

Institute of Operational Risk
Governance Policy

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1. Introduction

The Institute of Operational Risk (IOR) has a mission to be an association for operational risk professionals, providing numerous forums for discussion, debate, research and knowledge transfer, working to ensure the professional development of its members through the development and provision of a recognized educational process.

The IOR has established and implemented robust governance arrangements to act as a solid foundation to support its mission, strategic direction and management. This policy sets out the governance arrangements.

2. The Council

2.1. Role of the Council

Following a strategic review in 2012, the IOR rationalized its governance arrangements to form a unitary Board of Directors, known as the IOR '**Council**'. The members of the Council are all Directors of the company limited by guarantee. The role of Council is:

- To determine the strategic direction and governance arrangements for the Institute;
- To oversee the work of the Institute and ensure that it aligns to the agreed strategy and is in the interests of members;
- To oversee all central activities. Notably:
 - AGM and other annual events (Dinner, Lecture, etc.).
 - Website design and content.
 - Education and sound practice guidance papers.
 - Partnerships.
 - Financial arrangements.
 - Management of the membership.
- To oversee the work of the Chapters;
- To be the public face of the Institute – promoting it wherever possible.
- To agree the Terms and Reference of committees.

The role and powers of the Council are set out in the Council Terms of Reference, which is available in the IOR Repository.

The Council is comprised of two types of Directors, with different roles and responsibilities (beyond those from statute):

- Directors without Portfolio – responsible for governance, audit, and oversight on strategic direction (ensuring objectives are met); and
- Directors with Portfolio – in addition to strategic direction, have responsibility for a specific portfolio.

New directors may be appointed by the Council, but they must be put to the members to be ratified at the next members meeting.

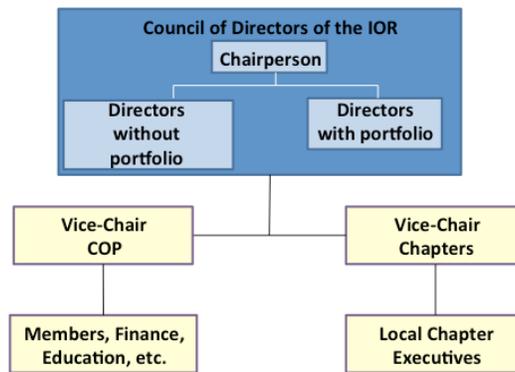
Directors come up for re-election every 3 years, but must stand down after a maximum of 9 years. After completing a 9 year term, there must be a gap of

at least 12 months before a director can stand again for election to the Council.

2.2. Leadership of the Council

The Council is led by the IOR **Chairperson** who is a Director without Portfolio and who will be elected each year by the directors. The Chairperson is supported by two Vice Chairs. The first of these is the '**Vice Chair for Central Operations and Portfolios (COP)**' who has oversight responsibility for all Directors with Portfolio. The second, is the '**Vice Chairperson for Chapters**' who has management oversight responsibility for the IOR's regional and country Chapters.

Fig 1. Governance arrangements - Council



The role of the Chairperson is:

- Chair all Council meetings and the AGM;
- Oversee the organisation of the AGM and any Special General Meetings;
- Lead any changes to the IOR's strategy or governance arrangements, as required;
- Work with the other 'Directors without Portfolio' to ensure that the work of the Council is in the interests of the IOR's membership and that appropriate governance arrangements are in place;
- Oversee and support the work of the Vice-Chairs and the other 'Directors with Portfolio';
- Be the face of the IOR – providing media input and press interviews on a regular basis.

The Vice Chair COP has the following role:

- To manage, support and co-ordinate the work of all Directors with Portfolio. Ensure that the overall 'IOR Portfolio Plan' is designed and delivered coherently and is aligned to the overall Strategy;
- Will ensure that DwPs have clear 'Terms of Reference' and the support they need to achieve the objectives that they have set for their areas of responsibility;
- Will chair meetings in the absence of the Chairperson.

The Vice Chair Chapters has the following role:

- To manage, support and co-ordinate the work of Chapter Leads;
- To lead the development of new chapters, as appropriate;
- To ensure that Chapters are conforming to central guidelines;
- To organise and chair regular teleconferences with Chapter Leads.

Full terms of reference for the Chairperson and Vice Chairs are contained on the IOR Repository and the structure is illustrated in Figure 1 above.

2.3. Types of Directors

All Directors must be paid up voting members of the IOR and the minimum number of directors at any time is 10. At least 3 of the Directors must be 'Directors without Portfolio' (DwoP).

DwoP's are directors that do not have specific executive responsibility for a portfolio of work, and are essential to provide independent challenge and ensure that the Council, at all times, operates in the interests of the members. The remaining directors are Directors with Portfolio (DwP). DwPs are directors with responsibility for specific portfolios, meaning that they have executive responsibility for work streams identified as important to the IOR. Terms of reference for each director are available in the IOR Repository.

All directors have the following responsibilities:

- To promote the Institute at any available opportunity (e.g. at conferences);
- To represent the Institute at chapter events, where possible;
- To attend the AGM and any other centrally organised events (e.g. Annual Lecture or Dinner);
- To recruit new members where possible and appropriate;
- Not to bring the IOR into disrepute.

In addition, DwoP currently have the following responsibilities:

- To provide advice and guidance to other Directors;
- To ensure that the Council runs the Institute in the interests of its members – providing check and challenge as necessary;
- To ensure that the Institute has appropriate governance arrangements in place;
- To participate, as required, as members of the Audit Committee.

The DwPs currently oversee the following portfolios:

- Central Operations and Portfolios
- Change Control
- Education
- Finance
- Governance and Regulatory Affairs
- Marketing and Public Relations
- Membership
- Relationships
- Risk and Compliance
- Technology

In addition to their generic responsibilities, DwP have the following responsibilities:

- To provide leadership over a given portfolio of activities;
- To maintain appropriate Terms of Reference for their activities;
- To set the operational objectives for their portfolio of activities and ensure that:
 - These objectives are aligned with the overall IOR Portfolio Plan through agreeing them with Council.
 - Milestones are met.
- To report to the Council on their portfolio of activities.

Although it is recognized that legitimate business expenses may be incurred in carrying out the work of a director, any expenses should be approved in advance and kept to a minimum to make efficient use of the IOR's limited funds.

2.4. Council Meetings

Frequency of Meetings

The Council meets in full every quarter (i.e. 4 meetings per year) with all Directors *(DwP and DwoP) in attendance. In addition the DwPs normally meet each month (except when a full meeting is scheduled – i.e. 8 meetings per year). The quarterly directors meetings, at which all directors will be present, provide the opportunity for the independent DwoPs to review and challenge the work of the Council. The quarterly meetings also provide an opportunity to review the overall strategic direction of the Institute and ensure this is aligned with the interests of the membership. The monthly meetings of the DwPs provide an opportunity to review progress against agreed plans and ensure that individual DwP plans remain aligned with the overall IOR Portfolio Plan and strategic objectives. To this end, each DwP will maintain and submit to Council, before each meeting via the Vice Chair COP, a monitoring report, outlining progress against strategic objectives. The monthly meetings also provide an opportunity for DwPs to meet and share ideas, find solutions to common problems and so forth.

Chairing of Meetings

This will normally be led by the IOR Chairperson, or the Vice-Chair COP if the Chair is not available. If neither the Chairperson nor Vice Chair COP is available the directors will nominate a Chair. The quorum for Council meetings is 4 directors.

Papers

Any papers required for the meeting must be circulated at least 3 working days beforehand to ensure that all Directors have time to read them. Unless detailed debate is required on an issue the Chair will ask for discussion to be kept to a minimum on each agenda item. The focus of any detailed discussions should be on determining actions – with the relevant action owner working to resolve them within the agreed time period.

Voting

Decision-making is expected to be collaborative, but where a vote is required, this will be determined by a simple majority and where no majority can be reached the Chairperson will have the casting vote.

Attendance at Meetings

As the IOR's governance body, it is imperative that directors demonstrate their commitment by regularly attending the council meetings, and as a benchmark directors should attend at least 75% (i.e. 3) of the quarterly meetings (DwPs and DwoPs) and 50% (i.e. 4) of the monthly meetings (for DwPs).

Minutes

Minutes of Council meetings will be circulated within 1 week of a meeting and the Directors in attendance will be asked to approve these.

2.5. Accountability of Council to the members

The Council, as the main governance body for the IOR, provides direction, strategic leadership, and management direction to the IOR in delivery of its mission as agreed with its members. The IOR Council is accountable to the membership, and each year an Annual General Meeting will be held at which the Council is held to account for the IOR's performance. The quorum for the AGM is 20 of the voting members, either in person or by proxy. The members may also call Members Meetings at which the members can challenge the Council.

3. Council Sub Committees and Working Groups

The Council has established a number of sub committees and working groups, and these will be reviewed from time to time. There currently exist 3 sub committees, including:

- Audit Committee
- Change control (IT systems) Committee
- The Audit Committee, is Chaired by a DwoP, and has a majority of independent DwoP members. The role of the Audit Committee is to oversee internal controls, oversee and approve the IOR's financials (including sign off of the annual accounts) and to advise the IOR Chair on matters of internal control and governance.
- The Change Control Committee provides oversight for the IT systems including the membership system, website and so forth.

Each committee has Terms of Reference approved by Council, and each committee reports to Council on a regular basis. Where a decision is required that goes beyond the delegated authority of the sub committee, the Council will be asked to decide.

Terms of reference for each of these committees are available in the IOR Repository.

4. Chapter Governance

The IOR has a number of Chapters. Local chapters have a high degree of autonomy, but operate under clear guidelines from the centre. Each chapter has a Chapter Head, who is appointed by the IOR Council. The Council will conduct a formal review of chapter head performance every 2 years. The Chapter Head is ultimately accountable for the management of the chapter. Each chapter will establish an organising committee to provide governance and challenge to the management of the chapter. The Vice Chair Chapters is accountable for oversight of the local Chapters and for reporting on chapter management and performance to the Council.

The local chapters are responsible for:

- Recruiting new members in their geographic area;
- Finding local sponsors;
- Liaison with the central IOR Council, via the Vice Chair Chapters;
- Organising and funding (via a proportion of the membership fees) regular events for their local membership. This includes seminars, conferences and social events;
- Producing a local area newsletter, as appropriate;
- Promoting the Institute to relevant local organisations (financial institutions, government bodies, media, etc.).

At a vote of the IOR Council, the IOR may dissolve or take over a Local Chapter's affairs entirely, including administration, membership and finances. Each Local Chapter agrees to be subject to the jurisdiction of the IOR Council, subject to a right of appeal to a specially constituted sub committee of IOR Council. The Local Chapter is not authorised to enter into any debt or contractual relationship without the permission of IOR Council, and may be subject to audit at any time as the IOR Council may direct. The governing body of each Local Chapter is liable to the IOR as represented by Council for the actions of the Local Chapter.

5. Members

The directors may establish different classes of membership and set out their respective rights and obligations provided that, if the directors establish any new classes of voting members, this must be approved by the members at a general meeting or ratified by the members at the next general meeting.

Grades of Member

The IOR currently has the following grades of membership:

a) Voting Members:

- Fellow
- Professional Member

b) Non Voting Members:

- Honorary Fellow
- Associate Member
- Corporate Member
- Corporate Representative

The Members' Handbook documents comprehensively the rights and obligations of members.

6. Review of Governance Arrangements and their Effectiveness

The DwP Governance will conduct an annual review of the effectiveness of governance arrangements and report to the Council with findings. In addition, the Audit Committee will undertake an independent review of the effectiveness of IOR governance arrangements and report findings and make recommendations as appropriate to the Chairman or Council.

7. Governance of the Policy

The policy may be updated from time to time as the IOR seeks to ensure that it maintains effective governance arrangements. Substantive changes to the Governance Policy will be presented to the next available AGM for noting, and the members can exercise their reserve powers if they have any objection to changes in the policy.