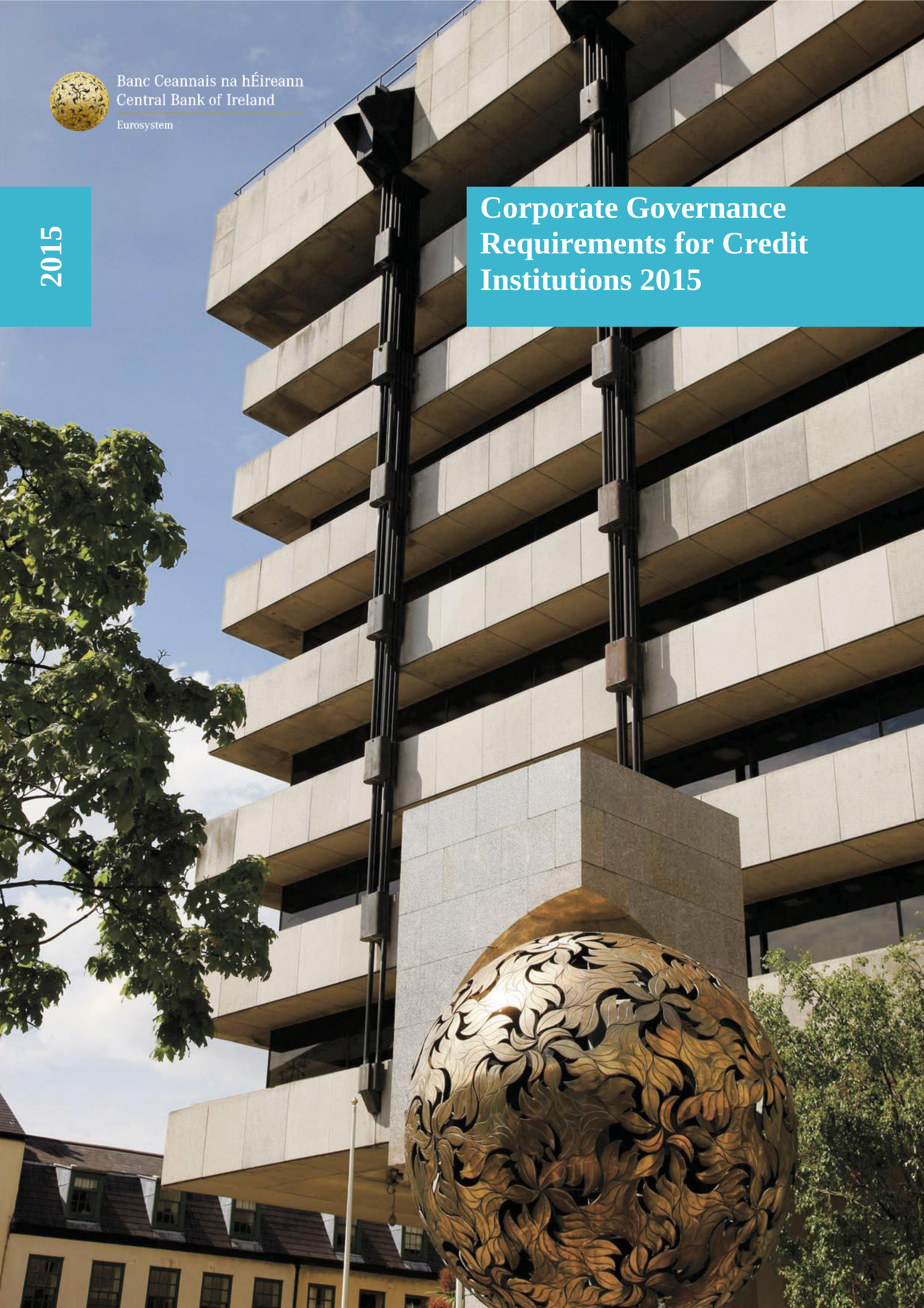

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2015

Corporate Governance Requirements for Credit Institutions 2015

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1. Scope

1.1 The Requirements impose the following:

- Minimum core standards upon all credit institutions licensed or authorised by the Central Bank; and
- Additional requirements (as set out in **Appendix 1)** upon credit institutions which are designated as High Impact 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 credit institutions. There is no bar on credit institutions deciding to implement the additional requirements should they wish to do so and indeed credit institutions are encouraged to do so.

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

1.3 The Central Bank has informed credit institutions of their Impact designation. Credit institutions are required to disclose in their annual report that they are subject to the Requirements and whether they are required to comply with the additional requirements for High Impact designated credit institutions.

2. Definitions

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

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.

Credit 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.

Insurance undertaking means:

a) 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;

b) a reinsurance undertaking as defined in Article 3 of the European Communities (Reinsurance) Regulations, 2006;

c) the holder of an authorisation under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015).

Financial institution: A credit institution and/or an insurance undertaking.

High Impact, Medium-High Impact, Medium-Low Impact and Low Impact credit institution: A credit institution which is designated as a High Impact, Medium-High Impact, Medium-Low Impact and Low Impact credit institution respectively under the

Central Bank's Probability Risk Impact SysteM ('PRISM')[1].

Non-executive director: A director without executive management responsibilities for the credit institution or, in the case of an credit institution which is part of a group, 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 group director may be an executive, an executive director, a non-executive director or an independent non-executive director of an entity within the group.

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:

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

[1] For further information on PRISM, please refer to the Central Bank publication entitled 'PRISM Explained' which can be found on the Central Bank's website.

Control Functions: These shall include the internal audit, risk management, compliance, and actuarial functions.

3. Legal Basis

3.1 The Requirements are introduced as conditions to which credit institutions are subject pursuant to Section 10 of the Central Bank Act 1971, Section 16 of the Asset Covered Securities Act 2001, or Section 17 of the Building Societies Act 1989.[2]

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

- Regulation 61 of the European Union (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014).

3.3 To the extent that a credit institution is obliged under the Requirements 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, and Section 41A of the Building Societies Act 1989, as applicable.

3.4 The obligation to submit an annual compliance statement to the Central Bank pursuant to Section 26 of the Requirements shall be imposed by notice under Section 25 of the Central Bank Act 1997.

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

3.6 These Requirements are imposed in addition to, and shall not affect, any other corporate governance obligations and standards to which a credit institution is subject otherwise than under these requirements and other conditions and/or requirements set out in the licence or authorisation of credit institutions.

[2] Section 1 of the Requirements confirms that the scope of the Requirements is that they apply to all credit institutions licensed or authorised by the Central Bank. Section 3 of the Requirements drill down into the specific legislative references upon which we rely as the legal basis for imposing the Requirements by way of condition.

3.7 A contravention of the Requirements 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.

3.8 Where a provision of the previous Requirements are amended or deleted by these Requirements , any legal proceedings, investigation, disciplinary or enforcement action in respect of a right acquired or obligation or liability incurred in respect of a contravention of or act of misconduct under the provision in force at the time may be instituted, continued or enforced and any sanction or penalty in respect of such contravention or act of misconduct may be imposed by the Central Bank as if the provision of the previous Requirements had not been amended or deleted by these Requirements .

4. Reporting to the Central Bank

4.1 The Central Bank will monitor adherence to the Requirements through its on-going supervision of credit institutions.

4.2 Any credit institution which becomes aware of a material deviation from these Requirements shall within five 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 credit institution to submit an annual compliance statement as set out at Section 26, in accordance with any guidelines issued by the Central Bank, specifying whether the credit institution has complied with the Requirements.

5. Effective date of the Requirements

5.1 The Requirements apply to credit institutions with effect from 11 January 2016. The Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 has been split and renamed to provide for requirements for Credit Institutions and Insurance Undertakings separately.

6. General Requirements

6.1 The Requirements contain the minimum requirements that a credit institution shall meet in the interests of promoting strong and effective governance.

6.2 The board retains primary responsibility for corporate governance within the credit 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 credit 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 credit institution and shall be subject to regular internal review.

6.4 The governance structure put in place by each credit 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 credit institution.

6.7 Without prejudice to any other legal obligations, any director who has any material concern about the overall corporate governance of a credit 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 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.

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

7. Composition of the Board

7.1 The board of a credit institution shall be of sufficient size and expertise to oversee adequately the operations of the credit 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 credit institutions that are subsidiaries of groups the majority of the board may also be composed of group directors or a combination of group directors and independent non-executive directors, provided that in all cases the subsidiary credit 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 and shall document how it has satisfied itself in this regard.

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 Directors should attend each board meeting in person wherever possible. However, due to the location of some directors, physical presence may not always be possible, in which case videoconferencing or teleconferencing is permissible.

7.6 A credit institution shall ensure a majority of its directors are reasonably available to the Central Bank at short notice, if so required.

7.7 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.

7.8 The number of directorships held by directors of credit institutions shall be limited. The Central Bank requires that the number of financial directorships (i.e. directorships of credit institutions and insurance undertakings) held by a director of a credit institution shall not exceed five and this shall include financial directorships of institutions authorised outside of the State. This restriction does not apply to other directorships held within the same group. The Central Bank considers that an individual holding more than five financial 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 credit institution.

However, the nature of the directorships and the time commitments required are also factors, hence five or fewer financial directorships may also indicate a possible constraint on the ability of a director to comply. Where it is proposed that a director of a credit institution holds more than five financial directorships, the credit institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The credit institution shall also provide the Central Bank with a detailed rationale, together with supporting documentation, as to why it considers the number of financial directorships does not constitute an inordinate constraint on their time. Factors covered in such a submission shall include the degree to which the financial 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 Where non-financial directorships are held (i.e. directorships outside of credit institutions and insurance undertakings) 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 credit institution. This restriction does not apply to other directorships held within the group.

However, the nature of the directorships and the time commitments required are also factors, hence eight or fewer 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 a credit institution holds more than eight non-financial directorships, the credit institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The credit 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.

7.10 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 credit institution. At the time of appointment, any such directorships shall be notified to the Central Bank.

7.11 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.

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

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

7.14 Credit institutions shall review board membership at least once every three years. The frequency with which board membership is renewed shall be documented. The renewal frequency shall consider the balance of experience and independence sought.

7.15 Credit institutions shall formally review the membership of the board of any person who is an independent non-executive member for nine years or more and it shall document its rationale for any continuance and so advise the Central Bank in writing. Reviews shall be carried out annually where independent non-executive directors have been members of the board for more than nine years.

8. Chairman

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

8.2 The Chairman shall lead the board, encourage critical discussions and challenge mind-sets. 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 credit institution's business, activities and related risks;
- His or her individual direct and indirect responsibilities and the board's responsibilities; and
- The credit 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 Chief Executive Officer 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 time requirement 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 Chief Executive Officer, executive director or member of senior management of a credit institution during the previous 5 years shall not advance to the role of Chairman of that credit institution.

8.11 The Chairman shall not hold the position of Chairman or Chief Executive Officer of more than one financial institution at any one time and this obligation also prohibits the holding of the position of Chairman or Chief Executive Officer of a financial institution authorised outside of the State at the same time as the holding of the position of Chairman or Chief Executive Officer of a credit institution, to whom these Requirements apply.

However, in the case of credit institutions which are not designated as High Impact credit institutions and are subsidiaries of groups, the Chairman may also hold the position of Chairman of financial institutions (including those authorised outside of the State) simultaneously provided that these roles reside within the group and the Chairman has sufficient time available to fulfil his or her role and function as the Chairman of the credit institution. The prior approval of the Central Bank shall be obtained prior to the Chairman assuming any such additional roles.

9. Chief Executive Officer

9.1 The Chief Executive Officer[3] ('CEO') is the top executive responsible for the credit institution with ultimate executive responsibility for the credit institution's operations, compliance and performance. The CEO serves as the main link between the board and the executive. The board shall appoint a CEO.

9.2 The CEO shall not hold the position of CEO of more than one financial institution at any one time and this obligation also prohibits the holding of the position of CEO of a financial institution authorised outside of the State at the same time as the holding of the position of CEO of a credit institution, to whom these Requirements apply.

However, in the case of credit institutions which are designated as Medium-Low or Low Impact institutions, the CEO may also hold up to two additional positions as CEO of a financial institution simultaneously provided each institution is also designated as a Medium-Low or Low Impact institution and the CEO has sufficient time available to fulfil his or her role and function as the CEO of each institution. The prior approval of the Central Bank shall be obtained prior to the CEO assuming any such additional roles.

9.3 The CEO shall have relevant financial 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 credit institution's business, activities and related risks;
- His or her individual direct and indirect responsibilities and the board's responsibilities; and
- The credit institution's financial statements.

[3] The term Chief Executive Officer encompasses other titles in this regard such as General Manager, Managing Director, President etc.

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 five years.

9.6 The CEO shall be appointed to the board.

10. 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 a credit 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 credit institution.

10.2 Independent non-executive directors shall be identified clearly in the credit 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 credit 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. Non-Executive Directors and Executive Directors

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

- 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); and
- 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 CEO, 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 credit 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. Chief Risk Officer

12.1 There shall be a person appointed the Chief Risk Officer ('CRO') with distinct responsibility for the risk management function and for maintaining and monitoring the effectiveness of the credit institution's risk management system. Where a credit institution is not designated as a High Impact credit institution and where the nature, scale and complexity of the operations of the credit institution do not justify a dedicated exclusive CRO function, another pre-approval control function[4] may fulfil that role. The prior approval of the Central Bank shall be obtained prior to making any such arrangement.

12.2 The CRO shall have relevant expertise, qualifications and background or be required to undertake relevant and timely training. The CRO shall have sufficient seniority and independence to influence proposals or challenge decisions which affect a credit institution's exposure to risk.

12.3 The CRO shall be responsible for ensuring that the credit institution has effective processes in place to identify and manage the risks to which the credit institution is or might be exposed.

12.4 The CRO shall be responsible for maintaining effective processes to monitor and report the risks to which the credit institution is or might be exposed.

12.5 The CRO shall promote sound and effective risk management both on a solo and consolidated basis[5]. The system of risk management shall promote an appropriate risk culture at all levels of the credit institution and shall be subject to regular internal review.

12.6 The CRO shall be responsible for the facilitation of the setting of the risk appetite by

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[4] Pre-approval control function means those functions set out in schedule 2 of the 'Regulations'. The 'Regulations' means the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (S.I. No. 615 of 2011).

[5] Consolidated basis, where applicable, refers to the Irish regulated credit institution and its subsidiaries.

the board.

12.7 The CRO shall be responsible for providing comprehensive and timely information on a credit institution’s material risks which enables the board to understand the overall risk profile of the credit institution.

12.8 The CRO’s primary responsibility is to the board and the CRO shall report to the board periodically with direct access to the Chairman of the board. The CRO shall report to the board risk committee on a regular basis.

13. Role of the Board

13.1 The board of each credit institution is responsible for the effective, prudent and ethical oversight of the credit institution. The board is responsible for, among other things, setting and overseeing :

a) the business strategy for the credit institution;

b) the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the credit institution;

c) the strategy for the on-going management of material risks including, inter-alia, liquidity risk;

d) a robust and transparent organisational structure with effective communication and reporting channels;

e) a remuneration framework that is in line with the risk strategies of the credit institution; and

f) an adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

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

13.3 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 credit 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 credit institution's financial statements.

13.4 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.

13.5 Where a credit institution, 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 credit 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.

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

14. Appointments

14.1 The board shall be responsible for appointing a CEO and senior management with appropriate integrity and adequate knowledge, experience, skill and competence for their roles.

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

14.3 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.

14.4 The board shall ensure that new non-executive directors are provided with adequate induction training about the operations and performance of the credit institution. The board shall ensure that adequate on-going training is provided to board members, which is routinely updated as necessary to ensure that they make informed decisions.

14.5 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.

14.6 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.

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

14.8 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 five working days to the Central Bank with clear articulation of the underlying rationale for the removal. A credit 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.

14.9 The board, or nomination committee where one exists, shall establish a written policy on diversity with regard to selection of persons for nomination to become members of the board.

15. Risk Appetite

15.1 The board is required to understand the risks to which the credit institution is exposed and shall establish a documented risk appetite for the credit 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.

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

15.3 The board shall ensure that the risk management system 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.

15.4 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 five business days of the board becoming aware of the deviation.

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

15.6 The board shall ensure that it receives timely, accurate and sufficiently detailed information from control functions.

15.7 The board shall ensure that the credit 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.

15.8 The board shall ensure that it identifies risks to be addressed by contingency plans based on, inter-alia:

- the areas where it considers the credit institution to be especially vulnerable;
- the risk appetite of the credit institution; and
- the risk management system of the credit institution.

Contingency plans shall be reviewed, updated and tested on a regular basis.

16. Meetings

16.1 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 credit institution. In any event, the board shall meet at least four times per calendar year and at least once in every six month period.

16.2 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.

16.3 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 nonattendance of members of the board.

16.4 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.

16.5 If on-going conflicts of interest arise, consideration shall be given to changing the membership of the board.

17. Reserved Powers

17.1 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.

18. Consolidated Supervision

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

19. Committees of the Board

19.1 The board is responsible for oversight of each of its committees.

Subject to paragraph 19.2 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, including the Chairman and the CEO, may act as the audit committee and/or the risk committee. In such cases Section 22.3 and Section 23.3 will continue to apply. Minutes of these meetings shall reflect that the board was sitting as the audit committee or risk committee.

19.2 Where a credit 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 credit institution.

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

19.4 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 credit institution’s audit and risk functions are adequately carried out.

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

19.6 Where appropriate, the board should consider the appointment of a remuneration committee and/or nomination committee.

19.7 Board consideration of risk-related issues may be enhanced by members serving on more than one board sub-committee, as members may gain a greater appreciation of risk considerations across the credit institution. Cross memberships between key sub-committees of the board should be encouraged. The audit committee and the risk committee shall have at least one shared member.

20. General Requirements of Committees

20.1 Credit institutions shall adhere to the following general requirements in relation to the activities of 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) For the committee(s) of which they are a member, directors should attend each committee meeting in person wherever possible. However, due to the location of some directors, physical presence may not always be possible, in which case videoconferencing or teleconferencing is permissible;

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

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

h) 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.

21. Terms of Reference of Committees of the Board

21.1 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.

21.2 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.

22. Audit Committee

22.1 The number of members of an audit committee shall be sufficient to handle the nature, scale and complexity of the business conducted by it and shall be composed of at least three members.

22.2 An audit committee shall be composed of non-executive directors, the majority of directors being independent.

22.3 The Chairman of the audit committee shall be an independent non-executive director.

22.4 The audit committee as a whole shall have relevant financial experience and at least one member shall have an appropriate qualification.

22.5 Subject to the provision contained in Section 19.1, 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 committee meetings 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.

22.6 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.

22.7 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 credit institution'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 credit institution's financial statements and ensuring that they give a "true and fair view" of the financial status of the credit institution;

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

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

23. Risk Committee

23.1 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 credit institution and future risk strategy. Credit 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 a credit institution wishes to fulfil this requirement without creating a separate committee of the board.

23.2 The number of members of a risk committee shall be sufficient to handle the nature, scale and complexity of the business conducted by it and shall be composed of at least three members.

23.3 The Chairman of the risk committee shall be a non-executive director or an independent non-executive director.

23.4 The risk committee shall be composed of a majority of non-executive directors, independent non-executive directors or a combination of both.

23.5 The risk committee as a whole shall have relevant risk expertise.

23.6 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 credit institution and, drawing on the work of the audit committee and the external auditor, the capacity of the credit institution to manage and control risks within the agreed strategy. The risk committee shall oversee the risk management function, which is managed on a day to day basis by the CRO.

23.7 The risk committee shall liaise regularly with the CRO to ensure the development and on-going maintenance of an effective risk management system within the credit institution that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business.

23.8 The risk committee shall advise the board on the effectiveness of strategies and policies with respect to maintaining, on an on-going basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the credit institution.

24. Remuneration Committee

24.1 Where a remuneration committee has been established, the number of members of the remuneration committee will depend on the nature, scale and complexity of the credit institution.

24.2 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.

24.3 The Chairman of the board shall not be the Chairman of the remuneration committee.

24.4 The remuneration committee shall establish remuneration policies and procedures within the credit institution based on best practice and any requirements which the Central Bank may issue.

25. Nomination Committee

25.1 Where a nomination committee has been established, the number of members of the committee will depend on the nature, scale and complexity of the credit institution, but the majority of members of the committee shall be independent non-executive directors.

25.2 The nomination committee shall make recommendations to the board on all new appointments of both executive and non-executive directors.

25.3 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.

25.4 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.

26. Compliance Statement

26.1 A credit institution shall submit to the Central Bank a compliance statement specifying, in accordance with any relevant guideline issued by the Bank, whether the credit institution has complied with these Requirements 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 credit institution from time to time. The report shall be submitted with the credit institution's annual report. Where a credit institution does not have a financial reporting period coinciding with the calendar year it may submit a compliance statement for the period of its financial year. In the event of the credit institution deviating materially from the Requirements, 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 Requirements for Credit Institutions 2015 (the "Requirements")

Additional obligations on High Impact designated credit institutions

The following additional obligations apply to High Impact designated credit institutions. The numerical references relate to those used throughout the Requirements. High Impact designated credit institutions shall substitute these requirements for those contained in the Requirements.

7. Composition of the Board

7.1 The board of a credit institution shall be of sufficient size and expertise to oversee adequately the operations of the credit institution. The board shall have a minimum of seven directors. The board of a High Impact designated credit 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 credit institutions that are subsidiaries of groups the majority of the board may also be composed of group directors or a combination of group directors and independent non-executive directors, provided that in all cases the subsidiary credit 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.

7.8 The number of directorships held by directors of credit institutions shall be limited.

The Central Bank requires that the number of financial directorships (i.e. directorships of credit institutions and insurance undertakings) held by a director of a credit institution shall not exceed three where one of the directorships held is in a High Impact designated financial institution and this shall include directorships of financial institutions authorised outside of the State. This restriction does not apply to multiple directorships within the same group.

7.9 Where non-financial directorships are held (i.e. directorships outside of credit institutions and insurance undertakings), the Central Bank considers that an individual holding more than five 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 credit institution. This restriction does not apply to other directorships held within the group. However, the nature of the directorships and the time commitments required are also factors, hence five or fewer 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 a credit institution hold more than five non-financial directorships, the credit institution shall satisfy itself as to whether this is appropriate and seek the prior approval of the Central Bank. The credit 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 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

14. Appointments

14.6 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. 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 Central Bank reserves the right to increase the frequency of subsequent evaluations until acceptable performance is noted. Any such evaluation shall be provided to the Central Bank.

14.10 The board shall put in place a formal skills matrix to ensure that there is an appropriate skills mix across members of the board and potential new members should be assessed against the skills matrix during the appointment process.

16. Meetings

16.1 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 credit institution. In any event, the board shall meet at least six times per calendar year and at least three times in every six month period. The Central Bank reserves the right to require a credit institution to increase the frequency of its board meetings should it deem this necessary.

19. Committees of the Board

19.1[6] High Impact designated credit institutions are required to establish audit, risk, remuneration and nomination committees. Where a credit 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. No single individual may hold the position of Chairman of the audit committee and risk committee simultaneously.

19.7 Board consideration of risk-related issues may be enhanced by members serving on more than one board sub-committee, as members may gain a greater appreciation of risk considerations across the credit institution. Cross memberships between key sub-committees of the board should be encouraged. The audit committee and the risk committee shall have at least one shared member. The remuneration committee and the risk committee shall have at least one shared member.

[6] High Impact designated credit institutions shall substitute this requirement for the requirements contained in each of Section 19.1, 19.2 and 19.6 of the Requirements.

Appendix 2 to the Corporate Governance Requirements for Credit Institutions 2015 (the "Requirements")

Additional corporate governance obligations on credit institutions which are deemed significant for the purposes of the Capital Requirements Directive[7] ('CRD IV') [S.I. 158/2014]

The following additional corporate governance obligations apply to credit institutions which are deemed significant under Regulation 64(5) of S.I. 158/2014, hereafter referred to as 'significant institutions'. The numerical references relate to those used throughout the Requirements. Significant institutions shall substitute these requirements for those contained in the Requirements.

7. Composition of the Board

Significant institutions shall substitute the requirements contained in Regulations 79(4), 79(7), 79(8), and 79(9) of S.I.158/2014 for the requirements contained in section 7.8 and section 7.9 of Appendix 1 - Additional obligations on High Impact designated credit institutions and section 7.10 of the Requirements, in relation to the number of directorships permitted to be held.

23. Risk Committee

Significant institutions shall substitute the requirements contained in Regulation 64(6) and 64(7) of S.I. 158/2014 for the requirements contained in section 23.4 of the Requirements in relation to the composition of the risk committee.

[7] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

24. Remuneration Committee

Significant institutions shall substitute the requirements contained in Regulation 83(3)-(5) of S.I. 158/2014 for the requirements contained in section 24.2 of the Requirements in relation to the composition of the remuneration committee.

25. Nomination Committee

Significant institutions shall substitute the requirements contained in Regulation 76(3)-(6) of S.I. 158/2014 for the requirements contained in section 25.1 of the Requirements in relation to the composition of the nomination committee.

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