



BANK OF GREECE
EUROSYSTEM

THE EXECUTIVE COMMITTEE

Annex IV

Template for the assessment of the collective suitability of members of the Board of Directors

Introduction and instructions
<p>The responsibility of the non-executive members and the executive members of the Board of Directors is collective. A Board of Directors fulfils its role effectively when it is able to make informed decisions and provide effective oversight. Thus, an effective Board of Directors needs to include individuals with a mix of knowledge, skills and experience that are up to date and cover the major business areas of the institution and their risks. It is the responsibility of the institution to ensure that the members of the Board of Directors are on an on-going basis collectively competent.</p>
Possible self-assessment tool for institution
<p>The template is a possible tool for an institution to self-assess periodically or annually the collective suitability of the members of the Board of Directors. If the template is not used, institutions can document and self-assess their collective suitability in their own way, proportionate to their size, nature and complexity.</p> <p>By assessing the knowledge, skills and experience of the individual members of the Board of Directors in relation to the major business areas of the institution and their risks, strengths and weaknesses in the Board of Directors can be identified and hence the collective knowledge, skills and experience can be assessed. The outcomes provide input for needs for training. They should be used to determine the required profile of new members and to situate during the supervisory fit and proper assessment process how their proposed appointment fits into the collective suitability.</p> <p>This template is designed to provide a collective assessment of the knowledge, skills and experience of the Board of Directors as a whole. It is expected that in a collegiate body there are members with different characteristics, including different types and levels of skills and knowledge, and different professional experiences. To also take into account differences due to the number of years of experience enjoyed by the different members, a separate experience overview can be filled in.</p>
Internal process for filling in the template
<p>The Board of Directors as a whole is responsible for performing the self-assessment of the collective suitability, and in case this template is used, for setting up an internal process to fill in the template in an efficient, transparent, fair and critical way. There are different ways to approach this process but the main point is that it should lead in the</p>



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end to a collegial discussion, not only about the scores and names crossed behind the different requirements, but most of all about the underlying motivations and the conclusions about the collective suitability. In principle, the practicalities of the internal process can be freely chosen. For significant institutions under Law 4261/2014, it is however mandatory that the nomination committee is involved (Article 80(4) of Law 4261/2014). The parties involved in the process (such as a specific role for the chairperson, the nomination committee, other internal committees, the human resources department, the actual business lines, possibly external advice) should be determined upfront in the process.

It is deemed desirable that this template is filled in following completion of a questionnaire by each individual member that gives a weighting to the experience through the use of some kind of rating system. Such individual questionnaire is not provided here, as the focus of the template is clearly collective.

When filling in the template, the group context should and can be taken into account where relevant (oversight role of the parent undertaking, intragroup outsourcing arrangements, need for independent checks at subsidiary level). The group context will also be particularly important in the description of the business model.

Possible input for the prudential supervision

As explained, using the template is not mandatory based on the present Executive Committee Act and, consequently, does not amount to a standard supervisory reporting. Nevertheless the outcomes of the template – just like the outcomes of any other tool that would be used by the institution for its self-assessment – could be requested by the Bank of Greece as input for the supervision of the collective suitability of the Board of Directors. This supervisory assessment should be based on the present Executive Committee Act.

As part of the present Executive Committee Act, and with the aim to reach the objective behind Article 83(7) of Law 4261/2014, the Bank of Greece may require that institutions are able to present the types of information included in this template, in a different format specified by the Bank of Greece.

Specific and common requirements

The template is based on the one hand on requirements that follow from the specific characteristics of the business model of the institution and on the other hand on common requirements that are usually relevant for all types of institutions (even though the degree of relevance can still vary). Section A covers the alignment with the business model. Section B covers the common requirements and has three subsections:

- governance,



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- risk management, compliance and internal audit and
- management, strategy and decision-making.

For section A, the actual business lines can provide input for the appropriate adaptation of the template. Even in section B, open lines appear e.g. to cover specific needs of the institution apart from business model considerations or to cover for national regulations that require additional knowledge, skills or expertise.

Tables and narratives in the template

The template will result the collective scores that serve as a quantitative indication for the collective suitability of the Board of Directors. Scores (high, medium-high, medium-low, low, absent) are defined using the term "experience" in a broad sense: it should be understood to cover both practical and theoretical aspects and include skills and knowledge. Both theoretical experience attained through education and training and practical experience gained in previous occupations should be considered.

Behind the scores, the names of the members who bring in most value-added for a particular requirement are crossed in the template. Taking into account that the Board of Directors should be able to adapt with minimal disruption if a position is vacated unexpectedly, it is expected that more than one name is crossed. The total number of names crossed will of course also vary depending on the size of the Board of Directors. "Name" can refer to current members, but can also refer to possible future members (although the collective score should only relate to the current composition).

Besides the quantitative scores and the crossing of names, the underlying motivations are equally important. There may e.g. be a specific reason to have certain persons on the Board of Directors, because of knowledge needed for specific activities. The explanation of the scores and names crossed in the template can be added separately in the tables. At the end of the template, narrative questions appear that are meant to facilitate clear outcomes.

Different structures

Institutions usually have, depending on the national regulation, one-tier or two-tier structures. In both structures the executive members and the non-executive members of the Board of Directors need to be collectively suitable. Each area of knowledge or expertise needs to be covered collectively by the executive members of the Board of Directors and – as the type and level of experience may be different – collectively by the non-executive members of the Board of Directors. The institution should determine how the collective suitability is best achieved. It is advisable to fill in a separate template for the executive members of the Board of Directors (as far as it is a collegial body) and the non-executive members of the Board of Directors respectively. Regarding the non-



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executive members, attention should also be paid to the collective knowledge and expertise that these members bring collectively to the specialised committees (risk/remuneration/audit/nomination) within the Board of Directors.



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A. Alignment of the collective suitability with the business model

This section is meant to provide narrative descriptions of:

the current business model of the institution:

the main risks associated with the current business model, as included in the risk appetite framework:

the strategy (forward-looking perspective):

the main risks associated with this strategy:

This section is meant to map the required collective experience of the Board of Directors in line with the main characteristics of the current business model of the institution, its strategy and the main associated risks that need to be managed. This mapping is done on the basis of the institution's own break down by major geographies, business lines, subsidiaries/branches and product lines, and (sub)types of risks.

Mirror the generic names in column A by adding the institution's own mapping in column B - add or delete rows as deemed necessary		Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all executive and non-executive members								Fill in a collective score for the executive and non-executive members of the Board of Directors in its current composition:
		Name member	Name member	Name member	Name member	Name member	Name member	Name member	Name member	A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Group business model / strategy										
Major business line 1										
Major business line 2										
Major business line 3										
Major geography 1										
Major geography 2										
Major geography 3										
Major branch/subsidiary 1										
Major branch/subsidiary 2										
Major branch/subsidiary 3										
Major product line 1										
Major product line 2										
Major product line 3										
Group-wide risks										
Credit risk subtype 1										
Credit risk subtype 2										
Credit risk subtype 3										
Market risk subtype 1										
Market risk subtype 2										
Interest rate risk subtype 1										
Interest rate risk subtype 2										
Operational risk subtype 1										
Operational risk subtype 2										
Concentration risk subtype 1										
Concentration risk subtype 2										
IT risk subtype 1										
IT risk subtype 2										
Legal / reputational risk subtype 1										
Legal / reputational risk subtype 2										
Other risk subtype 1										
Other risk subtype 2										



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B. Common requirements									
1. Governance									
This section is meant to map how the organisational structure of the institution is set up and how responsibilities are allocated and monitored.									
	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all executive and non-executive members							Fill in a collective score for the executive and non-executive members of the Board of Directors in its current composition:	
	Name member	Name member	Name member	Name member	Name member	Name member	Name member	Name member	A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Assessing the setup and functioning of the administrative organisation									
Assessing the setup and functioning of the internal control system									
Assessing the setup and functioning of group-wide governance arrangements (e.g. relationships between parent and subsidiaries and/or branches)									
Assessing the setup and functioning of Human Resources									
Suitability assessment of members of the Board of Directors or staff functioning below the level of the Board of Directors									
Policies and procedures for the induction, training and professional development of the members of the Board of Directors or institution-wide									
Remuneration policy and practices (either to executive members of the Board of Directors or institution-wide) and using incentives to influence behaviours									
Succession planning									
Policy on outsourcing and supervision of outsourced activities									
Other relevant governance topics can be included below (e.g. if the institution is going through a major restructuring exercise which requires specific organisational experience, ...):									



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B. Common requirements									
2. Risk management, compliance and internal audit									
<i>This section is meant to map the experience of the members of the Board of Directors for a variety of topics from the risk management framework (including first-line-defence and the independent risk management function as a second-line-defence). Furthermore, this section maps the experience of the members of the Board of Directors with regard to compliance (a second-line-defence) and internal audit (the third-line-defence).</i>									
	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all executive and non-executive members							Fill in a collective score for the executive and non-executive members of the Board of Directors in its current composition:	
	Name member	Name member	Name member	Name member	Name member	Name member	Name member	Name member	A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Setting and implementing the institution's risk strategy, risk culture and risk appetite									
Capital, funding and liquidity, treasury management									
Recovery and resolution									
Stress-testing									
Internal models									
Setting up an independent risk management function and/or assessing its setup, functioning and effectiveness									
Policy on risk management and corresponding procedures and measures									
Laws and regulations concerning risk management									
Accounting aspects of products and services									
Financial information and regulatory reporting									
Setting up the compliance function and/or assessing its setup, functioning and effectiveness									
Compliance with anti money laundering and terrorist financing requirements									
Policy on compliance and corresponding procedures and measures									
Whistleblowing mechanisms									
Setting up the internal audit function and/or assessing its setup, functioning and effectiveness									
Setting up or overseeing the (annual) audit plan									
Other topics of risk management, compliance or internal audit can be included below (e.g. when the institution is going through major court cases or specific risk management issues not covered in the business model mapping) can be included below:									



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B. Common requirements							
3. Management, strategy and decision-making							
This section is meant to map the managerial knowledge, expertise and skills of the members of the Board of Directors. Furthermore, this section assesses the collective decision making skills of the members of the Board of Directors.							
	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all executive and non-executive members						
	Name member	Name member	Name member	Name member	Name member	Name member	Fill in a collective score for the executive and non-executive members of the Board of Directors in its current composition:
							A = Absent L = Low M/L = Medium-Low M/H = Medium-High H = High
Managing processes and tasks and providing direction and guidance to others							
Setting tone at the top: consistency in word and deed and acting in accordance with the own stated values and beliefs							
Development of the institution's culture							
Oversight, either over the executive members of the Board of Directors or the day-to-day management							
Social, ethical and professional standards							
Engaging external experts for the proper execution of own tasks							
Developing and implementing strategy and business models							
Discovering and exploiting opportunities with regard to business sustainability							
Matching of products with specific target groups of clients							
Identifying the long-term interests of the institution in assessing products, services and markets in which the institution operates and to act accordingly							
Communication about strategy, policies and objectives within the institution or group in a clear and transparent way							
External communication and knowing when stakeholders (such as supervisory authorities, shareholders, clients and external auditors) have to be informed							
Organisation of internal decision-making process in general							
Chairing of an internal decision-making bodies, committees or other management groups							
Oversight of executives (either non-executive member over executive members, or executive member over executives that are not members of the Board of Directors)							
Ensuring meetings takes place with sufficient frequency							
Communication in multi-lingual context if needed							
Information-gathering (internally or externally) in order to take timely and well-informed decisions							
Reporting from specialised committees or other management groups to all executive and non-executive members							
Ensuring that sufficient alternatives are being weighed in a decision-making process							
Fostering open and inclusive decision-making with room for constructive and robust challenge of proposals							
Weighing the interests of all stakeholders in a decision-making process							
Recognizing and raising the issue of conflicts of interests in the decision-making process							
Assessing sufficiently whether decisions have been taken in line with the strategy of the institution							
Laying down and formalising decisions that have been agreed upon							
Other relevant topics of management or decision-making, if applicable, can be included below:							



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C. Experience overview

This section is meant to collect an overview of past banking or financial professional experience present in the Board of Directors, in the own institution or elsewhere. It also provides a quick overview of other types of experience. The overview is meant to help the assessment of the collective suitability also in light of the need to have a diversity of experiences and the need to set up appropriate succession planning.

Please fill in the appropriate (number of) year(s) of professional experience.								
	Name member	Name member	Name member	Name member	Name member	Name member	Name member	Name member
Year in which mandate needs to be renewed								
Numbers of years serving in a non-executive position in the own institution/group								
Number of years serving in an executive position in the own institution/group								
Number of years of banking or financial experience in large institutions other than the own institution								
Number of years of banking or financial experience in medium-sized institutions other than the own institution								
Number of years of banking or financial experience in small institutions other than the own institution								
Number of years in management positions								
Number of years of experience other than banking, financial, or business administration sector (e.g. academic, legal practice ...)								



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D. Overall picture of the collective suitability

This section is meant to assess the collective suitability of the members of the Board of Directors, taking into account the mapping of the experience of all members in the context of the overall composition of the Board of Directors.

What are the strengths of the executive and non-executive members?

What are the weaknesses of the executive and non-executive members? How and under which timeline will these be managed or mitigated? How effective have been the measures already adopted to manage or mitigate weaknesses?

Considerations regarding the overall composition of the Board of Directors

Explain here why the institution deems this composition of the executive and non-executive members adequate and effective; e.g.:

- How is the collaboration between members?
- What roles do the various people have for the dynamics of group discussions and decisions?
- What particular characteristics do members have that add to the collective suitability?
- Is the board size appropriate?

Having in mind a long term perspective on the institution (major challenges ahead such as business model sustainability, mergers or take-overs, restructuring, new markets ...) but also succession planning, what will be the future needs for the collective suitability of the Board of Directors?



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E. Annexes

This section is meant - for internal records purposes - to briefly explain the internal process behind filling in the template, give extra explanations for the scores where desired and insert an overview of documentation that is attached to this template.

Internal process for filling in the template

Aspects that can be covered:

- Parties involved
- Timing (annual assessment, regular assessment, ad hoc assessment)
- Information gathered

Extra explanations regarding scores for the different sections

Business model alignment

Governance

Risk management, compliance and internal audit

Management, strategy and decision-making

Overview of attachments

List with document names