

CORPORATE GOVERNANCE

The corporate governance section, together with the remuneration report, details how the Company has applied the principles set out in Section 1 of the Combined Code and includes additional disclosures as to how the Company has complied with the detailed provisions of the Code.

The directors believe that during the year they have complied in full with the provisions of the Combined Code.

Directors

Composition of the board

The Company is headed by an experienced board of directors consisting of a non-executive Chairman, four executive directors including the Group Chief Executive Officer and four independent non-executive directors.

The members of the board, together with their biographical details, are shown on pages 42 and 43.

Board meetings

The board meets six times a year and at other times as appropriate including a separate meeting to focus on the strategic review.

The following table sets out the number of meetings of the board and its committees during the year ended 31 March 2009 and attendance by directors at those meetings:

	Board	Audit committee	Remuneration committee
Charles Gregson	6	–	–
Michael Spencer	6	–	–
Matthew Lester	6	–	–
John Nixon	6	–	–
Mark Yallop	6	–	–
Nicholas Cosh	6	4	4
James McNulty	6	4	4
William Nabarro	6	4	4
David Puth	6	4	4
Total number of meetings	6	4	4

Role of the board

The board has a schedule of matters specifically reserved to it for decision and approval which include:

- the Group's long-term objectives and commercial strategy;
- acquisitions, disposals and major investments;
- the Group's annual and half-year reports;
- any significant change in accounting policies or practices;
- any interim dividend and recommendation of the final dividend;
- the annual operating and capital expenditure budgets;
- any changes to the Company's capital structure or its status as a listed company;
- risk management strategy; and
- treasury policy.

Information is provided in a timely and regular manner to directors for all meetings to enable them to exercise their judgement in the discharge of their duties. In addition other senior executives attend certain board meetings to make presentations on potential acquisitions and to discuss the results and strategies of their businesses.

All directors have access to the advice and services of the Group Company Secretary who is responsible for ensuring that board procedures and applicable rules are observed. There is a procedure to enable the directors to obtain independent professional advice in respect of their duties at the Company's expense. This facility extends to the members of audit, remuneration and nomination committees. The Company maintains liability insurance for its directors and officers.

There is a clear division between the roles and responsibilities of the Chairman and the Group Chief Executive Officer. The Chairman is responsible for leadership of the board and ensuring effective communication with shareholders. The Group Chief Executive Officer is responsible for leading and managing the business.

To support the principles of good corporate governance, the board manages the Group through board meetings and a number of committees, each of which has terms of reference and meets regularly. The terms of reference of the audit, remuneration and nomination committees are available on the Group's website, www.icap.com. The minutes of each of the committees are made available to all directors and the board receives an update from each of the committee's chairman following the committee meeting.

Senior independent director

James McNulty is the senior independent director and provides an additional contact point for shareholders if the normal contact channels are inappropriate.

Independence of directors

With the exception of the Chairman, all the non-executive directors are independent of management and considered by the board to be free from any business or other relationships which could interfere with the exercise of their independence.

Board nominations are recommended to the board by the nomination committee under its terms of reference.

In accordance with the Combined Code and the Company's articles of association, all directors are subject to re-appointment by shareholders at the first opportunity following their appointment and, subsequently, must seek re-election at least once every three years.

CORPORATE GOVERNANCE CONTINUED

Conflicts of interest

In line with the Companies Act 2006, the articles of association were amended at the 2008 annual general meeting to allow the board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can be made only by independent directors (those who have no interest in the matter being considered). In making such a decision the directors must act in a way they consider in good faith will be most likely to promote the Company's success. A process has been established whereby actual and potential conflicts are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new director or if a new conflict arises. During 2008/09 this procedure operated effectively.

Induction and continuing professional development

New directors to the board are provided with appropriate training and briefings which take into account their individual qualifications and experience. All directors receive, during their term of office, regular briefings on changes and developments in the Group's business and legislative and regulatory changes which are relevant to the Group.

Board evaluation

During the year the board evaluated its performance and that of its committees and individual directors. This was done by way of a questionnaire which was completed by each director to evaluate effectiveness and accountability and by individual meetings with the Chairman. The collective results were then discussed by the board with actions agreed.

The board has considered and agreed that each of Michael Spencer and Mark Yallop, who are standing for re-election at the annual general meeting, continue to perform effectively and to demonstrate commitment to his role.

Audit committee

Members

Nicholas Cosh FCA (chairman)
James McNulty
William Nabarro
David Puth

All the audit committee members are independent non-executive directors. The board has satisfied itself that the chairman of the audit committee, and the committee collectively, have recent and relevant financial experience due to the senior positions they hold or held in other public companies, to enable the committee to function effectively and to discharge its responsibilities.

Appointments to the committee are made by the board on the recommendation of the Group's nomination committee following consultation with the chairman of the audit committee.

The committee meets four times a year with meetings coinciding with the start of the external audit cycle, the financial year end and the publication of the annual and half-yearly reports.

In attendance at such meetings, by invitation only, are the Chairman, Group Chief Operating Officer, Group Finance Director, the global head of risk, the group general counsel, Ernst & Young as internal auditor and representatives from the external auditors. The chairman of the audit committee also maintains contact with those attendees throughout the year. At the end of at least two of the committee meetings each year representatives from Ernst & Young, as internal auditor, and the external auditors are given the opportunity to raise any issues, in private, without management being present.

Role of the audit committee

Under its terms of reference, the audit committee is responsible for:

- monitoring the integrity of the Group's financial statements and any announcements relating to the Group's financial performance;
- reviewing the Group's internal financial controls and risk management systems;
- assessing the independence, objectivity and effectiveness of the external auditors;
- developing and implementing policies on the engagement of the external auditors for the supply of non-audit services;
- making recommendations for the appointment, re-appointment and removal of the external auditors and approving their remuneration and terms of engagement;
- monitoring and reviewing the effectiveness of the Group's internal audit function; and
- reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Activities

During the year the committee considered:

- the annual and half-year financial statements with particular focus on the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit;
- the audit plan for the full and half year;
- developments in accounting standards and financial reporting and their likely impact on the Group's financial statements with particular regard to the market conditions experienced during this period;
- audit fees and terms of engagement;
- all proposed non-audit assignments undertaken by the auditors with fees in excess of £50,000;
- reports on the activities of the internal audit function, including the results of internal audits;
- the annual internal audit plan;
- internal and external audit;
- presentations from the global head of risk;
- distributable reserve and regulatory capital planning;
- post acquisition reviews; and
- the whistleblowing arrangements.

Evaluation of external auditors

During the financial year, the committee reviewed and approved the proposed audit fee and terms of engagement for the 2008/09 audit and recommended to the board that it proposes to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditor for 2009/10.

The committee also monitored the balance of audit and non-audit fees to ensure that the independence and objectivity of the external auditors is maintained. During the year, PricewaterhouseCoopers LLP was the main provider of external advice but their work was limited to specific areas and the services of other firms were used on an ongoing basis. Any proposed non-audit assignments, with fees in excess of £50,000, are subject to the committee's prior review and approval.

As part of its consideration of the annual financial statements, the committee has reviewed and is satisfied that the auditors have remained independent of the Group during the financial year and continued to do so to the date of this report. The committee also received details from PricewaterhouseCoopers LLP of its own independence procedures and confirmation that, in its opinion, it remained independent throughout the year.

Following the completion of the Group audit for 2007/08, the committee undertook a review of the effectiveness of the external audit process and the qualification, expertise and resources of the external auditors. The assessment of the effectiveness of the external audit process for 2008/09 will be conducted in June 2009.

Internal control

Management is responsible for maintaining an effective system of internal control with the board being responsible for reviewing its effectiveness. Details of the steps taken by the committee to review the effectiveness of the Group's system of internal control are set out in the business review on page 33.

Remuneration committee

The remuneration report is set out on pages 51 to 56.

Nomination committee

Members

William Nabarro (chairman)
Nicholas Cosh
Charles Gregson
James McNulty
Michael Spencer

The committee recommends to the board appointments for the roles of Chairman, Group Chief Executive Officer, executive and non-executive directors.

During the year John Nixon was appointed as an executive director. At the time of his appointment in May 2008 he was, and continues to be, the Chief Executive Officer of ICAP Electronic Broking with additional responsibility for the information business and strategic acquisitions. This appointment was made as part of the succession planning for directors and other senior managers.

No other matters were considered by the committee during the year.

Other committees

There are two further board committees, group risk and finance, which report directly to the board of the Company, but whose memberships do not include non-executive directors.

Group risk committee

The committee is chaired by the Group Chief Operating Officer and includes the Group Finance Director, the global head of risk, the group general counsel, the group financial controller, the chief executive officers and the chief operating officers of London and EMEA, the Americas and electronic broking, the chief executive officer of Asia Pacific and the regional heads of risk for EMEA and the Americas.

The terms of reference are approved by the board and the committee meets at least six times a year. The minutes of the meetings are circulated together with the committee papers to all members of the board.

The committee is responsible for ensuring that the Group's risk management framework, risk appetite, risk strategy and policies are appropriate to the activities of the Group. The committee reviews the Group's risk exposures and ensures adherence to Group risk policy (particularly in relation to credit, market and operational risk).

It is the board's responsibility to determine the Group's risk appetite and identify, monitor and assess the significant risks the Group may be exposed to. The committee is responsible for developing procedures for managing risk in line with board approved policies and limits. This includes establishing and maintaining an adequate, sound and appropriate internal control structure, evaluating its effectiveness and promptly identifying material weaknesses and taking corrective steps.

CORPORATE GOVERNANCE CONTINUED

Finance committee

The committee is chaired by the Group Finance Director and includes the Group Chief Operating Officer, the group financial controller, the global head of risk, the group tax director, the director of treasury, the deputy treasurer and the head of corporate communications.

The terms of reference are approved by the board and the committee meets at least six times a year. The minutes of the meetings are circulated together with the committee papers to all members of the board.

The committee is responsible for reviewing and making recommendations to the board in relation to matters affecting the structure, financing, tax and treasury aspects of the Group and to ensure compliance with board approved financing, treasury and tax policies.

Relations and dialogue with shareholders

The board is accountable to the Company's shareholders for the performance and activities of the Group and is very much aware of the importance of maintaining good relations and communications with all its shareholders. The annual and half-year financial statements, together with the interim management statements and Stock Exchange announcements, are published on the investor relations section of the Group's website, www.icap.com, as soon as they are released. Major shareholder and analysts' presentations are also made available. The board recognises that the annual general meeting provides shareholders with an opportunity to receive information on the Group's business performance and to question senior management on any business matter. All the directors attended the 2008 annual general meeting.

The Group has established a programme of communication with its institutional investors and analysts. At the time of the announcement of the full and half-year results, presentations are made to analysts, the press and institutional investors. In addition, there are regular meetings during the year (subject to relevant regulatory constraints) with analysts and investors to update them on developments in the Group's strategy and performance.

Annual general meeting

The notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting and details of proxy votes for and against each resolution, together with votes withheld, are made available after the vote has been dealt with on a show of hands.

Accountability and audit

The directors' statement regarding their responsibility for preparing the Annual Report is set out in the directors' report on page 46 and the independent auditors' report regarding their reporting responsibility is detailed on page 57.

By order of the board

Deborah Abrehart

Group Company Secretary