
Bank of Ireland Group plc Compliance with the Capital Requirements Directive (CRD IV) - Governance Disclosures

Corporate Governance Statement

Article 96 of the CRD IV requires institutions to set out a statement, on the institution's website, on how they comply with the requirements of Articles 88 to 95 of CRD IV. CRD IV has been implemented in Ireland by the Irish European Union (Capital Requirements) Regulations 2014 (the 'Regulations'). Regulation 84 (Maintenance of website on corporate governance and remuneration) of the Regulations provides that where an institution maintains a website on the internet, such website shall contain an explanation of how the institution complies with the requirements of Regulations 76 to 83 of the Regulations. The purpose of this statement is to explain how the Group complies with the requirements of Regulations 76 to 83 of the Regulations.

Bank of Ireland Group plc ('BOIG plc') is a holding company operating through its subsidiaries including The Governor and Company of the Bank of Ireland (the 'Bank') (together the 'Group'). A common board of directors and committee structure applies with the same directors sitting on the Board of Directors of BOIG plc (the 'Board') and on the Court of Directors of the Bank (the 'Court') and on the committees of each of the Board and the Court.

Governance overview

The Board is accountable to shareholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the long-term interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review.

The Board's oversight of risk and control is supported through delegation of certain responsibilities to Committees of the Board, the principal Committees being the Group Audit Committee, the Board Risk Committee, the Group Nomination and Governance Committee and the Group Remuneration Committee. Court oversight of risk and control is supported through delegation of certain responsibilities to Committees of the Court, the principal Committees being the Court Audit Committee, the Court Risk Committee, the Court Nomination and Governance Committee and the Court Remuneration Committee, each of which comprises the same members as the equivalent Committee of the Board. Further information on these Committees is set out below.

The Board's role is to provide leadership of the Group within the boundaries of risk appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled. The Board sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly. Matters requiring Board approval include:

1. Strategy and Risk Appetite

- a. Determination of risk appetite and approval of the Group's Risk Appetite Statement
- b. Determination of the Group's strategy

2. Corporate and Capital Structure

- a. Approval of Common Equity Tier 1 capital investments of greater than €20 million in a regulated subsidiary and €40 million in any other subsidiary
- b. Approval of share issuances by any Group member to an entity outside of the Group
- c. Approval of equity underwriting of sums greater than €20 million

3. Management

- a. Approval of the Group's business plans and budgets
- b. Overseeing management of the business

4. Financial and Regulatory Reporting, Internal Controls, Risk and Capital Management

- a. Approval of Half Year Report, Annual Report & Accounts
- b. Approval of the Group Risk Framework

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- c. Approval of the Group Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment (ILAAP) and Recovery Plan
 - d. Overseeing the internal control, compliance and risk management systems of the Group

5. Transactions

- a. Approval of acquisitions or divestments of companies involving a third party or management buyout except for credit management purposes
- b. Approval of guarantees, including those in respect of subsidiary companies, entered into by a member of the Group, other than in the normal course of business.
- c. Approval of capital expenditure in excess of €40 million
- d. Approval of Class 1 or Class 2 transactions (each as defined by the Listing Rules)
- e. Approval of related party transactions (as defined by the Listing Rules) giving rise to an obligation to issue a shareholder circular

6. Corporate Governance, Board and Other Appointments

- a. Promoting the appropriate culture, corporate values, behavior's and ethics of the Group
- b. Overseeing corporate governance and succession planning
- c. Approving appointment of directors and specified senior management appointments

7. Pension Scheme

Approval of all changes to the funding of pension schemes in the Group and/or benefits of same

The Board is responsible for determining high-level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives.

The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through a Board Risk Report reviewed quarterly (and monthly for liquidity, credit, capital and operational risk).

The work of the Board follows an agreed schedule of topics which evolves based on business need and is formally reviewed annually by the Board. The Board monitors and reviews the performance of the Group through a series of reports, receives updates from the Group's principal businesses on the execution of their business strategy and considers reports from each of the principal Board Committees.

The composition of the Board, Court and their Committees is structured to ensure that there is an appropriate mix of skills and experience and independence. Each of the Chairman, Deputy Chairman and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Board and the Court through their character, objectivity and integrity. Biographical details, including each Director's background, experience and independence classification, are set out on pages 115 to 118 of the annual report of the Bank for the financial year ending 31 December 2018 available at <https://investorrelations.bankofireland.com/app/uploads/BOI-Annual-Report-2018-2.pdf>

The Group ensures that individual Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Bank has been classified as a 'significant institution' under the Regulations. As at 31 December 2018, all Directors were within the directorship limits set out for significant institutions under the Regulations.

On an annual basis the Group conducts a review of the on-going fitness and probity of members of the management body, whereby Directors are asked to confirm any changes in circumstances in respect of their compliance with the Fitness and Probity Standards issued by the Central Bank of Ireland and the guidelines issued by the European Banking Authority on the assessment of the suitability of members of the management body and key function role holders. All changes in circumstances disclosed are assessed and their materiality determined. Time commitments of Directors are considered as part of this review process and Directors are asked to confirm that they continue to have sufficient time to perform their roles.

The respective roles of the Chairman of the Board and Court, and the Group Chief Executive Officer, which are separate, are set out in writing and have been agreed by the Board. The Chairman oversees the operation and effectiveness of the Board and the Court including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Board and Court. He also ensures that there is effective communication with the Group's shareholders and promotes compliance with corporate governance standards. The 'Senior Independent Director' (SID) provides Directors, the Group Secretary, the Group's shareholders and customers with an

additional channel, other than the Chairman or the Group Chief Executive Officer, through which to convey, should the need so arise, concerns affecting the Chairmanship or the Board or Court, or any other issue.

The Group Chief Executive Officer is responsible for execution of approved strategy, holds delegated authority from the Board for the day to day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance.

Appointments to the Board and the Court

The Board is committed to identifying the people best qualified and available to serve on the Board and the Court and is responsible for the appointment of Directors. The Board and Court plan for renewal with the assistance of the Group Nomination and Governance Committee and the Court Nomination and Governance Committee, each of which comprise the same Directors ('N&G Committee'), and regularly review Board and Court composition, tenure and succession planning. In accordance with the Director Assessment Policy and Board Diversity Policy, all appointments are made on merit against objective criteria (including the skills and experience the Board and Court as a whole requires to be effective) with due regard for the benefits of diversity on the Board and Court.

Prior to the appointment of a Director, the N&G Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role, having regard to the formal assessment of the skills profile of the Board and Court and succession planning. The recruitment process for Non-executive Directors is supported by an experienced third party professional search firm which develops an appropriate pool of candidates and provides independent assessments of the candidates. The Group works with that firm to shortlist candidates, conduct interviews / meetings (including meetings with members of the N&G Committee and the Board and the Court) and complete comprehensive due diligence. In accordance with the Director Assessment Policy, the assessment process and the due diligence completed is extensive and includes self-certification confirmations of probity and financial soundness and external checks involving a review of various publicly available sources. It also involves the N&G Committee satisfying itself as to the candidate's ability to devote sufficient time to the role, independence, fitness and probity, and assessing and documenting its consideration of possible conflicts of interests. The N&G Committee then makes a recommendation to the Board and the Court. Appointments do not proceed where conflicts emerge which are significant to the overall work of the Board or Court.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-executive Directors can be inspected during normal business hours by contacting the Group Secretary.

Induction and Professional Development

On appointment, all Non-executive Directors receive a comprehensive induction program designed to familiarise them with the Group's operations, management and governance structures, including the functioning of the Board and the role of the key committees. In addition, new Non-executive Directors undertake significant induction in relation to risk and business matters, including visits to or presentations by Group businesses and briefings with senior management.

On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-executive Directors. In order to ensure that the Directors continue to further their understanding of the issues facing the Group, Directors are provided with professional development sessions and briefings on a range of technical matters, tailored to their particular requirements. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors.

Conflicts of Interest

Each of the Board and the Court have approved a Conflicts of Interest Policy, each of which sets out how actual, potential or perceived conflicts of interest are identified, reported and managed to ensure that Directors act at all times in the best interests of the Company and the Bank, as appropriate. The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interest. The Code of Conduct is communicated throughout the Group.

Internal Controls

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to ensure that there are thorough and regular evaluations of the nature and extent of risks and the ability of the Group to react accordingly. The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements.

Communications and Disclosures

Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors.

Performance Evaluation

There is a formal process in place for annual evaluation of the performance of the Board and Court, and that of their principal Committees and of individual Directors (including the Chairman). An evaluation of the performance of the Board, Court and their Committees is conducted every year, with an externally facilitated review to be conducted at least every third year. The objective of these evaluations is to review past performance with the aim of identifying any opportunities for improvement, determining whether the Board/Court/Committee as a whole is effective in discharging its responsibilities and, in the case of individual Directors, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

The Group Nomination and Governance Committee and Court Nomination and Governance Committee ('N&G Committee')

The N&G Committee comprises a minimum of 3 Non-executive Directors including the Chairman of the Board, and its composition is fully compliant with CRD IV.

The key responsibilities of the N&G Committee are set out in its terms of reference and include:

- leading the process for appointments and renewals for the Board, Court and their Committees;
- overseeing the process for key subsidiary board non- executive director appointments and renewals;
- keeping governance arrangements under review and making appropriate recommendations to the Board or Court to ensure corporate governance practices are consistent with good practice corporate governance standards;
- overseeing subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries;
- regularly (and at least annually) reviewing the structure, size, composition and succession plans of the Board, Court and Committees (including consideration of the skills, knowledge, experience and diversity of Directors and their compliance with the relevant fitness and probity standards and making recommendations to the Board with regard to any changes it considers desirable);
- overseeing the annual evaluation of the performance of the Board and Court and the annual evaluation of the performance of individual Directors;
- reviewing at least annually the effectiveness of the Group's policy on diversity, its objectives, including its measurable objectives for achieving diversity and the extent to which these measurable objectives have been achieved;
- recommending appropriate internal policies on the selection and assessment of Directors and key function holders in the Group; and
- overseeing the Group's Corporate Responsibility Program.

The terms of reference of the N&G Committee state that in performing its duties, the N&G Committee shall to the extent possible and on an ongoing basis, take account of the need to ensure that Board and Court decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Group as a whole.

The Board and Court benefit from the diverse range of skills, knowledge and experience acquired by the Non-executive Directors as directors of other companies, both national and international, or as leaders in the public and private sectors. The effectiveness of the Board and Court depends on ensuring the right balance of Directors with banking or financial services experience and broader commercial experience. Following review in 2018, the Group Nomination and Governance Committee determined that the skills profiles of the Board and Court were appropriate in the areas identified as relevant to the business of the Group.

The Group recognises the benefits of having a diverse board. In reviewing Board and Court composition and identifying suitable candidates, the N&G Committee considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, regional and industry experience, background, nationality, gender, age and other relevant qualities in order to maintain an appropriate range and balance of skills, experience and background on the Board and Court. As at 31 December 2018, there was 27% female representation on the Board. The Board and Court had set a target of achieving and maintaining a minimum of 33% female representation on the Board and Court by end of the year 2020.

The Director Assessment Policy and Key Function Holders Assessment Policy is periodically reviewed by the N&G Committee.

The Group Remuneration Committee and the Court Remuneration Committee (RemCo)

The RemCo comprises four independent Non-executive Directors from diverse backgrounds to provide a balanced and independent view on remuneration matters. The RemCo is chaired by an Independent Non-executive Director and its composition is compliant with the requirements of CRD IV. In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the RemCo and the Board and Court Risk Committees.

The RemCo is responsible for the oversight of Group-wide remuneration policy with specific reference to the Chairman, Directors and senior management across the Group, and those employees whose activities have a material impact on the Group's risk profile. The remuneration of Non-executive Directors is determined and approved by the Board. Neither the Chairman nor any Director participates in decisions relating to their own personal remuneration.

The RemCo is responsible for overseeing the annual review of the Group Remuneration Policy with input from the relevant risk management functions. The terms of reference of the RemCo are reviewed annually by the RemCo and by the Board and Court and are available on the Group's website (www.bankofireland.com) or by request to the Group Secretary. The terms of reference of the RemCo state that in framing remuneration strategy, frameworks and policies, the RemCo shall take into account the long-term interests of shareholders, investors and other stakeholders and the public interest.

It is the RemCo's responsibility to ensure that the Group's overall reward strategy is consistent with achievement of the Group's strategic objectives.

Remuneration Policy

The Group Remuneration Policy, subject to the remuneration restrictions to which the Group is subject (described below), aims to support the Group's objectives of long-term sustainability and success, sound and responsible risk management, good corporate governance and responsible business conduct.

The Group Remuneration Policy seeks to ensure, amongst other things, that:

- remuneration structures are aligned with, and contribute to the long-term strategy, sustainability, value creation and success of the Group;
- sound and effective risk management is reflected in the Group's approach to performance achievement and employee performance is assessed against a balanced scorecard of financial and non-financial metrics, including risk outcomes and behaviors';
- remuneration structures are applied in consideration of and in alignment with the Group's Risk Appetite Statement and overall risk governance framework;
- business and individual performance measures and targets are aligned with business objectives at either a Group or local business level, through a performance achievement process based on a balanced scorecard, ensuring alignment with business strategy, risk measures and priorities;
- remuneration structures support the Group's values of 'Customer focused', 'One Group, One Team', 'Accountable' and 'Agile'; and
- remuneration structures support the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests.

Whereas the Group seeks to ensure it operates remuneration policies which are compliant with regulatory guidelines on remuneration issued by the European Banking Authority, the Group is currently operating under significant governmental and legal constraints in relation to remuneration. The Group's Remuneration Policy, therefore, can only be implemented to the extent possible given these remuneration restrictions.

Performance Achievement:

Individual performance measures are agreed for each employee through the Group performance achievement process, using a balanced scorecard approach based on the Group's three strategic priorities, underpinned by risk management. The performance achievement framework enables the Group to align individual, business unit and divisional performance to the Group's strategic objectives through an ongoing dialogue between managers and their direct team members ensuring a strong alignment to risk. The Balanced Scorecard approach incorporated within the Group's Performance Achievement Process is consistent with the EBA Guidelines.

Staff engaged in control functions

Staff engaged in independent control functions have specific performance management and remuneration arrangements applied which reflect their independence from the business units they support and which prevent potential conflicts of interest.

Variable/Fixed remuneration criteria:

The Group Remuneration Policy, taking into account national criteria on wage setting, makes a clear distinction between the criteria for setting basic fixed remuneration and variable remuneration in accordance with the Regulations. The Group is currently operating under remuneration restrictions, as a result of which the Group is currently unable to provide a fixed / variable remuneration mix.

Attraction, Retention and Motivation

The Group's objective of attracting, retaining and motivating high caliber people is deemed fundamental to the delivery of the Group's business strategy. Subject to the remuneration restrictions, the Group wants to ensure that the right people are in the right roles and the Group recognises the importance that its shareholders place in the management of the Group's remuneration strategy, frameworks, policies and practices. To reflect this, the Group operates strong governance across the organisation on the management of remuneration frameworks, policies and practices that support Group strategy.

Remuneration restrictions

The Group is currently operating under a number of remuneration restrictions which cover all Directors, senior management, employees and certain service providers across the Group. In addition, any variable incentive payments over a certain level which may be made to employees based in Ireland currently would be subject to an additional tax charge. The remuneration restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 'Minister's Letter' (July 2011), under which the Group gave a number of commitments and undertakings to the Minister for Finance in respect of remuneration practices. BOIG plc is subject to the provisions of the Minister's Letter relating to the disclosure of information, transactions with directors outside the ordinary course of business and compensation. The Group considers itself to be in compliance with these remuneration restrictions.

As a result of these remuneration restrictions, the Group is currently unable to provide a fixed / variable remuneration mix, which results in risks in terms of attraction, retention and alignment with the needs of the business and some inflexibility with the cost base. If the Group fails to recruit and retain skilled and qualified people, its businesses may be negatively impacted.

Review

During 2018 independent advice was received by the Bank from a number of external advisers on a range of issues relating to remuneration, including variable pay structures, evolving pay regulations, market pay practices, international mobility and benefits.

Internal review

To ensure alignment between risk, performance achievement and remuneration, on an annual basis, the Group risk function assesses the impact of performance management and remuneration on the Group's risk profile.

The Board Risk Committee and the Court Risk Committee ('Risk Committee')

The Risk Committee is established to monitor risk governance and to assist the Group in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite. The Committee shall comprise at least four members, all of whom will be Non-Executive Directors whom the Board believes have appropriate knowledge, skills and expertise to understand and monitor risk strategy and risk appetite.

The Risk Committee makes recommendations to the Group on risk issues where the Board has reserved authority, maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards, and approves material risk policies within delegated discretion.

The Group Risk Policy Committee ('GRPC') is the most senior management risk committee and reports to the BRC. Further details on the role of the GRPC in the risk governance of the Group as at the end of the financial year ending 31 December 2018 are set out in the Risk Management Report which forms part of the annual report of the Bank, which is available on the Group's website at <https://investorrelations.bankofireland.com/app/uploads/BOI-Annual-Report-2018-2.pdf>

The Group Audit Committee and the Court Audit Committee (GAC')

The key responsibilities of the GAC are set out in its terms of reference, which are available on the Group's website (www.bankofireland.com). One of the key responsibilities of the GAC is to assist the Group in monitoring the integrity of the financial statements and to recommend to the Group that it believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for stockholders to assess the Group's position and performance, business model and strategy.

The GAC comprises a minimum of four Non-executive Directors. The Group believes that Patrick Mulvihill is considered independent and may be regarded as an Audit Committee financial expert and that the GAC as a whole has an appropriate

mix of skills and relevant financial/banking experience. The Chairman of the Board Risk Committee ('BRC') is a member of the GAC and the Chairman of the GAC is a member of the BRC. There is also common membership between the GAC and the other Group Committees. This common membership helps facilitate effective governance across all finance and risk issues, and ensures that agendas are aligned and overlap of responsibilities is avoided where possible.

Country by Country Reporting

The Group meets its reporting obligations in accordance with the requirements of Regulation 77 of the Regulations, which relates to country-by-country reporting. Details of the country by country reporting for the Group for the financial year end 31 December 2018 can be found on the Group's website at <https://investorrelations.bankofireland.com/results-centre/other/>.

Public Disclosure of Return on Assets

The Group meets its reporting obligations in accordance with the requirements of Regulation 78, which requires disclosure in a firm's annual report and accounts of its return on assets. Details of the return on average total assets for the Group for the financial year end 31 December 2018 can be found in the annual report of the Group at <https://investorrelations.bankofireland.com/results-centre/>