



## MARKET DISCLOSURE JUNE 2011

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INDEPENDENT TRUSTEE COMPANY LTD (ITC) (part of ITC Group) is authorised under the European Communities (Markets in Financial Instruments) Regulations 2007 (MiFID) as a, Investment Firm and is regulated by the Central Bank of Ireland.

As such ITC has obligations to comply with the Capital Requirements Directive (CRD). The principles of the CRD are summarised below:-

### BASEL II Capital Framework

**PILLAR 1**  
Minimum Capital  
Requirements

**PILLAR 2**  
Supervisory Review Process

**PILLAR 3**  
Market Disclosure & Discipline

Pillar 1 sets out the mechanics for assessing minimum capital adequacy requirements for credit, traded market and operational risks. Capital Adequacy relates to the calculation of how much reserves a financial institution needs to hold against the risk of losses.

Pillar 2 relates to the internal assessment of capital adequacy and the supervisory review process.

Pillar 3 deals with market disclosure and market discipline.

This document is compiled in accordance with Annex XII of Directive 2006/48/EC on Capital Adequacy of Investment Firms and Credit Institutions (recast).

### **RISK MANAGEMENT**

ITC Group's objective in terms of Risk Management is to preserve and grow the value of ITC Group by creating an effective risk management framework. This includes building a strong risk awareness and internal control culture through clear lines of responsibility and internal reporting.

The framework designed for managing risk takes into account:-

- Understanding of the organisation and its environment.
- Risk management policy.
- Integration into processes.
- Accountability.
- Resources.
- Establishing Internal and External communication and reporting mechanisms.

Risk management is a central part of ITC Group's strategic management. It is the process whereby we methodically address the risks attaching to our activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. The focus of good risk management is the identification and treatment of these risks.

ITC Group would describe its Risk tolerance as LOW. In assessing our risk tolerance the following factors were taken into account.

- Our current capital ratio
- The lack of proprietary trading activity
- Our low level of debt
- The diversity of income sources.
- Degree of recurring income against cost base.

A clear understanding of the risks that ITC Group is exposed to is critical to the effective management and control of same.

The types of risk that ITC Group face, as a whole and individual business within it, and our policies for managing these, are set out below :-

Risk Category	Definition	ITC Risk Policy
<i>Financial</i>	The risk that any of the companies within the group will not have adequate cashflow to meet its financial obligations.	ITC Group continuously strives to reduce unnecessary cost whilst maintaining quality of service. We aim to manage our business without the need of banking facilities and to maintain our capital adequacy in excess of CRD.  We continue to build our recurring income and seek to ensure that our low dependency on single clients is maintained.
<i>Strategic / Environmental</i>	The current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment	Responsiveness is an important factor in how ITC Group manages its business. Decisions are made and action taken in line with strategies, objectives and procedures which are in place and which are explored and challenged by both a Group Management Team and Board.
<i>Legal &amp; Regulatory</i>	The risk of material loss, reputational damage or liability such as sanctions or other costs arising from failure to comply with the requirements of legislation or related codes of practice that oversee its regulated business.  The risk of a negative effect due to new or changing laws affecting our normal course of business.	It is ITC's policy to integrate regulatory risk management in daily business activities, robust processes and strategic planning. All Employees must ensure that they follow all related business procedures fully and act appropriately to ensure compliance is maintained at all times.  Regulatory Risk is managed closely with secondary reviews of controls where appropriate.  ITC's Group Risk & Compliance Committee (GCRC) monitors upstream risk that could affect our business. All relevant upstream risks are reported to GMT and Board together with any suggested actions.
<i>Liquidity</i>	The risk of working capital becoming insufficient to meet near term financial demands.	Cashflow is managed on a daily basis and we operate stringent credit controls.  It is our policy to operate within our cashflow with out the need for banking facilities but we also ensure that facilities

Risk Category	Definition	ITC Risk Policy
<i>Reputational</i>	The risk that an activity, action or stance taken by ITC Group or its representatives will impair its image in the community or the long term trust of its stakeholders.	<p>are in place as a secondary level of control to meet near term financial demands.</p> <p>ITC Group insists that its' representatives operate in line with its Code of Conduct and various processes to ensure ethical business practices are maintained at all times.</p> <p>We work with external consultants to manage our reputation in the market place.</p>
<i>Operational</i>	The risk of loss resulting from inadequate or failed internal processes, people systems or from external events <sup>1</sup> .	<p>It is our policy to ensure that we have robust processes in place that manage Operational Risk closely with secondary reviews of controls where appropriate.</p> <p>All processes are integrated as part of the business and controls in place to mitigate identified risks where possible.</p> <p>A high level of PI insurance and Capital Adequacy is maintained at all times.</p>

### **Risk Management Process**

In our approach to Risk Management we have incorporated the empirical standards set by the International Standards Organisation<sup>2</sup> and the Basel Committee on Banking Supervision and as such adhere to the following principles :-

- The objective of Risk Management is to create value for all stakeholders.
- Risk Management needs to be an integral part of ITC Group's organisational processes.
- Our approach to Risk Management needs to be systematic and structured.
- Risk Management isn't an isolated activity, it needs to be holistic with responsibility and accountability primarily with those closest to it.
- Two tiered approach, primary and secondary.

ITC Group has established a Risk Management process that doesn't operate as an isolated activity, but rather has a holistic application with responsibility and accountability primarily with those closest to it. Therefore, within ITC Group, it is the responsibility of each member of the Group Management Team to identify where the risks are, assess the probability and impact of these risks happening, establish and manage controls to reduce the impact of inevitable risks and, where possible, eliminate risks. This represents our Primary Line of Control.

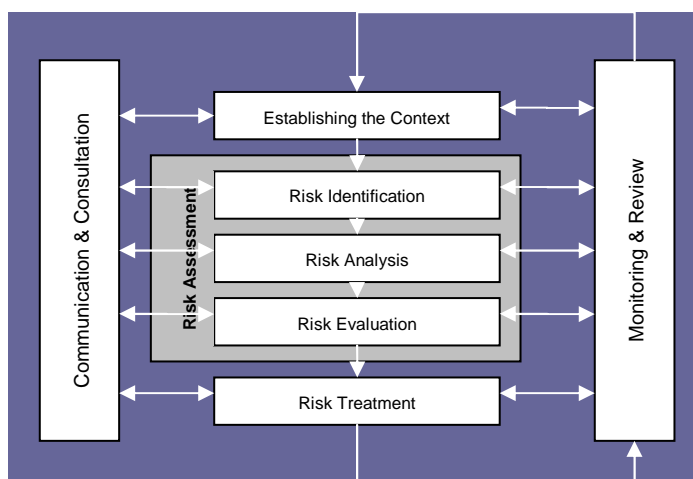
Our secondary line of control is the role of our Risk Function and includes:

- Development of management risk understanding and responsibility.
- Evaluating risk and regulatory obligations.
- Review and test processes of control.
- Risk is managed by Group Compliance & Risk Committee (GCRC) which is charged with :-
  - Reporting to GMT as relevant.
  - Managing regulatory correspondence.
  - Ensuring prudential requirements are adhered to.
  - Identifying and agreeing appropriate action for all regulatory issues arising within regulated businesses.
  - Identifying and agreeing appropriate action for all other risk issues arising within the Group.
  - Identifying upstream risk (new legislation, regulatory requirements etc and agreeing appropriate action).

<sup>1</sup> Basel Committee on Banking Supervision 2001.

<sup>2</sup> The ISO's paper "Risk Management – Guidelines on principles and implementation of Risk Management" was published in March 2010.

The Risk Management process comprises of:



**Communication & Consultation:** - This is an important and continuous step of the Risk Management process. It ensures that those responsible for implementing the risk management process and those with a vested interest, and thus a key contribution to make, understand the basis on which decisions are made, and the reason why particular actions are required to improve our risk management culture.

The Group Risk & Compliance Committee is the main forum in which this process operates. This allows a full and frank discussion of each of the risks identified, agreement on assessment and treatment.

In identifying risks, individuals initially make their own judgments about risk based on their perceptions which can vary due to differences in values, needs, assumptions, concepts and concerns. These are then reviewed in conjunction with the GCRC team.

We believe this team approach is useful as it:

- brings together different areas of expertise for analyzing risks;
- enhances appropriate change management during the risk management process;
- ensure that different views are appropriately considered in evaluating risks;
- ensure that the interests of stakeholders are understood and considered;
- helps define the context appropriately;
- helps ensure that risks are adequately identified; and
- secures endorsement and support for a treatment plan.

**Establishing the context** - Individuals considering the risks within their own area should do so within the following external and internal parameters.

#### External Context

External context is anything outside the organisation that may influence objectives. It is important to understand the external context to ensure that external stakeholders, their objectives and concerns are considered when developing risk criteria.

The external context may include, but is not limited to:

- cultural, political, legal, regulatory, financial, economic and competitive environment, whether international, national or regional;
- key drivers and trends having impact on the objectives of the organisation; and
- perceptions and values of external stakeholders.

#### Internal context

Internal context is anything within ITC Group that may influence the way in which we manage risk and should be considered in relation to:

- capabilities in terms of resources and knowledge (e.g. capital, people, competencies, processes, systems and technologies);
- information flows and decision making processes;
- internal stakeholders;
- objectives, and the strategies that are in place to achieve them;
- perceptions, values and culture;

- policies and processes;
- standards and reference models adopted by the organization; and
- structures (e.g. governance, roles and accountabilities).

Attention to these and other relevant factors help ensure that the risk management approach adopted is appropriate and proportionate to the situation of ITC Group and to the risks affecting the achievement of its objectives.

**Risk Identification:** - The purpose is to ensure that we can generate a comprehensive list of the risks faced by ITC Group whether or not we have the ability to control them.

It is our view that relevant and up to date knowledge and information is important in identifying risks therefore it is the responsibility of all Senior Managers within ITC Group to identify and evaluate these initially and record on the Risk Register.

**Risk Analysis & Evaluation:** - Risk Analysis is about developing an understanding of the risk and provides an input to risk evaluation and to decisions on treatment of the risk. The purpose of risk evaluation is to assist in making decisions, based on the outcomes of the risk analysis, about which risks need treatment and treatment priorities.

A material risk is considered to be one that would cause serious disruption to our business with a consequential negative effect on the P&L, our clients, and / or the reputation of the business. The main considerations would be loss of capital, regulatory status or facilities for a significant period of time or incurring of significant unforeseen costs, i.e. high probability, high impact.

A risk is determined to be non-material when the likelihood is minimal and it would not have serious implications for either the business or our clients.

On the basis of the above, when a material risk is identified, actions are taken to mitigate this risk as much as possible.

Outlined below is the basis on which we assess probability and impact.

Probability Assessment	Probability	Impact Assessment	Impact
Very Low	Unlikely to happen. No previous experience of risk happening. Control environment has proved historically robust even in face of significant business pressures. Controls are managed by appropriate numbers of competent staff.	Very Low	Does not affect P&L. No reputational damage. Service delivery unaffected.
Low	Possible, relevant controls are in place but they could be undermined by significant business pressures.	Low	Little or no effect on P&L. Reputational damage is minimal and contained. Service affected briefly.
Medium	Likely to happen, relevant control procedures are robust but significant business pressures can have an impact on their operational effectiveness.	Medium	Noticeable effect on P&L. Potential for reputational damage with multiple clients affected and / or potential for adverse publicity locally. Reputation with Regulator affected.
High	Highly likely, e.g. evidence of previous losses, control failures, existing controls are ineffective.	High	Severe adjustment to P&L. Potential for adverse publicity in any national media.

<b>Very High</b>	Highly likely, e.g. evidence of previous losses, control failures, controls do not exist.	<b>Very High</b>	Potential for financial and / or reputational damage that could put the company out of business. Potential for withdrawal of regulatory status.
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**Risk Treatment** – In ITC Group’s case most, if not all, the risks identified are unavoidable, therefore it is important to ensure that appropriate actions are taken to mitigate the risk as far as possible.

**Monitoring & Review** – Monitoring & Review is concerned with:-

- Analysing and learning lessons from events, changes and trends;
- Detecting changes in the external and internal context including changes to the risk itself which may require revision of treatment and priorities; and
- Ensuring that the risk control and treatment measure are effective both in design and operation.

Responsibilities for monitoring and review are clearly defined and are documented as follows:

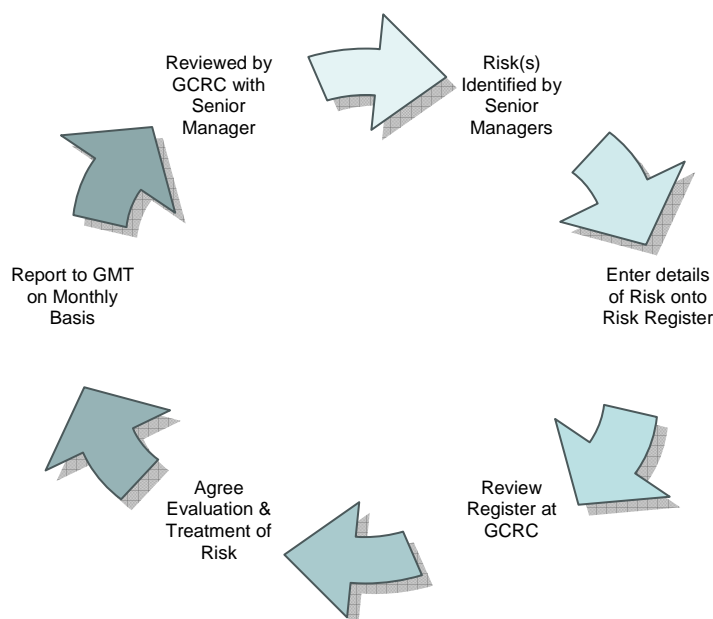
- Common Core Objective in the Performance & Development Plans of all Senior Managers on Group Management Team.
- Terms of Reference for GCRC & Board
- Job Descriptions of Risk Team.

In practice the Risk Management process operates as follows:-

Senior Managers identify and record all risks on an established Risk Register, outlining the risks in detail, the controls that exist and the actions put in place to deal with those risks and recording any previous experiences of the risk. The involvement of the Risk function at this stage is one of guidance.

Responsibility for putting controls in place and taking actions to mitigate the risk rests with Risk Owners. Thereafter, the Risk Register is discussed and reviewed at the Group Risk & Compliance Committee meetings, with the relevant Senior Manager in attendance, to agree evaluation and treatment of risk.

Thereafter GCRC reports to GMT and Board as appropriate, drawing attention to any material risks identified that need to be considered.



Where risks are identified and are unable to be managed through robust processes and controls and/ or covered by relevant insurance we will ensure that our Capital provision under Pillar 1 is sufficient to meet our business needs.

All risks are monitored by Board and Group Management Team quarterly and Group Compliance & Risk Committee monthly.

Potential loss is managed through the retention of Professional Indemnity Insurance.

#### **FINANCIAL RISK**

The main primary control for Financial Risk lies with the Finance Director. The Finance Director reports into the Group Managing Director and attends both GMT and GCRC meetings.

ITC Group's use of mitigants for this risk type are as follows:-

- Professional Indemnity Insurance is in place.
- Regular reporting mechanisms to GMT and Board occurs and

#### **STRATEGIC/ ENVIRONMENTAL RISK**

The main primary control for Strategic Risk lies with the Group Managing Director. The Group Managing Director reports to the Board and attends both GMT and GCRC meetings.

The Head of Group Risk is the secondary control and monitors Strategic / Environmental Risk through independent review of processes and regular monitoring via GCRC.

ITC Group's use of mitigants for this risk type are as follows:-

- Robust processes and procedures.
- Performance & Development Plans to deliver on objectives.
- Responsiveness and flexibility.

#### **LEGAL & REGULATORY RISK**

The main primary control for Legal & Regulatory risk lies with the Group Compliance & Risk Director. The Group Compliance & Risk Director reports directly into both the ITC and Group Boards.

The Head of Group Risk is the secondary line of control and monitor Legal & Regulatory risk through independent reviews of processes and regular monitoring via GCRC.

ITC Group's use of mitigants for this risk type are as follows:-

- Upstream risk managed by GCRC.
- Employment of fully qualified solicitors.
- CPD programmes to facilitate continued education.

#### **LIQUIDITY RISK**

The primary control for Liquidity Risk lies with the Finance Director. The Finance Director reports into the Group Managing Director and attends both GMT and GCRC meetings.

The Head of Group Risk is the secondary control and monitors Financial Risk through independent review of processes and regular monitoring via GCRC.

ITC Group's use of mitigants for this risk type are as follows:-

- Robust debt management processes.
- Regular billing.
- Cessation of work until previous invoices are paid.
- Payment facilitated by direct debits.
- Payment at source from Unit funds.
- Diversification of income streams.
- Back up finance facilities in place.
- Ability to postpone outlays e.g. bonuses.

#### **REPUTATIONAL RISK**

The main primary control for Reputational Risk lies with the Group Managing Director; however, all Senior Managers / Heads of Department play a part in managing Reputation Risk.

The Head of Group Risk is the secondary control and monitors Reputational Risk through independent review of processes and regular monitoring via GCRC.

ITC Group's use of mitigants for this risk type are as follows:-

- Retention of external PR Advisor.
- Robust complaints process.
- Professional Indemnity Insurance
- Ongoing training of staff through Knowledge Forums and specific training courses to combat against knowledge fade.
- Monitored CPD for relevant qualifications held by staff.
- Client Feedback Process.
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### **OPERATIONAL RISK**

The main primary control for Operational Risks lies with the Head of IT, Facilities & HR and Director of Client Services. Both report into the Group Managing Director and attend both GMT and GCRC meetings.

The Head of Group Risk is the secondary control and monitors Operational Risk through independent review of processes and regular monitoring via GCRC.

ITC Group's use of mitigants for this risk type are as follows:-

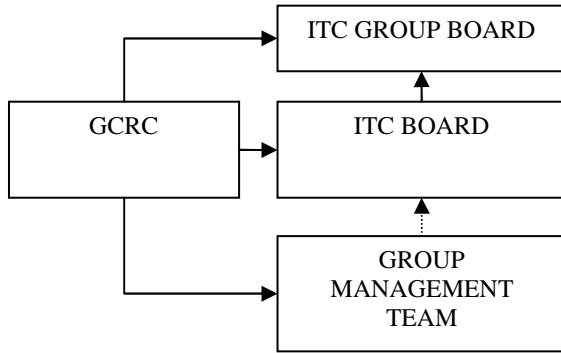
- Robust processes and procedures.
- Primary & Secondary controls in place, including rolling programme of process reviews .
- Professional Indemnity Insurance in place.
- Business Continuity & Disaster Recovery Plans in place and tested regularly.
- Combined Insurance policy which includes cover for: Buildings & Contents, Computer equipment, Employers liability, Public & Products liability and Business Interruption.
- Performance & Development Plans
- Company policies documented.
- Health & Safety documented and subject to external review.

The role of Board in monitoring risk is one of governance. Senior management play a critical role in managing Risk as they are the people best placed to identify and analyse the risks in their own area based on their knowledge and experience.

The Head of Group Risk is responsible for developing and managing the overall Risk Management (both operational and regulatory) Plan as well as the day-to-day Risk Management function within ITC Group. The key elements of this role are:

- Working closely with management to formulate risk policies and procedures across the Group
- Implementation of key risk management practices and procedures
- Proactively implement controls and processes to address risk concerns
- Proactive involvement and management support in the development of key business initiatives
- Promoting a risk-awareness culture across the Group including helping Group awareness of emerging regulatory developments.
- Developing and managing the Risk Management Function within the Group. This includes the management of two staff in the Sales Excellence unit in the Regulatory Risk area
- Promoting the review and redesign (where appropriate) of key businesses processes
- Focus on business, compliance and operational risk assessment.
- Chair the Group Compliance & Risk Committee (GCRC).
- An active member of the Group Management Team and attend Board Meetings on request.

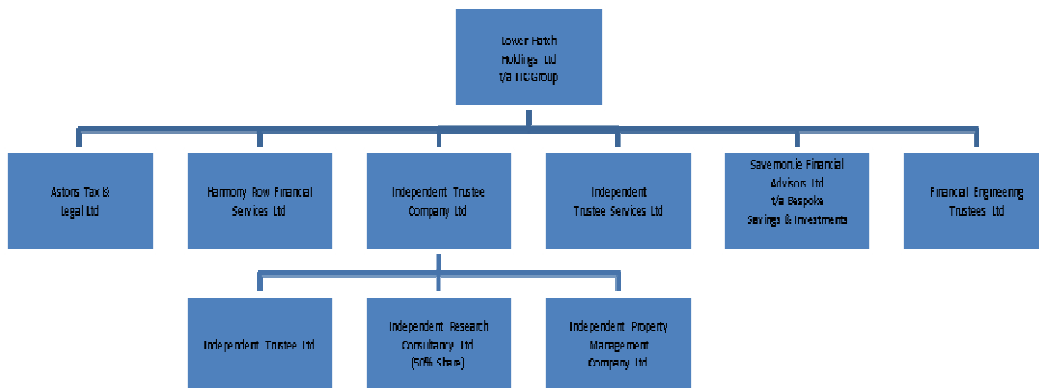
Outlined below is the Board and management structure of ITC Group.



**Capital Requirements**

ITC is a member of the ITC Group (see diagram overleaf) however, the Capital Requirements Directive, at time of publication, applies only to ITC for the reasons outlined below:-

- o Parent Company is holding company only, not a credit institution/investment firm.
- o Majority of companies and activities within Group are unregulated.
- o We are not involved in cross border activity, underwriting or dealing on our own account.



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At time of publication there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

**Calculation of Own Funds**

As outlined by Central Bank of Ireland, “Own Funds” consists of two tiers, as follows:

**2.1 Tier 1 (“Original Own Funds”)**

- (i) (a) Equity Capital, defined for the purposes of the Own Funds Directive (89/299/EEC, Article 2(1) (1)) to include paid-up ordinary share capital and perpetual non-cumulative preference shares/preferred stock. With the approval of the Bank, building society deferred shares may also be included subject to Section 17 of the Building Societies Act, 1989; and
  - (b) Minority interests in subsidiaries, where the underlying investment meets the definition of Equity Capital;
- (ii) Share Premium Account;
- (iii) Disclosed revenue and capital reserves but excluding revaluation reserves;
- (iv) Interim profits, net of foreseeable charge or dividend, may be included only where the amounts have been verified for external audit purposes, subject to the approval of the Bank.

#### **Less: Deductions in calculating Tier 1**

- (i) Goodwill and other intangible assets;
- (ii) Material losses of the current financial year;
- (iii) Own shares at book value held by a Credit Institution.
- (iv) Further deductions required by the Central Bank of Ireland

#### **2.2 Tier 2 (“Additional Own Funds”)**

- (i) Perpetual subordinated loan capital and cumulative perpetual preference shares/preferred stock which meet the requirements of (89/299/EEC Article 3); such capital may not be reimbursed without the prior approval of the Bank;
- (ii) Tangible Fixed Asset Revaluation Reserves;
- (iii) Financial Fixed Asset Revaluation Reserves;
- (iv) Other items which, in the opinion of the Bank, are freely available to cover normal banking risks, disclosed in internal accounting records and verified by audit (89/299/EEC, Article 2(1)(6)). Insofar as these conditions are met, general provisions may be included under this heading up to a limit of 1.25% of Risk Weighted Assets;
- (v) Fixed-term and other redeemable cumulative preference shares/preferred stock with an original maturity of at least 5 years or redeemable only with the prior consent of the Bank;
- (vi) Subordinated loan capital with an original maturity of at least 5 years and subject to the other conditions of 89/299/EEC, Article 4(3).

#### **Less: Deductions in arriving at Own Funds**

As defined earlier, certain items are deducted at Tier 1 level. The following further items are deducted in the calculation of Own Funds (Tier 1 (net of deductions) plus Tier 2):

- (i) the amount of any Investment in Other Credit and Financial Institutions which exceeds 10 per cent of the capital of those institutions; and
- (ii) the amount of any Investment in Other Credit and Financial Institutions (other than those at (i) above) which exceeds 10 per cent. of the reporting Institution's Own Funds (as measured before these deductions from Own Funds).

#### **2.3 Limits**

- (i) The total of Tier 2 items which may be counted as part of Own Funds is limited to the Tier 1 total (net of deductions).
- (ii) The aggregate of subordinated loan capital and redeemable preference share which may be included in Tier 2 is limited to 50 per cent. of the Tier 1 total (net of deductions).

*Own Funds* is defined, therefore, for a credit institution which does not have a trading book, as the aggregate of Tier 1 (net of deductions) and Tier 2 items, less the further deductions specified above and subject to the preceding limits.

ITC's capital is managed through our business plans that are frequently monitored and reviewed. It is our desire to ensure that our Tier 1 capital exceeds our regulatory requirements in order to ensure that we maintain a strong capital base to support development of the business in years to come.

As applied to ITC, our capital resources calculated at March 31<sup>st</sup>, 2011 are as follows based on Tier 1, Tier 2 is not applicable :-

<b>(A) Financial Resources @ 31/03/11</b>	
Share capital	8
Share Premium	25,393
Retained Earnings	<u>2,947,223</u>
	<b>2,972,624</b>

<b>(B) Total Capital Requirement</b>	
<b>Calc of Total Cap Requirements</b>	<b>352,923</b>

<b>(C) Capital Adequacy - Higher of (i) or (ii)</b>	
<b>(i) Standard Level</b>	<b>125,000</b>
<b>(ii) Qualifying Expenses</b>	<b>1,280,036</b>

<b>Capital Adequacy Test =</b>			<b>A&gt;B or C</b>
Own Funds	A =		2,972,624
Standard Level	B =		352,923
Qualifying Expenses	C =		1,280,036
<b>Conclusion:</b>			<b>Satisfied</b>
<b>Capital Adequacy Ratio =</b>			<b>2.32</b>

It should be noted that ITC does not currently hold client monies and all monies administered on behalf of clients are held under separate trust. Therefore the unlikely event of illiquidity or deterioration of ITC's "own funds" this would have no financial effect on clients.

In assessing our Internal Capital adequacy for the purpose of Operational Risk our methodology involved the application of the Basic Indicator formula. It should be noted that the majority of the risks identified by the Directive do not apply to our business, for example, Interest Rate Risk, Credit Risk, Dilution Risk, etc.

On this basis, the capital calculated under the Pillar 1 is in excess of capital required for risk purposes and therefore this is the capital requirement that we apply, see table above.

## **REMUNERATION POLICIES**

The design, approval and oversight of the remuneration policy is provided by ITC Group Board, and GMT is tasked with its implementation and on-going management. The remuneration policy is reviewed on an annual basis taking due consideration of anticipated profit forecast.

As with any business, there exists inherent risk in activities, products or systems and the purpose of this remuneration policy is to reduce this risk. The Total Remuneration Package (TRP) policy and practices are consistent with, and promote sound and effective risk management and are designed not encourage excessive risk taking. The policy is applied on a Group wide basis and is in line with business strategy, objectives and values.

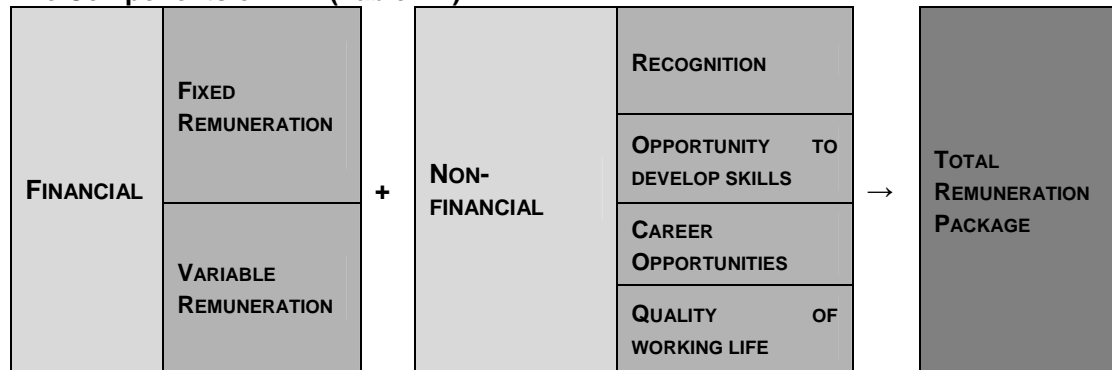
Principles, policy and practices are periodically reviewed, at least annually, to assess that the TRP system is operating as intended, pay outs are appropriate, risk profile, long term objectives and goals are adequately reflected and the business is compliant. It should be read in conjunction with the Company Handbook and forms part of it.

**So what is TRP?**

TRP consists of all forms of payments or benefits either directly or indirectly. All remuneration is divided into either

- fixed (payments without consideration of performance and including indirect benefits such as Healthcare, PHI, Pension, death in service benefit.)
- or
- variable (additional payments or benefits depending on performance or other contractual criteria<sup>3</sup>)

**The Components of TRP (Table 1.1)**



The financial aspects of our TRP philosophy are described below.

**Market-Driven**

Our program is structured to be competitive both in its design and in the total remuneration opportunity it offers. Comparison groups will vary by business based on the leading competitors in the industries in which we compete for business and in the markets in which we compete for talent.

Within the ITC Group, our TRP ranges are established around paying market median for competent performers and at an interval either side of this depending on the specific knowledge, expertise, competencies and level of contribution a person brings to the job. Hence, we consider that employees below the market median are still developing in the role and our TRP policy is to adjust employees’ TRP to reflect market value when changes in experience and performance occur.

If no specific market data exists on a role we establish what is called a ‘shadow match’. This involves identifying the next best match (based on similar skills, experience and competencies being required to perform the role) and applying a reasonable adjustment to the data. We then ‘shadow’ the market movement for this role until a more suitable market match becomes available.

To establish levels of compensation for individual roles, the ITC Group regularly undertakes a benchmarking exercise to compare our TRP levels against the market. We also utilise information provided by recruitment sources (e.g. competitor job advertisements, recruitment consultants’ advice, recruitment agencies, salary surveys) as well as employee feedback, exit interviews and TRP budgets.

**Remuneration Reviews**

Where individual remuneration reviews are conducted, these do not automatically lead to an increase and will take into account multiple factors e.g. individual performance, team performance, etc.

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<sup>3</sup> Excludes any reimbursement of expenses.

### **Performance-Based (Variable Remuneration)**

The design of the variable element of our TRP program is the responsibility of ITC Group Board. Variable remuneration will not be considered a contractual arrangement but will be at the discretion of the ITC Group Board and all proposed payments of variable remuneration must be proposed by GMT and approved by ITC Group Board.

Variable remuneration (bonus or commission payments) is linked to strategic business plan, profitability, team & individual performance, length of service, level of fixed remuneration and other such metrics.

Individual performance element will be objectively assessed via a formal Performance and Development Plan (P&D) process, This will include both quantitative and qualitative elements.

The Group Management Team (GMT) and the Group Board will review current TRP policy annually. The ITC Group Board has the right to adjust TRP policies during the year and will refer to the GMT if this if necessary.

### **Identified Staff**

Identified staff are defined as staff whose professional activities have a material impact on a firms risk profile. ITC's risk profile is deemed as being low as set out above.

A material impact can be defined as any upwards adjustment of the current risk profile.

By default, the following ITC roles are considered by to fall into the category of Identified Staff :-

- Managing Director
- All Executive Directors
- All Senior Management
- Head of Compliance

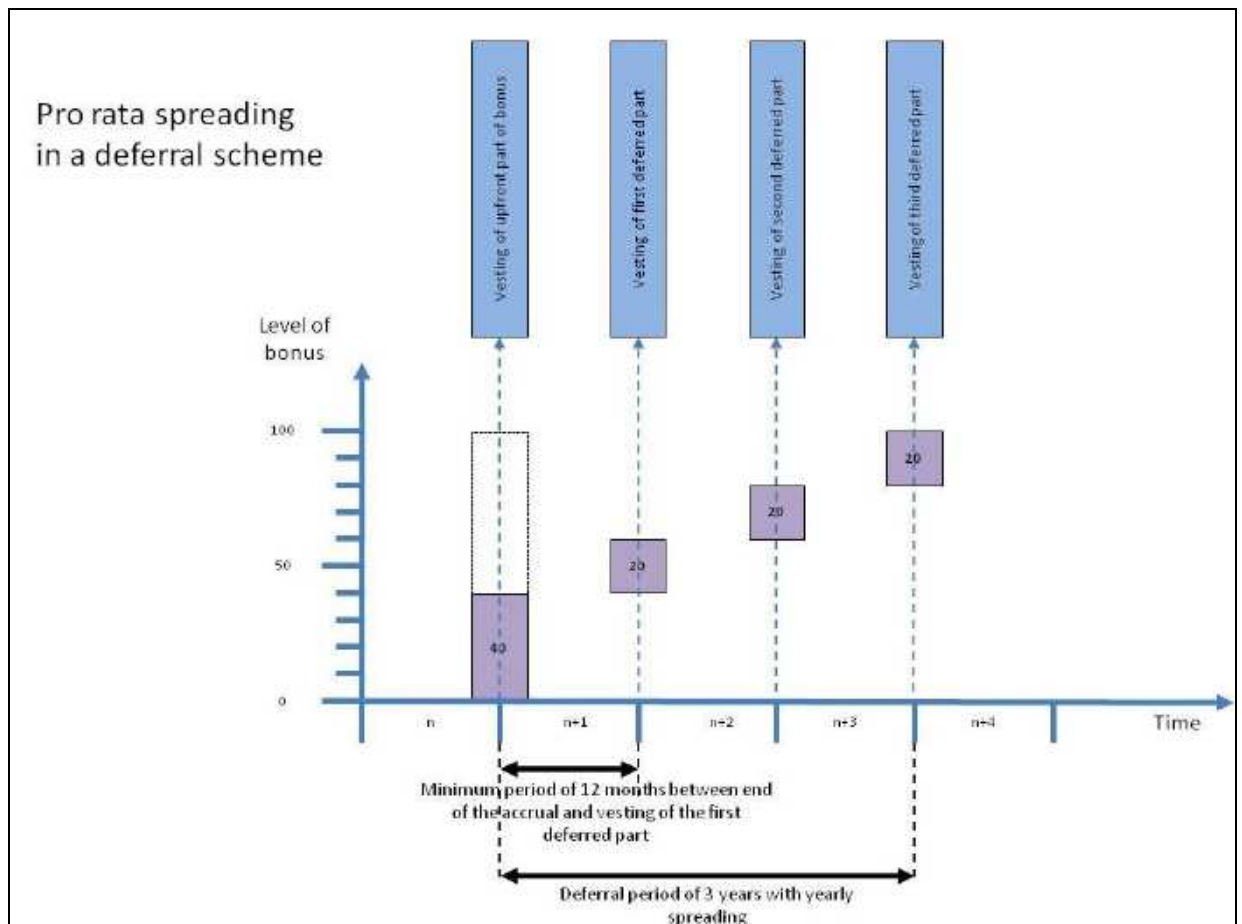
Whilst ITC's corporate governance framework ensures that no role in isolation can materially affect ITC's risk profile (including those of set out above), the additional conditions imposed on Identified Staff are conducive to risk management, therefore in addition to the Identified Staff stated above it will also apply to any individual whose variable remuneration exceeds 50% of their fixed remuneration in the year of accreditation.

In line with the requirements set out in Annex XII (15) for the year ended December 2010, the aggregate of fixed remuneration for the business unit of ITC was €2,308,453, of which 49.91% represents the fixed remuneration of the Identified Staff included in the above. There was no variable remuneration paid in this period to Identified Staff. This is extent of the information that we deem appropriate to disclose based on our size, internal organisation and the nature, scope and complexity of our activities.

### **Additional Conditions - Assessment & Multi-year Deferral Scheme**

For Identified Staff and / or employees whose variable remuneration in the year of accreditation exceeds 50% of their fixed remuneration, the variable remuneration element will be paid over a multi-year deferral framework of 4 years in the following proportions :-

- 40% paid at start of vesting period.
- 20% per annum spread over the following 3 years



Payment of the deferred payments assume the full criteria of this policy is met and may be subject to Malus<sup>4</sup> or Clawback. Any deferred payments have the potential to be risk adjusted with a re-assessment of performance carried out before paying out any deferred part. Bonus or commission payments will only be paid from company profits and cannot be guaranteed.

Variable remuneration will be flexible enough to be able to go to zero but under no circumstances can it lead to an increase of the deferred part. In addition no element of variable remuneration will be paid through vehicles or methods that facilitate the avoidance of these conditions.

Contributions to a pension plan will not be regarded as avoidance of these conditions. Malus or clawback can be effected by future adjustments where appropriate.

There are no set ratios between fixed and variable components, however, the level of fixed remuneration will be a factor in determining any variable remuneration to ensure that it is appropriately balanced.

### Malus and Clawback Policy

A policy is in place to reduce the Groups' overall risk and to ensure the Group continues to prosper. Remuneration policies which give incentives to take risks that exceed the general level of risk tolerated by the institution can undermine sound and effective risk management and exacerbate excessive risk-taking behaviour and so the Group has made provisions to avoid this occurring.

<sup>4</sup> An arrangement that permits the institution to prevent vesting of all or part of the amount of a deferred remuneration award in relation to risk outcomes of performers. Malus is a form of ex-post risk adjustment.

Below are the specific criteria whereby malus and clawbacks will apply:-

- a) Evidence of misbehaviour or serious error (e.g. breach of: code of conduct, company handbook conditions, contractual agreements or failure to achieving the P&D minimum requirements throughout the multi-year framework of 4 years)
- b) The Group suffers significant downturn in its financial performance
- c) Significant failure of risk management
- d) Significant changes to the Groups' economic or regulatory capital base
- e) Fraud or misleading information
- f) Breach of the CRD and TRP guidelines.

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