



The Cincinnati Insurance Company ■ The Cincinnati Indemnity Company  
The Cincinnati Casualty Company ■ The Cincinnati Specialty Underwriters Insurance Company  
The Cincinnati Life Insurance Company ■ CFC Investment Company ■ CSU Producer Resources Inc.

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## **Cincinnati Financial Corporation Board of Directors Corporate Governance Guidelines**

**Mission** – The board of directors encourages, facilitates and fosters the long-term success of Cincinnati Financial Corporation. The board provides direction to management in the performance of the company's obligations to its independent agents, policyholders, associates, communities and suppliers in a manner consistent with the company's mission and the board's responsibility to shareholders to achieve the highest sustainable shareholder value over the long term. Shareholders elect the board of directors to oversee the management of the company as they serve the long-term interests of shareholders.

### **Board Responsibilities**

1. **Description of Board Responsibilities** – The board of directors' responsibility is to achieve the highest sustainable shareholder value over the long term. The board provides oversight of strategy, the operation of the business and performance evaluation to promote the long-term success of Cincinnati Financial Corporation. The directors perform these primary functions:
  - Review and where appropriate, evaluate and approve management's business strategies.
  - Review and where appropriate, evaluate and approve financial and internal controls.
  - Select, evaluate and compensate the chief executive officer and other senior officers and review management succession planning.
  - Ensure that the company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

In discharging their responsibilities, directors exercise their business judgment to act in a manner that they believe, in good faith, serves the best interests of the company and its shareholders. The board is committed to full, fair, accurate, timely and understandable disclosure in the company's periodic reports and other public statements.

Individual directors spend the time and effort necessary to properly discharge their director responsibilities. Accordingly, directors regularly attend meetings of the board and committees on which they sit, with the understanding that on occasion a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the chairman of the board or the chair of the appropriate committee in advance of such meeting.

All directors are encouraged to attend educational opportunities including corporate governance and other educational programs related to their service on the board. These programs enable them to better perform their duties and recognize and deal with various issues that may arise during their tenure as directors.

Directors are committed to devoting the time and effort necessary to learn the business of the company and the board. The board conducts annual evaluations focusing on the performance and structure of the board.

2. Code of Conduct – To oversee the successful perpetuation of the company's business, the board sets policies that are designed to promote:

- honest and ethical conduct
- full, fair, accurate, timely and understandable disclosures
- compliance with applicable governing laws, rules and regulations
- prompt internal reporting of policy violations
- accountability for adherence to the policies

The policies are described in the codes of conduct and ethics that are publicly disclosed. Any waivers of the policies for designated officers may be made only by the board or a board committee, if so delegated, and promptly disclosed to shareholders.

### **Selection and Composition of the Board**

1. Board Size – A majority vote of the full board of directors determines the size of the board.

2. Board Membership Criteria – The nominating committee identifies, screens and recommends candidates for nomination by the board for election as members of the board.

The nominating committee considers many factors when determining the eligibility of candidates. The committee's goal is to nominate candidates that contribute to the board's overall effectiveness in meeting its mission. The committee is charged with identifying nominees with certain characteristics:

- Demonstrated character and integrity
- An ability to work with others
- Sufficient time to devote to the affairs of the company
- Willingness to enter into a long-term association with the company, in keeping with the company's overall business strategy

The nominating committee also considers qualifications of the candidate and the needs of the board in areas of accounting and finance, business judgment, management, industry knowledge, leadership and such other areas as the board deems appropriate when identifying candidates for nomination.

The board of directors has provided guidance on factors to consider when deciding that a person should not be nominated for election or re-election:

- Has attained the age of 73
- Has retired or resigned from his or her principal occupation
- In the case of an officer of the company, has retired or resigned from office
- For reasons of health, is unable to perform the duties of director
- Has not attended at least three-fourths of the total of all meetings of the board and of the committees of which the director is a member
- Serves on the board of directors of four or more other publicly traded corporations

In special circumstances, the committee may determine that the interests of the company would be better served by nominating a candidate for election or re-election regardless of the above factors.

Selection of New Directors – The nominating committee selects and recommends to the board, candidates for election as directors; shareholders also have the opportunity to nominate directors in accordance with Ohio law. The board delegates the process of screening director candidates to the nominating committee, which may solicit advice from the chairman of the board and other members of the board. After the screening process is completed, the board nominates an appropriate slate of director candidates for election. The nominating committee places all directors added to the board, either to fill a vacancy or in a new board seat, up for shareholder election at the next annual meeting.

3. Independence of the Board – The board is comprised of a majority of directors who qualify as independent directors under the listing standards of Nasdaq. The board reviews annually the relationship that each director has with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Following the annual reviews, only directors who the board affirmatively determines have no material relationship with the company, which would prohibit the exercise of independent judgment, are considered independent directors.
4. Change in Job Responsibilities of Directors – Directors who change the primary job responsibility they had at the time of their election to the board, including retirement, should offer a letter of resignation for board consideration. At its sole discretion, the board of directors determines whether such change in responsibilities impairs the director's ability to serve effectively on the board of directors. The board may determine the ability of the director to serve is not impaired and decline the offer of resignation.
5. Majority Voting – In an uncontested election, any nominee for director who receives a greater number of votes "against" than votes "for" such election (a majority withheld vote) promptly tenders a resignation following certification of the shareholder vote.

The nominating committee promptly considers the resignation offer, the circumstances that led to the majority withheld vote, if known; the needs of the board; the individual director's performance and qualifications; relevant listing standards and any other factors the committee deems relevant. Based on all the facts and circumstances, the nominating committee evaluates the resignation offer and recommends to the board whether or not to accept the resignation. Any director who tenders a resignation pursuant to this provision does not participate in the nominating committee recommendation or board action regarding whether to accept the resignation offer. The board acts on the nominating committee's recommendation within 90 days following certification of the shareholder vote. Thereafter, the board promptly discloses its decision-making process and decision regarding whether to accept the director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and Exchange Commission.

If a majority of the nominating committee receive a majority withheld vote at the same election, then the independent directors who do not receive a majority withheld vote appoint a committee among themselves to consider the resignation offers and recommend to the board whether to accept them. However, if the only directors who do not receive a majority withheld vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

## **Board Leadership**

1. Offices of Chairman of the Board and Chief Executive Officer – The chairman is a director and presides at all meetings of the board of directors and meetings of shareholders. The chairman of the board is elected annually by at least a majority vote of the remaining directors. The board has no fixed policy with respect to the separation of the offices of chairman of the board and chief executive officer. The board has exercised discretion in combining or separating the positions as it has deemed desirable or appropriate in light of the prevailing facts and circumstances. The board believes that its decision to combine or separate these positions is part of the succession planning process and that it is in the best interest of the company to make this determination from time to time.
2. Lead Director – When the chairman of the board also is the chief executive officer or if the chairman of the board otherwise is not independent, the board shall annually appoint the chairman of the nominating committee to serve as its lead director. If the chairman of the nominating committee is unable to serve as lead director, the nominating committee shall nominate a candidate from the chairs of the other independent committees of the board to serve as lead director. The lead director shall have the following authority:
  - To convene, set the agendas for, and chair the regular executive sessions of the independent and non-management directors and provide any input to the chairman and management, as may be appropriate, resulting from those sessions;

- To convene and chair other meetings of the independent and non-management directors as may be necessary from time to time, including in times of crisis;
- In the absence of the chairman of the board, to preside at board meetings;
- In the absence of the chairman of the board, to preside at shareholder meetings;
- To act as a liaison between and among directors, committee chairs, the chairman of the board and senior management;
- To work with the chairman of the board regarding the meeting schedule, information to be sent to the board and the agenda for the board's meetings to assure that there is sufficient time for discussion of all agenda items;
- In concert with the chairs of the respective board committees, to recommend to the board the retention of consultants and advisers who directly report to the board, including such independent legal, financial or other advisers as deemed appropriate, without consulting or obtaining the advance authorization of any officer of the company;
- At the lead director's election, to attend committee meetings of any committee on which the lead director is not otherwise a member;
- To exercise such additional powers as may be conferred from time to time upon the office of lead director by resolution of the board of directors.

### **Board Compensation**

1. Board Compensation – Directors (other than those who also are salaried officers of the company or any of its subsidiaries) are entitled to receive reasonable compensation for their services, as determined from time to time by the board of directors, and to receive reimbursement of expenses.

### **Stock Ownership Guidelines**

1. Directors – Directors (other than those who also are salaried officers of the company or any of its subsidiaries) are expected to hold company common stock valued at five times their annual cash compensation or more while serving as a director of the company. All current directors have 10 years from the October 2008 amendment of the Director and Officer Ownership Guidelines to attain this ownership threshold. New directors have five years from the time they join the board or 10 years from the October 2008 amendment of the Ownership Guidelines, whichever is longer, to attain this ownership threshold.
2. Officers – The board of directors believes that shareholders are better served when company associates have a significant component of their net worth invested in the company. In addition to emphasizing equity compensation for all associates, the board expects officers to hold company common stock at specified levels while employed by the company. All current officers will have 10 years from the October 2008 amendment of the Ownership Guidelines to attain the specified ownership thresholds for their respective positions. Newly promoted officers will have five years from the date of their promotions or ten years from the October 2008 amendment of the Ownership Guidelines, whichever is longer, to attain the specified ownership thresholds for their new positions. Newly hired officers will have 10 years from the time they join the company to obtain the specified ownership threshold for their positions.

### **Meetings of Independent Directors**

1. Executive Sessions – The independent directors shall meet in executive session on a regularly scheduled basis. The lead director shall call, notice and chair executive sessions. The name of the lead director shall be published in the proxy statement along with a means for shareholders to communicate with the lead director.

## **Committee Matters**

1. Number, Structure and Independence of Committees – Standing committees of the board are the audit committee, compensation committee, executive committee, investment committee and nominating committee. Committee charters adopted by the board outline the purpose and responsibilities of each of these committees. The board may, subject to limitations in the company code of regulations, appoint additional standing or temporary committees and delegate to such committees all or part of the board's powers.

The members of the nominating, audit and compensation committees shall meet the independence requirements of applicable law and the listing standards of Nasdaq.

2. Compensation of Committee Members – The board of directors determines the fees that the members of committees are entitled to receive. The compensation received by the members of the audit and compensation committees from the company is limited to those retainers and fees paid for their service as a director and member or chair of any committee(s) of the board.
3. Selection of Committee Members and Chairs – Committee chairs may be appointed by the board or by any other means the board determines is in the best interest of the company. The nominating committee recommends directors for committee membership subject to the board's consideration and approval.

## **Notices**

1. Notices required under these guidelines or of actions, such as resignation or retirement, of a director or executive officer shall be made in writing and may be delivered in person or by electronic mail to the chairman or to the chief executive officer, as appropriate under the circumstances. Such notice shall be effective upon delivery.