

CORPORATE GOVERNANCE  
SUMMARY OF BEST PRACTICE GUIDELINES

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## Corporate Governance

### Summary of Best Practice Guidelines

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# **Corporate Governance**

## **Summary of Best Practice Guideline**

### **I. Stewardship**

1. The Board of Supervisory Directors (hereinafter “the Supervisory Board”) of a supervised (financial) institution should explicitly assume responsibility for the stewardship of the institution and, as part of the overall stewardship responsibility, should assume responsibility for the following matters: (i) adoption of a corporate strategy and organization; (ii) succession planning, including appointing, training and monitoring of senior management; (iii) the integrity of the institution’s internal control and management information system; (iv) the adequacy and effectiveness of the institution’s policies.
2. The Supervisory Board should establish adequate information, documentation and reporting systems to monitor the operations and performance of the institution and to document its decisions.

### **II. Supervisory Board Responsibilities and Discretion**

3. The Supervisory Board should develop position descriptions for members of the Supervisory Board and Senior Management, including the definition of the limits to management’s responsibilities. In addition, the Supervisory Board approves or develops the corporate objectives which the Management is responsible for meeting.
4. The Supervisory Board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands.

### **III. Supervisory Board Independence**

5. The Supervisory Board should have appropriate structures and procedures in place to ensure that the Supervisory Board can function independently of management. These structures and procedures may involve the Supervisory Board meeting on a regular basis without management present or with external advisers.

### **IV. Supervisory Board Membership, Nominations and Assessments**

6. The Supervisory Board of the institution should be constituted with a majority of individuals who qualify as unrelated supervisory directors. An unrelated supervisory director is a director who (apart from his shareholding or representation of shareholders) is independent from management and free from any interest and any business or other relationship with the institution which could, or could reasonably, be perceived to interfere materially with the supervisory director’s ability to act with a view to the best interests of the institution.
7. Committees of the Supervisory Board should generally be composed of a majority of unrelated supervisory directors.

8. The Supervisory Board of every institution should appoint a (nomination) committee of supervisory directors, a majority of whom are unrelated supervisory directors, with the responsibility for proposing to the full Supervisory Board new nominees to the Supervisory Board. The Supervisory Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Supervisory Board as a whole and of committees of the Supervisory Board and for assessing the contribution of each individual supervisory director. As an integral element of the process for appointing new supervisory directors, the Supervisory Board should provide an orientation and education program for new members of the Supervisory Board.

9. Supervisory directors should be selected through a formal process and both this process and their appointment should be a matter for the Supervisory Board as a whole or a nomination committee. Supervisory directors should be appointed for specified terms and reappointments should not be automatic. V. Supervisory Board Composition and Monitoring

10. The Supervisory Board should include supervisory directors of sufficient caliber and number for their views to carry significant weight in the Supervisory Board's decisions. The Supervisory Board should meet regularly, retain full and effective Summary of best practice guidelines Corporate Governance control over the institution and monitor executive management in an adequate manner.

## **VI. Outside Advise**

11. The Supervisory Board should implement a system that enables an individual supervisory director to engage an outside adviser at the expense of the institution in appropriate circumstances. The engagement of the outside adviser should be subject to the approval of an appropriate committee of the Supervisory Board or based on written policy of the Supervisory Board.

## **VII. Executive Compensation**

12. The Supervisory Board should review the adequacy and form of the compensation of Executive Directors and ensure that compensation realistically reflects the responsibilities and risk involved in being an effective Executive Director. Executive Directors' remuneration should be subject to the recommendations of a remuneration committee made up wholly or mainly of unrelated supervisory directors.

## **VIII. Audit Committee, Compliance and Governance**

13. The Supervisory Board should establish an Audit Committee. The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to the members of the Audit Committee as to their duties. The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The Audit Committee should ensure that an objective and professional relationship is maintained with the internal and external auditors.

14. The Supervisory Board should install a compliance committee or ensure that a high level compliance officer is appointed who reports directly to the Supervisory Board.

15. The Supervisory Board should expressly assume responsibility for, or assign to a committee of supervisory directors the general responsibility for, developing the institution's approach to corporate governance issues. The Supervisory Board as a whole or the committee would, amongst other things, be responsible for the institution's response to the corporate governance guidelines with respect to particularly the following seven distinct areas:

- a) ensure competent management on an ongoing basis;
- b) ensure appropriate plans and policies for the institution;
- c) monitor operations to ensure compliance and adequate control;
- d) oversee business performance;
- e) ensure that the institution serves the (credit, insurance or investment) needs of the community well;
- f) ensure that the individuals involved in the daily management and operation of the institution are of professional, social and moral integrity; and
- g) ensure that timely and accurate disclosure is made on all material matters regarding the institution.

## **IX. Risk Management**

16. The Supervisory Board should establish a risk management committee and/or an asset liability committee to ensure adequate risk control techniques and procedures are applied and/or adequate investment policies are implemented.

## **X. Supervision and Regulation**

17. The Supervisory Board should make it a policy to meet regularly with the supervisory authorities or appoint a liaison member of the Supervisory Board for supervision matters to ensure that the Supervisory Board is kept informed of the concerns, if any, of the supervisory authorities. The Supervisory Board should ensure that management takes appropriate follow-up actions on supervisory instructions and recommendations.

## **XI. Explanation of the Statement of Compliance**

18. The management will be invited, once a year, to discuss the submitted management report and its potential implications.