

## Corporate Governance Statement

The directors of the company are committed to maintaining the highest standards of corporate governance. This corporate governance statement describes how the company applies the principles set down in "The Combined Code : Principles of Good Governance and Code of Best Practice" (the "Code") adopted by the Irish Stock Exchange and the London Stock Exchange and comments on its compliance with the Code's provisions.

- The board currently consists of twelve directors, six of whom are non-executive directors. A short biographical note on each director is set out on pages 6 and 7.
- The roles of the chairman and chief executive are separate with clearly defined responsibilities attaching to each.
- Michael Jacob has been nominated as the senior independent non-executive director.
- The non-executive directors are independent of management and all directors bring their independent judgement to bear on issues of strategy, performance, resources, key appointments and standards of conduct.
- The board meets at least eight times annually and has a formal schedule of matters specifically reserved to it for decision. It receives regular management reports and information on corporate and business issues to enable reviews of performance against business targets and objectives to be undertaken.
- Directors are initially appointed for a three year term and may be reappointed for further three year terms. All directors must submit themselves for re-election at intervals of not more than three years. On appointment all directors are briefed comprehensively on the activities of the group.
- The directors have access to the advice and services of the company secretary. The directors also have access to independent professional advice, at the group's expense, if and when required.

### BOARD COMMITTEES

There are four board committees which have specific terms of reference which are reviewed periodically.

### REMUNERATION COMMITTEE

During the year the remuneration committee's membership consisted of Anthony O'Brien (chairman), Michael Jacob and William McCann, all of whom were non-executive directors. The committee is responsible for the formulation of the group's policy on remuneration in relation to all executive directors and other senior executives. The committee's report on behalf of the board on directors' remuneration and interests is set out in note 43 to the financial statements.

### AUDIT COMMITTEE

The audit committee's current members are Peter Murray (chairman), Anton Stanzel and Patrick Wright, all of whom are non-executive directors. The audit committee meets at least four times during each year to review internal controls, audit reports and plans. The audit committee has unrestricted access to both the internal and external auditors. It meets with the external auditors at least once each year. The independence and objectivity of the external auditors is considered periodically together with the scope and results of the audit and its cost effectiveness.

(Left to Right) Des O'Houlihan, Sylvia Parik and Nicolas Pawloff (Vienna)



### RISK COMMITTEE

With effect from 1 October 2000 a risk committee comprising two non-executive directors and two executive directors was established. Its members are Michael Jacob (chairman), Peter Killen, Peter Murray and Tiarnan O Mahoney.

Its main role is to oversee risk management and to review, on behalf of the board, the key risks inherent in the business and the system of control necessary to manage such risks and to present their findings to the board.

### NOMINATION COMMITTEE

The nomination committee's current membership comprises Anthony O'Brien (chairman), Sean FitzPatrick, Peter Murray and Patrick Wright. William McCann also served on this committee during the year. This committee is responsible for recommending the appointment of directors to the board and for reviewing senior management succession plans.

### INTERNAL CONTROLS

The directors confirm that they established procedures to implement the Turnbull Guidance in full with effect from 1 October 2000.

The directors acknowledge their overall responsibility for the group's systems of internal control and for reviewing their effectiveness. Such systems can provide only reasonable and not absolute assurance against material financial misstatement or loss. Such losses could arise because of the nature of the group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The board confirms that during the year under review and up to the date of approval of the annual report and financial statements there was in place an ongoing process for identifying, evaluating and managing the significant risks faced by the group and that this process is regularly reviewed by the board and accords with the Turnbull Guidance.

The key elements of the procedures established by the directors to provide effective internal control include:

- an organisation structure with clearly defined authority limits and reporting mechanisms to higher levels of management and to the board which supports the maintenance of a strong control environment.
- established systems and guidelines which identify, control and report on key risks. The group credit committee together with the group asset and liability committee provide support to the board audit and risk committees in ensuring efficient procedures are in place to manage risk.
- an annual budgeting and monthly financial reporting system for all group business units which enables progress against longer term objectives and annual budget to be monitored, trends to be evaluated and variances to be acted upon.
- the group internal audit function reports to the chief executive and the audit committee and reports on compliance with policies and standards throughout the group.

- a comprehensive set of policies and guidelines relating to capital expenditure, computer security, business continuity planning, asset and liability management (including interest, currency and liquidity risk), operational risk management and credit risk management.
- audit and risk committees, which on the board's behalf, review the effectiveness of the systems of financial, operational and compliance controls and whose membership and main activities are set out in this statement. These committees review and report to the board on the internal audit, compliance and risk management programs.
- following each audit and risk committee meeting, the chairman of the committee reports to the board and minutes of such meetings are circulated to all members of the board.

Controls are reviewed systematically by internal audit, which has a group-wide role. Emphasis is focussed on areas of greatest risk as identified by risk analysis. In addition, the systems of internal control are also subject to regulatory supervision by the Central Bank of Ireland and other regulators in Ireland and overseas.

The effectiveness of the group's internal controls is reviewed periodically by the audit committee. This is achieved primarily by a review of the work of internal audit and of the management letter, which include details of any material internal control issues highlighted in the course of their normal audit work, provided by the group's external auditors.

On behalf of the board, the audit and risk committees confirm that they have reviewed the effectiveness of the systems of internal control in existence in the group for the year ended 30 September 2001. The review undertaken covers all aspects of control including financial, operational and compliance controls and risk management.

#### GOING CONCERN

The directors confirm that they are satisfied that the company and the group have adequate resources to continue to operate for the foreseeable future and are financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority. There is regular dialogue with individual institutional shareholders and presentations are given at the time of the release of the annual and interim results. All shareholders are encouraged to attend the annual general meeting.

#### COMPLIANCE STATEMENT

The company has complied throughout the year ended 30 September 2001 with all the provisions of the Combined Code.