

A BRIEF GUIDE TO FINANCIAL'S CORPORATE GOVERNANCE POLICY

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1 CORPORATE GOVERNANCE DEFINITION

1. Corporate Governance is the internal system by which FINANCIAL is directed and controlled.
2. The parties involved are the directors, the board, its sub-committees, stakeholders such as the FSA, Customers, Suppliers and Shareholders.
3. Transparency and accountability are the most important elements and this includes the timely provision by Financial of good quality information and a clear and credible decision-making process at board level.
4. The impact of Corporate Governance is on stakeholders and good governance ultimately leads to a strengthened group.

2 WHAT CORPORATE GOVERNANCE MEANS TO FINANCIAL

1. The Board understands the purpose and scope of corporate governance

There is clear understanding of what corporate governance is for. It ensures the board protects resources and allocates them to make planned progress towards FINANCIAL's defined purpose of organic growth.

2. The Board leads by example

The Board should set the right tone and behave accordingly, paying attention to FINANCIAL's motto of Humility, Integrity and Discipline. Directors regard one of their responsibilities as being guardians of the corporate conscience.

3. The Board empowers executive management and committees

The board sets clear goals and has appropriate structures and committees, delegated authorities and policies that determine its mandate.

4. The Board's strategy considers both risk and reward over time

Success in achieving strategic objectives requires understanding, accepting, managing and taking risks. Consideration of risk is therefore a key part of strategy. Risk is part of decision making at all levels at FINANCIAL. To avoid creating a risk averse culture, risk is about both threats and opportunities. The FINANCIAL board aims to understand the risks faced and aims to keep the level of risk acceptable and challenge executive management when appropriate.

5. The Board is balanced

FINANCIAL's board includes both outside non-executive and executive. The non-executive members challenge the executives on a regular basis. No single individual is able to dominate decision making. All

board members train to acquire a level of understanding to enable them to decide on the direction and control of FINANCIAL.

6. Executive remuneration promotes performance and is transparent

Remuneration arrangements are aligned with our company motto so as to promote organisational performance.

7. FINANCIAL's risk management and control is objectively challenged.

Internal and external audit are key sources of objective assessment and assurance. Internal and external audit actually operate independently and objectively, free from management influence.

8. The Board accounts to the FSA

FINANCIAL's board works for success. The Board aims to disclose sufficient, appropriate, clear, balanced, reliable and timely information to the FSA in the usual and defined format to the FSA.

9. Shareholders and other significant stakeholders hold boards to account

A fully independent external audit process, overseen by an effective audit committee is carried out annually.

10. Corporate governance evolves and improves over time

Financial recognise that there is improvement to be made and aim to do this over time.

3 HOW FINANCIAL ENFORCE CORPORATE GOVERNANCE

a) External corporate governance controls

External corporate governance controls that impact on FINANCIAL include

- Harper Sheldon the formal auditor
- One off audits such as conducted by Moore Stephens in 2008.
- The competition
- FSA regulations
- Health and Safety and other regulations
- media pressure

b) Internal corporate governance controls

Internal corporate governance controls that impact on FINANCIAL include

- Monitoring by the board of directors: The board of directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided.
- The internal audit department
- The alignment of the sole shareholder as Chief Executive

Strong corporate governance is important to build confidence in a company and help improve its appeal to investors, enhancing shareholder value.

*McKinsey & Company, Investor Opinion Survey, June 2000
links good corporate governance with shareholder value:*

- *39 percent of respondents said board practices were as important as financial issues in evaluating potential investments, and 25 percent said they were more important; and*
- *A large majority of respondents said they would pay more for a company with good governance practices versus one with poor governance, when the companies were going through difficult times.*

4 HOW FINANCIAL MEASURE CORPORATE GOVERNANCE

The measuring yardsticks used by Financial include the following

- internal audit department reviews
- results from TCF surveys and work including Gap Analysis
- TCF action plans flowing from the above
- Complaints ratios
- Performance reviews
- 121s, appraisals and discussions with individual staff
- Compliance management information feeds
- Key Performance Indicators