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## **Submission by Allied Irish Banks, p.l.c. to the Financial Regulator on Consultation Paper CP 41: Corporate Governance Requirements for Credit Institutions and Insurance Undertakings**

The Board and Senior Management of Allied Irish Banks, p.l.c. ("AIB") are supportive of the substance of the proposals contained in the Financial Regulator's consultation paper on Corporate Governance Requirements for Credit Institutions and Insurance Undertakings, and welcome the opportunity to respond to the consultation process.

This submission contains specific comments on four of the proposed requirements. AIB Representatives are available to meet with the Financial Regulator should clarification be required with regard to any aspect of the submission.

### **Specific comments on proposed requirements**

1. Paragraph 4.7 states that "*Non-executive directors shall ensure that they have sufficient time available to fulfil their role and functions as a director of an institution*", which is consistent with the UK Corporate Governance Code ("the UK Code") principle that "*All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively*" (B.3).

However, paragraphs 4.5 and 4.6 of the Financial Regulator's paper propose restrictions on the number of directorships which a director should hold, albeit with the possibility of seeking approval from the Financial Regulator for directorships held outside of credit institutions and insurance undertakings.

In that regard, the UK Code provides that:

*"The [non-executive director] letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes"* (B.3.2)

.../

AIB believes that consistency with the provisions of the UK Code and other corporate governance regimes should be considered, in this and other respects, in the context of converging global and European corporate governance regulation. In this respect, AIB believes that, rather than restricting the number of directorships a director may hold, a process whereby non-executive directors are required to engage with the Chairman regarding the commitments involved in their other directorships, and undertake that they will have sufficient time to meet their obligations to the company, is more appropriate in the context of the different backgrounds and commitments of directors. The directors' undertakings, along with their input and time commitment to the company, should then be reviewed annually during the Board and directors' performance evaluation process.

2. Paragraph 9.2 of the Consultation Paper states that "*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*".

With respect to the appointment of senior management, AIB proposes that the Board should be responsible for "considering and approving CEO recommendations for appointments at senior management level" rather than "appointing senior management".

3. Paragraph 9.3 states that "*the Board shall ensure that non-executive directors are given adequate training about the operations and performance of the institution*".

Responsibility for non-executive directors' induction, training and development in the UK Code rests with the Chairman rather than the Board (B.4.1. and B.4.2). In keeping with the comment at 1. above that consistency with the provisions of the UK Code and other corporate governance regimes should be considered, AIB proposes that the Chairman should be responsible for non-executive director induction, training and development.

4. Paragraph 11.1 states that "*the Board shall meet at least once each calendar month*".

AIB proposes that, rather than being required to meet in each calendar month, there should be a maximum gap between scheduled Board meetings of (say) 45 days, and that, in any event, the Board will meet as often as is appropriate to fulfil its responsibilities. The AIB Board met 38 times during 2009 and has met 12 times in 2010 to date.

David O'Callaghan,  
Company Secretary,  
Allied Irish Banks, p.l.c.

30 June 2010.