

THE INSTITUTE OF BANKERS IN IRELAND

CORPORATE GOVERNANCE STATEMENT

THE INSTITUTE OF BANKERS IN IRELAND

CORPORATE GOVERNANCE STATEMENT

Preamble

The Institute Corporate Governance Statement developed as part of the 2001 Council and Institute Governance Review was based on “The Combined Code – Principles of Good Governance and Code of Best Practice” (“the Combined Code”). It was noted at the time that the Combined Code represented best practice for limited companies in Ireland and UK and that it would be appropriate that the Institute should base its Corporate Governance on those Principles and Code of Best Practice. It was recognised “that the Institute governance structure, constitution, size and the need for cost-effective processes may make precise adherence impracticable or inappropriate on some occasions”.

The Financial Reporting Council’s “The UK Corporate Governance Code” (“the Code”) dated September 2014 is the latest version of this code and the 2015 Institute Corporate Governance Statement is based on this while also reflecting appropriately the Central Bank of Ireland Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 which is effective from January 2015. * The main principles are drawn directly from the Code except where contextual changes are appropriate (e.g., “Institute” for limited company, “Council” for “Board” etc.) or where the principle was judged to be inappropriate to the circumstances of the Institute.

* Extracts from these Codes are contained in Appendix 6.

Table of Contents

	Page No.
The Institute of Bankers in Ireland Corporate Governance Statement	4
Section A: Leadership	5
A.1: The Role of Council	5
A.2: Division of Responsibilities	7
A.3: The President	8
A.4: Non-Executive Council Members/Directors	9
Section B: Effectiveness	10
B.1: The Composition of the Council	10
B.2: Appointments to the Council	11
B.3: Commitment	12
B.4: Development	13
B.5: Information and Support	13
B.6: Evaluation	14
B.7: Re-election	15
Section C: Accountability	16
C.1: Financial and Business Reporting	16
C.2: Risk Management and Internal Control	17
C.3: Audit Committee and Auditors	17
Section D: Remuneration	19
Section E: Relations with Members	21
E.1: Dialogue with Members	21
E.2: Constructive Use of General Meetings	21
Appendix 1-5	
Appendix 1 - Role of the Executive Committee	22
Appendix 2 - Remuneration Committee – Role and Terms of Reference	23
Appendix 3 - Audit Committee – Role and Terms of Reference	25
Appendix 4 - Annual Review of Internal Control	27
Appendix 5 - External Director	28
Appendix 6 – Extracts from the UK & Central Bank Corporate Governance Code	29

The Institute of Bankers in Ireland

Corporate Governance Statement

Section A: Leadership

A.1: The Role of Council

Main Principle

The Institute of Bankers in Ireland (“the Institute”), as provided in its Constitution, is headed by an effective Council, which leads and governs the Institute and is collectively responsible for its long-term success.

Main Principle

The Council is responsible for the effective, prudent and ethical oversight of the Institute.

Policy

- The Council’s role is to provide effective leadership of the Institute within a framework of prudent and effective controls which enables risk to be assessed and managed
 - The Council should set the Institute’s strategic aims
 - Set the Institute’s values and standards
 - Establish and oversee a robust and transparent organisational structure with effective communication and reporting channels
 - Ensure an adequate and effective internal control framework
 - Ensure that the necessary financial and human resources are in place for the Institute to meet its objectives
 - Review management performance.
 - Ensure that its obligations to its members and others are understood and met.
- Council members must act in what they consider to be the best interests of the Institute, consistent with their statutory duties.
- Council shall meet on a regular basis, at least four times per annum.
- Council shall have a formal schedule of matters specifically reserved to it for decision.
- Council may delegate authority to a committee or management to act on its behalf in respect of certain matters. Where it does so it shall put mechanisms in place documenting the delegation and monitoring the exercise of the delegated functions. Council cannot abrogate its responsibility for functions delegated.
- There shall be a procedure agreed by Council for Council or the Executive Committee in the furtherance of their duties to take independent professional advice if necessary, at the expense of the Institute.
- All Council members shall have access to the advice and services of the Secretary of the Institute, who is responsible to Council for ensuring that Council procedures are followed and that applicable bye laws, rules and regulations are complied with.
- The appointment or removal of the Chief Executive or Secretary shall be matters for Council as a whole.

- All Council members shall bring independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.
- The Council should seek to arrange appropriate insurance cover in respect of legal action against its directors.
- The annual report should include a statement of how the Council operates, including a high level statement of which types of decisions are to be taken by the Council and which are to be delegated to management.
- The annual report should identify the President, Deputy President, Vice President and Council members including the independent external Council member, the Chief Executive and other principal executives, and the chairmen and members of the Council committees. It should also set out the number of meetings of the Council and those committees and individual attendance by Council members.

A.2: Division of Responsibilities

Main Principle

There are two key tasks at the head of the Institute - the running of Council / Executive Committee and the executive responsibility for the running of the Institute's business. There should be a clear division of responsibilities at the head of the Institute, which will ensure a balance of power and authority such that no one individual has unfettered powers of decision.

Policy

President, Executive Committee and Chief Executive:

- The positions of President, Deputy President and Vice President shall not be combined with that of the Chief Executive.
- The Executive Committee is fundamental to the good governance of the Institute. The bye-laws of the Institute shall provide for the establishment of the Executive Committee and the appointment/election of its membership.
- The Executive Committee which is comprised of Council members, including the President, Deputy President and Vice President together with designated committee chairs and the Chief Executive, has a number of roles and exercises certain functions delegated to it by Council. It offers leadership to the Council in relation to developing issues, it coordinates the work of other Council committees and oversees and leads the external representation of the Institute.
- The Executive Committee works with the Chief Executive in the development of the strategic direction and policies of the Institute. It exercises oversight of the executive management of the Institute and ensures the proper direction and control of the Institute on behalf of the Council in the intervals between Council meetings.
- The role of the Executive Committee is further set out in Appendix 1 to this document.
- The President, Deputy President, Vice President, Chief Executive and members of the Executive Committee shall be identified in the Annual Report.

Council Balance

Main Principle

In accordance with the Constitution the Council shall include a balance of members appointed and elected such that no individual or small group of individuals can dominate the Council decision taking.

Policy

- All Council members shall be non-executive. It is Council's responsibility, through the Secretary, to ensure that the Institute's constitution is complied with.
- The constitution provides for an independent external council member to be elected and the Council Nominations Committee has a defined role in the selection process.

The attributes role and function of the independent external Council member is set out in Appendix 5.
- Council members shall be independent of the executive management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.
- Should a material conflict of interest arise, Council members must declare the conflict and refrain from any participation in the related decision-making process. Where concerns arise with regard to potential conflicts, Council members should seek guidance from the President or the Secretary.

A.3: The President

Main Principle

The President (with the Executive Committee) is responsible for leadership of the Council and ensuring its effectiveness on all aspects of its role.

- The President, in conjunction with the Executive Committee are responsible for setting the Council's agenda. The President will encourage critical discussions and challenge mind sets. He/she will ensure that adequate time is available for discussion of all agenda items, in particular strategic issues. He/she should also promote a culture of openness and debate by facilitating the effective contribution of directors and ensuring constructive relations between them and also with the Chief Executive and principal executives.
- The President is responsible through the Secretary for ensuring that the directors receive accurate, timely and clear information.
- The President should ensure effective communication with the Institute membership both corporate and personal.

A.4: Non-Executive Council Members/Directors

Main Principle

As part of their role Council members should constructively challenge and help develop proposals on strategy.

Policy

- The Council members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
- They are responsible for determining appropriate levels of remuneration of executives and have a prime role in renewing the Council and its Committees and in succession planning.
- The Council shall appoint an external independent Council member who will also provide a “sounding board” for the President. The external Council member should be available to members if they have concerns which contact through the normal channels of President, Chief Executive or other executives has failed to resolve or for which such contact is inappropriate.
- Where directors have concerns which cannot be resolved about the running of the Institute or a proposed action, they should ensure that their concerns are recorded in the Council minutes. On resignation, a Council member should provide a written statement to the President, for circulation to the Council, if they have any such concerns.

Section B: Effectiveness

B.1: The Composition of the Council

Main Principle

The Council and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Institute to enable them to discharge their respective duties and responsibilities effectively.

Policy

- The Council should be of sufficient size that the requirements of the business can be met and that changes to the Council's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.
- The Council should include an appropriate combination of directors (and, in particular, independent external directors) such that no individual or small group of individuals can dominate the Council's decision taking.
- The Institute Officer board comprising the President, Deputy President and Vice President will enable effective balance of knowledge and experience of Institute affairs and a broader industry-wide perspective and experience to be brought to bear on behalf of the Institute.
- The Institute Constitution and Bye-Laws provide for a comprehensive committee structure and procedures, embracing education, membership, finance, audit, nominations, appointments and remuneration together with the over-arching executive committee. This structure will enable individual Council members to significantly contribute to and develop their knowledge of the Institute, its strategy and operations and thus discharge their respective duties and responsibilities effectively in the wider Council context. An appropriate level of cross memberships between key Council committees shall be encouraged to enhance this effectiveness.
- The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.
- No one other than the committee chairman and members is entitled to be present at a meeting of the nomination, audit or remuneration committee, but others may attend at the invitation of the committee.
- The Council should identify in the annual report an external Council member it considers to be independent. The Council should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Council should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination.

B.2: Appointments to the Council

Main Principle

There should be a formal and transparent procedure for the appointment of new Council members/directors to the Council.

Policy

- Appointment, election, re-election and co-option of Council members shall be conducted in accordance with the Institute's constitution.
- The names of members submitted for election or re-election should be accompanied by sufficient biographical details to enable members to take an informed decision on their election.
- The search for Council candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Council, including gender.
- The Council should satisfy itself that plans are in place for orderly succession for appointments to the Council and to senior management, so as to maintain an appropriate balance of skills and experience within the Institute and on the Council and to ensure progressive refreshing of the Council.
- There should be a Nomination Committee which should lead the process for Council appointments and make recommendations to the Council.
- The Nomination Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Council.
- The Nomination Committee should evaluate the balance of skills, experience, independence and knowledge on the Council and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- An external independent Council member/director should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for an independent Council member should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Council.
- The requirement to make the information available would be met by including the information on a website that is maintained by or on behalf of the Institute.

A separate section of the annual report should describe the work of the Nomination Committee, including the process it has used in relation to Council appointments. This section should include a description of the Council's policy on diversity, including gender.

B.3: Commitment

Main Principle

All directors should be able to allocate sufficient time to the Institute to discharge their responsibilities effectively.

- For the appointment of a President, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises.
- The terms and conditions of appointment of any external independent Council member should be made available for inspection. The letter of appointment should set out the expected time commitment.

B.4: Development

Main Principle

All Council members should receive induction on joining the Council and should regularly update and refresh their skills and knowledge.

Policy

- The President, through the Secretary, should ensure that new Council members receive a full, formal and tailored induction on joining the Council.
- The President, through the Secretary, should enable Council members update their skills and the knowledge and familiarity with the Institute required to fulfil their role both on the Council and on Council committees. The Institute should provide the necessary resources for developing and updating its Council members' knowledge and capabilities.
- To function effectively all Council members need appropriate knowledge of the Institute and access to its operations and staff.

B.5: Information and Support

Main Principle

The Council should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Policy

- Executive management has an obligation to provide Council with appropriate and timely information. Information volunteered by management is unlikely to be enough in all circumstances and Council members should make further inquiries where necessary. The President and the Executive Committee shall ensure that all Council members are properly briefed on issues arising at Council meetings.
- Under the direction of the President, the Institute secretary's responsibilities include ensuring good information flows within the Council and its committees and between senior management and Council members including agenda, detailed minutes and supporting documentation to be circulated in a timely manner. He/she shall also facilitate induction and assist with professional development as required.
- The Institute secretary should be responsible for advising the Council through the President on all governance matters.
- The Council should ensure that Council members have access to independent professional advice at the Institute's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- All Council members should have access to the advice and services of the Institute secretary, who is responsible to the Council for ensuring that Council procedures are complied with.
- Both the appointment and removal of the Institute secretary should be a matter for the Council as a whole.

B.6: Evaluation

Main Principle

The Council should undertake a formal annual evaluation of its own performance and that of its committees and individual Council members.

Policy

- The Council shall consider the balance of skills, experience, independence and knowledge of the Institute on the Council, its diversity, including gender, how the Council works together as a unit, and other factors relevant to its effectiveness.
- The President should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Council.
- The Council evaluation should aim to show whether each Council member continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for attendance at Council and committee meetings and any other duties).
- The Council shall confirm in the annual report that a performance evaluation of the Council and its committees has been conducted.

B.7: Re-election

Main Principle

All Council members should be submitted for re-election or re-appointment at regular intervals, subject to continued satisfactory performance.

Policy

- The Institute's constitution provides for the appointment and election of Council members, their periods of office, retirement, eligibility for re-election and maximum periods of Council membership.

Section C: Accountability

C.1: Financial and Business Reporting

Main Principle

The Council should present a fair, balanced and understandable assessment of the Institute's position and prospects.

Policy

- The Council shall establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable.
- The Council members shall explain in the annual report their responsibility for preparing the annual report and accounts, and shall state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Institute's position and performance, business model and strategy.
- Council's responsibilities to present a balanced and understandable assessment extends to any interim or other sensitive public reports and reports to regulators, as well as to information required to be presented in accordance with the constitution and by statutory requirements.
- There shall be a statement in the annual report by the auditor about their reporting responsibilities.
- The Council members/directors shall include in the annual report an explanation of the basis on which the Institute generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the Institute.
- In annual financial statements, the Council members/directors shall state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the Institute's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

C.2: Risk Management and Internal Control

Main Principle

The Council is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Council should maintain sound risk management and internal control systems to safeguard members' interests and the Institute's assets.

Policy

- The Council members/directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the Institute, including those that would threaten its business model, future performance, solvency or liquidity, and how they are being managed or mitigated.
- Taking account of the Institute's current position and principal risks, the Council members/directors should explain in the annual report how they have assessed the prospects of the Institute, over what period they have done so and why they consider that period to be appropriate. The Council members/directors should state whether they have a reasonable expectation that the Institute will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.
- Council shall, annually conduct a Review of the effectiveness of the Institute's system of Internal Control and report to members that they have done so.
- The review shall cover all controls, including Financial, Operational and Compliance Controls and Risk Management. The elements of this review are contained in Appendix 4 to this document.
- This Review of Internal Control shall extend to related entities of the Institute, the regional committees and the Institute Pension arrangements.
- Council shall carry out a periodical review of the Management Structure and individual responsibilities of Senior Management of the Institute.

C.3: Audit Committee and Auditors

Main Principle

The Council should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Institute's auditors.

Policy

- The Council shall establish an Audit Committee of at least four members, all non-executive. The Council should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.
- The Audit Committee shall have written Terms of Reference, approved by the Council, which deal clearly with its authority and duties. The members of the Committee shall be named in the Annual Report.
- The Role and Terms of Reference of the Audit Committee are contained in Appendix 3. The Audit Committee shall be comprised of two members of the Finance and Risk Committee and two other Council members appointed by Council and not being officers of the Institute or members of the Executive Committee. The Council may also appoint an external member to the committee, not being a current member of Council. The Council may appoint any member of the current committee to be its chair.

- The duties of the Audit Committee shall include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors. Where the auditors also supply substantial volume of non-audit services to the Institute, the Committee shall keep the nature of such services under review, seeking to balance the maintenance of objectivity and value for money.
- The main role and responsibilities of the Audit Committee should be set out in written terms of reference and should include:
 - to monitor the integrity of the financial statements of the Institute and any formal announcements relating to the Institute's financial performance, reviewing significant financial reporting judgements contained in them;
 - to review the Institute's internal financial controls and, unless expressly addressed by a separate Council risk committee or by the Council itself, to review the Institute's internal control and risk management systems;
 - to make recommendations to the Council, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
 - to make recommendations to the Council on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
 - to report to the Council on how it has discharged its responsibilities.
- The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Council, should be made available.
- Where requested by the Council, the Audit Committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Institute's position and performance, business model and strategy.
- The Audit Committee should review arrangements by which staff of the Institute may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- The Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Council.

Section D: Remuneration

Main Principle

Principle *The Council should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of the Chief Executive and senior executives. No executive should be involved in deciding his or her own remuneration.*

Principle *Levels and structures of remuneration should be sufficient to attract and retain a Chief Executive and senior executives needed to run the Institute successfully.*

Policy

- The Council shall establish a Remuneration Committee and shall set out the Terms of Reference.
- The Remuneration Committee shall be comprised of the Institute Officer board (President, Deputy President and Vice President) together with one of the two immediate Past Presidents of the Institute.
- The Remuneration Committee should take care to recognise and manage conflicts of interest when receiving views from executives, or consulting the chief executive about its proposals. The Remuneration Committee should also be responsible for appointing any consultants in respect of executive remuneration.
- The Remuneration Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Council. Where remuneration consultants are appointed, they should be identified and a statement made as to whether they have any other connection with the Institute.
- The Committee shall make recommendations to the Council on the Institute's framework of executive remuneration including any bonus or performance related pay elements and its cost.
- The Committee shall have delegated responsibility for setting remuneration packages for the Chief Executive and the other Executives reporting to him/her including pension rights and any compensation payments.
- Institute policy relating to executive remuneration and the Role and Terms of Reference of the Remuneration Committee are contained in Appendix 2 to this document.

Executive Remuneration Disclosure:

Principle: *The Institute's Annual Report should contain a statement of remuneration policy and details of the aggregate remuneration of the Chief Executive and specified senior executives.*

Policy:

- The Council shall report to the members each year on executive remuneration. The report shall form part of the Annual Report of the Institute. It shall be the main vehicle through which the Institute reports to its members on executive remuneration.
- The report shall set out the Institute's policy on executive remuneration. It should draw attention to factors specific to the Institute.
- The aggregate remuneration of the Chief Executive and specified senior executives shall be disclosed in the Annual Report. The report shall include the aggregated elements of remuneration such as basic salary,

benefits in kind, annual bonuses and long term incentive schemes. If annual bonuses or benefits in kind are pensionable the report shall explain.

- Any service contracts which provide for, or imply, notice periods in excess of one year (or any provisions for predetermined compensation on termination which exceed one year's salary and benefits) shall be disclosed and the reasons for the longer notice periods explained.

Section E: Relations with Members

E.1: Dialogue with Members

Main Principle

There should be a dialogue with Members of the Institute based on the mutual understanding of objectives. The Council as a whole has responsibility for ensuring that a satisfactory dialogue with the membership, both corporate and personal members, takes place.

Policy

- Whilst recognising that most membership contact is with the Chief Executive and other executives, the President should ensure that all Council members are made aware of members' issues and concerns. The Council should keep in touch with member opinion in whatever ways are most practical and efficient including surveys of membership opinion.
- The President will ensure that a balanced understanding of the issues and concerns of members, both corporate members and personal members is developed and communicated to the Council as a whole.
- The Council will state in the annual report the steps they have taken to ensure that the members of the Council develop an understanding of the views of members about the Institute

E.2: Constructive Use of General Meetings

Constructive use of the Annual General Meeting (AGM)

Principle ***Council should use the AGM to communicate with members and encourage their participation.***

Policy

- The Institute shall propose a separate resolution at the AGM on each substantially separate issue and shall in particular propose a resolution at the AGM relating to the Annual Report and Financial Statements.
- The President and Executive Committee shall arrange for the Chairpersons of the Institute Committees (or another Committee Member if the Chairperson is unavailable) to be available to answer questions at the AGM and for all Council members to attend.
- The Institute shall arrange for notice of the AGM and related papers to be sent to members in accordance with the provisions of the constitution.
- For each resolution, where a vote has been taken on a show of hands, the Institute should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Institute:
 - the number of votes for the resolution;
 - the number of votes against the resolution; and

When, in the opinion of the Council, a significant proportion of votes have been cast against a resolution at any general meeting, the Institute should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result.

APPENDIX 1**ROLE OF THE EXECUTIVE COMMITTEE**

1. The guidance, direction and control of the Institute is vested in the Council.

The Council, supported by its Committees, and principally its Executive Committee, determines the strategy and policy of the Institute, and decides on the allocation of resources to its various programmes and activities.

The functions of the Council are set out in the Constitution and those functions are exercised by Council, except to the extent delegated to the Executive Committee, other committees or executive management.

2. The Executive Committee (which is comprised of certain Council members and the Chief Executive) has a number of roles:

- It exercises those functions delegated by Council;
- It offers leadership to the Council in relation to developing issues;
- It works with the Chief Executive in the development of the strategic direction and policies of the Institute;
- It coordinates the work of other Council committees.
- It exercises oversight of the executive management of the Institute;
- It ensures the proper direction and control of the Institute on behalf of the Council in the intervals between Council meetings.
- It oversees and leads the external representation of the Institute to Government, other bodies, the public, and internationally;

3. The Executive Committee has three fundamental concerns in the exercise of its formal responsibilities:

- The development of future strategy for the Institute;
- Maintaining the good standing of the Institute and its members;
- The proper and effective management of the Institute.

APPENDIX 2

REMUNERATION COMMITTEE - ROLE AND TERMS OF REFERENCE

- The Council shall establish and maintain a Remuneration Committee and shall review and approve the Terms of Reference of the Committee as set out in this document.
- The Remuneration Committee shall be comprised of the Institute Officer board (President, Deputy President and Vice President) together with one of the two immediate Past Presidents of the Institute. The objective is to ensure the committee is independent of the executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- The members of the Remuneration Committee shall be listed each year in the Institute's Annual Report.
- The Remuneration Committee shall report to the Council at least once each year on the Institute's framework of executive remuneration and its cost.
- The Committee shall establish remuneration packages for the Chief Executive and each of the senior executives, including pensions rights and any other relevant compensation payments.
- The Remuneration Committee shall meet at least once a year to review the terms and conditions of the Chief Executive and the senior executives. The Committee's purpose is to ensure that the Chief Executive and senior executives are fairly rewarded for their individual contributions to overall performance, having due regard to the interests of the Institute and its members.
- The Remuneration Committee shall undertake an annual appraisal of the performance of the Chief Executive, which is then the subject of discussion with him by the President. The Committee shall also exercise oversight in relation to the performance and development of the management team generally.
- The Chief Executive shall attend all meetings of the Remuneration Committee, with the exception of those meetings dealing with his own performance and remuneration. The Remuneration Committee shall consult the Chief Executive about their proposals relating to the remuneration of other senior executives and have access to professional advice inside and outside of the Institute.
- The Remuneration Committee should provide the remuneration packages needed to attract, retain and motivate staff of the quality required but should avoid paying more than is necessary for this purpose.
- The Remuneration Committee should judge where to position the Institute relative to other organisations. They should be aware what comparable organisations are paying and should take account of relative performance. Similar considerations should be taken into account when determining annual salary increases.
- The Remuneration Committee should consider whether executive management should be eligible for annual bonuses or long term incentive schemes. If so, any such schemes should be subject to challenging performance criteria reflecting the objectives of the Institute.
- The Remuneration Committee should consider service contracts with defined contract periods taking into account the need to attract executives of sufficient caliber.
- The Remuneration Committee shall be authorised to take independent advice when necessary.

- The Remuneration Committee shall consider what compensation commitments (including pension contributions) any contract of service will entail in the event of early termination. They should, in particular, consider the advantage of providing explicitly in the initial contract for such compensation commitment, except in the case of removal for misconduct.
- The Remuneration Committee shall consider the pension consequences and associated cost to the Institute of basic salary increases and other changes in remuneration. In general neither bonuses nor benefits in kind should be pensionable.

APPENDIX 3

AUDIT COMMITTEE - ROLE AND TERMS OF REFERENCE

Constitution and Membership

The Council shall establish and maintain an Audit Committee and shall review and approve the Terms of Reference of the Committee as set out in this document.

- The Audit Committee shall be comprised of two members of the Finance and Risk Committee and two other Council members appointed by Council and not being Officers of the Institute or members of the Executive Committee. The Council may also appoint an external member to the Committee, not being a current member of Council.

A quorum of the Audit Committee shall be three members.

Attendance at Meetings

The Secretary and a representative of the external Auditors shall be invited, as appropriate, to meetings of the Audit committee, together with any other executives which the Audit Committee may invite to attend. However, at least once a year, the Audit committee shall meet with the external Auditors, without any executive present.

The Audit Committee may also meet without the external Auditors being present.

The Secretary of the Audit Committee shall be appointed by the Audit Committee. For the time being the Secretary of the Institute fulfills this role.

Frequency of Meetings

Meetings shall be held not less than twice a year. The external Auditors may request a meeting if they consider that one is necessary. The Chief Executive or Secretary may also request such a meeting, if a matter of importance or urgency requires it.

Authority

The Audit Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

The Audit committee is authorised by the Council to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The duties of the Audit Committee shall be:

- to make recommendations to the Council in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- to discuss the nature and scope of the audit with the external auditors before the audit commences having regard to the effectiveness of the audit process.
- to review the drafts of any financial statements which are to be published before they are submitted to Council for approval focusing particularly on:
 - any changes in accounting policies and practices
 - major judgmental areas

- significant adjustments resulting from the audit
- compliance with accounting standards
- to discuss problems and reservations arising from audits and any matters the auditors may wish to discuss (in the absence of executives where necessary);
- to conduct an Annual Review of the effectiveness of Internal Control Systems including any Operational and Compliance Controls not reviewed by any other Committee reporting to Council, in a manner appropriate to the Institute given its size and the nature of its business. The elements of this Annual Review are outlined in Appendix 4 below.
- to review and monitor the external auditor's independence and objectivity.
- to consider such other topics, as the Audit Committee may be requested by Council to consider from time to time.
- to keep under review the effectiveness of internal control systems and, in particular, review the external auditor's management letter and the executives' response,

Scope

The Audit Committee shall concern itself with the affairs of The Institute of Bankers in Ireland, its subsidiaries and associates, its regional committees and the Institute Pension arrangements.

Reporting Procedures

Following each meeting of the Audit Committee, a report shall be made to the next meeting of Council.

APPENDIX 4**ANNUAL REVIEW OF INTERNAL CONTROL*****The review comprises the following,***

- Business Risk Review: This comprises identification of financial, commercial and operational risk for each aspect of the Institute's business. The Executive Management identify and update annually these key risk areas and comment annually upon the measures taken to minimize each specific risk.
- Noting status on audit recommendations including prior year External Auditor Management Letters.
- Review of Internal Control Questionnaire considered and signed off annually by the Chief Executive and Secretary based on enquiry at departmental level.
- Receiving reports, oral or written, from the External Auditors on Internal Control matters.
- Review of Institute Insurance Cover Summary.
- Review of Institute Pension arrangements.
- Noting the Audit Committee annual review of compliance with Companies Office (and similar) filing requirements for Institute subsidiaries and related entities.
- Review of any new procedures or updates to Institute Financial Procedures Manual.
- Review the external auditor's Management Letter and the related executives' responses.

APPENDIX 5

External Director

An external director is appointed to bring the following attributes to the board:

- independence
- impartiality
- wide experience
- special knowledge
- personal qualities.

The external director is expected to focus on board matters and not stray into “executive direction” thus providing an independent view of the company removed from day-to-day running.

The **key role** of the external director is to bring an independent, objective and external perspective to the board:

- To challenge constructively particularly on strategy
- To scrutinise the performance of management in meeting agreed goals and objectives
- To satisfy him/herself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

The fundamental contribution of the external director is to bring a fresh and wider view to board discussion and decision making:

- To view issues in their totality and see matters from a broader perspective
- To give an external view
- To bring a wider judgment to bear on matters before the board
- To bring an independent viewpoint on conflicts of interest.

To function effectively the external director should:

- Uphold the highest ethical standards of integrity and probity
- Support executives in their leadership of the business while monitoring their conduct
- Question intelligently, debate constructively, challenge vigorously and decide dispassionately
- Listen sensitively to the views of others
- Gain the trust of other board members and promote the highest standards of corporate governance whenever possible.

It is essential that the external director operates as part of the overall board and not in isolation from the executive management. The external director can make a valuable contribution in determining corporate strategies and guidance in achieving strategic goals and the allocation of corporate resources to supporting the strategic plan.

The external director should be a person that the board determines/considers to be independent.

Before the appointment/election of any proposed external director, the board should satisfy themselves that the director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect or could appear to affect the director’s judgment.

APPENDIX 6

Extracts from the UK Corporate Governance Code - September 2014

Governance and the Code

Preface

The Main Principles of the Code

Extract from the Central Bank of Ireland Corporate Governance Code

General Requirements

Governance and the Code

1. The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company.
2. The first version of the UK Corporate Governance Code (the Code) was produced in 1992 by the Cadbury Committee. Its paragraph 2.5 is still the classic definition of the context of the Code:

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.

3. Corporate governance is therefore about what the board of a company does and how it sets the values of the company. It is to be distinguished from the day to day operational management of the company by full-time executives.
4. The Code is a guide to a number of key components of effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term.
5. The Code has been enduring, but it is not immutable. Its fitness for purpose in a permanently changing economic and social business environment requires its evaluation at appropriate intervals.

Preface

1. Over two decades of constructive usage of the Code have contributed to improved corporate governance in the UK. The Code is part of a framework of legislation, regulation and best practice standards which aims to deliver high quality corporate governance with in-built flexibility for companies to adapt their practices to take into account their particular circumstances. Similarly, investors must take the opportunity to consider carefully how companies have decided to implement the Code. There is always scope for improvement, both in terms of making sure that the Code remains relevant and improving the quality of reporting.
2. Boards must continue to think comprehensively about their overall tasks and the implications of these for the roles of their individual members. Absolutely key in these endeavours are the leadership of the chairman of a board, the support given to and by the CEO, and the frankness and openness of mind with which issues are discussed and tackled by all directors.
3. Essential to the effective functioning of any board is dialogue which is both constructive and challenging. The problems arising from “groupthink” have been exposed in particular as a result of the financial crisis. One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the board. This includes, but is not limited to, gender and race. Diverse board composition in these respects is not on its own a guarantee. Diversity is as much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy.
4. One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct ‘tone from the top’. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success.
5. To run a corporate board successfully should not be underrated. Constraints on time and knowledge combine with the need to maintain mutual respect and openness between a cast of strong, able and busy directors dealing with each other across the different demands of executive and non-executive roles. To achieve good governance requires continuing and high quality effort.

**Financial Reporting Council
September 2014**

The Main Principles of the Code

Section A: Leadership

Every company should be headed by an effective Council which is collectively responsible for the long-term success of the company.

There should be a clear division of responsibilities at the head of the company between the running of the Council and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

The chairman is responsible for leadership of the Council and ensuring its effectiveness on all aspects of its role.

As part of their role as members of a unitary Council, non-executive directors should constructively challenge and help develop proposals on strategy.

Section B: Effectiveness

The Council and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Section C: Accountability

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Section D: Remuneration

Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Section E: Relations with shareholders

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The board should use general meetings to communicate with investors and to encourage their participation.

Extract from the Central Bank of Ireland Corporate Governance Code

General Requirements

- The Code contains the minimum requirements that an institution shall meet in the interests of promoting strong and effective governance.
- 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.
- 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 promote and communicate an appropriate risk and compliance culture at all levels of the institution and shall be subject to regular internal review.
- 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.
- No one individual may have unfettered powers of decision.
- The corporate governance structure and policies shall be articulated clearly and communicated to all appropriate staff within the institution.
- Without prejudice to any other legal obligations, 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 Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 satisfactorily addressed by the board within five 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.
- 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.

Adopted by resolution of the Council of the Institute of Bankers in Ireland

Passed on 14 April 2015

Gerry Mallon
President