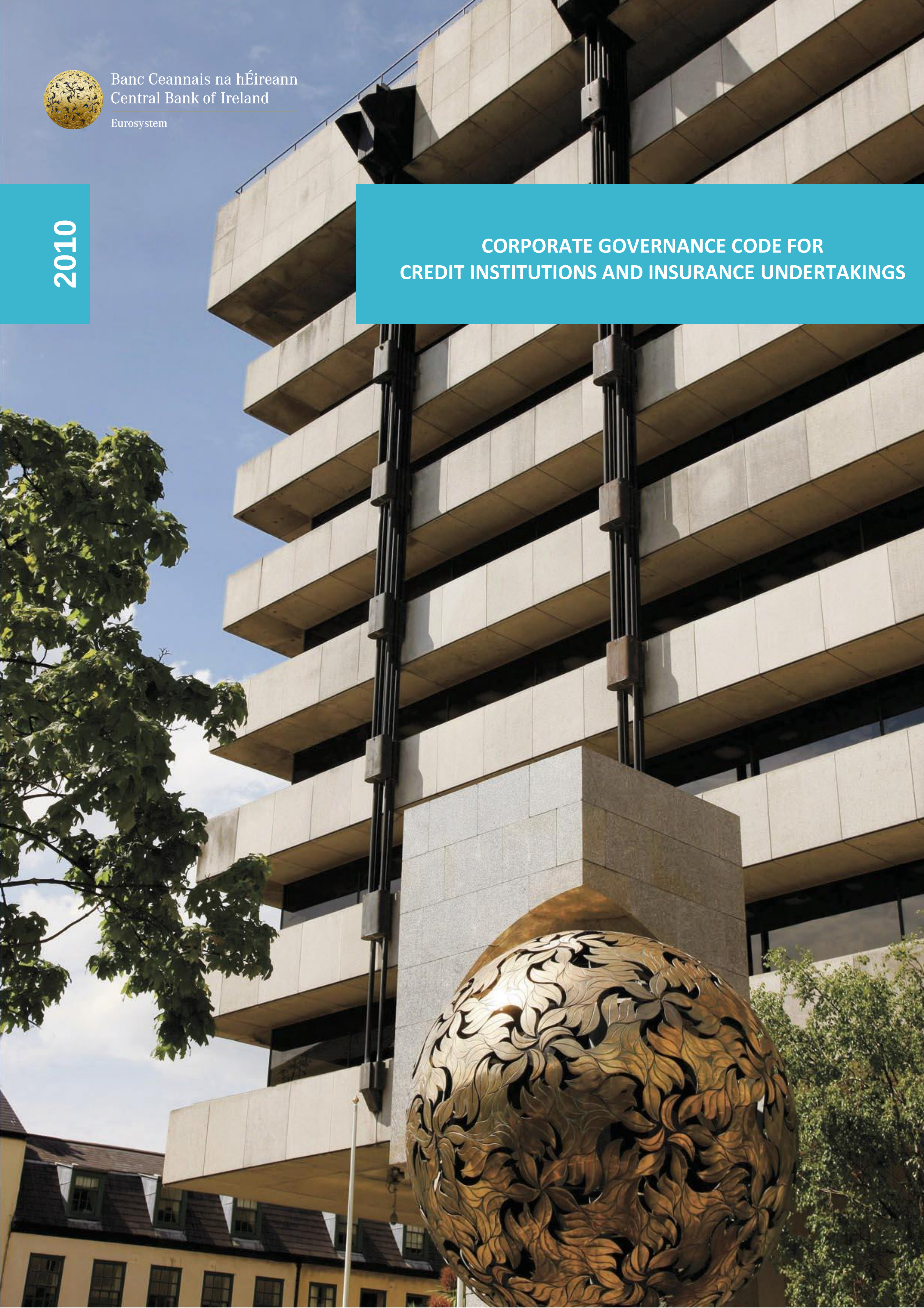
Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2010

CORPORATE GOVERNANCE CODE FOR CREDIT INSTITUTIONS AND INSURANCE UNDERTAKINGS



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1.0 Scope

1.1 The Code imposes the following:

- Minimum core standards upon all credit institutions and insurance undertakings licensed or authorised by the Central Bank (including reinsurers but excluding captives); and
- Additional requirements (as set out in **Appendix 1)** upon entities which are designated as Major Institutions by the Central Bank so as to ensure that appropriate and robust corporate governance frameworks are in place and implemented to reflect the risk and nature of those institutions. There is no bar on institutions deciding to implement the additional requirements should they wish to do so and indeed institutions are encouraged to do so.

1.2 The Code will not apply to foreign incorporated subsidiaries of an Irish institution. Such institutions are encouraged, however, to adopt equivalent good governance practices.

1.3 Institutions will be informed in writing where the Central Bank considers that they are a major institution for the purposes of the Code.

1.4 Institutions are required to disclose in their annual report that they are subject to the Code and whether they are required to comply with the additional requirements for major institutions.

2.0 Definitions

The following is a list of definitions of terms used in the Code:

Corporate Governance: Procedures, processes and attitudes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making.

Institution: A bank licensed under Section 9 of the Central Bank Act 1971 or a building society authorised under the Building Societies Act 1989 including a credit institution registered as a designated credit institution under the Asset Covered Securities Act 2001 and an insurance undertaking holding an authorisation within the meaning of paragraph (a) of the definition of 'authorisation' in Article 2(1) of the European Communities (Non- Life Insurance) Framework Regulations 1994 or Article 2(1) of the European Communities (Life Assurance) Framework Regulations 1994 and as Reinsurance undertaking as defined in Article 3 of the European Communities (Reinsurance) Regulations, 2006. This Code does not apply to Captive Insurance undertakings and Special Purpose Reinsurance Vehicles (SPRVs).

Major Institution:

A ***Major Institution*** is an institution that in the Central Bank's view has any or all of the following features;

1. a significantly large presence in the local market; and/or

2. carries on significant international activities outside the State; and/or
3. is significant (including, but not limited to, by reference to size, substitutability, and reputation).

Major Credit Institutions

In forming a view as to whether or not a ***credit institution*** is a Major Institution, the Central Bank will consider the nature, scale, and complexity of the institution and take account of any or all of the following;

a. its business profile (e.g. whether retail or wholesale);
b. its asset size including off balance sheet business;
c. size of loan portfolio;
d. the degree of risk involved in its business;
e. its capital position;
f. its turnover;
g. its funding profile;
h. its ownership structure;
i. the number of its employees;
j. whether it is a publicly listed company, a private company or a private company that is a subsidiary of a publicly traded company.

Major Insurance Undertakings

In forming a view as to whether or not an ***insurance undertaking*** is a Major Institution, the Central Bank will consider the nature, scale and complexity of the institution and will take account of any or all of the following;

a. its business profile (e.g. whether wholesale or retail);
b. its asset size;
c. number of contracts;

d. the degree of risk involved in its business (e.g. involvement in riskier business such as variable annuity business) and liability;
e. its technical provisions;
f. its premium income;
g. its capital position;
h. its ownership structure;
i. the type/class of insurance provided;
j. the number of its employees;
k. whether it is a publicly listed company, a private company or a private company that is a subsidiary of a publicly traded company.

Non-executive director: A director without executive management responsibilities for the institution but who may have executive management responsibilities assigned to him or her within the Group.

Independent Non-executive director: A non-executive director who satisfies the criteria for director independence**.**

Group director: A director of an institution who would satisfy the criteria for director independence except for existing relationships with the institution's direct or indirect parent and/or any other direct or indirect subsidiary of such parent other than the institution.

Director Independence: Independence is defined as the ability to exercise sound judgement and decision making independent of the views of management, political interests or inappropriate outside interests.

The following criteria shall be considered and given reasonable weight when determining if a director is independent:

- Any financial or other obligation the individual may have to the financial institution or its directors;
- Whether the individual is or has been employed by the financial institution or a group company in the past and the post(s) so held;
- Whether the individual is or has been a provider of professional services to the financial institution in the recent past;
- Whether the individual represents a significant shareholder;
- Circumstances where the individual has acted as an independent non-executive director of the financial institution for extended periods;
- Any additional remuneration received in addition to the director's fee, related directorships or shareholdings in the financial institution; and
- Any close business or personal relationship with any of the company's directors or senior employees.

Control Functions: These shall include the Internal Audit, Risk Management, Compliance, and Actuarial Functions and any other controlled function prescribed as such by the Central Bank pursuant to its power to do so under the Central Bank Reform Act 2010.

3.0 Legal Basis

3.1 The Code is introduced as conditions to which institutions are subject pursuant to Section 10 of the Central Bank Act 1971, Section 16 of the Asset Covered Securities Act 2001, Section 17 of the Building Societies Act 1989, and Section 24 of the Insurance Act 1989 and Regulation 12 of the European Communities (Reinsurance) Regulations 2006 (S.I No. 380 of 2006).[1]

3.2 In addition, the Central Bank is of the opinion that the Code is necessary to institutions' compliance with the following:

- Regulation 16 of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (S.I. No. 395 of 1992);
- Article 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994);
- Article 10(3) of the European Communities (Life Assurance) Framework Regulations 1994 (S.I. No. 360 of 1994); and
- Regulation 20 of the European Communities (Reinsurance) Regulations 2006 (S.I. No. 380 of 2006).

[1] Section 1 of the Code confirms that the scope of the Code is that it applies to all credit institutions and insurance undertakings licensed or authorised by the Central Bank (including reinsurers but excluding captives). Section 3 of the Code drills down into the specific legislative references upon which we rely as the legal basis for imposing the Code by way of condition. Section 3.1of the Code published on 8 November 2010 has been amended to include a specific reference to Regulation 12 of the European Communities (Reinsurance) Regulations 2006 (S.I No. 380 of 2006) as of 23 February 2011.

3.3 To the extent that an institution is obliged under the Code to submit returns, statements and information to the Central Bank, such information and returns shall also be required under Section 18 of the Central Bank Act 1971, Section 41A of the Building Societies Act 1989 and Section 16 of the Insurance Act 1989, as applicable.

3.4 The obligation to submit an annual compliance statement to the Central Bank pursuant to Section 25 of the Code shall be imposed by notice under Section 25 of the Central Bank Act 1997.

3.5 The Code may be amended or supplemented by the Central Bank from time to time.

3.6 This Code is imposed in addition to, and shall not affect, any other corporate governance obligations and standards to which an institution is subject otherwise than under these requirements and other conditions and/or requirements set out in the licence or authorisations of institutions.

3.7 A contravention of the Code may be liable to the Central Bank using any of its regulatory powers, including, but not limited to, any or all of the following:

- The imposition of an administrative sanction under Part IIIC of the Central Bank Act 1942;
- The prosecution of an offence;
- The refusal to appoint a proposed director to any pre-approval controlled function where prescribed by the

Central Bank pursuant to Part 3 of the Central Bank Reform Act 2010; and/or

- The suspension, removal or prohibition of an individual from carrying out a controlled function where prescribed by the Central Bank pursuant to Part 3 of the Central Bank Reform Act 2010.

4.0 Reporting to the Central Bank

4.1 The Central Bank will monitor adherence to the Code through its ongoing supervision of institutions.

4.2 Any institution which becomes aware of a material deviation from this Code shall within 5 business days report the deviation to the Central Bank, advising of the background and the proposed remedial action.

4.3 The Central Bank also requires each institution to submit an annual compliance statement as set out at Section 25, in accordance with any guidelines issued by the Central Bank, specifying whether the institution has complied with the Code.

5.0 Transitional Arrangements

5.1 The Code applies to existing boards and directors with effect from 1 January 2011. The Central Bank is conscious that institutions may need time to implement changes to systems and structures in order to ensure compliance with the Code. Institutions will be given until 30 June 2011 to introduce the necessary changes. Where changes to board membership are necessary this period will be extended to 31 December 2011 in order to allow institutions to identify and assess candidates prior to making appointments.

6.0 General Requirements

6.1 The Code contains the minimum requirements that an institution shall meet in the interests of promoting strong and effective governance.

6.2 The board retains primary responsibility for corporate governance within the institution at all times. Nevertheless, senior management plays an important part in ensuring effective governance and is therefore responsible for operating effective oversight consistent with board policy.

6.3 All institutions shall have robust governance arrangements which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls, remuneration policies and practices that are consistent with and promote sound and effective risk management both on a solo basis and at group level. The system of governance shall be subject to regular internal review.

6.4 The governance structure put in place by each institution shall be sufficiently sophisticated to ensure that there is effective oversight of the activities of the institution taking into consideration the nature, scale and complexity of the business being conducted.

6.5 No one individual may have unfettered powers of decision.

6.6 The corporate governance structure and policies shall be articulated clearly and communicated to all appropriate staff within the institution.

6.7 Any director who has any material concern about the overall corporate governance of an institution shall report the concern without delay to the board in the first instance and if the concern is not satisfactorily addressed by the board within 5 business days, the director shall promptly report the concern directly to the Central Bank advising of the background to the concern and any proposed remedial action. This is without prejudice to the director's ability to report directly to the Central Bank.

6.8 An institution shall comply with the Code on an individual basis. Accordingly, while an institution may adopt policies or procedures developed at group level, the institution shall satisfy itself that such policies or procedures meet all of the requirements of the Code.

7.0 Composition of the Board

7.1 The board of an institution shall be of sufficient size and expertise to oversee adequately the operations of the institution and shall have a minimum of five directors.

7.2 The majority of the board shall be independent non-executive directors (this may include the Chairman). However in the case of institutions that are subsidiaries of groups the majority of the board may be group non-executive directors, provided that in all cases the subsidiary institution shall have at least two independent non-executive directors or such greater number as is required by the Central Bank. Group directors shall act critically and independently so as to exercise objective and independent judgement.

7.3 The Board shall satisfy itself as to a director's independence prior to his or her appointment.

7. 4 Board members shall attend each board meeting unless they are unable to attend due to circumstances beyond their control (for example, due to illness) and their attendance and eligibility to vote at each meeting shall be evidenced in the minutes of each meeting.

7. 5 An institution shall ensure a majority of its directors are reasonably available to the Central Bank at short notice, if so required.

7.6 Each member of the board shall have sufficient time to devote to the role of director and associated responsibilities. The board shall indicate a time commitment expected from directors in letters of appointment.

7.7 The number of directorships held by directors of institutions shall be limited. The Central Bank requires that the number of directorships of credit institutions and insurance undertakings held by a director shall not exceed five. This restriction does not apply to other directorships within a financial services group. The Central Bank considers that an individual holding more than five directorships of credit institutions and insurance undertakings creates a rebuttable presumption that the director has insufficient time available to fulfil his or her role and functions as a director of a financial institution. However, the nature of the directorships and the time commitments required are also factors, hence fewer than five directorships of credit institutions and insurance undertakings may also indicate a possible constraint on the ability of a director to comply. Where it is proposed that a director of an institution holds more than five directorships of credit institutions and insurance undertakings, the institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The institution shall also provide the Central Bank with a detailed rationale, together with supporting documentation, as to why it considers the number of directorships does not constitute an inordinate constraint on their time. Factors covered in such a submission shall include the degree to which the directorships held are with respect to companies actively trading, the degree of complexity of the operation of such companies and whether such companies are part of a group.

7.8 Where directorships are held outside of credit institutions and insurance undertakings (i.e. “non financial directorships”) the Central Bank considers that an individual holding more than eight such directorships creates a rebuttable presumption that the director has insufficient time available to fulfil his or her role and functions as a director of a financial institution. However, the nature of the directorships and the time commitments required are also factors, hence fewer than eight non financial directorships may also indicate a possible constraint on the ability of a director to comply. Where it is proposed that a director of an institution holds more than eight non financial directorships**,** the institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The institution shall also provide the Central Bank with a detailed rationale together with supporting documentation as to why it considers the number of directorships does not constitute an inordinate constraint on their time. Factors covered in such a submission shall include the degree to which the directorships held are with respect to companies actively trading, the degree of complexity of the operation of such companies and whether such companies are part of a group.

7.9 In calculating the number of directorships held, the Central Bank shall exclude directorships held in the public interest on a voluntary and pro bono basis provided that such directorships shall not interfere with the director’s ability to fulfil properly his or her role and functions as a director of a financial institution.

7.10 In considering and/or proposing director appointments, the board shall assess and document its consideration of possible conflicts of interest among its members, including, but not limited to personal relationships, business relationships and common directorships among its members or proposed members.

7.11 Appointments shall not proceed where possible conflicts of interest may emerge which are significant to the overall work of the board.

7.12 Directors shall not participate in any decision making/discussion where a reasonably perceived potential conflict of interest exists.

7.13 Institutions shall review board membership at least once every three years. Institutions shall formally review the membership of the board of any person who is a member for nine years or more and it shall document its rationale for any continuance and so advise the Central Bank in writing. The frequency with which board membership is renewed shall be documented. The renewal frequency shall consider the balance of experience and independence sought.

8.0 Chairman

8.1 There shall be a Chairman appointed to the board of every institution.

8.2 The Chairman shall lead the board, encourage critical discussions and challenge mindsets. In addition, the Chairman shall promote effective communication between executive and non-executive directors.

8.3 The Chairman shall have relevant financial services expertise, qualifications and background or be required to undertake relevant and timely comprehensive training. The relevant financial services background or training shall ensure that the Chairman has the necessary knowledge, skills and experience and/or training required to comprehend each of the following:

- The nature of the institution's business, activities and related risks;
- His or her individual direct and indirect responsibilities and the board's responsibilities; and
- The institution's financial statements.

8.4 The Chairman shall have the necessary personal qualities, professionalism and integrity to carry out his or her obligations.

8.5 The Chairman shall attend and chair board meetings.

8.6 The roles of Chairman and CEO shall be separate.

8.7 The Chairman shall be an independent non-executive director except in the case of a subsidiary where the Chairman may be a group director. If a deputy Chairman is required, the role shall be taken by an independent non-executive director or in the case of a subsidiary, may be taken by a group director.

8.8 The Chairman of the board shall be proposed for election or reappointment on an annual basis.

8.9 The required time commitment for a Chairman may be significant. In light of this and to ensure that a Chairman has sufficient time to devote to his or her responsibilities as Chairman, the prior approval of the Central Bank shall be obtained prior to taking on any other directorships (other than within the group).

8.10 An individual who has been the CEO, executive director or member of senior management of an institution during the previous 5 years shall not advance to the role of Chairman of that institution.

8.11 The Chairman shall not hold the position of Chairman or CEO of a credit institution or insurance undertaking for more than one institution at any one time.

9.0 Chief Executive Officer

9.1 The Chief Executive Officer is the top executive responsible for the institution with ultimate executive responsibility for the institution's operations, compliance and performance. The CEO serves as the main link between the board and the executive.

9.2 The CEO shall not hold the position of CEO of a credit institution or insurance undertaking of more than one institution at any one time.

9.3 The CEO shall have relevant financial services expertise, qualifications and background or be required to undertake relevant and timely comprehensive training. The relevant financial services background or training shall ensure that the CEO has the necessary knowledge, skills and experience and/or training required to comprehend fully each of the following:

- The nature of the institution's business, activities and related risks;
- His or her individual direct and indirect responsibilities and the board's responsibilities; and
- The institution's financial statements.

9.4 The CEO shall have the necessary personal qualities, professionalism and integrity to carry out his or her obligations.

9.5 The renewal of the CEO contract shall be reviewed at least every 5 years.

10.0 Independent Non-Executive Directors

10.1 As an integral component of the board, independent non-executive directors represent a key layer of oversight of the activities of an institution. It is essential for independent non-executive directors to bring an independent viewpoint to the deliberations of the board that is objective and independent of the activities of the management and of the institution.

10.2 Independent non-executive directors shall be identified clearly in the institution's annual report.

10.3 The independent non-executive directors shall have a knowledge and understanding of the business, risks and material activities of the institution to enable them to contribute effectively.

10.4 The independent non-executive directors shall comprise individuals with relevant skills, experience and knowledge (such as accounting, auditing and risk management knowledge) who shall provide an independent challenge to the executive directors of the board.

10.5 Dedicated support shall be available to independent non-executive directors on any matter requiring additional and/or separate advice to that available in the normal board process.

11.0 Non-Executive Directors and Executive Directors

11.1 The role of the non-executive directors, under the Chairman's leadership, is:

- To ensure that there is an effective executive team in place;
- To participate actively in constructively challenging and developing strategies proposed by the executive team;
- To participate actively in the board's decision-making process;
- To participate actively in board committees (where established);
- To exercise appropriate oversight over execution by the executive team of the agreed strategies, goals and objectives and to monitor reporting of performance.

11.2 The role of executive directors, led by the Chief Executive Officer, is to propose strategies to the Board and following challenging board scrutiny, to execute the agreed strategies to the highest possible standards.

11.3 The non-executive and executive directors shall have a knowledge and understanding of the business, risks and material activities of the institution to enable them to contribute effectively.

11.4 The non-executive and executive directors shall comprise individuals with relevant skills, experience and knowledge (such as accounting, auditing and risk management knowledge, where appropriate) who shall provide an independent challenge to the executive directors of the board.

11.5 Dedicated support shall be available to non-executive and executive directors on any matter requiring additional and/or separate advice to that available in the normal board process.

12.0 Role of the Board

12.1 The board of each institution is responsible for:

- The effective, prudent and ethical oversight of the entity;
- Setting the business strategy for the institution; and
- Ensuring that risk and compliance are properly managed in the institution.

12.2 The role and responsibilities of the board shall be clearly documented.

12.3 The board shall have:

- The necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out their duties;
- A full understanding of the nature of the institution's business, activities and related risks;
- A full understanding of their individual direct and indirect responsibilities and collective responsibilities; and
- An understanding of the institution's financial statements.

12. 4 The board may delegate authority to sub-committees or management to act on behalf of the board in respect of certain matters but, where the board does so, it shall have mechanisms in place for documenting the delegation and monitoring the exercise of delegated functions. The board cannot abrogate its responsibility for functions delegated.

12.5 Where a credit institution or insurance undertaking, being part of a larger group, applies group policies or uses group functions, the board shall satisfy itself as to the appropriateness of these policies and functions for the institution and in particular that these policies and functions take full account of Irish laws and regulations and the supervisory requirements of the Central Bank.

12. 6 The board shall be able to explain its decisions to the Central Bank.

13.0 Appointments

13.1 The board shall be responsible for appointing a Chief Executive Officer and senior management with appropriate integrity and adequate knowledge, experience, skill and competence for their roles.

13.2 The board shall be responsible for endorsing the appointment of people who may have a material impact on the risk profile of the institution and monitoring on an ongoing basis their appropriateness for the role.

13.3 The board shall be responsible for either the appointment of non-executive directors or where appropriate identifying and proposing the appointment of non-executive directors to shareholders and the board shall ensure that non-executive directors are given adequate training about the operations and performance of the institution. The board shall routinely update the training as necessary to ensure that they make informed decisions.

13.4 The board shall define and document the responsibilities of the board of directors, board committees and senior management to ensure that no single person has unfettered control of the business.

13.5 The board shall formally review its overall performance and that of individual directors, relative to the board's objectives, at least annually. The review shall be documented.

13.6 The board shall ensure that there is an appropriate succession plan in place.

13.7 The removal from office of the head of a Control Function shall be subject to prior board approval. Any decision to remove the head of a Control Function shall be reported within 5 working days to the Central Bank with clear articulation of the underlying rationale for the removal. An institution shall not enter into any agreement with a head of Control Function that would purport to preclude, or would dis-incentivise, the provision of information to the Central Bank by the head of the Control Function.

14.0 Risk Appetite

14.1 The board is required to understand the risks to which the institution is exposed and shall establish a documented risk appetite for the institution. The appetite shall be expressed in qualitative terms and also include quantitative metrics to allow tracking of performance and compliance with agreed strategy (e.g. Value at Risk, leverage ratio, range of tolerance for bad debts, acceptable stress losses, economic capital measures). It shall be subject to annual review by the board.

14.2 The risk appetite definition shall be comprehensive and clear to all stakeholders. The definition shall clearly define the appetite and address separately the short, medium and long term horizons.

14.3 The board shall ensure that the risk management framework and internal controls reflect the risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the board on compliance with the risk appetite.

14.4 In the event of a material deviation from the defined risk appetite measure, the details of the deviation and of the appropriate action to remedy the deviation shall be communicated to the Central Bank by the board promptly in writing and no later than 5 business days of the Board becoming aware of the deviation.

14.5 The board shall satisfy itself that all key Control Functions such as internal audit, compliance and risk management are independent of business units, and have adequate resources and authority to operate effectively.

14.6 The board shall ensure that it receives timely, accurate and sufficiently detailed information from risk and Control Functions.

14.7 The board shall ensure that the institution's remuneration practices do not promote excessive risk taking. The board shall design and implement a remuneration policy to meet that objective and evaluate compliance with this policy.

15.0 Meetings

15.1 The board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the institution. In any event, the board shall meet at least quarterly.

15.2 A detailed agenda of items for consideration at each board meeting together with minutes of the previous board meeting shall be circulated in advance of the meeting to allow all directors adequate time to consider the material. Sufficient and clear supporting information and papers shall also be circulated.

15.3 Detailed minutes of all board meetings shall be prepared with all decisions, discussions and points for further actions being documented. Dissensions or negative votes shall be documented in terms acceptable to the dissenting person or negative voter. The minutes of meetings shall provide sufficient detail to evidence appropriate board attention, the substance of discussions and their outcome and shall be agreed at the subsequent board meeting. Minutes shall also document the attendance or non attendance of members of the board.

15.4 The board shall establish a documented ‘conflict of interest’ policy for its members and where conflict of interests arise the board shall ensure that they are noted in the minutes.

15.5 If ongoing conflicts of interest arise, consideration shall be given to changing the membership of the board.

16.0 Reserved Powers

16.1 The board shall establish a formal schedule of matters specifically reserved to it for decision. This schedule shall be documented and updated in a timely manner.

17.0 Consolidated Supervision

17.1 The board shall exercise adequate control and oversight over the activities of its subsidiaries whether incorporated in Ireland or overseas.

18.0 Committees of the Board

18.1 The board is responsible for oversight of each of its Committees.

Subject to paragraph 18.2 below, the board shall establish, at a minimum, both an audit committee and a risk committee. Where the board comprises only 5 members, the full board may act as the Audit Committee and/or the Risk Committee. In such cases Section 21.3 continues to apply. Minutes of these meetings should reflect that the board was sitting as the Audit Committee or Risk Committee.

18.2 Where an institution is part of a wider group which has a Group Audit Committee and a Group Risk Committee, it may rely on those committees provided that the board is satisfied that they are appropriate to the specific circumstances of the institution.

18.3 Committees shall have documented terms of reference evidencing all functions delegated to them.

18.4 The non-executive directors and in particular independent non-executive directors shall play a leading role in these committees or where the functions are carried out at group level, they shall play a leading role in satisfying the board that the institution's audit and risk functions are adequately carried out.

18.5 In deciding whether or not to establish board sub-committees, the board shall ensure that in the absence of establishing a subcommittee it continues to have appropriate time available to it to adequately discharge its responsibilities.

18.6 Where appropriate, the board should consider the appointment of a Remuneration Committee and/or Nomination Committee.

19.0 General Requirements of Committees

19.1 Institutions shall adhere to the following general requirements in relation to the activities of sub-committees of the board:

a) Agendas and all relevant material for the meeting shall be circulated to all committee members in a timely manner in advance of the meeting;

b) Detailed minutes of all committee meetings shall be prepared recording time of meeting, location held, attendees, all key discussions and decisions;

c) When appointing committee members, the board shall review and satisfy itself as to the relevant expertise, skill of members and their ability to commit appropriate time to the committee;

d) Committee members shall attend committee meetings regularly. Where a member is unable to provide sufficient time to attend over the medium to long term, the board shall remove such member from the committee and replace him or her with a member with appropriate availability, experience and expertise;

e) Cross committee membership by an individual shall be managed by the institution to ensure that no one individual exercises excessive influence or control;

f) Committee membership shall be reviewed by the institution and subject to renewal by the institution with an appropriate frequency. The renewal frequency shall consider the balance of experience and independence sought; and

g) Committees shall report regularly to the board and the minutes of all sub-committees shall be circulated to the board in advance of board meetings.

20.0 Terms of Reference of Committees of the Board

20.1 The authority, functions, membership and reporting lines of the committees as well as meeting frequency, voting rights and quorums shall be clearly outlined in written terms of reference established by the board.

20.2 The terms of reference shall be reviewed regularly by the committees to ensure continuing appropriateness. Recommendations on revisions shall be provided to the board, where necessary. Such reviews shall be documented and shall take place at least annually.

21.0 Audit Committee

21.1 The number of members of an Audit Committee shall be sufficient to handle the size and complexity of the business conducted by it.

21.2 An Audit Committee shall be composed of non-executive directors, the majority of directors being independent.

21.3 The Chairman of the Audit Committee shall be an independent non-executive director.

21.4 Subject to the provision contained in Section 18.1, neither the Chairman of the board nor the CEO shall be a member of the Audit Committee. The Attendance by the CEO or board Chairman at Audit Committees shall be by invitation and shall be managed to ensure the independence of the committee and the maintenance of appropriate relationships with other parties especially external auditors.

21.5 Audit Committee meetings shall be held at regular intervals and, where appropriate, to coincide with important financial reporting dates. They shall usually only be attended by the Chairman and members of the Audit Committee. However, members may also request the attendance of key individuals such as the external auditor, head of internal audit and the finance director. The Audit Committee shall operate in a manner consistent with ensuring its independence and shall report its activities and decisions to the board of directors.

21.6 Without prejudice to the responsibility of the board of directors, the responsibilities of the Audit Committee shall include at least the following:

a) Monitoring the effectiveness and adequacy of the company's internal control, internal audit and IT systems;

b) Liaising with the external auditor particularly in relation to their audit findings;

c) Reviewing the integrity of the institution’s financial statements and ensuring that they give a “true and fair view” of the financial status of the institution;

d) Reviewing any financial announcements and reports and recommending to the board whether to approve the institution’s annual accounts (including, if relevant, group accounts); and

e) Assessing auditor independence and the effectiveness of the audit process.

22.0 Risk Committee

22.1 The board shall establish a Risk Committee separately from the Audit Committee with responsibility for oversight and advice to the board on the current risk exposures of the entity and future risk strategy. Institutions may propose to the Central Bank that the board itself carry out the functions which would otherwise be delegated to a Risk Committee. The Central Bank's prior approval in writing shall be obtained if an institution wishes to fulfil this requirement without creating a separate committee of the board.

22.2 The Risk Committee shall ensure that there is an appropriate representation of non-executive and executive directors which is appropriate to the nature, scale and complexity of the business of the institution.

22.3 The role of the Risk Committee shall be to advise the board on risk appetite and tolerance for future strategy, taking account of the board's overall risk appetite, the current financial position of the institution and, drawing on the work of the Audit Committee and the External Auditor, the capacity of the institution to manage and control risks within the agreed strategy. The Risk Committee shall oversee the risk management function.

22.4 The Risk Committee shall ensure the development and on-going maintenance of an effective risk management system within the financial institution that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business.

22.5 The Risk Committee shall advise the board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the institution.

23.0 Remuneration Committee

23.1 Where a Remuneration Committee has been established, the number of members of the Remuneration Committee will depend on the size of the institution.

23.2 Where possible, all members of the Remuneration Committee shall be independent non-executive directors but, in any event, the majority of members of the Committee shall be independent non-executive directors.

23.3 The Chairman of the board shall not be the Chairman of the Remuneration Committee.

23.4 The Remuneration Committee shall establish remuneration policies and procedures within the institution based on best practice and any requirements which the Central Bank may issue.

24.0 Nomination Committee

24.1 Where a Nomination Committee has been established, the number of members of the Committee will depend on the size of the institution, but the majority of members of the Committee shall be independent non-executive directors.

24.2 The Nomination Committee shall make recommendations to the board on all new appointments of both executive and non-executive directors.

24.3 In considering appointments the Nomination Committee shall prepare a comprehensive job description, taking into account for board appointments, the existing skills and expertise of the board and the anticipated time commitment required.

24.4 The Nomination Committee shall be involved in succession planning for the board, bearing in mind the future demands on the business and the existing level of skills and expertise.

25.0 Compliance Statement

25.1 An institution shall submit to the Central Bank a compliance statement specifying, in accordance with any relevant guideline issued by the Bank, whether the institution has complied with this Code during the period to which the statement relates. This compliance statement shall be submitted to the Central Bank on an annual basis or with such other frequency as the Central Bank may notify to the institution from time to time. The first report will be for the year end 2011 and shall be submitted, with the institution's annual report. In the event of the institution deviating materially from the Code, the compliance report shall include a report on any material deviations, advising of the background to the breach and the actual or proposed remedial action.

Appendix 1 to the Corporate Governance Code ("The Code")

<u>Additional</u> obligations on Major Institutions

The following additional obligations apply to Major Institutions. The numerical references relate to those used throughout the Code. Major Institutions shall substitute these requirements for those contained in the Code.

7.0 Composition of the Board

7.1 The board of an institution shall be of sufficient size and expertise to oversee adequately the operations of the institution. The board shall have a minimum of seven directors. The board of a major institution shall consider whether a larger board is appropriate and shall record such considerations in writing. In particular, the board should comprise sufficient representation by executive directors to ensure that it is not dominated by one individual executive.

7.2 The board shall have a majority of independent non-executive directors (this may include the Chairman). However in the case of institutions that are subsidiaries of groups, the majority of the board may be group non-executive directors, provided that in all cases the subsidiary institution shall have at least three independent non-executive directors or such greater number as is required by the Central Bank. Group directors shall act critically and independently so as to exercise objective and independent judgement.

7.7 The number of directorships held by directors of institutions shall be limited. The Central Bank requires that the number of directorships of credit institutions and insurance undertakings held by a director shall not exceed three where one of the directorships held is in a Major Institution. This restriction does not apply to multiple directorships within a financial services group.

7.8 Where directorships are held outside of credit institutions and insurance undertakings, (i.e. a non financial institution) the Central Bank considers that an individual holding more than 5 directorships in a non financial institution creates a rebuttable presumption that the director has insufficient time available to fulfil his or her role and functions as a director of a financial institution. However, the nature of the directorships and the time commitments required are also factors, hence fewer than five directorships in non financial institutions may also indicate a possible constraint on the ability of a director to comply. Where it is proposed that a director of an institution hold more than five directorships, the institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The institution shall also provide the Central Bank with a detailed rationale together with supporting documentation as to why it considers the number of directorships does not constitute an inordinate constraint on his or her time. Factors that shall be covered in such a submission include the degree to which the directorships held are with respect to companies actively trading, the degree of complexity of the operation of such companies and whether such companies are part of a group.

13.0 Appointments

13.5 At a minimum, a board shall conduct an annual assessment of its own performance and compliance with relevant provisions. Every three years an evaluation by an external evaluator shall be undertaken. Where the external evaluation is critical of the performance of the board, the frequency of subsequent evaluations shall be increased to annually until acceptable performance is noted. Any such evaluation shall be provided to the Central Bank.

15.0 Meetings

15.1 The board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the institution. In any event, the board shall meet at least 11 times during any calendar year and at least once per calendar month for 11 months of the year.

18.0 Committees of the Board

18.1 Major Institutions are required to establish Audit, Risk, Remuneration and Nomination Committees. Where an institution is part of a wider group where Remuneration and Nomination Committees exist, it may not need separate such committees. The Central Bank shall be informed of this decision promptly and retains the discretion to require the establishment of these committees.

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