Principles of Good Corporate Governance for Public Interest Companies in Malta

INTRODUCTION

The 'Code of Good Corporate Governance' included as an Appendix to the Listing Rules in Malta was targeted to be adopted by Issuers of Listed Securities in Malta.

The purpose of these guidelines is to:

- **Advance best practice in corporate governance in Malta;**
- **Make it easier for directors and managers to fulfil their duties and assist them in advancing the growth and development of the companies they are entrusted with directing;**
- **Ensure public confidence in enterprises and business activities in general;**
- **Strengthen trust between investors, directors and managers.**

In an increasingly globalised world economy where competition is intense, the adoption of good corporate governance guidelines can make an actual difference to how a company is viewed in the international scenario.

Therefore the Bank undertakes to adhere to the principles set out in the Principles of Good Corporate Governance for Public Interest Companies as follows:

PRINCIPLE 1: THE BOARD

Every public interest company has to be headed by an effective Board, which should lead and control the company.

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual or small group of individuals should have unfettered powers of decision.

PRINCIPLE 3: NON-EXECUTIVE DIRECTORS

The Board should be composed of executive and a number of non-executive directors (including independent non-executives).

PRINCIPLE 4: THE RESPONSIBILITIES OF THE BOARD

The Board has the first level responsibility of executing the four basic roles of corporate governance namely: accountability, monitoring, strategy formulation and policy development.

PRINCIPLE 5: BOARD MEETINGS

The Board should meet sufficiently regularly to discharge its duties effectively. Ample opportunity must be given to all board members during meetings to convey their opinions and discuss issues set on the board agenda so that they honour their responsibilities at all times.

PRINCIPLE 6: INFORMATION, PROFESSIONAL DEVELOPMENT

The Board should:

- **appoint the Chief Executive Officer;**
- **actively participate in the appointment of senior management;**
- **ensure that there is adequate training in the company for management and employees; and**
- **establish a succession plan for senior management.**

PRINCIPLE 7: PERFORMANCE EVALUATION

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

PRINCIPLE 8: INSIDER INFORMATION

The Board should monitor and record dealings by Directors and Officers in any of the securities of the company.

PRINCIPLE 9: AUDIT COMMITTEE AND AUDITORS

The Board should establish an Audit Committee to review and assess the effectiveness of the internal control systems, including financial reporting.

PRINCIPLE 10: REMUNERATION COMMITTEE

The Board should set up formal and transparent procedures for developing policies on executive remuneration and for fixing the remuneration packages of individual directors.

PRINCIPLE 11: RELATIONS WITH SHAREHOLDERS

The Board shall serve the legitimate interests of the company and account to shareholders fully. Companies should use the General Meeting to communicate with shareholders.

PRINCIPLE 12: CONFLICTS OF INTEREST

Directors' primary responsibility is always to act in the interest of the company and its shareholders as a whole irrespective of who appointed them to the Board.