

**The Governor and Company of the Bank of Ireland**  
**Court Remuneration Committee**  
**Terms of Reference**

|                           |  |
|---------------------------|--|
| <b>Document Title:</b>    | <b>Court Remuneration Committee Terms of Reference</b> |
| <b>Approved by Court:</b> | <b>22 November 2018</b>                                |
| <b>Review frequency:</b>  | <b>Annually</b>  |

## **Court Remuneration Committee (“Committee”)**

### **Terms of Reference**

#### **1. Objectives**

This is the Committee of the Court of Directors of the Bank (the “**Court**”) responsible for ensuring that the Bank’s overall reward strategy is consistent with achievement of the Group’s (being Bank of Ireland Group plc (the “**Company**”) and its subsidiaries) strategic objectives.

The Committee is responsible for the oversight of the Group remuneration policy and has delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the Governor, Directors and the Senior Management Team across the Group (being the Group Executive Committee), and those employees whose activities have a material impact on the Group’s risk profile and for considering and making recommendations to the Court in respect of same.

In framing remuneration strategy, frameworks and policies, the Committee shall give consideration to the principles and provisions of the UK Corporate Governance Code (including Schedule A to that Code) and shall take into account the long term interests of stockholders, investors and other stakeholders in the Group and the public interest. In addition, remuneration frameworks and policies may differ to reflect local geographical and regulatory requirements.

The Committee will be responsible for ensuring that the Bank operates remuneration frameworks, policies and practices which are, where possible, in line with relevant legal and regulatory requirements, as to its application. Due consideration shall be given to laws, regulations and any published guidelines or recommendations. Certain restrictions arise under the Transaction Agreement which constrains the Bank’s ability to be fully in line with these principles and guidance.

In addition, the Committee is responsible for ensuring that the remuneration, frameworks, policies and practices for the members of the Senior Management Team supports the objectives of the Transaction Agreement and associated letter from the Minister for Finance or any other relevant agreements with the State.

The resultant frameworks, policies and practices will be reviewed regularly by the Committee and will be recommended to the Court for ratification.

#### **2. Membership**

- 2.1 The Committee will comprise a minimum of three independent Non-Executive Directors who have the knowledge, skills and experience to reach an independent judgement on the suitability of the frameworks, policies and practices, including implications for risk and risk management. Membership and chairmanship of the Committee will be reviewed by the Court each year on the recommendation of the Court Nomination and Governance Committee in consultation with the Chairman of the Committee. The Chairman of the Committee will be an independent Non-Executive Director. The general aim is to change the membership from time to time to ensure an appropriate balance between continuity and fresh perspectives.
- 2.2 The Governor may serve on the Committee as an additional member (but not chair) if he or she was considered independent on appointment as Governor.
- 2.3 Directors who perform an executive function shall not be members of the Committee. The Chief Executive shall however be in attendance as required. The secretary of the Bank shall be secretary of the Committee.

- 2.4 At least one member of the Committee will also be a member of the Court Risk Committee.
- 2.5 Each year the membership of the Committee will be displayed in the Annual Report and Accounts. When a Director, who is a member of the Committee, stands for re-election at the Annual General Court, his/her membership of the Committee will be noted on any proxy forms issued to stockholders.

### **3. Meetings and Quorum**

- 3.1 The Committee will meet as often as it deems necessary for the discharge of its responsibilities.
- 3.2 The quorum for meetings shall be two members.
- 3.3 Any member of the Committee who has any personal interest in the matters to be considered by the Committee must so declare that interest and must absent himself/herself from any meeting while such issue is being considered.

Neither the members of the Court nor the Committee may participate in discussions or decisions relating to their own remuneration.

- 3.4 Questions arising at any Committee meeting shall be decided by a majority of votes, where there is an equality of votes, the Chairman 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 and negative votes shall be documented in the minutes in terms acceptable to the dissenting person or negative voter.

### **4. Duties**

Without limiting the generality of the Committee's objectives set out in paragraph 1, the Committee shall have the following functions:

- 4.1 Adopt and implement the Group Remuneration Policy and ensure that the Committee shall operate within that policy. The design the Group Remuneration Policy and practices should support strategy and promote long-term sustainable success, including a formal policy to promote long-term shareholdings by Executive Directors and post-employment shareholding requirements.
- 4.2 Adopt and implement a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration, addressing clarity, simplicity, risk, predictability, proportionality and alignment to culture when considering Executive Director remuneration. No director should be involved in deciding their own remuneration outcome.
- 4.3 Oversee the annual review of the Group's Remuneration Policy, with input from the relevant risk management functions and the Court Risk Committee, and review workforce remuneration and related policies and the alignment of incentives and reward with culture, taking these into account when setting the policy for executive director remuneration.
- 4.4 Determine, after consultation with the Court, the Chief Executive's annual performance assessment and remuneration terms subject to approval of the Group Remuneration Committee.
- 4.5 Determine, subject to the approval of the Group Remuneration Committee, the total remuneration package for the Governor of the Court, each Executive Director, members of the Senior Management Team (being the Group Executive Committee),

as defined from time to time by the Court and the Head of Internal Audit, including, in each case:-

- salary;
- variable payments;
- stock options and awards;
- service contracts;
- pension benefits.

In their deliberations, the Committee will have regard to the ongoing appropriateness and relevance of the remuneration policy, relevant market comparisons and practice, alignment to company purpose and values, and successful delivery of the company's long-term strategy, together with any other relevant guidance. The Committee's deliberations will also, where appropriate, be informed by a reasonable assessment of the Group's risk profile, financial situation and future prospects based on input from the Court Risk Committee. In the case of the Head of Internal Audit, the Committee will consult with the Chairman of the Court Audit Committee.

- 4.6 Have direct oversight, subject to the Group Remuneration Committee's oversight, over the remuneration of heads of control functions and senior risk management and compliance officers.
- 4.7 Consider the implications of remuneration policy/commitments for Executive Directors and members of the Senior Management Team (being the Group Executive Committee) and the Head of Internal Audit in the event of early termination, in order to ensure that any such payments are fair, reasonable and appropriate to all parties. In the case of the Head of Internal Audit, the Committee will consult with the Chairman of the Court Audit Committee.
- 4.8 The remuneration of Non-Executive Directors of the Court shall be a matter for the Governor, in consultation with the Chief Executive, the secretary of the Bank and the Bank's Head of Human Resources. Such fees will be determined by the Court itself, subject to the approval of the Board of the Company, (non-executives not participating in the decision) within the limit as set from time to time by stockholders under the Bye Laws. Levels of remuneration for the chair and all Non-Executive Directors should reflect the time commitment and responsibilities of the role. Remuneration for all Non-Executive Directors should not include share options or other performance-related elements.
- 4.9 Review from time to time the level of board fees paid by the boards of subsidiaries of the Bank and recommend to the Court, increases (if any), to be proposed to the board of that subsidiary, subject to the approval of the Group Remuneration Committee.
- 4.10 Review annually where they exist, such review to be subject to the approval of the Group Remuneration Committee:
  - (1) long-term incentive programmes;
  - (2) employee stock plans; and
  - (3) general pension increases.
- 4.11 Determine the powers delegated to any Management Remuneration Committees and consider the minutes of their deliberations.
- 4.12 Annually review, subject to the Group Remuneration Committee's approval, the Group Remuneration Policy for all Group staff and in particular for those identified as material risk takers. Review, subject to the Group Remuneration Committee's approval, the overall remuneration of the top earners within the Group each year.

- 4.13 Approve, subject to the approval of the Group Remuneration Committee, any contract of employment or related contract, and any proposed amendments to these (including salary changes), for any Executive Director or the Governor.
- 4.14 Consider and recommend to the Court policy on stockholder disclosure and related matters for all remuneration issues including the contents of the Directors' Remuneration Report contained in the Annual Report and Accounts. Ensure that such disclosure is clear and transparent.
- 4.15 Consider scenarios which might test the remuneration system's ability to react to future external and internal events.
- 4.16 Perform any other duties or responsibilities relating to remuneration issues delegated to the Committee by the Court from time to time.
- 4.17 Review, on an annual basis, the Committee's Terms of Reference and, subject to the Group Remuneration Committee, recommend to the Court any amendments thereto.

## **5. Authority**

- 5.1 The Committee will operate under delegated authority from the Court and the Chairman of the Committee will report to the Court on the Committee's proceedings after each meeting. Committee minutes will also be circulated to the Court.
- 5.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group Secretariat for assistance as required. As and when required the Committee may access professional advice and may commission both informal and formal remuneration studies to assist its formulation of remuneration policy. Where remuneration consultants are appointed the Committee should consider whether they have any other connection with the Bank and the Group. The consultants should be identified in the Annual Report. The Committee must exercise independent judgment when evaluating the advice of external third parties and when receiving views from Executive Directors and senior management.
- 5.3 The Committee will seek relevant advice from the Court Risk Committee where appropriate, for example, in considering incentives which are based on future revenues whose timing and likelihood are uncertain. The Chief Risk Officer will be invited to attend at least one Committee meeting per year to report on the Group's risk profile, its financial condition and future prospects, and to consider the implications of remuneration policies for risk and risk management within the Group. On the occasion of his/her presentation to the Committee, the Chairman of the Court Risk Committee will be invited to attend the Committee meeting.
- 5.4 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.
- 5.5 The Committee is authorised to seek any information it requires from any employee of the Group to enable it discharge its responsibilities.

## **6. Performance Evaluation**

- 6.1 On a yearly basis, the Committee shall review the effectiveness of its operations and report to the Court on its findings and recommendations.