



# Bank of Ireland

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## Court Risk Committee (“CRC”)

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### Terms of Reference

<b>Document Title:</b>	<b>Court Risk Committee (“CRC”) Terms of Reference</b>
<b>Document Owner:</b>	<b>Group Company Secretary</b>
<b>Approved by Court</b>	<b>19 April 2024</b>
<b>Effective from:</b>	<b>19 April 2024</b>
<b>Next Scheduled Review:</b>	<b>January 2025</b>
<b>Review frequency:</b>	<b>Annually</b>

# Bank of Ireland Group PLC and The Governor and the Court of Bank of Ireland (together the “Group”)

## Court Risk Committee (the “Committee”)

### Terms of Reference

#### 1. Purpose

The Court Risk Committee (“CRC” or the “Committee”) is established by and accountable to the Court of Directors of The Governor and Company of the Bank of Ireland (the Court).

The Committee is responsible for:

- Monitoring risk governance and to assist the Court in discharging its responsibilities in ensuring that risks relating to the Bank and its subsidiaries (the “Group<sup>1</sup>”) are properly identified, assessed, monitored, reported, and controlled; and
- that strategy is informed by and aligned with the Group’s risk appetite.

The CRC makes recommendations to the Court on risk issues where the Court has reserved authority, maintains oversight of the Group’s risk profile, including adherence to Group risk principles, policies and standards and approves certain material risk policies within delegated discretion. Within the parameters of Court approved Risk Appetite, high level policies, frameworks and principles, the CRC approves certain material risk policies.

#### 2. Membership

- 2.1 The Committee shall comprise at least four (4) members, all of whom will be Non-Executive Directors whom the Court believes have appropriate knowledge, skills and expertise to understand and monitor risk strategy and risk appetite. To ensure co-ordination with the work of the Group Audit Committee (“CAC”), the Chair of the CAC should be a member of the CRC and the Chair of the CRC should be a member of the CAC. This shall apply also to the Group Transformation Oversight Committee (“GTOC”). Additionally, at least one (1) member of the Committee will also be a member of the Group Remuneration Committee. The Committee will include one (1) or more member(s) who, the Court believes, have individually and/or collectively specific risk management expertise and experience.
- 2.2 Membership of the Committee will be reviewed each year by the Group Nomination and Governance Committee in consultation with the Chair of the CRC and changes as required will be recommended to the Court at that time. The review will be undertaken to ensure an optimal mix of expertise, competencies and experience. While there is no fixed term of membership, the general aim is to refresh the membership from time to time to ensure an appropriate balance between continuity and fresh perspectives.
- 2.3 The Chair will be appointed by the Court on the recommendation of the Group Nomination and Governance Committee in consultation with the existing Chair of the CRC. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting. The Chair will be responsible for leadership of the Committee and for ensuring its effectiveness in all aspects of its role. The Chair should also facilitate the effective contribution of all members.
- 2.4 Depending on the subject matter under review, the Committee may invite any other director, officer, employee or external adviser to attend any meetings of the Committee. The following shall be in regular attendance:
  - The Chief Executive Officer;
  - The Group Chief Risk Officer;
  - The Group Chief Compliance Officer;
  - The Group Chief Internal Auditor; and
  - The Group Chief Financial Officer.

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<sup>1</sup> The scope of these Terms of Reference covers Group, its branches and all relevant subsidiaries. This includes the US Branch and the following material subsidiaries: New Ireland Assurance Company plc (“NIAC”), Bank of Ireland (UK) plc (“BOI UK plc”) and Bank of Ireland Mortgage Bank (“BOIMB”).

- 2.5 The Group Company Secretary or his/her nominee, as agreed with the Chair of the Committee will provide the secretariat function for the Committee. He/she will not be a member of the Committee. The Group Secretariat & Corporate Governance function will support the Committee.

### 3. Meeting operations

- 3.1 The Committee shall meet at a minimum on six (6) occasions throughout the year for the discharge of its responsibilities and ad hoc as required. The Chair of the Committee shall report to the Court on its proceedings after each meeting.
- 3.2 The quorum for meetings will be three (3) members, to include the Chair or alternate Chair. A duly convened meeting of the Committee at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the Committee.
- 3.3 The Chair of the Committee or the Governor of the Bank may each request that a meeting be held at any time. Any other member of the Committee or the Group Chief Risk Officer ("CRO") or the Group Chief Compliance Officer ("CCO") may each request the Chair to convene a meeting at any time.
- 3.4 Meetings will be formal, with members attending in person or by Teams/ Zoom / conference call.
- 3.5 Matters requiring approval at any Committee meeting shall be decided by a majority of votes. Where there is an equality of votes, the Chair shall have a second or casting vote. Votes shall be recorded in the minutes. Where decisions are unanimous, they shall be recorded as such in the minutes. Dissensions shall be documented in the minutes in terms acceptable to the dissenting person.
- 3.6 Save for agreed exceptions, and to facilitate the provision of timely information to the Committee, the agenda and supporting papers will be circulated to each Committee Member at least five (5) business days in advance of any scheduled meeting.
- 3.7 Minutes of Committee meetings shall be circulated to relevant stakeholders for review within five (5) working days. Following this, they will be agreed with the Chair as soon as possible and submitted to a subsequent Committee meeting for approval. Copies of the approved minutes are submitted to the Court as soon as possible for review and consideration.

### 4. Key Responsibilities & Functions

Without limiting the generality of the Committee's purpose, the Committee has the following specified key functions and responsibilities, considering the recommendations of the Group Executive Risk Committee ("ERC"), the Asset and Liability Committee ("ALCO") or one of their appointed committees on items as detailed hereunder which are relevant to the Group.

#### Risk Framework

- 4.1 Review and recommend annually to the Court for approval the **Group Risk Management Framework**, which incorporates the Group's approach to risk management and reflects the Group's risk culture.
- 4.2 Review progress on the **embedding of the Risk Management Framework and control enhancement** semi-annually or as required.
- 4.3 Review and approve annually the Group's **Regulatory Compliance Strategy**.

#### Risk Identification and Assessments

- 4.4 Review and approve annually updates to the **Risk Library**, with interim updates approved by the ERC, and notified to CRC at the following meeting.
- 4.5 Review & challenge the Company's assessment and measurement of **key current and longer-term risks**, on at least an annual basis.

- 4.6 Provide oversight on the overall approach management is taking with regard to **ongoing and future compliance responsibilities** of the Group.
- 4.7 Review and approve on an annual basis the **Financial Crime Risk Methodologies and Assessments** including Group Anti-Money Laundering (“AML”) and Countering the Financing of Terrorism (“CFT”), and Sanctions.
- 4.8 Jointly with the Group Sustainability Committee, ensure that **ESG risks** have been integrated into the overall Group Risk Management Framework and key risk management policies and processes, including consideration of the annual assessment of ESG risks and opportunities.
- 4.9 Reviewing the **risk implications of any update to Group Strategy or changes to Investment Allocation decisions** and advising the Court accordingly.
- 4.10 Review & challenge the **risk assessment of a due diligence appraisal of any acquisition or divestment activity, or any other item reserved for Court decision** and advising the Court on their findings.
- 4.11 Review and recommend to the Court/Court for approval **securitisation transactions**, including those which intend to achieve Significant Risk Transfer (“SRT”).
- 4.12 Review & Challenge, on an annual basis, the **alignment between all material financial products and services offered to clients and the business model and risk strategy of the Group**, taking into account the risks involved, and the alignment between the prices assigned to and the profits gained from those products and services.
- 4.13 Providing Group Remuneration Committee with appropriate **risk related input to their annual review of Group remuneration policy** including the Material Risk Taker identification process or other remuneration matters including recommending any adjustments to the Group’s bonus pool to reflect risk management performance.
- 4.14 Jointly with the Group Audit Committee to review and challenge as appropriate **Asset Quality** as an input into the evaluation of the Group’s impairment charge, the quantum of impairment provisions and the defaulted loan balances at year end. This includes semi-annual consideration of the **Group’s Large exposures** and commentary on **Top 20 loans**.
- 4.15 Review and recommend to the Court for approval Court Approved **Personal Lending Discretions**.
- 4.16 Review and approve **Country limits within Country risk exposure guide points** and recommend limits outside guides to the Court / Court.
- 4.17 Review and approve **Reinsurance counterparty risk** to be assumed by New Ireland Assurance Company plc where the proposed counterparty limits is in excess of delegated discretion.

#### **Risk Appetite**

- 4.18 Review and recommend to the Court annually for approval the **Group’s Risk Appetite Statement and any proposed amendments to limits**.
- 4.19 **Review all breaches of Group Risk Appetite** and approve and challenge progress against risk reduction plans to bring the position back within appetite;

#### **Risk Policies**

- 4.20 Review and recommend or approve as appropriate **all risk policies and frameworks according to the agreed delegation outlined in the risk policy register**.

## Stress Testing & Scenario Analysis

- 4.21 Review and recommend to the Court for approval the **Group's Internal Capital Adequacy Assessment Process ("ICAAP") report, and supporting documents.**
- 4.22 Review and recommend to the Court for approval the following **Internal Liquidity Adequacy Assessment Process ("ILAAP") and supporting documents.**
- 4.23 Review and recommend for approval to the Court the **Group Recovery Plan** and any supporting documents.
- 4.24 Review and recommend for approval to the Court the annual key Single Resolution Court ("**SRB**") **Resolution Planning submission.**

## Risk Monitoring & Reporting

- 4.25 Provide oversight of the Group's risk profile, to include:
  - a) **Review and challenge of the risk profile** against Court/Court approved Risk Appetite limits, and Management<sup>2</sup> Metrics;
  - b) Monitor the **current status of and outlook for all material risks** facing the Group through review of the **CRO update, Court Risk Report, Chief Compliance Officer Report, annual MLRO Report;** and
  - c) Perform **deep dive risk reviews** into risk profiles and key business lines as appropriate.
- 4.26 Review & Challenge the **Operational Resilience profile** including recommendation to the Court annually for approval of a compliance self-assessment and other key documents.
- 4.27 Advise and support the Court regarding the **monitoring of the Group's overall actual and future risk appetite and strategy**, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Group.
- 4.28 Reviewing and challenging, as appropriate, any **review findings rated "Needs Significant Improvement" or worse** from Second or Third Line or from external auditors, including implications for risk management and oversight of remediation measures, as appropriate
- 4.29 Review progress on the **Risk Mitigation Programmes ("RMP")** and other material regulatory interactions.
- 4.30 Monitor that a sound and consistent **Risk Culture** is embedded and supports the Group in making informed decisions.
- 4.31 Consider issues escalated from the ERC, ALCO, RMC or from the CRO or CCO.

### Oversight of Material Subsidiaries and branches

- 4.32 Review and challenge, at least annually, or as required, an update on risk matters from the **US Country Manager and Material Subsidiaries** and note the minutes of the material subsidiary Risk Committee meetings.

### Chief Risk Officer and the Group Risk Function

- 4.33 Review the **adequacy and effectiveness of resources within the Risk and Compliance functions** following review by the Group CRO.
- 4.34 Review and challenge the 2LOD view of Risk Management Approach **and maintenance of an effective risk management system** that is proportionate to the nature, scale and complexity of the risks inherent in the business.

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<sup>2</sup> Management metrics are executive management metrics developed by 2LOD risk officers . These metrics are assigned limits and warning triggers to enable management to take action and reduce exposure where necessary.

- 4.35 Providing advice to the Court in relation to the **appointment, replacement or dismissal of the Group Chief Risk Officer**.

## **Governance**

- 4.36 **Review and approve the Court Risk Committee Report in the annual Report & Accounts.**
- 4.37 Review and challenge annually proposed changes to the **Risk Management Notes** contained in the Annual Report.
- 4.38 Review and approve the Committee's **minutes** and review those of the ERC, ALCO and RMC.
- 4.39 Approve the **establishment or dissolution of sub-committees, appointed committees and working groups under the Committee**, including approval of Terms of References, to deal with specific risk issues and delegate authority to those committees and working groups as required.
- 4.40 Provide advice to the Court on the **appointment of external consultants** that the Court may decide to engage for advice or support on risk matters.
- 4.41 Keep under consideration the appropriateness of reporting and consider **potential enhancements to reporting capabilities**.

## **5. Authority**

- 5.1 The Committee derives its authority from the Court.
- 5.2 The Committee may investigate any matter falling within its terms of reference or any other area of risk within the Group calling on whatever resources (including external professional or legal services) and information it considers necessary to so do. It shall have access to adequate funding to enable it to discharge its duties.
- 5.3 The Committee is authorised to seek any information it requires from any employee of the Group to enable it to discharge its responsibilities.
- 5.4 The CRO will have a right of direct access to the Governor/Chair of the Court/Board and to the Committee on a continual and unrestricted basis, and shall meet twice annually with the Committee in the absence of management. The Group Chief Compliance officer shall also meeting twice annually with the Committee in the absence of management.

## **6. Decision Rights**

- 6.1 The Committee may invite any Director, Executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objectives.
- 6.2 While appointed by the GEC or ERC, the Committee has oversight of the following Committees in respect of delegated risk matters:
- ERC
  - ALCO
  - RMC
- 6.3 The Committee will review any changes to the Terms of Reference of each of the above Committees and approve those of the RMC.

## **7. Reporting and Escalation**

- 7.1 The Chair of the Committee shall report formally on key aspects of the proceedings of the Committee to the subsequent Court meeting and the minutes of the Committee should be tabled at the Court as soon as possible for noting and/or discussion as necessary.
- 7.2 Outside of the formal reporting cycle, the Committee shall ensure the Court is informed promptly of any matters of material concern, in line with the wider Governance Framework.
- 7.3 Decisions beyond this Committee's authority and matters which this Committee deems necessary for escalation will be escalated by the Chair to the Court as appropriate.

## **8. Ways of Working**

Members, in carrying out their duties under these Terms of Reference, will:

- 8.1 Be entitled to rely on the integrity and expertise of persons providing information to the Committee and on the accuracy and completeness of such information.
- 8.2 Bring an enterprise-wide view to all deliberations.
- 8.3 Ensure that a 'customer outcomes' and risk management focus is applied in all decision making.
- 8.4 Where relevant, participate in established committees in a constructively challenging and independent manner, ensuring the views of key stakeholders and subject matters experts are sought, including the second line of defence.
- 8.5 Lead the Group by appropriately delegating authority, providing clarity of expectations and role modelling the desired values.
- 8.6 In performing its duties the Committee members will comply with all applicable legal and regulatory requirements, including the Common and Additional Conduct Standards under the Central Bank of Ireland's Individual Accountability Framework.

## **9. Training and Induction**

- 9.1 Committee Members shall be provided with relevant and timely induction and training, either individually or collectively, as appropriate. The Committee Chair, with support from the CRO and Committee Secretary will be responsible for ensuring this training is provided on an individual and collective basis, with appropriate other training provided by identified subject matter experts as required.

## **10. Performance Evaluation and Terms of Reference**

- 10.1 The Committee shall, at least once a year:
  - a) Review its own performance and submit a report to the Court;
  - b) Review the report on performance of the ERC, ALCO and RMC; and
  - c) Review the Committee's TOR, with any changes deemed necessary recommended to the Court.

## **11. Responsibility of Management**

- 11.1 Management will ensure that all information relevant to the discharge by the Committee of its responsibilities, detailed above, is provided to the Committee (as requested by the Committee). Management will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.