

# **Sterling ISA Managers Limited**

**Capital Requirements Directive (IV) for Investment  
Firms – Disclosures  
(Requirement of 4.3A.10R and 4.3A.11R)**

**Board Governance Arrangements and Diversity Policy**

## **1 Scope and application of Directive requirements**

The disclosures in this document are made in respect of Sterling ISA Managers Limited (“the Company”). The Company’s corporate savings internet platform and retail internet platform enable it to offer a range of savings solutions both to employees of UK companies and to individual investors through their financial advisers. The platforms facilitate the following products:

- Group Personal Pensions
- Group and Individual Self Invested Personal Pensions
- Stocks and Shares Individual Savings Accounts
- Cash Individual Savings Accounts, and
- Investment Accounts.

Whilst the platforms are supplied by a third party, the Company acts as the platform operator, providing tools and administrative services to customers for the different wrappers provided on the platforms.

The Company is a subsidiary company of Zurich Financial Services (UKISA) Limited and is part of the Zurich Insurance Group (“the Group”). The Company is a limited licence investment firm and is authorised and regulated by the Financial Conduct Authority (“FCA”). The Company has one subsidiary company, Sterling ISA Managers (Nominees) Limited, which acts as a nominee company to hold legal title to assets beneficially owned by the Company’s customers.

## **2 Background**

The Capital Requirements Directives (“CRD”) of the European Union have created a regulatory capital framework across Europe based on the provisions of the Basel Capital Accords. The original CRD provisions were implemented by the financial services regulator at the time, the Financial Services Authority (FSA), via changes to the FSA’s Handbook of Rules and Guidance, and the creation of the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”). Following the restructure of the FSA in April 2013 these requirements are now part of the FCA Handbook.

On Thursday 27 June 2013 the legislative package known as “CRD IV”, covering prudential rules for banks, building societies and investment firms in the European Union, was published in the Official Journal of the European Union. The bulk of the rules contained in the legislation came into effect in the UK on 1 January 2014. These new rules require increased disclosures in relation to corporate governance and remuneration.

## **3 Procedures and Operation of the Management Body**

In accordance with the Company’s Articles of Association, the Board of Directors has overall responsibility for the management of the Company’s business. In order to enable it to discharge this responsibility, the Board has defined and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm. The key elements of the governance framework, which the Board oversees and reviews on a regular basis, are set out below.

### 3.1 Board Charter

The key purpose of the Board is to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholder and relevant stakeholders. The Board's principal aim is to enhance the Company's long-term value to its shareholder through the sustainable and compliant delivery of financial performance targets and the fair treatment of its customers within a framework of prudent and effective controls.

In this context, the Board maintains a Charter, the purpose of which is to set out the role and operation of the Board as the governing body of a UK entity which is a subsidiary of a global insurance group. The Board Charter identifies which duties and responsibilities are undertaken and/or supported by Group functions and which matters are reserved for the decision of the Board rather than delegated to Executive Management.

The Board Charter sets out two overarching responsibilities for the Board of Directors:

1. To ensure that the Company remains compliant with local law and meets the expectations of its regulators, paying due regard to jurisdictional best practice;
2. To either maintain the Company's business as a going concern in line with its strategic aims and targets or, if appropriate, manage its orderly winding up. In either respect, the directors should ensure that full regard is paid to the interests and expectations of all of the Company's stakeholders.

Insofar as it is required to discharge these responsibilities, the Board Charter states the following as being within the Board's remit:

- **Values and Standards:** The Board sets the values and standards for the Company. This is achieved through the adoption of "Zurich Basics" and other applicable Group policies.
- **Strategy:** Executive Management propose the Company's strategy to the Board, which considers, revises and adopts it as appropriate. As a part of its considerations, the Board takes into account the appropriateness of the strategy with a view to ensuring that it can be executed in compliance with laws and regulatory requirements. The Board also considers the extent to which the strategy will enable the Company to meet the interests and expectations of its stakeholders, including the shareholder, customers, and employees.
- **Systems and Controls:** The Board has responsibility for the effectiveness of an appropriate system of internal controls to ensure the ongoing compliance of the company with all applicable regulation and legislation. The Board is assisted in this regard by the Audit Committee and the Risk Committee, which receive regular reports from Management and the relevant assurance functions; these reports help Committee members to assess whether all relevant risk management and control issues are being addressed appropriately by Management in a timely manner. The control framework ensures that, where regulation or legislation requires Board notification or decision, matters are brought to the attention of the Board in a timely manner. The Board also has accountability for ensuring the completion of remedial actions.
- **Risk Management:** The Board has responsibility for setting the Company's Risk Appetite, Policy and Strategy and must ensure that risks are appropriately identified and managed. Advice on the oversight of risks (including risks relating to customer outcomes and market conduct as well as risks to the Company) and arrangements for Risk Management is provided by the Risk Committee.
- **Resources:** The Board retains responsibility for ensuring the ongoing adequacy and efficient usage of the resource (human or otherwise) available to the Company to deliver its strategy or operational plan.

### **3.2 Board Committees**

The Board has appointed an Audit Committee and a Risk Committee to assist in the discharge of its responsibilities as follows:

The **Audit Committee** helps the Board to ensure the financial integrity of the Company's accounting and financial reporting systems, including financial and operational controls and regulatory compliance. The Audit Committee provides oversight and guidance to the Board with regard to financial reporting, the Company's external auditor, internal control, compliance (including financial crime) and governance. Ultimate responsibility for preparation of the Company's financial statements rests with the Board.

The **Risk Committee** assists the Board by providing oversight and guidance on a number of risk-related areas including: the current risk exposures of the Company; the development of proposals in respect of risk strategy, policy and appetite; the robustness of day-to-day risk management processes; the methodologies for risk identification, measurement and adherence to risk tolerance; and the impact of risk on economic and regulatory capital requirements. Ultimate responsibility for risk management remains with the Board.

Both committees provide a forum for discussion and communication, and determine areas for further review, additional attention and escalation.

Membership of the Audit and Risk Committees comprises only non-executive directors. All Committee appointments are subject to the approval of the Board, and the terms of reference of each Committee are set by the Board.

The Company does not have a Nomination Committee but, as outlined below, the Board engages a broad set of qualities and competences when recruiting Directors. The Board has put in place a policy to promote diversity, which is set out below.

### **3.3 Delegated Authorities**

Insofar as is required to fulfil its statutory and regulatory responsibilities, the Board delegates responsibility and associated authority required for the day-to-day management of the Company in line with Group policy and local legal/regulatory provision to the Chief Executive Officer ("CEO"). Anything within the normal course of business (including the process of disclosure and communications) is considered to be delegated to the CEO unless it is a power reserved to the Group or is listed in the Board Charter as a matter reserved to the Board.

The CEO has discretion to delegate his powers (subject to appropriate restrictions) to members of Management. The powers reserved by the CEO and Management are clearly documented and available to all employees, together with the Board-approved signing authorities for the Company.

### **3.4 Prevention of Conflicts of Interest**

The Company has adopted the Group Policy on Conflicts of Interest and External Engagements. The policy supports Zurich's commitment to integrity, responsible business and fair competition by

- ensuring that conflicts of interest are prevented from undermining objective decisions in the best interest of Zurich and its stakeholders; and
- by setting clear rules regarding the acceptance of external engagements.

The policy defines the key requirements for its employees in terms of disclosure and obtaining approvals and establishes responsibilities for implementation, compliance and monitoring.

In respect of the Company's Board, the Directors' Register of Interests is maintained by the Company Secretary and is reviewed by the Board on a quarterly basis at a minimum, with any changes noted and new interests authorised in accordance with the Articles of Association.

### **3.5 Board Composition and Effectiveness**

The Board Charter sets out, in compliance with Group rules, the balance of Independent Non-Executive Directors ("INEDs"), Executive Directors and Group representatives ("Independent Management Directors" or "IMDs") that is required on the Board. The presence of an IMD on the Company's Board allows the Board to oversee the process of disclosure and communication to the shareholder.

The Board Charter provides that, under normal circumstances, the Chairman will be an INED or an IMD. As such, the Chairman of the Company's Board does not exercise simultaneously the CEO function.

The roles and responsibilities of the Chairman, Directors and CEO are set out in the Board Charter as are the areas in which the Board is expected collectively to be able to demonstrate competence. Ensuring that the Board has an appropriate balance and level of skill, knowledge and experience is achieved in a number of ways:

#### *3.4.1 Director Appointments*

Appointments to the Board of the Company follow a formal procedure. As the Company is a wholly owned subsidiary within Zurich Insurance Group and not a listed public company, proposals for appointments to the Board, following consultation with the Chairman, are made to the Regional Chair of the Business Segment, in accordance with the relevant procedures set out in the Group policy pertaining to the governance of subsidiary companies. As part of the selection process prior to proposals being considered by the Board, individuals are interviewed by Directors of the Company and representatives of the Group.

As committed to through the Board Charter, all proposals submitted to the Board take account of the collective competence of the Board to ensure that there is sufficient experience and technical expertise and to ensure that the Board and its Committees are, at all time, adequately staffed and compliant with applicable legal and/or regulatory requirements. Proposals to the Board also take account of whether the individual:

- Is of sufficiently good repute,
- Possess sufficient knowledge, skills and experience to perform the duties of a Director;
- Is willing and able to commit sufficient time to discharge his or her responsibilities to the Company.

As part of the formal Director appointment process, the Company undertakes a number of additional checks, which include, but are not necessarily limited to: criminal records searches; FCA/PRA Register searches; an electoral register check; a financial probity check; a UK directorship check; and a sanction list check. The overall competence of the individual is also validated by educational qualification checks, verification of professional body memberships and relevant employment references.

With regard to time commitment, the Board's regular review of the Register of Interests (referred to above) ensures that the Directors do not hold more directorships than is

appropriate, taking into account the individual circumstances and the nature, scale and complexity of the Company's activities.

#### *3.4.2 Director Induction and Director Development Programme*

The Company provides a thorough and formal induction process for newly appointed Directors. This process is managed by the Corporate Governance function, supported by members of the senior and executive management teams of the Company. The induction process covers all aspects of the Company's strategy, plans and operation, in addition to the external environment, and regulatory regime, principles and requirements.

The Company operates a Director Development Programme for all directors of the Company. Central to the Director Development Programme is an annual learning and development conference, and quarterly 'Deep Dive' meetings, convened either as formal Board meetings or informal working sessions, allowing for the Continuing Professional Development (CPD) of Directors.

As part of the Director Development Programme, the Company makes provision for external training that Directors might undertake in order to progress their CPD, and in support of maintaining the collective competence of the Board.

#### *3.4.3 Board Diversity Policy*

The SIML Board has put in place a policy promoting diversity throughout the Company, including on the Board. The key principles of the policy are set out below. The Board:

- Recognises that diversity can bring insights and behaviours that may make a valuable contribution to the effectiveness of the Company and the Board;
- Believes in equal opportunities and supports the principle that due regard should be had for the benefits of diversity, including gender, when undertaking a search for candidates, both executive and non-executive;
- Believes that the Board should have a blend of skills, experience, independence, and knowledge amongst its individual members that is appropriate to its needs;
- Will take overall Board diversity and collective contribution into account in the selection and recruitment of new Board members;
- Will aim to use future vacancies to improve diversity within the Company's senior management, to provide more diverse succession potential for the Board;
- Is committed to evaluating, on an annual basis as part of a wider effectiveness review, the balance of skills, experience, independence and knowledge of the company on the board, and its diversity, including gender.

#### *3.4.5 Board Effectiveness Review*

The Directors carry out an annual review of the Board's effectiveness which covers, amongst other things: the Board's engagement with and oversight of Executive Management and Board's willingness and ability to challenge and test Management's proposals; the effectiveness of the Company's governance arrangements and the respective roles of the Directors, the Committees and Management; the composition of the Board in terms of time commitment, skills, experience and knowledge of the Company's strategy, business plan, risks and the shareholder's expectations; and Directors' training and development.

The Board reviews the results of the review, identifies any areas for improvement, and agrees an action plan, progress against which is monitored by the Corporate Governance team and reported quarterly to the Board