank has been working closely with IBM to redesign its digital channels beginning with mobile services. Electronic banking is secure and internet services are fast, cheap or even free of charge. However, currently some specific demographics do not have access to such services. A key focus for the Bank is educating customers on digital services informing them on ways to avoid charges and encouraging them to use their smart mobile phones for the Bank's services. BOC PCL has already begun the journey of transforming its branch network. The first two model branches (one in Nicosia and one in Limassol) were planned to be launched in the second quarter of 2020 but dates are subject to revision following the pandemic crisis. The Board is closely monitoring the digital transformation project through its Technology Committee which has oversight responsibility with respect to the overall role of technology in the Group's strategy and reviews and approves significant technology investments.

The Bank has replaced the hard copy bank statement which its customers received every month by post with an e-statement, thereby minimizing the use of paper and reducing the environmental impact of its production such as deforestation and wasteful energy and water consumption.

The Board has set down the values of the Company and aims to embed them in every activity and operation of the Group. These are: integrity, transparency, accountability, confidentiality and sustainability. The Group is thus creating value for its customers, shareholders and employees. The security, protection and privacy of personal data are important to the Group and therefore the Board has approved a Data Protection Policy that outlines the principles for data privacy and preserves the customers' ability to have better control of their personal data and to pursue their rights under the EU General Data Protection Regulation ('GDPR').

## **1. Board of Directors** (continued)

### **1.1 The Role of the Board** (continued)

Securing Bank's information and systems has been one of the most significant priorities for the Bank. To this end a multilayer defence approach is used in terms of governance and security controls. The governance model follows regulatory directives employing the three lines of defence. Management support is at the highest possible level and there is direct independent reporting to the appropriate Board committees. In parallel all our security controls follow regulatory standards (GDPR, NIS, PSD2, PCI, SWIFT) and international best practices (such as ISO 27001).

The Group has very low appetite for threats and losses arising from cyber attacks and information misuse. Investments are thus made in terms of people to first, second and third lines of defence employing qualified security engineers, analysts and IT auditors. In addition, significant investments are made in state-of-the-art technology on a continuous basis (such as machine learning and artificial intelligence).

The Bank recognises that its workforce is one of its most valuable assets. To this respect, it has a number of policies and practices in place that relate to talent identification, development and reward/recognition of its employees. Additionally, the Bank invests in the development of its people through the provision of numerous training and development opportunities which aim to create the relevant competencies and behaviours and are appropriate and in line with the Bank's strategy.

Further, the Group maintains a zero-tolerance policy for money laundering and terrorism financing incidents and does not accept excuses for any violations of the relevant legislation or for breaches of the Group's internal policies, procedures and its compliance framework. Strict written instructions were issued in 2018 by the Chairman of the Board and the CEO asking all employees to set rigorous standards and abide by them.

### **Leadership**

There is a clear separation between the role of the Chairman who is responsible for the leadership and effectiveness of the Board, and the Chief Executive Officer ('CEO') who is responsible for the running of the Company's business. This clear division of responsibility is documented in the Board Manual and the Corporate Governance Policy which have been approved by the Board. The day to day operations of the Group have been delegated to management.

### **Role of the Chairperson**

The Chairman creates the conditions for the effectiveness of the Board; oversees the Board's operations ensuring the agenda cover the key strategic items the Group must face; sets the style and tone of Board discussions; and sets clear expectations regarding the Group's culture, values and behaviour.

The Chairman ensures the effective functioning of the Board on all aspects of its role including:

- Providing leadership to the Board;
- Ensuring that the Board determines the nature and extent of the significant risks the Group is willing to embrace in the implementation of its strategy;
- Ensuring the Board's committees are properly structured with appropriate terms of reference;
- Maintaining effective lines of communication and information between the Board and senior management of the Group;
- Ensuring that the members of the Board have sufficient time to consider strategic and other critical issues and are not faced with unrealistic deadlines for decision making;
- Encouraging the active participation of members of the Board;
- Regularly reviewing and agreeing with each Director their training and development needs;
- Ensuring conflicts of interests are disclosed and members abstain from participating in the decision-making and voting on any matter on which they may have a conflict of interest;
- Maintaining effective communication with supervisory authorities, shareholders and other stakeholders;
- Acting on the results of Board evaluation, including by recognising the strengths and addressing the weakness of the Board and, where appropriate, proposing the appointment of new directors or seeking the resignation of directors; and
- Promoting high standards of corporate governance.

Josef Ackermann retired as Group Chairman on 14 May 2019. Takis Arapoglou was appointed to the Board as an independent non-executive Director on 26 February 2019. He was elected Group Chairman on 12 June 2019, following ECB consent.

## **1. Board of Directors** (continued)

### **1.1 The Role of the Board** (continued)

#### **Role of the CEO**

The CEO is responsible:

- To develop and present to the Board the strategy of the Group;
- To execute the approved strategy;
- To recommend annual operating and capital expenditure budgets;
- In conjunction with the Chairman, represent the Group to clients, regulators, shareholders, potential investors, financial industry and the general public;
- To lead the senior management team in the day-to-day running of the business;
- Accept accountability for the performance of the management team and the delivery of the strategy agreed by the Board;
- Set an example to the Group's employees and communicate to them the expectations of the Board in relation to the Group's culture, values and behaviour; and
- To make decisions on all matters affecting the operations, performance, compliance and strategy of the Group's business with the exception of those matters reserved for the Board.

The CEO, in his day-to-day management of the Group, as delegated by the Board, is supported with recommendations and advice from the Executive Committee ('ExCo') which he chairs. The CEO's service contract is reviewed at least every five years.

John Hourican resigned as CEO on 30 August 2019, after giving appropriate six-month notice. Panicos Nicolaou, CEO designate since May 2019 was appointed to the Board on 1 September 2019 following ECB consent.

#### **Roles of Deputy Chairperson and Senior Independent Director**

The Deputy Chairman deputises the Chairman as required. The Senior Independent Director (the 'SID') is available to shareholders and members of the Board if they have concerns that have not / cannot be dealt with through normal communication channels. He provides a sounding board for the Chairman, as well as support to the Chairman in delivering his objectives.

He chairs an executive session of the non-executive directors to assess the performance of the Chairman as part of the annual evaluation of Board performance and oversees the appointment of the Chairperson. He also attends meetings with major shareholders to ensure that there is a balanced understanding of the issues and concerns that they may have.

Michael Spanos, SID, resigned from the Board on 21 January 2019. Ioannis Zographakis was appointed as SID on 26 February 2019.

#### **1.1.1 Information and Support**

The Board meets on a regular basis and has a formal schedule of matters for consideration which is annually reviewed. The Board receives regular reports and presentations from the CEO and other senior management on strategy and developments in the operations of the Group. The Board considers reports from each of the Board committees, while regular reports are also provided on the Group's risk appetite, top and emerging risks, risk management, credit exposures and the Group's loan portfolio, asset and liability management, liquidity, litigation, compliance and reputational issues.

Under the supervision of the Chairman of the Board, the Company Secretary's responsibilities include facilitating the flow of information within the Board and its committees, between senior management and non-executive directors and between heads of internal control functions and non-executive directors, as well as facilitating the induction, development and evaluation of members of the Board.

All members of the Board have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer (the 'CGCO') who can provide relevant information related to Board procedures and the CSE and UK Codes. The directors also have access to the advice of the Group external legal advisors and to independent professional advice at the Group's expense if and when required. Committees of the Board have similar access and are provided with sufficient resources to undertake their duties. All members of the Board have the benefit of directors' and officers' liability insurance in respect of legal actions against them.

**1. Board of Directors** (continued)

**1.1 The Role of the Board** (continued)

**1.1.1 Information and Support** (continued)

Occasionally the Board holds deep dive sessions with key business lines to provide members with a deeper insight into key areas of strategic focus, enable better quality of debate and enhance knowledge. The deep dives usually include presentations and opportunity for discussion. In 2019, discussions on the capital plan including discussions with external consultants and the regulators took place. A deep dive on new lending for the period 2015-2018 showed consistent governance processes with good practices in retail banking. Some policy exceptions on corporate banking lending were identified but even these indicated due care and adequate analysis.

A quality assurance exercise was carried out by external consultants on the process followed for ICAAP and ILAAP. The cost reduction programme was discussed at length and a cost reduction sponsor was appointed to deliver the program.

The key areas of focus in 2019 for the Board, inter alia, were:

Group Strategy	<ul style="list-style-type: none"> <li>• Three-year business and capital plan;</li> <li>• Acquisitions and divestitures;</li> <li>• Consideration and approval of large transactions;</li> <li>• Resolution Plan;</li> <li>• Progress of the Bank's Digital Transformation Program;</li> <li>• Minimum Requirement of own funds and Eligible Liabilities (MREL).</li> </ul>
Regular Updates	<ul style="list-style-type: none"> <li>• Group Performance Report;</li> <li>• Finance report, including budgets, forecasts and capital positions;</li> <li>• Risk report;</li> <li>• CEO's report;</li> <li>• Reports from chairpersons of committees.</li> </ul>
Business environment	<ul style="list-style-type: none"> <li>• Cyprus economic development;</li> <li>• Quarterly economic reports;</li> <li>• Investors and stakeholders' perspectives;</li> <li>• Market updates and share trading activity.</li> </ul>
Business performance	<ul style="list-style-type: none"> <li>• Review of business lines' strategies;</li> <li>• Review of the performance of Corporate Finance projects.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• New Covered Bond Monitor;</li> <li>• Internal Capital Adequacy Assessment Process ('ICAAP') Report;</li> <li>• Internal Liquidity Adequacy Assessment process ('ILAAP') Report;</li> <li>• Group Risk Appetite Statement;</li> <li>• Cyber Security briefings.</li> </ul>
Governance and regulatory compliance	<ul style="list-style-type: none"> <li>• Approval of appointments to the Board;</li> <li>• Approval of appointments to the boards of major subsidiaries;</li> <li>• Replacement of the chairperson of HRRC;</li> <li>• Replacement of SID;</li> <li>• Board effectiveness and Chairman's performance reviews;</li> <li>• Review and approval of various Group policies;</li> <li>• Succession planning.</li> </ul>

**Strategy Development**

The strategy to revive the Bank in the last six years, premised on a strong set of values along three constituent reform pillars. These were 1) to focus on completing its 'shrinking to strength' strategy which included the divestment of its non-core business abroad concentrating the Bank's business model and capital base on the home market 2) to repair the Bank, to restore confidence in the Bank and to gradually address the challenge of excessively high non-performing exposures (NPEs) and finally 3) to re-build the Bank.

## **1. Board of Directors** (continued)

### **1.1 The Role of the Board** (continued)

#### **1.1.1 Information and Support** (continued)

##### **Strategy Development** (continued)

This last pillar entailed developing an effective senior management team, improving efficiency and strengthening and diversifying revenue generation. With the first pillar completed and the second pillar well on the way to being addressed, the Bank is now concentrating on the third pillar, i.e. to re-build the Bank through improved efficiency and through strengthening and diversifying revenue income.

The Group focuses on implementing its strategic objectives and aims to become a stronger, safer and a more focused institution capable of supporting the recovery of the Cypriot economy and delivering appropriate shareholder returns in the medium term. The key pillars of the Group's strategy are to:

- Arrest any asset quality deterioration resulting from the outbreak of COVID-19 and further reduce the level of delinquent loans upon normalisation of market and operational conditions
- Further optimise the funding structure
- Maintain an appropriate capital position by internally generating capital
- Focus on the core Cyprus market
- Achieve a lean operating model
- Deliver value to shareholders and other stakeholders

To better serve its customers, the Bank intends to invest in improved products and services and to modernise its agenda. It has become a leader among all financial institutions in Cyprus on digitisation. The benefits of this transformation are already enjoyed by the Bank's customers who have online access to banking services through their computer, tablets and mobile devices. The Group retains the largest market share in outstanding deposits and loans and the lion's share in credit expansion. It is also serving the insurance needs of its clients through two very efficient and dynamic insurance companies, which themselves have the largest market share in life insurance and the second largest share in the non-life insurance market.

Detailed information relating to strategy is set out in Strategy and Outlook of the Directors' Report of the 2019 Annual Financial Report on page 28.

### **1.2 Composition of the Board of Directors**

As at 31 December 2019, the Board comprised of eleven members: the Group Chairman who was independent on appointment, two executive directors and eight non-executive directors. According to the provisions of the CBC Governance seven of the non-executive directors are independent. However, the Board has determined all of the non-executive directors to be independent non-executives in accordance with the provisions of both the UK and the CSE Code. The names and brief biographical details including each Director's background, experience and independent status are set out in section 4 of this report.

The Board considers its current size appropriate to provide the full range of skills and experience necessary on the Board and to populate its committees while retaining a sense of accountability by each Director for Board decisions; to govern the business effectively, while enabling full and constructive participation by all directors given the size and operations of the Group and the time demands placed on the directors.

Each of the committees' structure facilitates open discussion and debate, with steps taken to ensure adequate time for members of the committees to consider proposals which are put forward.

The NCGC at least annually reviews the structure, size, and composition of the Board (including skills, knowledge, experience, independence and diversity) and recommends to the Board the skills and experience required to provide sound governance oversight. These include experience in banking, insurance, markets and regulatory environments, risk management, financial management, strategy development, technology and operations experience and knowledge of governance, compliance and audit. The assessment of the skills profile of the Board is carried out to ensure that the Board and committees comprise of members having an all-embracing perception of the Group's activities and the risks associated with them. Further, should the overall size of the Board be altered by any appointment or resignation, a review is undertaken to ensure that the composition remains appropriate. Tenure is another aspect reviewed when considering succession planning and Board renewal. The Board further ensures that all members commit the necessary time to executing their duties and responsibilities to the Group.

## **1. Board of Directors** (continued)

### **1.2 Composition of the Board of Directors** (continued)

The Board believes diversity of thinking is essential to sound decision-making and has therefore approved a Board Diversity Policy and is strongly committed to diversity across all dimensions. The Board has retained its gender diversity target of 40% female members by the end of 2020.

The NCGC takes into consideration succession planning and the impact of possible retirements on the skills profile of the Board. Recruitment is supported by Egon Zehnder, an international search agency. In 2019 the agency identified a range of candidates for appointment to the Board for the position of Chairperson and CEO and conducted an independent assessment of short-listed candidates, providing reports to the Board in advance of a series of interviews for each candidate with the NCGC and other directors.

The Group carries out a review of the ongoing fitness and probity of Board members on an annual basis, whereby they are required to confirm any changes in their circumstances in respect of their compliance with the CBC Fitness & Probity Directive. All changes in circumstances disclosed are assessed and their materiality determined. Following the review of 2019, certain changes to directorships were reported. The Board concluded that each of the directors has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively and commits the necessary time for the execution of his/her duties.

#### **Executive Directors**

The CEO and the First Deputy CEO (the 'FDCEO') are employees of BOC PCL. The CEO's termination of employment is subject to six months' notice to that effect to be given to the executive Director, without cause but at the sole discretion of BOC PCL. The FDCEO's employment is mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by BOC PCL based on years of service and for a four-month prior written notice by the executive director in the event of a voluntary resignation.

#### **Non-Executive Directors**

Non-executive directors are responsible for monitoring executive activity and contributing to the development of strategy of the Company. They are not Company employees and do not participate in the daily management of the Group.

Their role is to constructively challenge management, to scrutinize the performance of senior management in meeting agreed goals and objectives and to monitor the reporting of the performance. Non-executive directors must also satisfy themselves on the integrity of financial information and that the systems of financial controls, compliance and risk management frameworks and the internal control framework are robust and defensible. They bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Regular meetings are held between the non-executive directors in the absence of the executive directors and at least once a year in the absence of the Chairman.

##### **1.2.1. Meetings of the Board of Directors**

A yearly planner is prepared by the Company Secretary, with input from all Board members, to map out the flow of key items of business to the Board. The Group has a comprehensive and continuous agenda setting and escalation process in place to ensure that the Board has the right information at the right time and in the right format to enable the directors to make the right decisions. The Chairman leads the process assisted by the Company Secretary.

The process ensures that sufficient time is being set aside for strategic discussions and business critical items. Matters may be added to agendas in response to external events, non-executive directors' requests and regulatory initiatives inter alia.

The Company Secretary is closely involved in preparing the schedule of all Board and committee meetings and the agendas for these meetings, in conjunction with the Chairman, ensuring that relevant information is dispatched timely to all members of the Board.

Agendas and papers are circulated in a timely manner prior to each meeting and all members of the Board are informed in writing of forthcoming Board meetings to allow them adequate time to review the relevant information and enable them to fully discharge their duties.

## 1. Board of Directors (continued)

### 1.2 Composition of the Board of Directors (continued)

#### 1.2.1. Meetings of the Board of Directors (continued)

Meetings packs are typically uploaded a week in advance of the meetings and communicated to all members of the Board via a secure electronic Board portal to ensure they have sufficient time to review the matters which are to be discussed and to seek clarifications or any additional information they may require.

Board meetings have certain standing items such as a report from the CEO and the executive Director Finance on Group performance, reports from the chairmen of committees and updates from other senior management members. In addition to formal meetings, the Board meets as necessary to consider matters of a time-sensitive nature. The Chairman and the chairpersons of each committee ensure Board and committee meetings are structured to facilitate discussions.

Committee meetings are held prior to Board meetings with the chairperson of each committee then reporting matters discussed to the Board. Topics for deep dives or additional items are discussed when required and include business, governance and regulatory update.

During 2019 the Board held 12 meetings. Further details on the number of the meetings of the Board and its committees and attendance by individual directors are set out below. In March 2019 the Board held a two-day offsite meeting specifically focused on strategy. During the year, the Chairman and the non-executive directors met without the executive directors present, to discuss a range of business matters.

#### Board of Directors 1/1/2019-31/12/2019

Name	Board of Directors	AC	HRRC	NCGC	RC
Josef Ackermann (Chairman) <sup>1</sup>	7/7			5/5	
Takis Arapoglou (Chairman) <sup>2</sup>	4/4			5/5	
Maksim Goldman (Vice Chairman)	12/12			9/10	13/13
Anat Bar-Gera	12/12		9/9		
Arne Berggren	11/12	11/13			12/13
Lyn Grobler	12/12			10/10	
Paula Hadjisotiriou	11/12	11/13			11/13
Michael Heger	11/12	13/13	9/9		
John P. Hourican <sup>3</sup>	10/10				
Panicos Nicolaou <sup>4</sup>	2/2				
Christodoulos Patsalides	12/12				
Maria Philippou	9/12		8/9		
Michael Spanos <sup>5</sup>	0/1		0/1		
Ioannis Zographakis	12/12	13/13			12/13
<b>Total meeting<sup>6</sup></b>	<b>12</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>13</b>

1 Resigned on 14 May 2019

2 Appointed on 12 June 2019

3 Resigned 30 August 2019

4 Appointed 1 September 2019

5 Resigned 21 January 2019

6 The number of Board meetings at BOC PCL level was 22 during the year 2019. The attendance of these meetings can be found on page 335.

The Board makes full use of technology such as teleconferencing, a Board portal and tablets in its meeting arrangements. This leads to greater flexibility, security and efficiency in Board paper distribution and meeting arrangements. Minutes and matters arising from the meetings are produced and circulated to the directors for review and feedback. Matters arising are followed up in subsequent meetings through relevant updates.

## **1. Board of Directors** (continued)

### **1.2. Composition of the Board of Directors** (continued)

#### **1.2.2 Terms of Appointment, Retirement and Re-election of Directors**

Non-executive directors are appointed for an initial three-year term and are typically expected to serve a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness & probity. The Board may invite directors to serve additional periods. A non-executive's term of office will not extend beyond 12 years in total and any re-appointment beyond 6 cumulative years is subject to rigorous review and will take into account the need for progressive refreshing of the Board.

The Board may at any time appoint any person who is willing to act as Director and who fulfils the criteria as these are determined in the Board Nominations Policy, either to fill a vacancy or as an addition to the existing Board, but the total number of directors should not exceed 13. Any Director so appointed is subject to election at the Annual General Meeting (the 'AGM') following his/her appointment.

According to the Articles of Association of the Company, all directors retire each year and if eligible offer themselves for re-election. A rigorous review of their skills, experience, independence and knowledge was carried out in March 2019 and the Board concluded that all directors continue to be effective and make a valuable contribution to the deliberations of the Board.

The following directors, being eligible, offered themselves for re-election and were elected at the AGM on 14 May 2019: Maksim Goldman, Anat Bar-Gera, Arne Berggren, Lyn Grobler, Michael Heger, John Patrick Hourican, Christodoulos Patsalides, Maria Philippou, Paula Hadjisotiriou and Ioannis Zographakis. Takis Arapoglou was also elected to the Board subject to ECB consent which was received on 12 June 2019.

One of the resolutions of the AGM regarding the re-election of Maksim Goldman, received negative votes slightly exceeding 20%. The framework for sounding the views of shareholders was made public through the Chairman's speech at the AGM (available on the Group's website <https://www.bankofcyprus.com/en-GB/investor-relations-new/shareholder-information/annual-general-meetings1/agm-2019/chairmans-speech/>). The Board, through the Chairman and the SID, initiated contacts with interested shareholders to sound out their views for better understanding of the result. The overall findings were communicated to the Board. The main conclusions from these interactions were that the shareholders' concerns had little to do with Mr. Goldman's person, but rather the shareholders' perceptions of how his previous association with a sanctioned entity might affect them in relation to the way markets might view any potential risks related to the Bank's capital actions or shareholder actions. These views are being seriously considered by the Board which, however, remains unanimous in their view that Mr. Goldman, apart from his official disengagement with the sanctioned entity, has practically demonstrated great commitment to his role and a high level of independence and has contributed significantly to the deliberations of the Board.

The names of directors submitted for election or re-election are accompanied by sufficient biographical and other relevant information in the AGM documentation and are available on the Group's website to enable shareholders to take an informed decision. The NCGC considers, inter alia, whether a potential Director is able to devote the requisite time and attention to the Company's affairs, prior to the Board's approval of the individual's appointment.

#### **1.2.3 Conflicts of interest**

The Group Policy on Conflict of Interests which applies to all employees and directors sets out each person's duty to avoid, manage and disclose actual, potential or perceived conflict of interests. The policy is reviewed annually and is communicated throughout the Group.

The Board Manual documents procedures specifically relating to directors' conflict of interests, and sets out how these are to be identified, reported and managed to ensure that the directors act at all times in the best interests of the Company. The Board Manual is reviewed and revised if necessary, at least annually.

The Board has adopted a Dealing Code for transactions in the Company's securities by Persons Discharging Managerial Responsibilities (PDMRs). The Dealing Code complies with the European Market Abuse Regulation. All PDMRs have been informed of their obligations under the Dealing Code in writing. All directors have complied with the Dealing Code during 2019.

## **1. Board of Directors** (continued)

### **1.2 Composition of the Board of Directors** (continued)

#### **1.2.3 Conflicts of interest** (continued)

None of the directors had, during the year or at year end, a material interest, directly or indirectly in any contract of significance with the Group (See Note 51 of the Consolidated Financial Statements of Bank of Cyprus Holdings).

#### **1.2.4 Time commitment**

The NCGC ensures that individual Board directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Board has determined the time commitment expected of non-executive directors to be 35-40 days per annum. Time devoted to the Group can be considerably more when serving on Board committees.

BOC PCL has been classified as a 'significant institution' under the European Union (Capital Requirements) Regulation 2014. The CBC Fitness and Probity Directive which incorporates the provisions of Article 91 of the European Capital Requirements Directive ('CRD IV') on management bodies of credit institutions, determines that a Director cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships; or
- Four non-executive directorships.

Executive or non-executive directorships held within the same group, count as a single directorship. Directorships in organisations which do not pursue predominantly commercial objectives do not count for the purposes of the above guidelines.

The ECB which supervises BOC PCL following the European Union Regulation 468/2014 which established the framework for cooperation within the SSM between the ECB and national competent authorities may in exceptional cases, and taking into consideration the nature and complexity of the business of the Group, authorise members of the Board to hold one additional directorship.

In 2019 the ECB granted permission to Mr. Arapoglou to hold one additional non-executive directorship given the very limited time commitment involved in that directorship. All other directors were within the directorship limits set out for 'significant institutions'.

All newly appointed directors are provided with a comprehensive letter of appointment detailing their responsibilities as directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of non-executive directors can be inspected during normal business hours by contacting the Company Secretary. Directors are required to devote adequate time to the business of the Group which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, non-executive directors are normally required to sit on at least one Board Committee, which involves the commitment of additional time.

Certain non-executive directors such as the Deputy Chairman, the SID and committee chairmen are required to allocate additional time in fulfilling those roles.

The directors hold positions on the management bodies of other companies as noted in their biographical details included in section 4 of this report. Such participation does not prevent them from devoting the necessary time and attention to their duties as members of the Board of the Company and is within the limits set by the CBC Fitness and Probity Directive. External appointments which may affect existing time commitment for the Board's business must obtain prior approval. It was estimated that in 2019, each non-executive director spent at least 40 days on board-related duties. The Board considered the time commitment of all directors and concluded that each director devotes the requisite time for the effective performance of his/her duties. The Chairman commits the appropriate amount of time to the Group. There were no material changes to the other significant commitments of the Chairman following his appointment up to 31 December 2019.

### **1.3 Board Balance and Independence**

Both the CSE Code and the UK Code provide that at least 50% of the Board, excluding the Chairman, should be independent non-executive directors, so that no individual or small group of individuals can dominate the Board's decision-taking.

## **1. Board of Directors** (continued)

### **1.3 Board Balance and Independence** (continued)

The NCGC and the Board determine the independence status of each Director on appointment. In addition, a review of the independence status of each Director takes place annually to ensure that the determination regarding independence remains appropriate. In 2019 the Board considered the principles relating to independence contained in the CSE Code and UK Code and concluded that the status of each Director except Mr. Goldman, as determined remained appropriate.

By reason of his employment up to June 2018 by a corporation controlled by a significant shareholder in the Company, Mr. Goldman was not considered independent by reference to the provisions of the CBC Directive on Fitness and Probity. However, both the UK Code and the CSE Code provide that notwithstanding circumstances that may appear to impair a non-executive's independence, the Board may decide that a non-executive is independent. Maksim Goldman has always exhibited and continues to exhibit an independent character and judgement. Currently there are no relationships or circumstances likely to affect his judgement and the Board therefore considers him to be independent non-executive director. The Board has initiated procedures to have Mr. Goldman determined independent as per the provisions of the CBC Fitness and Probity Directive, by the regulator as well.

Similarly, the Chairman, Mr. Arapoglou, was independent on appointment and continues to be independent having no other relationship or circumstances to affect his judgement. He commits the appropriate time for the Group's business which is slightly more than the other non-executive directors, but his time commitment does not exceed 50 days per year. He has no other remuneration from the Group other than as Chairman of the Board and chairman of the NCGC.

The status of each director is presented in the biographical details in section 4 of this report.

The Board comprises a majority of independent non-executive directors to ensure that no individual or small group can dominate its decision making. The Board considers that each non-executive director brings independent challenge and judgement to the workings of the Board, through his/her character, objectivity and integrity.

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the CSE Code is signed annually by each of the independent non-executive directors and is submitted to the CSE together with the Corporate Governance Report.

#### **1.3.1 Appointments to the Board**

The Board is responsible for the appointment of directors and recognises the need to identify the best qualified and available people to serve on the Board. In accordance with the Board Nominations Policy and the Board Diversity Policy, all appointments are made on merit against objective criteria (including skills and experience) with due regard for the benefits of diversity on the Board. The Board plans for its own renewal with the assistance of the NCGC which regularly reviews Board composition, tenure and succession planning.

The NCGC, prior to assessing candidates, identifies the skills and experience required for the role, assesses the time commitment involved and with due regard to the formal assessment of the skills profile of the Board and succession planning, recommends the nomination to the Board.

The recruitment process for non-executive directors is supported by an experienced third-party professional search firm, which develops an appropriate pool of candidates and provides independent assessments of the candidates. The NCGC then works with that firm to shortlist candidates, conduct interviews/meetings (including meetings with members of the NCGC) and carry out comprehensive due diligence. In accordance with the Board Nominations Policy, the assessment and due diligence process is extensive and includes self-certification confirmations of probity and financial soundness as well as external checks involving a review of various publicly available sources.

The process also involves the NCGC satisfying itself as to the candidate's ability to devote sufficient time to the role, his/her independence, fitness and probity as well as assessing and documenting its consideration of possible conflicts of interest. The NCGC then makes recommendations to the Board.

## 1. Board of Directors (continued)

### 1.3 Board Balance and Independence (continued)

#### 1.3.1 Appointments to the Board (continued)

The process described above was followed in the selection and appointment of Takis Arapoglou. On 26 February 2019 he was appointed to the Board subject to ECB consent and was considered as a candidate to replace Josef Ackermann, who had previously announced his decision to retire from the Board on the date of the 2019 AGM, to the Chair. ECB consent was received on 12 June 2019 and Mr. Arapoglou was elected Chairman on the same day.

The same firm was also engaged to identify the right candidate to replace John Hourican who had given notice of his resignation in early March 2019. Several internal and external candidates were interviewed and assessed and the NCGC recommended to the Board for approval the appointment of Panicos Nicolaou, until then Director of Corporate Banking Division of the Bank. Following the selection process Panicos Nicolaou was appointed as CEO designate in May 2019 and following the relevant ECB consent he was appointed to the Board on 1 September 2019. As noted above, Egon Zehnder, an external search consultancy firm with no other connection to the Company, was engaged in respect of both Director appointments.

The Board appointed Ioannis Zographakis as SID on 26 February 2019. Michael Heger was appointed as chairman of the HRRC to replace Michael Spanos who had resigned on 21 January 2019. On 14 April 2020, the Board decided to appoint Mr. Nicos Sofianos to the Board subject to ECB approval.

Letters setting out the terms of appointment of each of the non-executive directors, including the time commitment expected of each of them, are available on request from the Company Secretary.

#### 1.3.2 Directors' induction and ongoing development

On appointment, each Director receives a full, formal induction plan, tailored to his or her specific requirements including committee membership. It consists of meetings with senior management on Group and divisional strategy, deep dives on businesses, an overview of the Group's risk appetite and Group Risk Framework, supplemented by sessions on the management of key risks, and a comprehensive range of meetings covering the Group's regulatory environment, people strategies, technology and payments.

Deep dives on capital and liquidity management and overview of the Group's financial position are also included, along with sessions relevant to membership of specific committees. Induction programmes, with particular emphasis on risk management, corporate governance and internal control systems are arranged for newly appointed directors.

The programmes also entail a series of meetings with senior executives and other directors to enable new directors to familiarise themselves with the business, management and governance structure including the function of the Board and the role of the committees. The Company Secretary under the supervision of the Chairman develops programmes based on the directors' individual needs.

#### Training sessions for the Board members during 2019

Name	InfoSec Awareness Module 1*	InfoSec Awareness Module 2*	InfoSec Awareness Module 3*	Regulatory considerations of the banking system**	InfoSec Awareness Module 4*	AML Essentials 2019*	UK Governance Code*
J. Ackermann	√	√					
T. Arapoglou	N/A	N/A	√	√	√	√	√
M. Goldman	√	√	√		√	√	√
A. Bar-Gera	√	√	√		√	√	√
A. Berggren	√	√	√		√	√	√
L. Grobler	√	√	√		√	√	√
P. Hadjisotiriou	√	√	√		√	√	√
M. Heger	√	√	√		√	√	√
J. Hourican	√	√	N/A	N/A	N/A	N/A	N/A
P. Nicolaou	N/A	N/A	√	√	√	√	√
C. Patsalides	√	√	√		√	√	√
M. Philippou	√	√	√		√	√	√
Y. Zographakis	√	√	√		√	√	√

\*e-learning session

\*\* Ran by external service providers

## **1. Board of Directors** (continued)

### **1.3 Board Balance and Independence** (continued)

#### **1.3.2 Directors' induction and ongoing development** (continued)

Ongoing education is provided for the Board, informed by the effectiveness reviews of the Board and individual directors, as well as emerging external developments. Focused training of the Board is arranged in conjunction with scheduled Board meetings where information is provided to ensure that directors receive adequate insight into a particular area through presentations by Group business units and control functions and briefings with senior management. Dedicated training sessions also take place on particular issues (refer to table above for 2019 training schedule) usually identified by the directors themselves and the Company Secretary. A training schedule is prepared at the beginning of each year and directors are expected to attend accordingly.

All the members of the Board were provided on appointment with an information pack which includes, among others, the Board Manual, key legislation, directives and regulations and the Company's Articles of Association. As demonstrated in the table above, during the year specialised training sessions with the contribution of external advisors were provided, covering issues relating to the duties and responsibilities of Board members.

The training material is distributed to all directors regardless of attendance. In 2019, most of the training was in the form of e-learning sessions on an online platform with an assessment quiz at the end of the training session. The directors can access this at any time, and once the training is completed, it is recorded on the system to provide a full audit trail.

Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to directors. The Company Secretary ensures all directors are provided with relevant information on a timely basis to enable them to consider issues for decision-making and discharge of their oversight responsibilities.

In the performance of their roles, executive directors develop and refresh their skills and knowledge of the Group's business and operations through regular interactions, meetings and briefings with senior management and through presenting on the Group's business to investors and analysts. They remain abreast of developments affecting the financial services sector and banking by representing the Group's interests at conferences, advisory groups and other events and meetings with regulators and other authorities.

The Company Secretary provides the Board with comprehensive guidance on Board procedures and provides dedicated support for directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process.

#### **1.3.3 Board Performance Evaluation**

The Board annually reviews its effectiveness and that of its committees in order to improve its operations. The objective of these evaluations is to review past performance with the aim of identifying efficiencies, opportunities for improvement and maximizing strengths, determining whether the Board or committee as a whole is effective in discharging its responsibilities and, in the case of individual directors, to determine whether each director continues to contribute effectively and to demonstrate commitment to the role.

The Board is subject to external evaluation every three years. The last external review was in 2018. The Board conducted an internal evaluation in Spring 2019, led by the Chairman with the support of the NCGC and the CGCO. It included a review of the effectiveness of the Board, its committees and individual directors. The directors' views on a range of topics was sought including inter alia, strategy, performance, reporting, risk and control. Board composition and size, diversity, balance of skills, culture and dynamics, the Board's agenda; the quality and timeliness of information, training for directors etc. The review indicated an effective Board with a strong and diverse composition of experiences.

Executive directors' individual performance evaluation is undertaken as part of the performance management process for all employees and includes self-assessment and a discussion by the NCGC.

Recommendations emanating from the Board Performance evaluation included the following:

- Pro-active engagement with regulators;
- Enhanced participation of CEO during discussions of specific issues by Board committees;
- More concise reporting to the Board;
- Specialised training on emerging issues;
- More focus by business lines on new business opportunities.

## **1. Board of Directors** (continued)

### **1.3 Board Balance and Independence** (continued)

#### **1.3.3 Board Performance Evaluation** (continued)

The outcome of the Board evaluation was considered by the NCGC and collectively discussed by the Board. The recommendations were intended to enhance the Board process, although they were not material to the effectiveness of the Board. The Board accepted them and set up an action plan to incorporate those recommendations. Taking into account the evaluation report, the Board concluded that it continues to be effective and that each Director continues to make a valuable contribution to the deliberations of the Board. The Board also concluded that all the members of the Board have appropriate qualifications; broad relevant experience; continue to be effective; and demonstrate continuing commitment to the role.

The Board adopted the recommendations of the 2018 Board Performance Evaluation which included the following: a) The annual retreat in March is exclusively dedicated to strategy on an open agenda including strategic business development; b) Detailed discussions on HR issues and other evolving challenges are encouraged; c) Cybersecurity and reputational risk reviews are discussed to raise awareness of the Board members; d) Closer interaction between the TC and the RC as well as the TC, RC and AC is achieved through joint meetings (two and one respectively in 2019) to discuss matters of interest to these committees; e) The outcome of decisions taken through the year is discussed to understand lessons learned.

The chairperson of each principal Board committee led the self-assessment process in respect of committee performance through discussion with all committee members. The effectiveness of each of the four principal committees was assessed as adequate. All non-executive directors provided feedback on their uptake of committee work performed and the results were satisfactory.

The Chairman's performance evaluation was carried out by the non-executive directors led by the SID and was based on a discussion during an executive session of the non-executive directors (without the Chairman). The Board concluded that Josef Ackermann created an environment that encouraged contribution from all Board members whilst maintaining an appropriately disciplined meeting structure, continued to lead the Board effectively, made valuable contribution and demonstrated strong work ethic and commitment to the job at hand, knowledge and experience on the subject matter, was future focused, with a good grasp of external trends and challenge of the status quo.

The Chairman met with directors on a one to one basis to discuss their individual performance taking into account their input, which was submitted in advance of the meetings. In each case, the Chairman assessed each director as fully effective in his or her role on the Board and as continuing to demonstrate independence of mind and therefore remain independent.

The directors are aware that in case they have material concerns about the overall governance of the Group, these should be reported without delay to the Board and, if their concerns are not satisfactorily addressed, the directors should report these concerns to the CBC.

#### **1.3.4 Interaction with principal subsidiaries**

There are close interactions between the subsidiary boards and the Group Board and their respective committees, including the requirement for appointments to subsidiary boards to be approved by the Group Board. The chairs of the subsidiary audit and risk committees submit an annual report to the respective Group Board committees. The chairpersons of the Company's AC and RC are invited, respectively, to participate occasionally in the subsidiary audit and risk committee meetings as observers. In addition, the CGCO and other heads of control functions are invited to attend these meetings as observers.

#### **1.3.5 Loans to Directors and Other Transactions**

Details of credit facilities to directors and other transactions with the Group are set out in Note 51 of the Consolidated Financial Statements for the year ended 31 December 2019.

It is hereby confirmed that the credit facilities to Company directors (and related parties) or to its subsidiary or associated company directors are granted in the normal course of the Company's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of bank facilities to Company directors and its subsidiary company directors are forwarded for approval to the Board after the relevant proposal of the Risk Committee. The interested member of the Board is neither present nor participates in the procedure.

## **1. Board of Directors** (continued)

### **1.3 Board Balance and Independence** (continued)

#### **1.3.5 Loans to Directors and Other Transactions** (continued)

The Banking Law currently forbids the extension of any credit to independent members of the Board, but the CBC may exempt certain exposures from time to time having regard to the exceptionally low risk arising from the exposures concerned.

All members of the Board complied with the relevant provisions of the CSE Code and the Banking Law as at 31 December 2019.

## **2. Internal Controls**

The Board is responsible for the adequacy and effectiveness of the system of internal controls, corporate governance and risk management processes of the Group. These ensure amongst others that:

- The governance framework is effective, monitored and periodically assessed;
- The compliance framework is appropriate;
- The integrity and internal controls of the accounting and financial reporting systems, as well as the compliance with relevant legal / supervisory requirements and reporting standards, are adequate;
- The information security framework for the protection of confidential information is appropriate;
- The process of taking appropriate steps to timely address any deficiencies is effective.

The system of internal controls, corporate governance and risk management processes have been designed in accordance with the nature, scale and complexity of the Group's operations, in order to provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

The overall system of internal controls, corporate governance and risk management processes of the Group include amongst others:

- A transparent organisational structure with clear reporting lines to Senior Management and the Board;
- Board and executive committees with clear responsibilities;
- Three lines of defence model for the effective risk management and compliance across the Group;
- Formal policies and procedures;
- Monthly reporting by business lines to enable progress to be monitored, trends to be evaluated and variances to be acted upon;
- Monthly meetings of committees to review performance;
- Code of Conduct setting out the standards expected of all officers and employees;
- Whistleblowing policy, including processes and procedures, to be followed for independent investigation of concerns raised by staff;
- Anti-Bribery policy in line with the UK regulatory guidance as well as with ISO37001;
- Conflicts of Interest policy;
- Quarterly representations by all Divisions of the Bank to the CEO on the effectiveness of the system of internal controls (policies, procedures and monitoring activities);
- Annual representations by all control functions of the Bank (Compliance, Risk, Information Security) to the CEO on effectiveness of the system of internal controls (policies, procedures, monitoring activities).

The Board confirms that, through the AC and the RC, it has conducted reviews for the year ended 31<sup>st</sup> December 2019, regarding the effectiveness of the Group's internal control and information systems, as well as in relation to the procedures used to ensure the accuracy, completeness and validity of the information provided to investors. The reviews covered all systems of internal controls, including financial, operational and compliance controls, as well as risk management systems. In carrying out their reviews, the AC and RC receive regular business and operational risk assessments, regular reports from the Internal Audit Director, the Compliance Director and the Chief Risk Officer, other internal memos and external audit reports, as well as regulatory reports.

The Board receives a confirmation on an annual basis by the CEO for the effectiveness of compliance, risk management and information security system of internal controls. Additionally, the Board, through the AC and RC, has received confirmation that executive management has taken or is taking the necessary actions to remedy all significant weaknesses identified through the operation of the Company's framework of internal controls, corporate governance and risk management processes.

## 2. Internal Controls (continued)

Based on the internal audit work carried out in 2019, reasonable assurance is provided, with emphasis on specific matters, that the system of internal controls within the Group is adequately designed and operates effectively, to address significant risks according to the risk appetite set by the Board of Directors.

Emphasis is provided on specific areas and in particular on non-performing exposures (NPEs) and Information Systems, which require management's attention to further reduce risk exposure. These are areas which were emphasised in the Annual Audit Report for the year 2018 as well and areas where ineffective controls have been identified. Nonetheless mitigating factors did exist to adequately provide to management the comfort required. As regards balance sheet de-risking through the sale of NPE portfolios, management has already taken significant steps in the right direction and should maintain this momentum. In relation to Information Systems, management should intensify its efforts towards the optimisation of the operating model, the implementation of the digitalisation strategy and the reduction of overreliance on external service providers.

Overall, the Board of Directors through its committees, has reviewed the effectiveness of the system of internal controls, corporate governance and risk management processes of the Group for the year ended 31<sup>st</sup> December 2019 and confirms their effectiveness either through the effective design and operation of controls or through mitigating factors that existed. The Board also confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations.

The Group's financial reporting process is controlled using documented accounting policies and procedures supported by instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period. The submission of financial information from each reporting entity is subject to sign off by the responsible financial officer.

The internal control system also ensures that the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with legal and supervisory requirements and relevant standards, is adequate. The Group has in place an adequate financial statement closing process by which transactions and events reflected in the Group's accounting records are processed to produce the financial statements, related disclosures and other financial reports which relies either on the effective design and operation of controls or other mitigating factors where these were inefficient. Where from time to time areas of improvement are identified these become the focus of management's attention in order to resolve them and thus strengthen the procedures that are in place. Areas of improvement may include the formalisation of existing controls and the introduction of new information technology controls, as dependency on information technology is ever increasing.'

The Annual Report and Interim Report prior to their submission to the Board are reviewed and approved by the ExCo. The Board, through the AC scrutinises and approves the financial statements, results, announcements and the Annual Report and ensures that appropriate disclosures have been made. Detailed papers are prepared for review and approval by the AC covering all accounting issues including presentations and disclosures. This governance process enables both management and the Board to challenge the Group's financial statements and other significant disclosures before their publication.

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and ensuring the maintenance of an effective risk management and oversight process across the Group. The Board approves the Group Risk Appetite Statement on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through the Risk Report reviewed monthly. The Bank has developed an Integrated Risk Identification Framework which provides for the identification of risk and updates the Key Risk Matrix which is approved by the RC and the Board through the ICAAP process. The Group is forward looking to ensure emerging risks are identified. A consolidated risk report and risk appetite dashboard is regularly reviewed by the RC to ensure the risk profile and mitigating actions are satisfactory. The key risks with their mitigant actions are presented in Pillar 3 Disclosure Report. The Board confirms that it carries out a robust assessment of both principal and emerging risks, including risks that might threaten the Group's business model, future performance, liquidity etc.

Detailed information relating to Group risk management is set out in Notes 46 to 49 of the Consolidated Financial Statements and the Additional Risk and Capital Management Disclosures section of the 2019 Annual Financial Report.

## 2. Internal Controls (continued)

### 2.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of the 2019 Financial Statements. The Directors believe that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. Detailed information relating to going concern is set out in Going Concern of the Directors' Report of the 2019 Annual Financial Report on page 30.

### 2.2 Group Code of Conduct and Whistleblowing Policy

The Group has set out the standards that are expected from all employees and directors of the Group in a Code of Conduct along with guidance on how these standards should be applicable. In 2019 the Code of Conduct was enhanced to bring focus on ethics and a new dedicated Code of Ethics will be available in mid-2020 to all staff.

The Group has a Whistleblowing Policy and relevant written procedure in place for all employees, including directors, which is in accordance with international practice. The policy is reviewed annually. Its general principles are:

- Concerns in good faith, about wrongdoing or malpractice can be raised in confidence without fear of victimisation, discrimination, disadvantage or dismissal;
- Procedures for the reporting of any matters of concern are clearly provided. The persons concerned must be able to bypass the main channels for whistleblowing if these prove inappropriate, and use the anonymous reporting line;
- Disclosures are managed in a timely, consistent and professional manner; and
- The appointment of the chairman of the AC, an independent non-executive Director as a Whistleblowing Champion with specific responsibilities.

The Board and CEO are committed to this policy, which encourages staff to raise concerns. A message from the CEO to staff to speak up was repeated in early 2020 and a number of other initiatives such as e-learning sessions have been planned to take place to further increase awareness in 2020.

## 3. Other matters

The table below show attendance of the directors on the meetings of BOC PCL throughout 2019.

### Board of Directors of BOC PCL 1/1/2019-31/12/2019

Name	Board of Directors	AC	HRRC	NCGC	RC	AC/RC Joint	TC	ECCC
Josef Ackermann (Chairman) <sup>1</sup>	7/7			5/5				
Takis Arapoglou (Chairman) <sup>2</sup>	12/12			6/6				
Maksim Goldman (Vice Chairman)	22/22			10/11	13/13	8/9		
Anat Bar-Gera	22/22		12/12				7/7	
Arne Berggren	21/22	11/13			12/13	9/9		
Lyn Grobler	22/22			11/11			7/7	1/1
Paula Hadjisotiriou	21/22	11/13			11/13	8/9		
Michael Heger	21/22	13/13	12/12			9/9	7/7	
John P. Hourican <sup>3</sup>	14/15							
Panicos Nicolaou <sup>4</sup>	8/8							1/1
Christodoulos Patsalides	22/22							
Maria Philippou	19/22		11/12					1/1
Michael Spanos <sup>5</sup>	0/1		0/1					
Ioannis Zographakis	22/22	13/13			12/13	9/9	7/7	1/1
<b>Total meetings</b>	<b>22</b>	<b>13</b>	<b>12</b>	<b>11</b>	<b>13</b>	<b>9</b>	<b>7</b>	<b>1</b>

- 1 Resigned on 14 May 2019
- 2 Appointed on 12 June 2019
- 3 Resigned 30 August 2019
- 4 Appointed 1 September 2019
- 5 Resigned 21 January 2019

**3. Other matters** (continued)

**3.1 Company Secretary**

The Board appointed Mrs Katia Santis as the Company Secretary.

**3.2 Internal Audit Director**

The Board appointed Mr. George Zornas as the Internal Audit Director.

**3.3 Corporate Governance Compliance Officer**

The Board appointed Mr. Marios Skandalis as CGCO.

**4. Members of the Board of Directors**

**4.1 Non-Executive Directors**

**Efstratios-Georgios (Takis) Arapoglou (Chairman)**

Takis Arapoglou is an expert financial consultant. He has served as Chairman and CEO of the National Bank of Greece Group, Chairman of the Hellenic Banks Association, Member of the Board of Eurobank and has held senior management positions with Citibank and Chase Manhattan in the UK and with American Express in Greece. Currently, he is Chairman of the Board of Titan Cement, an international cement company listed on the Athens Stock Exchange and of Tsakos Energy Navigation, a shipping company listed on the New York Stock Exchange.

Mr. Arapoglou holds an MSc in Finance and Management from the University of Brunel, London, a BSc in Naval Architecture and Ocean Engineering from the University of Glasgow and a BA in Mathematics and Physics from the University of Athens.

He has extensive experience in international capital markets and in corporate, commercial and investment banking in South East Europe, the UK, the Middle East and Africa.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in June 2019

**External Appointment:**

Chairman of the Board of Tsakos Energy Navigation  
Chairman of the Board of Titan Cement SA  
EFG Hermes Holding SAE  
Bank Alfalah Ltd

**Independent:**

Yes on an ongoing basis.

(Mr. Arapoglou commits the appropriate time for the Group's business which does not exceed 50 days per year. He has no other remuneration from the Group other than as Chairman of the Board and chairman of the NCGC).

**Committee Membership:**

Chairman of the Nominations and Corporate Governance Committee

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### Maksim Goldman (Vice Chairman)

Maksim Goldman is Director of Strategic Projects at AO Complexprom since June 2018 and is responsible for oversight of various projects and investments under management of the company. Previously, from July 2007 to May 2018 he was Director of Strategic Projects at Renova Group and had served as Deputy Chief Legal Officer of the Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. From 2005 to 2007 he worked as Vice President and International Legal Counsel of OAO Sual-Holding, which was the management company for OAO 'SUAL', the second largest aluminium producer in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 he worked as an associate at Chadbourne & Parke LLP in New York and in Moscow.

He holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History from the University of California (Los Angeles).

Mr. Goldman has extensive experience in investments, business development and strategy formation and benefits from oversight experience in a number of external directorships.

###### Term of Office:

Appointed to the Board of BOC PCL in November 2014 and the Board in October 2016

###### External Appointment:

Stentex s.a.r.L  
United Manganese of Kalahari Ltd

###### Independent:

Yes

###### Committee Membership:

Member of the Risk Committee  
Member of the Nominations and Corporate Governance Committee

###### Arne Berggren (Chairman of the Risk Committee)

Arne Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 90s, starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the recent financial crisis in the Baltics, Spain and Slovenia. He has been Head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail.

Mr. Berggren has held numerous board positions in the financial and corporate sector, including a position on the Board of Directors at LBT Varlik Yönetim AS and DUTB Ltd.

He is a graduate of the University of Uppsala, Sweden and has postgraduate studies at the Universities of Amsterdam, Geneva and New York.

Arne Berggren has significant experience in corporate and bank restructurings, bank crises management and risk management and has extensive experience in oversight from a number of directorships.

###### Term of Office:

Appointed to the Board of BOC PCL in November 2014 and the Board in October 2016

###### External Appointment:

Eusticon AB  
Pireaus Bank Group  
TBC Bank Group PLC

###### Independent:

Yes

###### Committee Membership:

Chairman of the Risk Committee  
Member of the Audit Committee

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### Anat Bar-Gera

Anat Bar-Gera is the Chairwoman of Cyverse, since 2015, a leading Switzerland-based cybersecurity company established with the aim of providing access to the most advanced cybersecurity solutions coming out of Israel and the Silicon Valley. She is currently a member of the expert network of the World Economic Forum and a former member of the Global Agenda Council on the future of the internet, of the World Economic Forum. Prior to this and for more than 20 years, she co-founded, scaled and exited a number of telecom and internet international companies operating primarily across Europe and Africa. In 1988, she joined UBS in Switzerland as an Associate in the M&As department, where she initiated and executed pan-European deals especially in the high-tech area.

Mrs. Bar-Gera holds an MBA from INSEAD, France and a Bachelor of Law (LL.B.) from the Hebrew University, Israel.

She has significant experience in start-ups and cybersecurity and benefits from oversight experience in a number of external directorships.

###### Term of Office:

Appointed to the Board of BOC PCL and the Board in October 2017

###### External Appointment:

Chairwoman of Cyverse AG  
Swiss Mobile Data  
Expert Network of the World Economic Forum

###### Independent:

Yes

###### Committee Membership:

Member of the Human Resources and Remuneration Committee  
Member of the Technology Committee

###### Lyn Grobler (Chairperson of Technology Committee)

Lyn Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed Group Chief Information Officer (CIO) at Hyperion Insurance Group in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organisation and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading over 16 years. Before BP, she managed large scale global technology projects and strategies within banking and trading based in both London and South Africa. She has been recognised as one of the 25 most influential women in UK IT.

She holds an HND in computer systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University (South Africa).

Mrs. Grobler has significant experience in IT and digital transformation and benefits from oversight experience in a number of external directorships.

###### Term of Office:

Appointed to the Board of BOC PCL and the Board in February 2017

###### External Appointment:

Chairwoman of the Board of Hyperion Services Ltd  
Howden Broking Group  
Hyperion & Partners Ltd

###### Independent:

Yes

###### Committee Membership:

Chairperson of the Technology Committee  
Member of the Nominations and Corporate Governance Committee  
Member of the Ethics, Conduct and Culture Committee

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### Paula Hadjisotiriou

Paula Hadjisotiriou is an experienced executive with a long career in senior management roles in financial institutions. She started her accountancy career at Howard, Wade & Jacob before moving to Pricewaterhouse Coopers. Following a six-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in banking, in Greece between 1990-2015, first with Eurobank Ergasias S.A as Group Chief Financial Officer and then with National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently she serves as an advisor to the Latsis Group of Companies in the UK.

She is a Chartered Accountant (Institute of Chartered Accountants of England and Wales (ICAEW)).

Mrs. Hadjisotiriou has significant experience in financial institutions and benefits from oversight experience in a number of external directorships.

###### Term of Office:

Appointed to the Board of BOC PCL and the Board in August 2018

###### External Appointment:

None

###### Independent:

Yes

###### Committee Membership:

Member of the Audit Committee  
Member of the Risk Committee

###### Michael Heger (Chairman of the Human Resources and Remuneration Committee)

Michael Heger currently serves as the general manager of finance and investment and as an independent senior advisor for S.I.F. International Holding S.A., Luxembourg at its representative office in Vienna. Previously, from 2009-2012 he served as general manager and chief executive officer of Metal Trade Overseas AG in Zug, Switzerland. He began his career in 1980 as a manager in export finance and legal affairs for Waagner-Biro AG in Vienna, Austria. Having spent two years at Waagner-Biro AG, he moved to UniCredit Bank Austria Group, where he held various management positions from 1982 to 2002. Between 2001 and 2002, he served as general manager and head of structured trade finance at Bank Austria AG. From 2002 to 2003, he served as the deputy general manager and head of International division for Raiffeisenlandesbank Niederösterreich-Wien AG. Dr Heger then joined MPH Management and Participation Holding S.A., a special purpose company for equity participation in commercial and industrial companies, financial institutions and in property developments as well as for financial and consulting services for domestic and international clients and commodity trading, as the general manager of finance and investment and head of the representative office from 2004-2009.

Dr Heger holds a doctorate in law from the University of Vienna and obtained a postgraduate degree in law from the College of Europe in Bruges, Belgium.

He has extensive banking experience having spent more than 20 years in various senior positions in UniCredit Bank Austria Group and has considerable strategic knowledge of industrial and commercial companies, financial institutions and property developments.

###### Term of Office:

Appointed to the Board of BOC PCL in June 2016 and the Board in October 2016

###### External Appointment:

None

###### Independent:

Yes

###### Committee Membership:

Member of the Human Resources and Remuneration Committee (Chairman since 21 January 2019)  
Member of the Audit Committee  
Member of the Technology Committee

#### 4. Members of the Board of Directors (continued)

##### 4.1 Non-Executive Directors (continued)

###### **Maria Philippou**

Maria Philippou started her career as an HR Consultant with KPMG Greece, before moving to the Lambrakis Press Group as HR Generalist. Having spent three years with Eurobank Ergasias S.A as Compensation & Benefits Manager, in 2006 she moved to the Coca Cola Company Group, progressing through various roles such as Rewards Manager and HR Business & Strategic Partner to her current position as Global Talent & Development Director.

She holds a degree in Business Administration from Nottingham Trent University and a Master of Science in Human Resources Management from Brunel University.

Mrs. Philippou is an experienced executive in human resources and brings valuable skills to the Board in people management.

###### **Term of Office:**

Appointed to the Board of BOC PCL and the Board in July 2018

###### **External Appointment:**

None

###### **Independent:**

Yes

###### **Committee Membership:**

Member of the Human Resources and Remuneration Committee  
Member of Ethics, Conduct and Culture Committee

###### **Nicos Sofianos**

Nicos Sofianos is a qualified Chartered Accountant, member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Body of Certified Public Accountants of Greece (SOEL). He was a founding partner of Deloitte Greece and representative of the firm before the regulatory, supervisory and fiscal authorities in Greece. In 2016 he retired with 40 years of audit and broader professional experience.

He holds an Honours degree in Chemical Engineering with a major in Mathematical Modelling and Computer Simulation from the University of Manchester, UK.

Mr. Sofianos has extensive experience in the coordination of accounting, auditing, tax and consulting services rendered to a wide range of companies covering nearly all sectors of industry and in particular the financial services industry sector.

###### **Term of Office:**

Appointed to the Board of BOC PCL and the Board in April 2020 (subject to ECB approval)

###### **External Appointment:**

Dimand SA  
DoValue SA

###### **Independent:**

Yes

###### **Committee Membership:**

Member of the Audit Committee (subject to ECB approval)

**4. Members of the Board of Directors** (continued)

**4.1 Non-Executive Directors** (continued)

**Ioannis Zographakis (Chairman of the Audit Committee & Senior Independent Director)**

Ioannis Zographakis is a senior executive with a broad and diverse international experience in the banking industry. He started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Citibank Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for Citibank CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he served as the Director of Finance and Acting Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and Head of UK Retail Bank. In 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the Secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chairman of the Citi Insurance Brokerage Board in Greece and the Chairman of the Investments and Insurance Supervisory Committee in Citibank Greece. He has also served as non-executive Director for the National Bank of Greece group during 2018-2019.

Mr. Zographakis holds an MBA from Carnegie Mellon University in the USA and a Bachelor's degree in civil engineering from Imperial College in London.

He has an extensive background in corporate governance, business restructuring, crisis management, finance, operation & technology in the banking industry, having spent more than 20 years in various senior operational and financial roles in Citibank in the US, UK and Greece and on the Board of a number of financial entities.

**Term of Office:**

Appointed to the Board of BOC PCL in September 2013 and the Board in October 2016

**Independent:**

Yes

**External Appointment:**

A. Eternity Capital Management Ltd

**Committee Membership:**

Chairman of the Audit Committee  
Chairman of the Ethics, Conduct and Culture Committee  
Member of the Risk Committee  
Member of the Technology Committee

#### 4. Members of the Board of Directors (continued)

##### 4.2 Executive Directors

###### **Panicos Nicolaou (CEO)**

Panicos Nicolaou joined the Bank in 2001. He has previously served as the Director of Corporate Banking Division from June 2016 to August 2019, during which time he had under his supervision Corporate Banking Centres throughout Cyprus, the International Corporate Banking Centre and International Operations, as well as the Bank's Factoring Unit. Prior to becoming Director of Corporate Banking, he served as Manager, Corporate Management in the Restructuring and Recoveries Division where he managed a large portfolio of problematic exposures.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic), Greece and an MSc in Mechanical and Industrial Engineering from University of Illinois at Urbana-Champaign, USA. He also holds a BSc in Financial Services from the School of Management, UMIST, UK, and is an Associate Member of the Chartered Institute of Bankers, Institute of Financial Services, UK since 2004.

He is an experienced financial services professional having served in a number of senior roles in the Group.

**Term of Office:**

Appointed to the Board of BOC PCL and the Board in September 2019

**External Appointment:**

**Independent:**

No

**Committee Membership:**

Member of the Ethics, Conduct and Culture Committee

###### **Christodoulos Patsalides (First Deputy CEO)**

From 1989 to 1996, Christodoulos Patsalides worked for the Central Bank of Cyprus in the management of Government External Debt and Foreign Exchange Reserves Department. In 1996, he joined the Group where he has held several positions in corporate banking, treasury and private banking, among others. From December 2013 to April 2016, he served as Finance Director and was responsible for finance, treasury, investor relations, economic research and procurement. From May 2016 to August 2019 he served as Deputy CEO & Chief Operating Officer and was responsible for human resources, corporate affairs, central operations, legal services, organisation and change, information technology, digital transformation and administrative operations. In his current capacity as the First Deputy CEO, he is responsible for Corporate Affairs, Legal Services, Regulatory Affairs and Compliance and shall be working closely with the CEO to oversee the progress on the strategic pillars of the Group.

Dr Patsalides holds a PhD and an MSc in economics from the London School of Economics and a BSc in economics from Queen Mary College in London.

He is an experienced financial services professional having served in a number of senior roles in the Group including as Finance Director.

**Term of Office:**

Appointed to the Board of BOC PCL in November 2014 and the Board in July 2016

**External Appointment:**

Vice-Chairman of the Association of Cyprus Banks  
European Banking Federation  
Cyprus Anti-Cancer Society

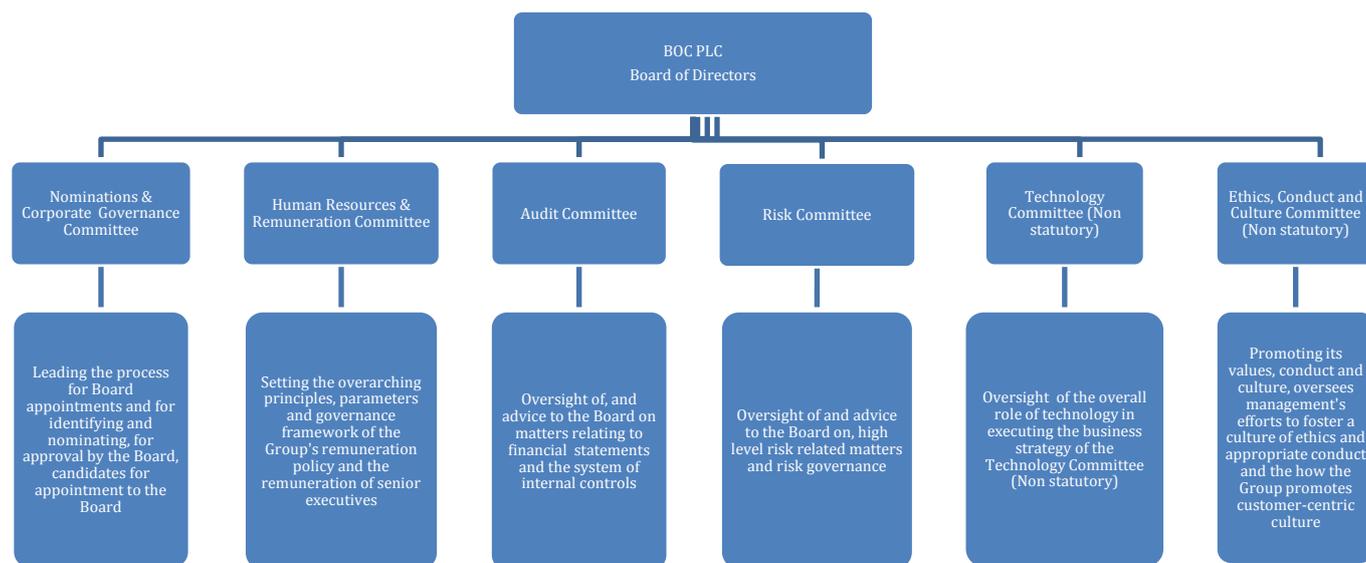
**Independent:**

No

**Committee Membership:**

None

## 5. Board Committees



In order to exercise proper oversight of risk and control and pursuant to authority granted under the Articles of Association, the Board has delegated certain responsibilities to committees of the Board. The statutory committees are the AC, the RC, the NCGC and the HRRC. The key roles of the Board committees are described above. Further information of the work of these committees follows in the section below. The terms of reference of the committees are based on the relevant provisions of the CSE and UK Codes and the CBC Governance Directive (where applicable) and are available on the Group's website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) or by request to the Company Secretary. Each committee reviews its terms of reference annually.

The overall responsibility for approving and monitoring the Group's strategy, risk appetite and policies for managing risks lies with the Board, which exercises this responsibility through two of its main committees, namely the RC and the AC.

The chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meetings of the Board and minutes of these meetings are tabled at the Board as soon as possible for noting and/or discussion, as necessary. This linkage is important between the committees given that it is impractical for independent non-executive directors to be members of all the committees.

In addition to the principal committees, the Board set up a Technology Committee in 2017 to drive the digital transformation of BOC PCL. In November 2019, the Board set up the Ethics, Conduct and Culture Committee to support it in promoting its collective vision of values, conduct and culture and oversee management effort to foster a culture of ethics and appropriate conduct within the Group.

## 5. Board Committees

### 5.1 Nominations and Corporate Governance Committee

As at 31 December 2019 the NCGC comprised of three independent non-executive directors. Its composition is fully compliant with the CSE Code, the UK Code and the CBC Governance Directive. The Chairman of the Board chairs the Committee, except when the NCGC is dealing with the appointment of a successor to the role of Chairperson.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Committee met 10 times in 2019. The Chairman and members of the Committee together with their attendance at meetings are shown below. The CEO attends meetings as appropriate. The NCGC meets annually with no management present.

#### Member attendance in 2019:

#### NCGC meetings\* in 2019

Josef Ackermann (Chairman) resigned on 14 May 2019	5/5
Takis Arapoglou (Chairman) appointed on 12 June 2019	5/5
Maksim Goldman	9/10
Lyn Grobler	10/10

\* The number of committee meetings at BOC PCL level were 11 during 2019. The attendance of these meetings can be found on page 335.

The key responsibilities of the NCGC are set out in its terms of reference, which are available on the Group's website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) and are reviewed annually and approved by the Board.

The role of the Committee is to ensure that the Board is comprised of members who are best able to discharge the duties and responsibilities of directors and 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 SID);
- 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.

The Committee also:

- Oversees the adoption of appropriate internal policies on the assessment of the fitness & probity of members of the Group ExCo, other senior managers and heads of the internal control functions;
- 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;
- Considers and authorises 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, and decides on remedial action to eliminate such conflict or seeks to terminate the situation giving rise to it;
- Oversees the corporate governance arrangements of material subsidiaries and reviews the evaluation of board performance of the subsidiary boards; and
- 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.

The matters considered and the actions taken by the NCGC during the year are set out in the following table.

**5. Board Committees** (continued)

**5.1 Nominations and Corporate Governance Committee** (continued)

**Matters considered and action taken by the NCGC in 2019**

Board and committee size and composition	<ul style="list-style-type: none"> <li>• Recruitment of a new non-executive to the Board;</li> <li>• Recommendation for approval of appointments to the boards of major subsidiaries;</li> <li>• Replacement of the Chairperson of the HRRC;</li> <li>• Replacement of the SID;</li> <li>• Structure and composition of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• The external search firm Egon Zehnder provided shortlists of candidates for consideration, interviews with various members of the Board were held and the process resulted in the appointment of Takis Arapoglou.</li> <li>• Following Michael Spanos' decision to step down, the Committee recommended to the Board that Michael Heger replaces him as chairman of the HRRC. This was based on Board succession planning and the fact that Dr Heger is an experienced non-executive director and has been a member of the HRRC since his appointment in June 2016.</li> <li>• Ioannis Zographakis was recommended to the Board for appointment as SID based on his extensive experience as an independent non-executive director.</li> </ul>
Executive Succession Planning	<ul style="list-style-type: none"> <li>• Appointment of CEO.</li> </ul>	<ul style="list-style-type: none"> <li>• The external search firm Egon Zehnder provided shortlists of candidates for consideration, consisting of both internal and external candidates. Interviews with various members of the Board were held and the process resulted in the appointment of Panicos Nicolaou, an internal candidate.</li> </ul>
Annual Board effectiveness Review	<ul style="list-style-type: none"> <li>• Annual Board Performance Evaluation including its committees and individual directors.</li> </ul>	<ul style="list-style-type: none"> <li>• An internal process of evaluation took place in 2019 and resulted in an action plan to implement the recommendations emanating from the report.</li> </ul>
Disclosure & Governance	<ul style="list-style-type: none"> <li>• Review and approval of revision to the Corporate Governance Framework of the Group;</li> <li>• The 2019 Action plan for corporate governance compliance;</li> <li>• Review and recommendation for approval to the Board of the Group Corporate Governance Policy;</li> <li>• Review of the Annual Corporate Governance Report;</li> <li>• Review of the quarterly corporate governance reports;</li> <li>• Approval of the report on compliance with the CSE Code and the UK Code;</li> <li>• Approval of the Terms of Reference of an Ethics, Conduct and Culture Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual review of the Corporate Governance Framework, to incorporate requirements of recent regulatory developments including those of the revised UK Code.</li> <li>• A review of the Board Diversity Policy to ensure the action plan in place to achieve 40% female representation on the Board in 2020 is still appropriate.</li> <li>• The establishment of an Ethics, Conduct and Culture Committee was approved to support the Board in promoting its collective vision of values, conduct and culture.</li> </ul>
Executive performance review	<ul style="list-style-type: none"> <li>• Performance appraisal of the two executive directors;</li> <li>• Setting of KPIs of new CEO.</li> </ul>	<ul style="list-style-type: none"> <li>• The performance appraisal of the two executive directors was carried out in terms of both their role as executives and as board members</li> </ul>

## 5. Board Committees (continued)

### 5.1 Nominations and Corporate Governance Committee (continued)

#### Matters considered and action taken by the NCGC in 2019 (continued)

Independence and time commitments	<ul style="list-style-type: none"> <li>• Review of: <ul style="list-style-type: none"> <li>• Skills, knowledge and expertise;</li> <li>• Independence of Non-executive members;</li> <li>• Review of potential conflicts of interest of directors;</li> <li>• Appointments to other directorships;</li> <li>• Attendance records and time commitment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• All non-executive directors remained independent as to character and judgement. All directors are considered to have appropriate roles including capabilities and skills.</li> <li>• During the annual performance evaluation review each non-executive director and his/her ability to continue meeting their time commitments was assessed.</li> <li>• Approval from the NCGC was sought prior to taking on any other directorships outside the Group.</li> </ul>
Training	<ul style="list-style-type: none"> <li>• Further use of the e-learning online training.</li> </ul>	<ul style="list-style-type: none"> <li>• Any training needs of non-executive directors are identified by the directors themselves and communicated to the Chairman who then ensures that the relevant training / presentations are organised by the Company Secretary.</li> </ul>
Subsidiary oversight	<ul style="list-style-type: none"> <li>• Review and approval of the revision of the Corporate Governance Guidelines for subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of the corporate governance framework of the subsidiaries with that of the Group taking into consideration proportionality.</li> </ul>

Discussions were held on the matter of succession planning. Job specifications were prepared to be available for the external consultants who would assist in the search for potential candidates for the positions of CEO and Chairperson. Interviews were carried out once a shortlist was prepared and a recommendation was submitted to the Board. The chairman of the Committee reported to the Board after each meeting to ensure all directors were informed of the Committee's activities. The Committee's terms of reference can be found at [www.bankofcyprus.com](http://www.bankofcyprus.com).

The Committee ensures plans are in place for the selection, appointment and orderly succession of executive directors and senior managers. The Group carries out a review of the ongoing fitness and probity of ExCo members on an annual basis, whereby they are required to confirm any changes in their circumstances in respect of their compliance with the CBC Fitness & Probity Directive. Any changes in circumstances disclosed are assessed and their materiality determined. Following the review of 2019, certain changes to directorships were reported. The Board concluded that each of the senior management members has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively.

#### 5.1.1 Diversity

The Group recognises the importance of ensuring that there is diversity on the Board and is committed to this respect. In reviewing Board composition and identifying suitable candidates, the NCGC considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, industry experience, nationality, gender, age and other relevant qualities, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

The Group's approach to Board diversity is set out in full in the Board Diversity Policy which can be found online at <https://www.bankofcyprus.com/en-GB/who-we-are/corporate-governance/>. The Policy recognises that a truly diverse Board will include and make good use of the differences in skills, experience, background, race, gender and other distinctions brought by each director, with such differences being considered in determining the optimum composition of the Board.

**5. Board Committees** (continued)

**5.1 Nominations and Corporate Governance Committee** (continued)

**5.1.1 Diversity** (continued)

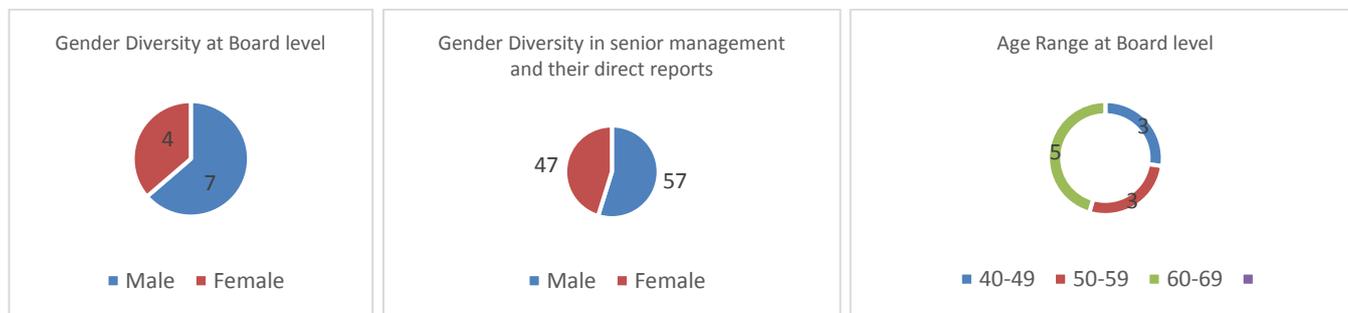
Non-executive members of the Board possess a wide range of skills, knowledge and extensive experience acquired from executive and/or non-executive appointments as directors of other companies that combine to provide independent perspective and effective board dynamics. The effectiveness of the Board depends on ensuring the right balance of directors with banking or financial services experience and broader commercial experience.

A combination of demographics, skills, experience, race, age, gender, educational and professional background and cognitive and personal strengths on the Board is important in providing a range of perspectives, insights and challenge needed to support good decision making. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a well-rounded Board and the diversity benefits each candidate can bring to the overall board composition.

Takis Arapoglou and Panicos Nicolaou were the only two appointments made in 2019 and these were made in alignment with the strategy of the Group to concentrate on its main market, divesting itself of non-core activities. Knowledge of the area and especially the local market played a significant role in the appointment of the two directors.

Following review in 2019, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including inter alia, banking, insurance, manufacturing, audit and accounting, economics, risk management, dealing with competent authorities, strategy and business models, legal and consultancy services, information technology and cyber-security and human resource management.

Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group. The participation of executives on the Board enhances the banking expertise of the Board and ensures that the Board is provided with direct, precise and up-to-date information about significant issues concerning the Group.



During 2019, the NCGC reviewed the Board Diversity Policy which aims to achieve gender diversity by 2020 with appointments based on merit in the context of the skills and experience required. The Group having recognised the benefits of a diverse Board is aiming to achieve and maintain 40% female representation by the end of 2020 and is implementing an action plan approved by the NCGC describing all key intervening milestones leading to the accomplishment of this target. Currently gender diversity is at 36.4%.

The Board also places high emphasis on ensuring the development of diversity in the senior management roles within the Group. A number of policies within the Group ensure unbiased career progression opportunities. The Code of Conduct similarly ensures equal opportunities to all members of staff and treats diversity with fairness and respect aiming to provide fair treatment for everyone at work.

## 5. Board Committees (continued)

### 5.2 Human Resources and Remuneration Committee

On 31 December 2019, the Committee comprised of three independent non-executive members. Its composition complied with the requirements of the CSE Code, the UK Code and the CBC Governance Directive. The Board considers that at least one member of the Committee possesses appropriate knowledge and expertise on Human Resources ('HR') and remuneration issues and that the chair has at least one year prior committee experience. The diverse backgrounds of the members of the Committee provide a balanced and independent view on remuneration matters.

The chairman of the Committee, Michael Spanos, resigned on 21 January 2019 and was replaced by Michael Heger who has been a member of the Committee since his appointment to the Board on 9 June 2016.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Committee held 9 meetings in 2019. The chairman and members of the Committee together with their attendance at meetings are shown below. The CEO and the Director of Human Resources are invited to attend meetings as appropriate.

#### Member attendance in 2019:

#### HRRC meetings\* in 2019:

Michael Spanos (Chairman) (resigned 21 Jan 2019)	0/1
Michael Heger (Chairman) (appointed on 21 Jan 2019)	9/9
Anat Bar-Gera	9/9
Maria Philippou	8/9

\* The number of committee meetings at BOC PCL level were 12 during 2019. The attendance of these meetings can be found on page 335.

The key responsibilities of the HRRC are set out in its terms of reference, which are available on the Group's website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) and are reviewed annually and approved by the Board.

The role of the Committee is:

- To ensure that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals. It is imperative for the Group to employ the appropriate forward-looking, commercially minded, human resources that would promote digital transformation and continuous innovation;
- To ensure that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour which would lead to the desired outcome;
- To ensure that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market;
- To propose adequate remuneration considered necessary to attract and retain high value-adding professionals. Therefore, remuneration has to be satisfactory vis-a-vis peer companies;
- To set the overarching principles and parameters of compensation and benefits policies across the Group and exercise oversight for such issues;
- To consider the remuneration arrangements of the executive directors of the Group, other senior managers and the Group Remuneration Policy bearing in mind the European Banking Authority ('EBA') Guidelines on remuneration policies and practices, the CBC Governance Directive and the CSE Code.

The HRRC oversees the HR initiatives that foster employee engagement such as the application of a holistic internal communication programme, the implementation of the 'Well-at-Work', an employee wellbeing / care programme and the application of fair and transparent recognition initiatives across the Group.

The Committee is responsible for the development and periodic review of the Group Remuneration Policy which is proposed to the Board for ratification. In addition, the Board, through the Committee, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy. More information about the role of the Committee in respect of the Remuneration Policy can be found in the Remuneration Policy Report on page 365

## 5. Board Committees (continued)

### 5.2 Human Resources and Remuneration Committee (continued)

The Committee exercises oversight of negotiations with the labour union in Cyprus and provides guidance and support to management. It advises the Board on the approval of the collective agreements and reviews the framework of industrial relations and collective agreements to ensure they are relevant to best practices and conducive to good performance. The Committee reviews any voluntary retirement/separation schemes for BOC PCL and material subsidiaries in cooperation with the Human Resources Division ('HRD') and succession planning for all divisions and subsidiaries for senior management throughout the Group.

The Committee monitors compliance with the Code of Conduct and reviews disciplinary controls and measures of the Group as presented by HRD on an annual basis. It also reviews the annual training plan as presented by HRD and approved by the CEO and ensures that it creates and/or develops the right competencies and behaviours that are necessary for meeting the Group's strategic priorities.

The Committee reviews and approves the content of any resolutions submitted for approval at the general meeting of the shareholders. These resolutions are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the CSE Code and concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

#### Matters considered and action taken by the HRRC in 2019

Annual Remuneration Review	<ul style="list-style-type: none"> <li>Annual review and approval of the Remuneration Policy;</li> <li>Annual review of the remuneration of the senior management team.</li> </ul>	<ul style="list-style-type: none"> <li>Given the restraints on awarding variable pay, in order to maintain motivation across the team, sensible pay awards were given bearing in mind that competitor banks do not have the same restraints on variable pay. Pay awards were biased to reflect the individual's contribution.</li> </ul>
Disclosure and governance	<ul style="list-style-type: none"> <li>Review of the Remuneration Policy Report in the Annual Report;</li> <li>Review of the Terms of Reference of the Committee;</li> <li>Review of the External Recruitment Policy;</li> <li>Review of the new CEO contract;</li> <li>Review and approval of the revised organisation structure of the Bank;</li> <li>Executive Team structure.</li> </ul>	<ul style="list-style-type: none"> <li>The Report was reviewed and approved.</li> <li>The re-organisation of the operational structure is intended to create a more functional structure taking into account the Bank's current focus areas.</li> </ul>
Human resources review	<ul style="list-style-type: none"> <li>Monitoring of the Bank's headcount and payroll cost evolution as well as the external recruitment process;</li> <li>Review of the Reorganisation Plan which formed the basis of the 2019 Voluntary Exit Plan (VEP);</li> <li>Review of the VEP design and parameters and monitoring of the process.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee reviewed the reorganisation plan which identified obsolete positions emanating from changes in structure, digital transformation efficiencies, closure of branches etc. Consultation with the labour union took place to ensure its on-boarding with the plan and the VEP.</li> </ul>
Training	<ul style="list-style-type: none"> <li>Review of the training plan of staff for the year.</li> </ul>	<ul style="list-style-type: none"> <li>The training plan was reviewed to ensure it is appropriate and aligned to the strategy of the Group.</li> </ul>
Engagement with labour union	<ul style="list-style-type: none"> <li>Close monitoring of the progress of the negotiations with regards to renewal of the Collective Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>The chairman of the Committee together with the Chairman of the Board and the FDCEO held a meeting with labour union representatives and agreed on a course of action to re-activate the platform of communication between the Board and the union. Collective agreement was finally signed for 2019-2020.</li> </ul>

**5. Board Committees** (continued)

**5.2 Human Resources and Remuneration Committee** (continued)

**Matters considered and action taken by the HRRC in 2019** (continued)

Performance Appraisal, Development and Succession	<ul style="list-style-type: none"> <li>• Review of the performance appraisals of senior management;</li> <li>• Review of key findings of the 2018 Management Practices Survey process;</li> <li>• Review of the Performance Appraisal results and main findings;</li> <li>• Informed on the result of the Performance Appraisal Audit, carried out by Internal Audit;</li> <li>• Review of the Performance Appraisal Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed the results of the appraisal process, recommended amendments to the process based on the findings of Internal Audit.</li> <li>• Reviewed the findings of the Management Practices Survey whereby subordinates assess their managers across 12 management dimensions and encouraged the use of the leadership accelerator program for development interventions.</li> </ul>
Human Resources Practices	<ul style="list-style-type: none"> <li>• HRD update Report (exit statistics, disciplinary cases, financial aid and care leave;</li> <li>• Darewinners;</li> <li>• Change calendar;</li> <li>• Well at Work.</li> </ul>	<ul style="list-style-type: none"> <li>• Various initiatives introduced by HRD to align culture with strategy were reviewed and commented on by the Committee.</li> </ul>

Priorities for the HRRC in 2019 were the action plan of the HRD to promote employee engagement and encourage two-way open communication. Further, the Committee was kept informed and updated on the discussions for the renewal of the collective agreement and other matters with the labour union.

The Board is informed through the HRRC on staff surveys and is updated on progress in implementing actions in response to staff feedback. The Staff Opinion Survey is run on an annual basis, aiming at evaluating employee engagement and enablement levels while identifying areas of focus and improvement going forward. In 2018 the Bank had introduced the concept of the Internal Customer Satisfaction Survey whereby employees are given the opportunity to evaluate the level of service they receive from various internal departments of the Bank.

According to the action plan set up to adhere to the revised UK Code, the Committee discussed and agreed the approach to engagement in 2019, methods of gathering and documenting workforce views, and considering how themes and viewpoints of the workforce would be presented to and considered by the Board for discussion and debate to encourage a meaningful dialogue between the Board and the workforce on a timely basis.

Information from staff surveys allowed the Bank to proceed with major changes in the way it engaged with its workforce. Initiatives emanating from the survey were the Internal Opportunities program whereby open positions are advertised on the employee portal and staff members may apply for more senior positions. Interviews are held with all applying staff that meet the qualifications and successful candidates have a second interview before a decision is reached. Decisions are justified and staff is informed whether successful or not.

A project named 'Kill B' was introduced to eradicate bureaucracy through workshops and recommendations made by staff. Around 30 such recommendations have already been implemented while more are being evaluated. The Appraisal Procedure was improved and enhanced to make it more objective and meritocratic through the involvement of staff. Surveys were used, workshops were ran and several in-depth personal interviews were held for understanding the challenges facing both appraisers and appraisees.

To encourage honest and two-way communication as a priority, being the best tool to face challenges for a continued development of a healthy organisation the 'CEO Corner' was set up on the employee portal, whereby staff can contact the CEO through the Ask the CEO email address for direct communication. Staff may participate in lunches that are organised regularly by booking a seat with the CEO. The Group's existing whistleblowing channel provides an opportunity for all staff to raise concerns in confidence.

97% of staff were trained in 2019 amounting to about 2.5 days in training for each member of staff. A Leadership Accelerator program was attended by middle managers while other Skills Accelerator programs were attended by relevant members of staff. Several Excellence programs were also run whereby staff gained recognition and monetary awards for Change & Innovation, Outstanding Contribution, Team Spirit, Customer Centricity and Ethics.

## **5. Board Committees** (continued)

### **5.2 Human Resources and Remuneration Committee** (continued)

In the last two years 51 open days with senior management were organised for all staff. Internal communication is further encouraged with the quarterly financial results being presented by the Executive Director Finance through a presentation on the employee portal. New tools of internal communication are currently being evaluated through pilot groups. Directors participate in site visits and exchange views with staff or address their concerns.

The 'Darewinners' initiative intended to identify a group of individuals from across the Group and from all levels of hierarchy to facilitate the implementation of change during all the stages of the Bank's transformation.

In 2019 a program was initiated that proved popular to staff which aimed to ensure staff is well at work and in their private life by improving their health and well-being. The program, Well at Work, is based on four pillars of actions that aim to achieve balance in the people of the Company in all areas: Psychosomatic health; mental wellbeing; social activities /socialising; financial planning, all essential elements for an organisation that depends on its human resources to move forward. These goals are achieved through specific tools, initiatives, seminars and other actions that will be enriched on an on-going basis. Some of the tools already available are annual wellness check-ups for all staff; seminars on mental and physical health and an employee assistance line. An upcoming tool is the Guardian Angel mobile health application to be made available to all employees.

It is hereby confirmed that the workforce engagement method that the Board has settled on is through internal surveys carried out by the HRD overseen by the HRRC which acts as the workforce advisory panel to the Board and that regular reporting of the views expressed by staff is submitted to the HRRC which then reports through its chairman to the Board.

Safeguarding the Bank's viability is of paramount importance. In view of the international economic environment in the banking sector, where interest rates are very low and operating costs keep increasing due to the strict regulatory environment, there was a need for further specialisation, further modernisation and a reduction of the Bank's operating costs. The Company decided to invest in the digital transformation program in order to simplify the way work is carried out and to be able to deliver an improved customer experience. A reorganisation plan which described significant changes per business area and the abolition of significant number of jobs/positions was discussed with the labour union. The VEP allowed 464 employees to depart smoothly, with a generous benefits package.

Further information on the role of the Committee is presented in the Remuneration Policy Report, on page 365 of this report.

The chairman of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

### **5.3 Audit Committee**

As at 31 December 2019, the AC comprised of four independent non-executive directors. The Board considers that the AC's members, as a whole, have experience of the banking and financial services sector. The Board further believes that Ioannis Zographakis and Paula Hadjisotiriou can be regarded as having recent and relevant financial experience for the purposes of the UK Code and can be regarded as Audit Committee financial experts.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Committee held 13 meetings during 2019. The chairman and members of the Committee together with their attendance at meetings are shown below. Arne Berggren is the chairman of the RC and Ioannis Zographakis and Paula Hadjisotiriou are members of the RC. Michael Heger is also a member and chairman of the HRRC. Such common membership facilitates effective governance across all finance and risk issues. Agendas can be aligned and overlap of responsibilities can be avoided.

## 5. Board Committees (continued)

### 5.3 Audit Committee (continued)

#### Member attendance in 2019:

#### AC meetings\* in 2019

Ioannis Zographakis (Chairman)	13/13
Arne Berggren	11/13
Michael Heger	13/13
Paula Hadjisotiriou	11/13

\* The number of committee meetings at BOC PCL level were 13 during 2019. The attendance of these meetings can be found on page 335.

The key responsibilities of the AC are set out in its terms of reference, which are available on the Group's website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) and are reviewed annually and approved by the Board.

The role of the Committee, inter alia, is:

- To review and monitor the effectiveness of the Group's system of internal controls;
  - To assess the integrity of the Group's financial statements and related announcements;
  - To advise the Board on appointment of the external auditors and be responsible for oversight and remuneration of the external auditor, including monitoring their independence and objectivity;
  - To review the Group's and Company's financial and accounting policies and practices;
  - To monitor the effectiveness of the Group's whistle-blowing procedures and to report to the Board on its findings;
  - To monitor the effectiveness of the internal audit function and the external audit process;
  - To monitor the effectiveness of the anti-money laundering function of the Company and all other aspects of regulatory compliance;
  - To assist the Board in meeting its obligations under relevant stock exchange listing rules and other applicable laws and regulations;
- and to make recommendations to the Board on such matters.

The role of the Committee is fundamental to ensuring the integrity and accuracy of the Company's financial reporting. Good, open relationships between the Committee, the Executive Director Finance, the Internal Audit Director and the Director of Compliance as well as the external auditors, are essential to adding value to the organisation. This is achieved by holding management to account for the implementation of all audit recommendations (internal and external) and inviting appropriate senior managers to meetings to explain how they are delivering the agreed actions for which they are responsible. In addition to providing assurance within the governance and accountability structures of the Group, it is essential that the Committee contributes, delivers results and adds value to the Group.

The AC considered the following key significant accounting and other related issues in its review of the financial statements for the year ended 31 December 2019. In addressing these issues, the AC considered the appropriateness of management's judgements and estimates and where appropriate, discussed those judgements and estimates with the external auditors.

#### Matters considered and action taken by the AC in 2019

Allowances for impairment losses on loans and advances	<ul style="list-style-type: none"> <li>• IFRS9 Impairment assessment;</li> <li>• Assurance that models used by the Bank cover the probability of default as required by IFRS9.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC jointly with the RC considered loan impairment allowances and charges, discussing with management and consultants the basis of calculation. The AC took note of the consultants' assessment that the impairment allowances were in accordance with the requirements of IFRS9.</li> </ul>
--	---	--

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2019**(continued)

Conversion of Deferred Tax Assets to Deferred Tax Credits	<ul style="list-style-type: none"> <li>• Discussion on the amendments to the Tax Law which allow for the conversion of specific deferred tax assets into deferred tax credits.</li> </ul>	<ul style="list-style-type: none"> <li>• These amendments cover the income tax losses transferred from Laiki Bank to BOC PCL in March 2013 following its resolution.</li> <li>• Accounting and regulatory implications were discussed with external consultants who provided accounting and regulatory capital treatment opinions on the proposed law.</li> </ul>
Uncertain tax positions	<ul style="list-style-type: none"> <li>• Review of Tax and VAT of prior years was examined.</li> </ul>	<ul style="list-style-type: none"> <li>• The tax losses carried to BOC from Laiki were discussed with the Bank expressing its expectation that the Tax Authorities will provide final confirmation of the level of tax losses transferred soon.</li> </ul>
One-off transactions and other matters	<ul style="list-style-type: none"> <li>• Velocity I sale of loans;</li> <li>• Helix I sale of loans;</li> <li>• Estia project on NPEs;</li> <li>• CNP shareholding disposal;</li> <li>• Nicosia Mall shareholding disposal;</li> <li>• CYREIT AIF disposal.</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee discussed the impact the sale of loans would have on the Bank as well as the project Estia on applicable NPEs.</li> <li>• The sale of 49% participation in CNP, the sale of the Bank's participation in the Nicosia Mall, and the sale of CYREIT were all discussed with the Executive Director Finance and the external auditors.</li> </ul>
Future accounting standards	<ul style="list-style-type: none"> <li>• Discussion of IFRS16 (Leases) applicable from January 2019;</li> <li>• Discussion of IFRS17 (Insurance) which is applicable from 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• The impact these standards would have on the financial accounts was discussed with the statutory auditors and the Executive Director Finance.</li> <li>• Gap analysis was carried out by the two insurance subsidiaries and completed by end 2019. The reporting of both subsidiaries will change fundamentally and the whole period leading up to 2022 will be required for full implementation.</li> </ul>
External Reporting	<ul style="list-style-type: none"> <li>• Review and recommendation for approval of the annual and interim reporting;</li> <li>• Review and approval of the quarterly financial results;</li> <li>• Review and approval of the Group's existing accounting policies;</li> <li>• Approval of new and significant changes in existing policies;</li> <li>• Endorsement of the going concern assessment for the purposes of the basis of preparation of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC considered management's assessment of the appropriateness of preparing the financial statements of the Group on a going concern basis.</li> <li>• The considerations assessed by the AC in relation to the going concern assessment are also set out in Note 3 of the Consolidated Financial Statements.</li> </ul>
External Auditors	<ul style="list-style-type: none"> <li>• Discussion of the results of the audit of the financial statements;</li> <li>• Assessment of the independence of the external auditors;</li> <li>• Assessment through Audit Quality Indicators (AQI) of the effectiveness of the external audit process;</li> <li>• Approval of audit, tax compliance and other assurance fees for the year;</li> <li>• Approval of permissible non-audit services assigned to the auditors;</li> <li>• Update on the 2019 External Audit Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC assessed through the AQIs the effectiveness of the external auditors.</li> <li>• The performance of the new external auditors was assessed for the first time following the issuance of the interim financial statements.</li> <li>• The auditors as part of their audit approach included the testing of IT general controls where financial reporting controls relied on the specific IT systems in scope. The findings were noted and these will continue to be discussed along with management's actions.</li> <li>• Further the auditors also presented initial findings coming from their financial reporting controls testing, being part of their audit approach. The findings were noted and these will continue to be discussed along with management's actions.</li> </ul>

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2019** (continued)

Compliance	<ul style="list-style-type: none"> <li>• Review of the Group Financial Crime Compliance Department ('FCCD') Annual Report</li> <li>• Review of the Group FCCD Risk Management Report;</li> <li>• Review of the Regulatory &amp; Ethics ('RECD') Annual Report;</li> <li>• Review and approval of the FCCD Action Plan, the RECD Action Plan, and the Data Privacy Dept. Action Plan;</li> <li>• Review and approval of the Anti-Money Laundering ('AML') risk appetite statement, AML Policy, Customer Acceptance Policy and Sanctions Policy;</li> <li>• Consideration of major compliance issues and reports submitted to it by Compliance Division;</li> <li>• Review and approval of the various regulatory &amp; ethics compliance policies;</li> <li>• Update on important forthcoming regulatory developments;</li> <li>• Appraisal of the Director Compliance;</li> <li>• Review of the Data Privacy compliance function and the overall function of the Data Protection Officer (DPO).</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints received were discussed. A 'lessons learned' approach is applied by the Complaints Management Unit to ensure the Bank improves its operations to ensure customer satisfaction.</li> <li>• Compliance with Best International compliance Standards for IBUs was discussed and an action plan was prepared to achieve this. Campaigns for enhanced quality of AML reviews were run across all business lines.</li> <li>• The progress of GDPR compliance was monitored.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Review of the revised Terms of Reference of the AC;</li> <li>• Approval of the Corporate Governance Report;</li> <li>• Approval of the Directors' Compliance Statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant clarifications were sought and the AC was satisfied with respect to the Annual Corporate Governance report and the Directors' Compliance Statement.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Annual Audit Report;</li> <li>• Review of the Internal Audit's (IA) Triennial Audit Plan;</li> <li>• Review of the independence of the IA Division and the IA Director;</li> <li>• Appraisal of the IA Director;</li> <li>• Review of the self-assessment of IA conformance with IIA standards;</li> <li>• Approval of the IA budget;</li> <li>• Review of the IA quarterly activity reports;</li> <li>• Update on complaints received through the whistleblowing line.</li> </ul>	<ul style="list-style-type: none"> <li>• The conclusions arising from the internal audit activity as described in the 2019 Annual Audit Report were discussed.</li> <li>• The effectiveness of the internal audit function was assessed as adequate and recommended to the Board for discussion.</li> <li>• Investigation reports, internal audit report findings and recommendations were discussed as well as management's response and actions.</li> </ul>
Litigation	<ul style="list-style-type: none"> <li>• Litigation provisioning.</li> </ul>	<ul style="list-style-type: none"> <li>• The methodology used for litigation provision was revisited following the two cases where decisions issued in Cyprus courts.</li> </ul>

**5. Board Committees** (continued)

**5.3 Audit Committee** (continued)

**Matters considered and action taken by the AC in 2019** (continued)

Internal controls	<ul style="list-style-type: none"> <li>• Annual review of the effectiveness of the Group's internal controls;</li> <li>• Quarterly updating on outstanding operational risk findings monitoring Dashboard;</li> <li>• Review of the Annual Information Security Assessment Report.</li> </ul>	<ul style="list-style-type: none"> <li>• The opinion provided in the 2019 Annual Audit Report on the effectiveness of the internal control framework was discussed and mutually agreed. Reasonable assurance was provided, with emphasis on specific matters, that the system of internal controls within the Group is adequately designed and operates effectively, to address significant risks according to the risk appetite set by the Board of Directors. Emphasis is provided on specific areas and in particular on non-performing exposures (NPEs) and Information Systems, which require management's attention to further reduce risk exposure.</li> <li>• The triennial assessment of the Group's internal control framework (ICF) was completed by KPMG. Key points were overreliance on manual work i.e. spreadsheets and procedures must be automated. In subsidiaries there is concentration risk of responsibilities and overreliance on specific staff. The ICF is considered effective,</li> <li>• The AC instructed the CIO to concentrate on addressing the IT audit findings with a timetable.</li> </ul>
-------------------	---	---

In assisting the Board to monitor the integrity of the financial statements, the AC has reviewed the Annual Report and monitored the appropriateness and completeness of the published financial statements and related announcements to shareholders of the Company and any formal announcements relating to the Group's financial performance, including significant financial reporting judgements and estimates made by the Group.

The Committee advised the Board that the Group Annual Financial Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.

The AC considered among others, the following significant issues in its review of the financial statements for the year ended 31 December 2019. In addressing these issues, the Committee discussed key areas of management's judgements and estimates with the external auditors, PricewaterhouseCoopers ('PwC'); particular areas for discussion included their findings/observations as part of their audit/review of the Group's financial statements, including inter alia, loan provisioning and impairment, going concern assessments, the conversion of deferred tax asset into deferred tax credit, litigation and claims, provision and observations in relation to the Group's controls over Information Technology. The AC in a joint meeting with the RC also considered management's recommendations in respect of provisions for impairment of loans and advances and other impairment losses and charges as reported in the Group's financial statements.

Specific matters considered by the Committee were: the effectiveness of the system of internal control, financial reporting, the major findings of internal audits and investigations into control weaknesses and management's response. The AC has received confirmation that executive management has taken or is taking the necessary actions to remedy any failings or weaknesses identified through the operation of the Group's framework of controls and will continue to reassess and remediate further as needed.

The Bank is obligated to have in place a Recovery Plan that sets out recovery options to be initiated in the event of the Group coming under severe financial stress. During 2019 the AC received updates and discussed with management the structure of the Recovery Plan.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Company and/or its subsidiary companies, where any member of the Board, CEO, senior executive officer, Secretary, auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Company's normal commercial practices (at arm's length).

## **5. Board Committees** (continued)

### **5.3 Audit Committee** (continued)

The Committee received regular reports from the Executive Director Finance, the Internal Audit Director and the Director of Compliance as well as the Chief Risk Officer who regularly attended the Committee's meetings. Reports were submitted to the Committee on internal control matters. The Committee has regular discussions with the external auditors, the Internal Audit Director and the Director of Compliance on various issues without the presence of the management.

#### *Other responsibilities*

The AC and the RC liaise closely and in joint committee meetings review the appropriateness of and completeness of the system of internal controls. The AC is primarily responsible to review the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal controls system, including accounting control systems, thereby maintaining an effective system of internal controls.

The Board has delegated authority to the NCGC to draw up the Annual Corporate Governance Report, but the AC retains its duty to review and approve the Annual Corporate Governance Report.

The chairman of the Committee holds the role of Whistleblower's Champion and has specific responsibility for the integrity, independence and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for protecting employees who raise concerns from detrimental treatment. He has also been named as the designated Board member responsible for the implementation of the AML Law and relevant Directives.

The Committee's performance during 2019 was assessed as part of an internal committee effectiveness review. The conclusion drawn was that the Committee is regarded as operating effectively and the Board takes assurance from the quality of the Committee's work. The chairman of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

It is noted that Eurolife Ltd and General Insurance Cyprus Ltd also maintain an Audit Committee which reports to the AC on an annual basis.

#### **5.3.1 Internal Audit & Compliance Divisions' effectiveness**

The Internal Audit and Compliance Divisions report directly to the Board through the AC. They are organisationally independent of units with executive functions and are not subordinated to any other unit of the Company, except the Director of Compliance who has a dotted reporting line to the FDCEO, for administration matters. The Committee's activities included the consideration of reports submitted by the Internal Audit and Compliance Divisions.

The Committee has satisfied itself that the Internal Audit Division was effective and adequately resourced through regular meetings held with and reports provided by the Internal Audit Director on internal audit issues, including the effectiveness and adequacy of resources. The Committee received reports over the course of 2019 on the activities of the internal audit function and reviewed its planned activities for the following year. The Internal Audit Director and other senior internal audit staff met with the JST in 2019 to discuss JST's perspectives.

The AC was informed on the discussion and invited the Internal Audit Division to anticipate the focus areas that the regulator considers as important and align its audits in those areas to raise flags timely.

The report submitted by Internal Audit on its assessment of internal audit activity conformance to international internal auditing standards was also discussed by the Committee.

Management's responses to Internal Audit's findings and recommendations and mitigating actions taken were reviewed and monitored. The monthly reports issued by the Internal Audit Director and Director of Compliance enable the Committee to focus discussion on specific areas of concern and root causes and to track remediation progress over time.

## **5. Board Committees** (continued)

### **5.3 Audit Committee** (continued)

#### **5.3.1 Internal Audit & Compliance Divisions' effectiveness**(continued)

Regular reports are submitted by Compliance Division to the AC on compliance risk across the Group and on AML issues. The remediation plan approved by the AC across the Group on customer due diligence is rigorously monitored. There is zero-tolerance on money laundering and terrorism financing incidents and no excuses are accepted for any violations of the relevant legislation or for breaches of the Group's internal policies, procedures and its compliance framework.

The Committee proposes to the Board the appointment, replacement, transfer or removal of the Internal Audit Director and the Director of Compliance. It submits a report to the Board on: a) the adequacy of the audits carried out, the conclusions and the proposals of the Internal Audit, and b) subjects that are related to the independence and smooth execution of audit work carried out by Internal Audit.

The AC assesses and monitors the independence, adequacy and effectiveness of the two functions as well as the independence of the Internal Audit Director.

#### **5.3.2 Arrangements relating to the external auditors**

The AC is responsible for overseeing all matters relating to the relationship between the Group and its statutory auditors, including the external audit plan, terms of engagement, audit and non-audit fee arrangements, interim findings and audit finding reports. The AC also meets semi-annually with the auditors without management present.

The Group is committed to ensuring the independence and objectivity of the statutory auditors and on a semi-annual basis the AC formally reviews the effectiveness, independence and performance of the external auditors. The AC reviews the external auditors' approach and strategy for the annual audit and audit findings. This process is supported by tailored questionnaires completed by the AC members and relevant senior management personnel. The responses received are collated and presented to the AC for discussion.

The objectivity and independence of the external auditors is safeguarded, and effectiveness of the external audit process assessed through monitoring of their relationship with the Group by the AC, including the monitoring of the balance between audit and permissible non-audit services. As an additional check on independence the AC has developed and implemented a Group Policy on the Provision of Non-Audit Services by the Group's statutory auditors in line with the EU Directive and related regulation. The Group policy ensures, among other things, that auditor objectivity and independence are not compromised. Under this policy, a key procedural control requires that any engagement of the external auditors for services must be approved in advance by the AC. The AC monitors compliance with the Group Policy and receives reports on the performance of such services.

The external auditors provide six-monthly written confirmation of their objectivity and independence to the AC. In addition, the external auditors do not provide internal audit services to the Group. The AC reviews annually a detailed analysis of the audit and non-audit fees relating to work done by the external auditors, to confirm their independence and refers this analysis to the Board. The External Recruitment Policy provides on hiring employees or former employees of the external auditor.

Information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in Note 16 of the Consolidated Financial Statements.

In accordance with the provisions of the European Directive on statutory audits and following a transparent and competitive tender process in 2017, the AC recommended to the Board the appointment of the audit firm of PricewaterhouseCoopers ('PwC') for accounting periods commencing 1 January 2019. The AGM held on 14 May 2019 considered the continuation in office of PricewaterhouseCoopers as Auditors of the Company and authorised the Board to fix their remuneration. The AC assessed the independence of the new statutory auditors prior to the commencement of the audit period and continues to assess their independence on a six-monthly basis. The AC closely monitored the transition period prior to the audit rotation whereby PwC shadowed EY during EY's 2018 audit. The audit firm rotation transition period was closely monitored by the AC and discussions with both statutory firms took place up to the completion of the 2018 audit engagement work. The lead partner for the audit engagement is Mr. Kevin Egan.

## 5. Board Committees (continued)

### 5.3 Audit Committee (continued)

#### 5.3.2 Arrangements relating to the external auditors (continued)

The effectiveness of the external audit process was also assessed using AQIs and discussed with both the Internal Audit and the Executive Director Finance.

### 5.4 Risk Committee

The RC as at 31 December 2019 comprised of four independent non-executive directors. The Board considers that the RC, as a whole, possesses adequate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group.

Biographical details, including each member's background, experience and independence status, are set out in section 4 of this report.

The Committee held 13 meetings during 2019. The chairman and members of the Committee together with their attendance at meetings are shown below.

#### Member attendance in 2019:

#### RC meetings\* in 2019

Arne Berggren (Chairman)	12/13
Maksim Goldman	13/13
Ioannis Zographakis	12/13
Paula Hadjisotiriou	11/13

\* The number of committee meetings at BOC PCL level were 13 during 2019. The attendance of these meetings can be found on page 335.

To ensure coordination with the work of the AC, Mr. Zographakis is the chairman of the AC while Messrs Berggren and Hadjisotiriou are members of the AC. Mr. Goldman is also a member of the NCGC. Such common membership facilitates effective governance across all finance and risk issues. Agendas can be aligned and overlap of responsibilities can be avoided. There are regular joint meetings of the AC and RC to ensure there are no gaps in the oversight of internal controls and that any areas of significant overlap are appropriately addressed.

The main purpose of the Committee is to review, on behalf of the Board, the aggregate risk profile of the Group, including performance against risk appetite for all risk types and to ensure that both the risk profile and risk appetite remain appropriate. Specifically, it:

- Advises the Board on risk appetite and alignment with strategy;
- Monitors the effectiveness of the Group's risk management and internal control systems except from financial reporting and compliance internal control systems;
- Monitors the Group's risk appetite and risk profile against key performance/risk indicators as set out in the Group's Risk Appetite Statement;
- Identifies the potential impact of key issues and themes that may impact the risk profile of the Group;
- Ensures that the Group's overall risk profile and risk appetite remain appropriate given the external environment, any key issues and themes impacting the Group and the internal control environment;
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board committees;
- Advises the Board on alignment of remuneration with risk appetite (through advice to the Group HRRC); and
- Advises the Board on risks associated with proposed strategic acquisitions and disposals.

The Bank, like all other financial institutions, is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk, operational risk and property price risk. The Group monitors and manages these risks through various control mechanisms and reviews the mitigating actions proposed by management.

## 5. Board Committees (continued)

### 5.4 Risk Committee (continued)

At each meeting, the RC reviews the risk report which identifies key issues and includes a view of the Group's risk appetite statement, as well as top and emerging risks. The Committee provides challenge and review to the Group's regulatory submissions relating to capital management and liquidity adequacy assessments.

To ensure consistency of scope and approach by subsidiary company committees, the RC has established core terms of reference to guide subsidiary companies when adopting terms of reference for the non-executive risk committees. The Committee's endorsement is required for any proposed material changes to subsidiary company risk committee terms of reference and for appointments to such committees.

Detailed information relating to Group Risk Management is set out in Notes 46 to 49 of the Consolidated Financial Statements and the Additional Risk and Capital Management Disclosures section of the 2019 Annual Financial Report.

Key areas of focus for the Committee during the year were to set strategies and ensure compliance with reference to non-performing exposures management, review risk policies where necessary to comply with the changing regulatory environment and better support business needs. The Committee also reviewed and challenged the approach and the assumptions of the ICAAP and ILAAP. A more granular approach to legal risk in terms of ICAAP was requested and reviewed.

The Committee identified the current and potential impact of key issues and themes on the Group's risk profile and performed deep dive discussions in order to better understand and provide guidance to the management. Deep dive discussions concentrated on the new lending processes as well as the Information Security Operating Model. The Integrated Risk Identification Framework was discussed at length. Further the Committee discussed and approved or recommended for approval a large number of restructurings and contractual or non-contractual write-offs.

The RC discussed and approved the RC calendar for 2019 and undertook the following key activities:

#### Matters considered and action taken by the RC in 2019

Risk Strategy and Management	<ul style="list-style-type: none"> <li>• Recommendation of the Risk Appetite Statement and approval of the Group Risk Framework and Policy;</li> <li>• Approval of risk-related limits;</li> <li>• Review of alignment of risk appetite and Group strategy;</li> <li>• Review of monthly reports from the CRO including a risk map;</li> <li>• Review of Shipping Loans;</li> <li>• Loan syndication strategy to facilitate diversification of risk;</li> <li>• Capital Plan and MREL Funding Plan;</li> <li>• Charter and Strategy of Risk Management Division.</li> <li>• Approval of Integrated Risk Identification Framework</li> </ul>	<ul style="list-style-type: none"> <li>• The strategy and planning to comply with MREL by the end of 2022 was discussed.</li> <li>• A presentation in shipping business and a discussion on risks and opportunities took place.</li> <li>• An integrated Risk identification framework was presented and discussed at the committee</li> </ul>
Operational Risk	<ul style="list-style-type: none"> <li>• Approval of the operational risk framework;</li> <li>• Review of IT risk and cybercrime and model risk;</li> <li>• Consideration of business continuity, information security, cybersecurity etc;</li> <li>• NPE curability;</li> <li>• Significant risk transfer methodology.</li> </ul>	

**5. Board Committees** (continued)

**5.4 Risk Committee** (continued)

**Matters considered and action taken by the RC in 2019** (continued)

Credit Risk	<ul style="list-style-type: none"> <li>• Review of new lending in the period 2015-2018;</li> <li>• Approval of the non-performing loans strategy and operating plan;</li> <li>• Recommendation for approval of the Group Credit Policy;</li> <li>• Review of the Group Country Risk Policy and limits;</li> <li>• Approval/recommendation of a large number of restructurings;</li> <li>• Credit monitoring of healthy portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussed the downward trend in non-performing exposure inflows and whether this is sustainable</li> <li>• External service providers were asked to review the new lending processes to provide independent view as to soundness and quality of this type of lending. Findings and recommendations were discussed.</li> <li>• Provisioning reviewed jointly with AC.</li> </ul>
Market / Liquidity Risk	<ul style="list-style-type: none"> <li>• Recommendation of the Group Market Risk Policy and review of controls on discretionary risk and stress testing;</li> <li>• Recommendation of the Group Funding and Liquidity Policy and management strategy including the Contingency Funding Plan and the Group Liquidity Stress Testing Position;</li> <li>• Approval of the Liquidity Adequacy Statement;</li> <li>• Monitor the activities and decisions of ALCO through a review of its minutes;</li> <li>• Liquidity and deposits update.</li> </ul>	<ul style="list-style-type: none"> <li>• The triggers and scenarios for appropriate stress tests and Reverse stress tests were discussed.</li> <li>• Sensitivity analysis on Liquidity risk.</li> <li>• Business Continuity Plan (BCP) testing.</li> </ul>
Other Risks	<ul style="list-style-type: none"> <li>• Review of top and emerging risks;</li> <li>• Information Security Operating Model;</li> <li>• Review of Reputational Risk;</li> <li>• Review of regulatory communication;</li> <li>• Review of other risk related policies;</li> <li>• Approval of the Capital Adequacy Statement;</li> <li>• Review and approval of the Recovery Plan;</li> <li>• CRO appointment;</li> <li>• REMU and RRD progress;</li> <li>• Property exposure analysis;</li> <li>• Political instability in Lebanon;</li> <li>• Cloud Risk Assessment;</li> <li>• Enhancement of the role of the RC.</li> </ul>	<ul style="list-style-type: none"> <li>• External review was carried out on the InfoSec Operating Model and findings and recommendations were discussed.</li> <li>• The appointment of the new CRO was discussed following the re-organisation of the operational structure.</li> <li>• The use of the Yammer tool was tested to satisfy the need for two-way communication internally and a pilot group was set up. The RC requested reporting on use and findings of the pilot run.</li> <li>• The Committee discussed how its role can be reinforced to embed a stronger review and a pro-active challenging role.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Review of the terms of reference of the RC;</li> <li>• Review of the effectiveness of the Committee;</li> <li>• Appraisal of the Chief Risk Officer and the Information Security Manager;</li> <li>• Review of the reports of material subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>• The committee discussed how the Key Risk Matrix is calculated and how it is linked to the Capital Plan.</li> </ul>
Data Risk	<ul style="list-style-type: none"> <li>• Laptops and USBs are encrypted;</li> <li>• Discussion of the data leakage prevention system adopted in 2019.</li> </ul>	<ul style="list-style-type: none"> <li>• The strategy the Bank has followed and the process in place for monitoring data leakage was discussed.</li> </ul>
Regulatory communication	<ul style="list-style-type: none"> <li>• Emphasis on quality reporting to the ECB;</li> <li>• Follow up of SREP findings and mitigating actions.</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory activity is expected to increase. RC reiterated that communication with the regulators should be enhanced and interaction be more proactive to anticipate and meet regulatory expectations.</li> </ul>

The chairman of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

## 5. Board Committees (continued)

### 5.5 Technology Committee

The Committee held 7 meetings during 2019 at BOC PCL level. The chairperson and members of the Committee together with their attendance at meetings are shown below.

#### Member attendance in 2019:

#### TC meetings in 2019

Lyn Grobler (Chairperson)	7/7
Anat Bar-Gera	7/7
Michael Heger	7/7
Ioannis Zographakis	7/7

The purpose of the TC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the overall role of technology in executing the business strategy of the Group including, but not limited to, major technology investment, technology strategy, operational performance, and technology trends that may affect the Group's client portfolio and/or affairs in general.

The Committee has delegated authority by the Board of Directors and is responsible to:

- Review and approve the Group's technology planning and strategy within the overall strategy framework approved by the Board;
- Review and approve significant technology investments and expenditures as per the Committee and limit structures approved by the Board, provided they do not fall within the limits that are reserved for the Board;
- Monitor and evaluate existing and future trends in technology that may affect the Group's strategic plans, including monitoring of overall industry trends; and
- Receive reports from management concerning the Group's technology operations including, among other things, software development project performance, technical operations performance, technology architecture and significant technology investments and approve related policies.

Notwithstanding the above, responsibility for the oversight of risks associated with technology, including risk assessment and risk management, remains with the RC.

The Committee monitored the progress of the digitisation transformation of the Bank and reviewed Key Performance Indicators focused on measuring movement from branches to digital channels. Adoption rate stood at 70% towards year end. The projects running in the IT function were monitored to ensure they stayed within reasonable deadlines.

External consultants were engaged to assess the mobile application of the Bank. The Committee was informed on connectivity with UK banks as part of the Open Banking Initiative and the introduction of Apple Pay improved customers' perception of the Bank's leadership in digitisation. Finally, the TC followed-up on the ECB on-site inspection of IT function with focus on Disaster Recovery and Business Continuity.

### 5.6 Ethics, Conduct and Culture Committee

The Committee was established in November 2019 and held 1 meeting during 2019 at BOC PCL level. The chairman and members of the Committee together with their attendance at meetings are shown below.

#### Member attendance in 2019:

#### ECCC meetings in 2019

Ioannis Zographakis (Chairman)	1/1
Lyn Grobler	1/1
Maria Philippou	1/1
Panicos Nicolaou	1/1

## 5. Board Committees (continued)

### 5.6 Ethics, Conduct and Culture Committee (continued)

The role of the Committee is:

- To support the Board in promoting its collective vision of values, conduct and culture;
- To oversee management's efforts to foster a culture of ethics and appropriate conduct within the Group;
- To oversee the way the Group conducts business focusing on developing a customer-centric culture with an eye on profitability in all its operations; and
- To oversee the Group's conduct in relation to its corporate and societal obligations, including setting the direction and policies for the Group's approach to customer and regulatory matters.

Its role is one of oversight, recognising that management is responsible for continuously reinforcing and championing the Group's sound ethics, responsible conduct and principled culture throughout the organisation.

The modus operandi of the Committee was discussed and how to align the culture of the Group with its strategy concentrating on risk, control and customer centric culture.

## 6. Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board following a proposal by the HRRC in accordance with Annex 1 of the CSE Code and the UK Code. It is presented in the 2019 Annual Financial Report of the Group, after the Corporate Governance Report. Information on the remuneration of the members of the Board for the year 2019 is disclosed in Note 51 of the Consolidated Financial Statements of the Group, as well as in the Remuneration Policy Report.

## 7. Shareholder Relations

Mrs Annita Pavlou, Manager Investor Relations Department, has been appointed by the Board as Investor Relations Officer, responsible for the communication between shareholders and the Group since 30 August 2016. Information concerning the Group is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Group uses its website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) to provide shareholders and potential investors with recent and relevant financial information, including the annual, the mid-year financial report and quarterly results, announcements and presentations. The Investor Relations section of the Group's website is updated with all announcements published on the LSE and CSE as these are made. It also contains contact details for the Investor Relations Department.

Directors receive an investor relations update from management at all scheduled Board meetings. This update typically includes market updates, share price and valuation analysis, updates on analysts' reports and share register analysis.

One of the responsibilities of the Chairman of the Board is to ensure that the views, issues and concerns of shareholders are effectively communicated to the Board and to ensure that directors develop an understanding of the views of major investors. The Board considered the views of major shareholders on company strategy and performance and assessed investor sentiment more broadly in conjunction with the Group's corporate brokers. The SID, Ioannis Zographakis, is available to shareholders if they have concerns that are not resolved through the normal communication channels.

All shareholders of the Company are treated on an equal basis. There are no shareholders with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial condition, financial results, ownership and governance.

Under the Irish Companies Act 2014, one or more members holding at least 3% of the issued share capital of the Company, representing at least 3% of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, has the right to: (a) put an item on the agenda of the AGM provided that the item has been accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted; and (b) to table a draft resolution for an item on the agenda of a general meeting. Such a request must have been received by the Company at least 42 days prior to the relevant meeting.

## 7. Shareholder Relations (continued)

Any change or addition to the Articles of Association of the Company is only valid if approved by special resolution at a meeting of the shareholders.

Major shareholders do not have different voting rights from those of other shareholders. As at 31 December 2019, the Company has been advised of the following notifiable interest in the share capital of the Company:

• Lamesa Investments Limited	9.27%
• Caius Capital	6.24%*
• European Bank for Reconstruction and Development	5.02%
• Cyprus Popular Bank Public Co Ltd	4.81%
• Senvest Management LLC	3.67%
• Eaton Vance Management	3.58%
• TD Asset Management	3.51%

\* Financial Instruments with similar economic effect according to Regulation 17(1)(b) of the Transparency (Directive 2004/1109/EC) Regulations 2007 of Ireland as amended.

In accordance with the Company's Constitution, at the Company's AGM in 2019:

- The Directors were authorised to allot shares up to an aggregate of 147,245,978 ordinary shares of €0.10 each and a further 147,245,978 ordinary shares of €0.10 each in the case of a pre-emptive issue (as described in the notice for that general meeting). The Directors were authorised to issue and allot those shares as if the pre-emption provisions set out in section 1022 of the Companies Act 2014 are dis-applied in respect of:
  - (i) in the case of a pre-emptive issue, the aggregate number of ordinary shares of €0.10 each authorised to be issued pursuant to such issue (as described in the notice for that general meeting); and (ii) 22,309,997 ordinary shares of €0.10 otherwise than (i); and
  - a further 22,309,997 ordinary shares of €0.10 each for specified transactions.
- the Directors were also authorised to issue, allot, grant options over or otherwise dispose of Additional Tier 1 ("**AT1 ECNs**") and ordinary shares pursuant to the conversion or exchange of AT1 ECNs provided that this be limited to the issue, allotment, grant of options over or other disposal of ordinary shares of an aggregate nominal amount €6,662,999 and of AT1 ECNs convertible or exchangeable into ordinary shares up to such maximum aggregate nominal amount, and the pre-emption provisions set out in section 1022 of the Companies Act 2014 in respect of this authority were dis-applied.
- The Directors were also authorised to make purchases of up to 44,619,993 ordinary shares. Such purchases may be made only at price levels which the Directors considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. In addition, the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be the higher of 105% of the average market price of such shares and the amount stipulated by Article 5(1) of the EU Market Abuse (Buyback and Stabilisation) Regulation.

The authority conferred in each of the above resolutions expires on the earlier of close of business on the date of the AGM of the Company to be held in 2020 or on 13 August 2020.

The AGM was held on 14 May 2019 at the Company's headquarters. The Chairman of the Board (who is also the Chairman of the NCGC) and the chairpersons of the committees of the Board were present to hear the views of the shareholders and answer questions. As is the practice, all directors of the Board at the time of the AGM attended the AGM. At the 2019 AGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by poll. To facilitate shareholder participation, electronic voting is available. Votes are taken by way of a poll to include all shareholder votes cast.

The results of every AGM of the Company including details of votes cast for and against on each resolution are posted on the Group's website ([www.bankofcyprus.com](http://www.bankofcyprus.com)) and released to the London and Cyprus Stock Exchanges.

**7. Shareholder Relations** (continued)

There was one resolution for which a negative vote of slightly more than 20% was cast and the Chairman of Board mentioned that *'The Company notes the votes cast in respect of resolution 4(a) which relates to the re-election of Mr. Maksim Goldman. While Mr. Goldman's re-election has been approved, the Company will be engaging with shareholders to understand their views as part of its ongoing programme of engagement'*.

Several meetings were held between the SID and major investors following the AGM during which the position of the Group was explained and views from shareholders were obtained. The result of these meetings is presented on page 327 of this report.

The Board values the AGM as a key opportunity to meet shareholders. The AGM of the Company in 2019 is scheduled to be held on 26 May 2020. The whole Board is expected to attend and will be available to answer shareholders' questions.

## Remuneration Policy Report for the year 2019

### 1. Introduction

In accordance with the provisions of the CSE Code published by the CSE (5<sup>th</sup> Edition (Revised) January 2019) and in particular Annex 1 of the CSE Code, the HRRC prepares the Annual Board of Directors' Remuneration Policy Report which is ratified by the Board and submitted to the shareholders' AGM as part of the Annual Report of the Group. The Board of Directors Remuneration Policy Report for the year 2019 was ratified by the Board on 28 April 2020.

The Bank of Cyprus Group's objective to attract, develop, motivate and retain high value professionals is considered fundamental in achieving the goals and objectives of the Group and ensuring that the right people are in the right roles whilst managing the Group's remuneration strategy and policies in a manner aligned with the interests of the Group's shareholders.

### 2. Human Resources and Remuneration Committee

The Committee's primary role is to ensure that staff members contribute to sustainable growth by staying ahead of challenges and opportunities.

The Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, in order to ensure that they are consistent with and promote sound and effective risk management.

Every year, the Committee proposes to the Board the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders' AGM. The Committee also reviews the related party transactions note (Note 51) of the Consolidated Financial Statements of the Group and the Remuneration Policy Report itself.

#### 2.1 Terms of Reference of the Human Resources and Remuneration Committee

The role of the Committee is described in detail in section 5.2. of the Annual Corporate Governance Report on page 348. In respect of remuneration the HRRC undertakes the following:

- To propose adequate remuneration considered necessary to attract and retain high value-adding professionals;
- To consider the remuneration arrangements of the executive directors of the Group, senior management and the Group Remuneration policy bearing in mind the European Banking Authority ('EBA') Guidelines on remuneration policies and practices, the CBC Governance Directive, the CSE Code and the UK Code; and
- To review the implementation and effectiveness of the Remuneration Policy and ensure this is in compliance with the Remuneration Framework of the CBC Governance Directive.

The Committee ensures that internal control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgement on the suitability of the Remuneration Policy and practices, including their suitability for risk management.

The Group's aim is to align its Remuneration Policy and human resources practices, with its long term objectives, its risk tolerance, capital and liquidity availability, the interests of its shareholders and ensure that they are consistent with and promote sound and effective management of risk and do not encourage excessive risk-taking.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the CBC Governance Directive which came into effect in August 2014 and incorporated the requirements for Remuneration Policies included in the European Capital Requirements Directive ('CRD IV') and the EBA Guidelines on sound remuneration policies issued in December 2015, as well as regulatory restrictions currently pertinent to the banking sector and the Group in particular.

The Committee reviews and approves the content of any resolutions submitted for approval at the AGM of the shareholders, which are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the Code which may concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

## **Remuneration Policy Report for the year 2019** (continued)

### **2. Human Resources and Remuneration Committee** (continued)

#### **2.1 Terms of Reference of the Human Resources and Remuneration Committee** (continued)

##### *Senior Management*

The Committee reviews and approves remuneration packages of Group divisional directors, senior managers and subsidiaries' general managers, including salary, pension policy, option plans, and other types of compensation, recommended by the CEO or by the chairmen of the Risk and Audit Committees (in the case of the heads of internal control functions) in consultation with the CEO and HRD.

The Committee also reviews the performance appraisals of Group divisional directors (except heads of internal control functions). Senior managers and subsidiaries' general managers' appraisals are performed by the CEO.

The Committee reviews and approves appointments, transfers and dismissals of Group divisional directors, senior managers and subsidiaries' general managers (except heads of internal control functions), recommended by the CEO, and ensures that all contractual obligations are adhered to.

The chairman of the Committee is available to shareholders in the AGM to answer any questions regarding the Remuneration Policy of the Group. Workforce engagement is described in section 5.2 of the Annual Corporate Governance Report.

### **3. Governance of Group Remuneration Policy**

#### **3.1 Principles of the CSE Code of Corporate Governance**

Companies should implement official and transparent procedures for developing policies concerning the remuneration of executive directors and fixing the remuneration of each Board member separately.

The level of remuneration should be sufficient to attract and retain talent required for the efficient operation of the Company. Part of the remuneration of executive directors should be determined in such a way as to link rewards to corporate and individual performance. Resolution, or any other authority allowing, variable pay should be linked to performance.

The Company's Corporate Governance Report includes a statement of the Remuneration Report and relevant criteria, as well as the total remuneration of the executive and non-executive members of the Board.

#### **3.2 EBA Guidelines**

The EBA Guidelines aim to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management. The Group seeks to ensure it implements remuneration policies which are in compliance with regulatory guidelines, while at the same time operating under legal and regulatory constraints.

In accordance with EBA guidelines for identification of those employees whose professional activities are deemed to have a material impact on the Group's risk profile, the Group maintains a list of these employees known as Material Risk Takers which is reviewed and approved by the Board annually.

### **4. Remuneration**

#### **4.1 Remuneration of Non-executive Directors**

The remuneration of non-executive directors is not linked to the profitability of the Group. It is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the committees of the Board and any participation in the boards of Group subsidiary companies. The shareholders' AGM held on 14 May 2019 approved the same levels of remuneration as those approved by the shareholders' AGM on 28 August 2018.

The remuneration of non-executive directors is determined and approved by the Board. Neither the Chairman nor any director participates in decisions relating to their own personal remuneration. The Committee proposes fees payable to the Chairman and the Vice Chairman, while the Chairman makes recommendations for the remuneration of the non-executive directors to the Board for approval by the AGM, considering the following factors:

## Remuneration Policy Report for the year 2019 (continued)

### 4. Remuneration (continued)

#### 4.1 Remuneration of Non-executive Directors (continued)

- The time allocated and effort exerted by non-executive directors to meetings and decision-making in the management of the Group;
- The undertaken level of risk;
- The increased compliance and reporting requirements;
- The requirement not to link remuneration of non-executive directors to the profitability of the Group;
- The requirement that non-executive directors do not participate in the pension schemes of the Group;
- The requirement not to include share options as remuneration of non-executive directors.

Neither the Chairman nor any director participates in decisions relating to their own personal remuneration.

The Chairman receives annual fees of €120,000, the Vice Chairman of €80,000, the SID of €70,000 and the members of €45,000. Additionally, the Group reimburses all directors for expenses incurred in the course of their duties.

The chairmen of the Audit and Risk Committees receive annual fees of €45,000 each and members receive €25,000. The chairmen of the HRRC, the Nominations and Corporate Governance Committee (NCGC) and the Technology Committee (TC) receive annual fees of €30,000 each. Each member of the HRRC and the TC receives €20,000 per annum, while each member of the NCGC receives €15,000 per annum.

#### 4.2 Remuneration and Other Benefits of Executive Directors

The Committee reviews and approves the remuneration packages vis-a-vis their performance. In line with the UK Code the following factors are also considered: clarity, simplicity, risk, predictability and proportionality and finally alignment to culture. The CEO and the First Deputy CEO (FDCEO) are employees of BOC PCL.

#### Contracts of Employment

The remuneration (salary and bonus) of executive directors is set out in their employment contracts which have a maximum duration of five years, unless any of the executive directors is an appointed member of the senior management team, in which case the terms of employment are based on the provisions of the collective agreement in place, excluding the CEO.

The employment contract of the CEO was extended to 31 December 2020. On 3 March 2019 the CEO John Hourican informed the Board of his decision to leave the Group in September 2019. He was succeeded to the role of CEO by Panicos Nicolaou.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

#### Service Termination Agreements

The employment contract of Mr. P. Nicolaou includes a clause for termination, by service of six months' notice to that effect by either the executive director or BOC PCL, without cause and BOC PCL also maintains the right to pay to the executive director six month's salary in lieu of notice for immediate termination. There is an initial locked-in period of three years during which no such notice may be served either by BOC PCL or the executive director unless there is a change of control of BOC PCL as this is defined in the service agreement whereupon the executive director may serve the notice and is further entitled to compensation as this is determined in the service agreement.

The terms of employment of Dr Patsalides, FDCEO and executive member of the Board, are mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by the BOC PCL based on years of service and for a four month prior written notice by the executive director in the event of a voluntary resignation.

#### Bonus

No bonus was recommended by the Company's Board for executive directors for 2019.

**Remuneration Policy Report for the year 2019** (continued)

**4. Remuneration**(continued)

**4.2 Remuneration and Other Benefits of Executive Directors** (continued)

**Retirement Benefit Schemes**

The CEO participates in a defined contribution plan largely on the same basis as other employees. The FDCEO participates in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 15 of the Consolidated Financial Statements for the year ended 2019.

**Share Options**

No share options were granted to the executive directors during 2019.

**Other Benefits**

Other benefits provided to the executive directors include other benefits provided to staff, medical fund contributions and life insurance. John Hourican, CEO until 30 August 2019, had been provided with other benefits related to his relocation and residence in Cyprus. The relevant costs for the executive directors are disclosed in Note 51 of the Consolidated Financial Statements for the year ended 2019.

John Hourican, received and retained fees relative to his appointment as a non-executive on the Board of Atradius N.V. of €50,000 per annum.

## 5. Information Regarding the Remuneration of Directors for Year 2019

	Remuneration for services* €	Remuneration for participation in the Board of Directors and its Committees €	Total remuneration for services €	Remuneration and benefits from other Group companies €	Remuneration in the form of profit and/or bonus distribution €	Assessment of the value of benefits that are considered to form remuneration €	Total remuneration and benefits €	Annual contribution to retirement benefits €
<b>Executive Directors</b>								
John P. Hourican	1,535,861	-	1,535,861	-	-	43,280	1,579,141	116,755
Panicos Nicolaou	177,240		177,240				177,240	15,000
Christodoulos Patsalides	245,621	-	245,621	-	-	6,292	251,913	20,299
<b>Non-Executive Directors</b>								
Josef Ackermann	-	56,661	56,661	-	-	-	56,661	-
Takis Arapoglou		84,362	84,362				84,362	
Maksim Goldman	-	122,220	122,220	-	-	-	122,220	-
Arne Berggren	-	117,128	117,128	-	-	-	117,128	-
Anat Bar-Gera		86,573	86,573				86,573	
Lyn Grobler		91,665	91,665				91,665	
Paula Hadjisotiriou		96,758	96,758				96,758	
Michael Heger		121,654	121,654	-	-	-	121,654	-
Maria Philippou	-	66,203	66,203	-	-	-	66,203	-
Michael Spanos	-	5,834	5,834	-	-	-	5,834	-
Ioannis Zographakis	-	158,999	158,999	-	-	-	158,999	-
	<b>1,958,722</b>	<b>1,008,057</b>	<b>2,966,779</b>	-	-	<b>49,572</b>	<b>3,016,351</b>	<b>152,054</b>

\* Includes employers' contributions excluding contributions to retirement benefits.

28 April 2020