

## THE INTERNATIONAL CENTRE FOR FINANCIAL REGULATION (the "Company")

# CORPORATE GOVERNANCE

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- 1.1 The board of directors (the "Board") of the Company believe that good corporate governance is central to achieving the Company's objectives and maximising member value. In managing the affairs of the Company, the Board is committed to achieving high standards of business integrity, ethics, professionalism, corporate governance and the principles of the Combined Code as published by the Financial Reporting Council.

## COMPANY CONSTITUTION

- 1.2 The Company is governed by the UK Companies Acts and other applicable legislation, and by its Memorandum and Articles of Association. The Memorandum and Articles of Association are available on the website.

## ROLE OF THE BOARD

- 1.3 The management and control of the business and affairs of the Company are vested in the Board. The Board may exercise all powers conferred on it by the Memorandum of Association, the Articles of Association, and the Companies Acts. The Board may exercise all powers and do everything within the powers of the Company, other than matters required by the Companies Acts to be dealt with in general meeting.
- 1.4 The roles of the Chairman and Chief Executive are separate and clearly defined, and the scope of these roles has been approved by the Board so that no individual has unfettered powers of decision. The Chairman is responsible for the leadership and governance of the Board as a whole, and the Chief Executive for the management of the Company and the implementation of Board strategy and policy on the Board's behalf.
- 1.5 The Company follows the Combined Code when determining the independence of its non-executive directors. Where necessary, the Board ensures that appropriate processes are in place to manage any possible conflict of interest.

## BOARD COMMITTEES

- 1.6 The Board has established audit, remuneration and nomination committees as standing committees of the Board with written terms of reference, which are kept under regular review. These committees are key elements of the Company's corporate governance framework.

## AUDIT COMMITTEE

### SUMMARY TERMS OF REFERENCE OF THE AUDIT COMMITTEE FROM 30 JUNE 2009

The Audit Committee's terms of reference, which are set by the Board and kept under regular review, are summarised below.

#### ROLE OF THE AUDIT COMMITTEE

- 1.1 The Committee's principal responsibilities consist of assisting the Board in the effective discharge of its responsibilities for maintaining the highest standards of integrity, corporate governance, accounting and financial reporting, internal control and risk management and monitoring auditor independence.

#### MEMBERSHIP (AS AT 30 JUNE 2009)

- 1.2 The Committee is comprised exclusively of independent non-executive directors of the company, as set out below:

**Stuart Overend (Chairman)**

**David Currie**

**Michel Prada**

- 1.3 The Committee will be chaired by a non-executive director. The Board will appoint the chair and members of the Committee. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. The Committee shall consist of not less than three non-executive directors. The quorum for all Committee meetings is any two members.
- 1.4 The Board will from time to time review the composition of the Committee to ensure that, where appropriate, membership of the Committee rotates amongst the Company's non-executive directors.

#### MEETINGS AND PROCEEDINGS

- 1.5 The Committee will meet annually and otherwise as required. Meetings will be scheduled to coincide with key dates in the audit and financial reporting cycle. Meetings may also be held by telephone or other similar communicating equipment.
- 1.6 The Committee will also meet with the Company's external auditors without any executive directors present and similarly with internal audit.
- 1.7 The Committee can invite others to attend their meetings as and when appropriate.
- 1.8 The Company Secretary (or their nominee) will act as secretary to the Committee and will ensure Committee members receive information and papers in good time to enable them to give full and proper consideration to issues.
- 1.9 The minutes of the Committee will be circulated to all members of the Committee and to any nominated recipients as soon as practicable after the meeting. The minutes will also be circulated to all members of the Board.

- 1.10 The Chairman of the Committee (or their nominee) will attend the Company's annual general meeting to be available to answer any guarantor members' questions on the activities of the Committee during the preceding year.

## **RESPONSIBILITIES**

- 1.11 The responsibilities of the Committee, amongst other things, include:
- 1.11.1 making recommendations on the appointment, reappointment and removal of the external auditors to the Board, which the Board will approve in a general meeting;
  - 1.11.2 reviewing the terms of engagement of, and recommending to the Board the remuneration of the external auditor;
  - 1.11.3 discussing with the external auditor and with management the accounting principles, policies and practices adopted in preparation of the financial statements and to be assured that they comply with statutory requirements and generally accepted accounting principles;
  - 1.11.4 reviewing the findings of the audit with the external auditor, any audit representation letter(s) requested by the external auditor and any other material written or email communication from the external auditor and the management's response to these;
  - 1.11.5 discussing with the auditor before the audit commences, the nature and scope of the audit;
  - 1.11.6 monitoring the Company's accounting and internal control systems and to make recommendations on any improvements to such systems and to review the Company's internal control systems prior to endorsement by the Board;
  - 1.11.7 keeping under review its own performance, constitution and terms of reference; and
  - 1.11.8 considering any other matters referred to it by the Board from time to time.

## NOMINATION COMMITTEE

### SUMMARY TERMS OF REFERENCE OF THE NOMINATION COMMITTEE FROM 30 JUNE 2009

The Nomination Committee's terms of reference, which are set by the Board and kept under regular review, are summarised below.

#### ROLE OF THE NOMINATION COMMITTEE

- 1.1 The Committee's principal responsibilities consist of assisting the Board in the effective discharge of its responsibilities for leading the process and making recommendations with regard to executive and non-executive appointments and re-appointments to the Board. The Committee also monitors potential succession planning and conflicts of interests (if any) and regularly reviews the independence of the Company's non-executive directors.

#### MEMBERSHIP (AS AT 30 JUNE 2009)

- 1.2 The Committee is comprised of independent non-executive directors and executive directors, as set out below:

**David Currie (as the chairman)**

**Barbara Ridpath**

**Michel Prada**

**Stuart Overend**

- 1.3 The Committee will be chaired by either a non-executive director or the chairman of the Board. The Board will appoint the chair and members of the Committee. The Committee shall consist of not less than three non-executive directors. A majority of the Committee's members will be independent non-executive directors. The quorum for all Committee meetings is any two members.
- 1.4 The Board will from time to time review the composition of the Committee to ensure that, where appropriate, membership of the Committee rotates amongst the Company's non-executive directors.

#### MEETINGS AND PROCEEDINGS

- 1.5 The Committee will meet annually and otherwise as required. Meetings may also be held by telephone or other similar communicating equipment.
- 1.6 The Committee can invite others to attend their meetings as and when appropriate.
- 1.7 The Company Secretary (or their nominee) will act as secretary to the Committee and will ensure Committee members receive information and papers in good time to enable them to give full and proper consideration to issues.
- 1.8 The minutes of the Committee will be circulated to all members of the Committee and to any nominated recipients as soon as practicable after the meeting. The minutes will also be circulated to all members of the Board.

- 1.9 The Chairman of the Committee (or their nominee) will attend the Company's annual general meeting to be available to answer any guarantor members' questions on the activities of the Committee during the preceding year.
- 1.10 If relevant, the Committee shall make a statement in the Company's annual report about its activities and the process used to make appointments.

## **RESPONSIBILITIES**

- 1.11 The responsibilities of the Committee, amongst other things, include:
  - 1.11.1 evaluating and keeping under review the size, structure and composition of the Board and make recommendations to the Board on any proposed changes, taking into account the challenges and opportunities facing the Company and the skills, knowledge and experience required;
  - 1.11.2 monitoring and reviewing the succession plans for the Board and identifying the skill and expertise needed going forward;
  - 1.11.3 considering and preparing, for agreement with the Board, a description of the role and competencies required for a particular appointment (executive and non-executive);
  - 1.11.4 identifying and recommending to the Board, against the agreed specification, candidates for Board appointments;
  - 1.11.5 making recommendations to the Board on the membership of the remuneration and audit committees, in consultation with the chairman of those committees;
  - 1.11.6 reviewing and making recommendations to the Board on the reappointment, or not, of any directors at the expiry of their term of office;
  - 1.11.7 keeping under review its own performance, constitution and terms of reference; and
  - 1.11.8 considering any other matters referred to it by the Board from time to time.

## REMUNERATION COMMITTEE

### SUMMARY TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE FROM 30 JUNE 2009

The Remuneration Committee's terms of reference, which are set by the Board and kept under regular review, are summarised below.

#### ROLE OF THE REMUNERATION COMMITTEE

- 1.1 The Committee's principal responsibilities consist of assisting the Board in the effective discharge of its responsibilities for ensuring that the Company has a formal process for considering executive directors' remuneration, benefits and compensation (including the Chairman of the Company), that there is alignment between the remuneration policy and the performance objectives of the Company and that the remuneration schemes attract and retain talented individuals.

#### MEMBERSHIP (AS AT 30 JUNE 2009)

- 1.2 The Committee is comprised of independent non-executive directors and executive directors and the Chairman, as set out below:

**Michel Prada (as the chairman)**

**David Currie**

**Barbara Ridpath**

**Stuart Overend**

- 1.3 The Committee will be chaired by either a non-executive director or the chairman of the Board. The Board will appoint the chair and members of the Committee on recommendation from the Nomination Committee. The Committee shall consist of not less than three non-executive directors. A majority of the Committee's members will be independent non-executive directors. The quorum for all Committee meetings is any two members.
- 1.4 The Board will from time to time review the composition of the Committee to ensure that, where appropriate, membership of the Committee rotates amongst the Company's non-executive directors.

#### MEETINGS AND PROCEEDINGS

- 1.5 The Committee will meet annually and otherwise as required. Meetings may also be held by telephone or other similar communicating equipment.
- 1.6 No Committee member may attend when any matter affecting that person directly is under consideration.
- 1.7 The Committee can invite others to attend their meetings as and when appropriate.
- 1.8 The Company Secretary (or their nominee) will act as secretary to the Committee and will ensure Committee members receive information and papers in good time to enable them to give full and proper consideration to issues.

- 1.9 The minutes of the Committee will be circulated to all members of the Committee and to any nominated recipients as soon as practicable after the meeting. The minutes will also be circulated to all members of the Board.
- 1.10 The Chairman of the Committee (or their nominee) will attend the Company's annual general meeting to be available to answer any guarantor members' questions on the activities of the Committee during the preceding year.
- 1.11 If relevant, the Committee shall make a statement in the Company's annual report about the Company's remuneration policy and practices.

## RESPONSIBILITIES

- 1.12 The responsibilities of the Committee shall, amongst other things, include:
  - 1.12.1 making recommendations to the Board on the Company's framework of remuneration for the executive directors (including the Company's chairman). The objective of which is to ensure any such individual is provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Company;
  - 1.12.2 determining, within the broad policy, the individuals elements of the total compensation package for executives directors (including the Company's chairman) (including salary, bonus payments and pensions);
  - 1.12.3 reviewing and approving the annual objectives for executive directors against which their performance for compensation purposes will be measured;
  - 1.12.4 reviewing and approving the terms of any contract of employment and remuneration arrangements (including annual or longer term performance related elements and pension rights) of any executive director;
  - 1.12.5 monitoring against the agreed broad policy the level and structure of total remuneration for the senior management group and the application of the policy to ensure transparency, fairness and consistency;
  - 1.12.6 approving both the policy and any compensation packages or arrangements following the severance of any director's service contract;
  - 1.12.7 selecting, appointing and setting the terms of reference for any independent remuneration consultants used by the Committee and obtaining information on remuneration policy and practice in other comparable companies;
  - 1.12.8 keeping under review its own performance, constitution and terms of reference; and
  - 1.12.9 considering any other matters referred to it by the Board from time to time.