



Bank of Ireland

Court Audit Committee

Terms of Reference

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The Governor and Company of the Bank of Ireland (the “Bank”)

Court Audit Committee (the “Committee”)

Terms of Reference

1. Objectives

The Committee is the Committee of the Court of Directors of the Bank (the “Court”) responsible for assisting the Court in fulfilling its independent oversight responsibilities in relation to:

- 1.1 reviewing the appropriateness and completeness of the system of internal control;
- 1.2 in partnership with the Court Risk Committee, reviewing the internal control framework utilised by management to ensure and monitor the extent and effectiveness of internal control systems, including accounting control systems, and thereby maintaining an effective system of internal control;
- 1.3 monitoring the quality and integrity of the financial statements and the financial reporting process and assisting the Court in meeting its obligations under applicable laws and regulations;
- 1.4 monitoring and reviewing all matters relating to the relationship between the Bank and the external auditors of the Bank and its subsidiaries (the “GovCo Group”) (“External Auditors”);
- 1.5 monitoring and reviewing the effectiveness of the Internal Audit function and its operations;
- 1.6 discharging the statutory responsibility of the Bank under relevant statutes or regulations; and
- 1.7 overseeing, as necessary, the Bank’s material regulated subsidiaries’ audit committees

2. Membership

- 2.1 The Committee shall comprise at least four (4) members all of whom will be independent Non-Executive Directors. The Committee as a whole shall have an appropriate mix of skills and relevant accounting/financial reporting experience. The Committee will include at least one or more members who, the Court believes, have an appropriate qualification and recent and relevant financial experience, including competence in accounting and or auditing. The Governor of the Court shall not be a member of the Committee. The Chair of the Court Risk Committee shall be a member of the Committee, but no single individual may hold the position of Chair of the Committee and Chair of the Court Risk Committee simultaneously.
- 2.2 Membership of the Committee will be reviewed each year by the Court Nomination, Governance and Responsible Business Committee in consultation with the Chair of the Court Audit Committee and changes will be recommended to the Court at that time as required. 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 of the Committee will be appointed by the Court on the recommendation of the Court Nomination, Governance and Responsible Business Committee in consultation with the existing Chair of the Court Audit Committee. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4 The Secretary of the Bank or his/her nominee, as agreed with the Chair of the Committee, shall act as secretary to the Committee. He/she will not be a member of the Committee.
- 2.5 The Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer, the Secretary of the Bank, the Chief Internal Auditor and other relevant or expert person(s) will normally attend meetings by invitation as will the External Auditors except for when any matter concerning the External Auditors (e.g. performance, independence and value provided) is being considered by the Committee. Such attendees are not members of the Committee and they may be collectively or individually required to withdraw from meetings of the Committee if requested to do so by the Chair.
- 2.6 The Committee meets at least twice a year, privately and separately with management, the Chief Internal Auditor and the External Auditors.

2.7 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

3. Meetings and Quorum

3.1 The Committee will meet on at least five (5) occasions per annum at appropriate times in the reporting and audit cycle and otherwise as required.

3.2 The quorum for meetings shall be three members.

3.3 Meetings of the Committee shall be summoned by the Secretary of the Bank at the request of any of its members or at the request of the External Auditors or the Chief Internal Auditor if they consider it necessary.

3.4 The External Auditors may attend the Committee, at the request of the Chair of the Committee.

3.5 Questions arising 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 and negative votes shall be documented in the minutes in terms acceptable to the dissenting person or negative voter.

4. Duties

The Committee should carry out the duties below for the for the GovCo Group as a whole, subject, where appropriate, to the authority of the Group Audit Committee of the Board of Bank of Ireland Group plc (the "Group Audit Committee"), having regard to the terms of reference of the Group Audit Committee. Major subsidiaries of the Bank generally have their own Audit Committees.

In pursuance of its objectives, the Committee will consider, review and evaluate:

4.1 Internal Control

4.1.1 in partnership with the Court Risk Committee, review the effectiveness of the GovCo Group's internal controls, including internal financial controls, accounting and financial reporting systems, and the company's internal control frameworks and risk management systems;

4.1.2 the findings of any relevant regulatory examinations and/or responses, and any potential disclosures/reporting implications;

4.1.3 the status and outcomes of Speak Up and Sensitive Investigations (including concerns and Investigations requested by the Group Executive Committee, the Court or the Regulator), and any thematic findings arising from the investigations;

4.1.4 the effectiveness of disclosure controls and procedures including such reports as the Financial Reporting Controls Disclosure Committee may provide from time to time;

4.1.5 whether management is setting the appropriate "control culture" through communication and example including the timely implementation of recommendations;

4.1.6 in partnership with the Court Risk Committee, the formal annual review of the effectiveness of the GovCo Group's system of internal controls, covering all material controls, including financial, IT, operational and compliance controls and risk management systems ("Annual Controls Review").

4.2 Regulatory and Compliance Risk

4.2.1 and approve the Group Speak-Up Policy and review arrangements for dealing with concerns received from staff arising from the implementation of the Group Speak-Up Policy (including confidential, anonymous submissions) and from external sources regarding financial reporting, fraudulent accounting or irregularities in audit work or other matters and for addressing and overseeing their independent investigation and resolution, as appropriate;

4.2.2 approve the Speak Up and Investigations Unit Charter whose role is to: (1) provide effective Speak Up arrangements for dealing with concerns received from Colleagues arising from the

implementation of the Group Speak Up Policy; and (2) conduct Sensitive Investigations for the ongoing benefit of the Group and its stakeholders

4.2.3 progress against the CBI Risk Mitigation Programme (“RMP”) actions as may be agreed with the Court Risk Committee from time to time including, but not limited to, Regulatory Reporting.

4.3 Credit Risk

4.3.1 the Group Impairment Policy (including any revisions thereto) on an annual basis, or more frequently if required, for recommendation to the Court for approval;

4.3.2 the adequacy and appropriateness of:

- the Group net impairment loss/gain on financial instruments;_
- the quantum of impairment loss allowance (including if required any Group management adjustments);
- stage allocation, including the quantum of ‘credit-impaired’ balances; and
- the quantum of non-performing exposures

for inclusion in the Group year-end and interim accounts for recommendation to the Court for approval. The Committee will have regard to the considerations of the Court Risk Committee in relevant asset quality matters;

4.3.3 the Executive Risk Committee approved probability-weighted macro-economic scenarios on a semi-annual basis for use in the Group’s impairment models.

4.4 Internal Auditors

4.4.1 subject to the approval of the Group Audit Committee, approve the internal audit annual risk based assurance plan for the GovCo Group;

4.4.2 reports on internal audit results and the timeliness of implementation by management of solutions to major and significant issues;

4.4.3 the scope, nature, independence and effectiveness of the Internal Audit function in the context of the GovCo Group’s overall risk management system while ensuring that it is adequately resourced and is free from undue influence by management or other restrictions;

4.4.4 reports on the Group Internal Audit semi-annual Control Environment Opinion and the Enterprise Risk Management Approach Rating

4.4.5 reports on the semi-annual Group Combined Assurance Plan for internal audit and risk assurance

4.4.6 subject to the approval of the Group Audit Committee in accordance with the terms of reference of the Group Audit Committee, the performance appraisal and remuneration (including bonus) of the Chief Internal Auditor, subject to the determination of the Court Remuneration Committee. Any changes must be discussed with the Chair of the Court Audit Committee prior to implementation;

4.4.7 subject to the approval of the Group Audit Committee, the appointment, replacement or dismissal of the Chief Internal Auditor.

4.5 External Reporting

- 4.5.1 the integrity of the financial statements of the GovCo Group, the Group Annual Report and Accounts, and the Group Interim Statements, and any formal announcements relating to the GovCo Group's financial performance;
- 4.5.2 reviewing significant financial reporting judgements, any alternative accounting treatments and significant assumptions made by management.
- 4.5.3 reviewing the Annual Report and recommends to the Court that it believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the GovCo Group's position and performance, business model and strategy. The Committee reviews the arrangements established to enable this assessment to be made and satisfies itself that those arrangements are appropriate;
- 4.5.4 new accounting policies and significant changes in existing policies, prior to implementation, following appropriate input from the External Auditors;
- 4.5.5 whether, in the Committee's opinion, the GovCo Group has kept adequate accounting records and whether the GovCo Group's financial statements have been prepared in all material respects in accordance with applicable accounting standards and give a fair, balanced and reasonable view of the assets, liabilities and financial position and the profit or loss of the GovCo Group.
- 4.5.6 whether or not to recommend to the Court that it should approve the annual financial statements and the interim financial statements;
- 4.5.7 the designation of items as "non-core", i.e. those items that obscure the underlying performance trends in the business;
- 4.5.8 and approve the Group's Pillar 3 Disclosure Policy and the Group's annual and semi-annual Pillar 3 disclosures;
- 4.5.9 and approve the Group's Country-by-Country report required under the Capital Requirements Directive
- 4.5.10 ad hoc reports on matters such as material compliance issues raised by regulators which relate directly to disclosure requirements in the Annual Report; relevant issues raised by and correspondence from the accounting and auditing regulators (including the Irish Accounting and Auditing Supervisory Authority ('IAASA'), and the Financial Reporting Council ('FRC').

4.6 Capital and Liquidity Management activities

- 4.6.1 any relevant working capital statements including related assurance and verification processes;
- 4.6.2 the relevant capital raising documentation prospectus, stockholder circulars etc and consideration of the related assurance and verification processes
- 4.6.3 the basis, assumptions and calculations underlying relevant pro-forma statements (including independent review opinions from the External Auditors) included in relevant stockholder documentation;
- 4.6.4 relevant disclosures included in stockholder documentation relating to any "significant changes" to the financial condition and prospects of the GovCo Group which may have occurred since the last set of audited or interim financial statements;

4.7 External Auditors

The Committee will:

- 4.7.1 oversee, the selection process and in consultation with the Group Audit Committee, make recommendations to the Court for the approval of stockholders, on the appointment, re-appointment and removal of the External Auditors. The Committee shall, subject to the Group Audit Committee, oversee the selection process for new auditors and if an External Auditor

resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- 4.7.2 approve, following input deemed appropriate from management, the scope, remuneration and terms of engagement of the External Auditors, in respect of the provision of audit services to the Bank and its subsidiaries, subject to appropriate stockholder approval. The Committee will consider if the level of fees is appropriate to enable an adequate audit to be conducted;
- 4.7.3 review with the External Auditors their plan for their audit of the relevant GovCo Group financial statement;
- 4.7.4 review the results of the external audit, including (but not limited to) matters relating to:
 - a) the critical accounting estimates and judgements;
 - b) key technical accounting and audit judgements;
 - c) the statement of unadjusted items as well as, if appropriate, adjustments resulting from the audit;
 - d) the clarity of disclosures; issues encountered by the External Auditors and degree of co-operation received from management;
 - e) any identified significant control deficiencies in relation to the financial reporting process and/or arising from the Financial Reporting Controls testing process;
 - f) any significant unresolved accounting and auditing issues; and
 - g) the letter of representation.

and in regard thereto receive from the statutory auditors a report on key matters arising from the statutory audit and in particular on significant control deficiencies in relation to the financial reporting process;

- 4.7.5 monitor the performance and quality of the services provided by the External Auditors, in particular the statutory audit, including consideration of the External Auditors' report on their own internal control and quality procedures. Reviewing their qualifications, independence and objectivity at least annually, taking into consideration all relationships between the GovCo Group including affiliates of the Group and the External Auditors;
- 4.7.6 develop and implement a policy on the engagement of the External Auditors to supply non-audit services and the engagement of other audit firms to supply audit, review or attest services taking into account relevant legal requirements and guidance regarding the provision of non-audit services by the External Auditors and the provision of audit related services by other audit firms considering their expertise and value for money;
- 4.7.7 pre-approve all permitted non-audit services to be provided to the Bank and its subsidiaries by the External Auditors. Monitor the level of such expenditure to ensure that the External Auditors' objectivity and independence from the GovCo Group is not impaired;
- 4.7.8 review any relevant issues arising out of the potential employment by the GovCo Group of any employee or former employee of the External Auditors to ensure that the External Auditors' objectivity and independence from the Group is not impaired;
- 4.7.9 monitor the External Auditors' compliance with relevant statutory or regulatory requirements including the External Auditors' independence and rotation of relevant audit engagement partners.

4.8 Subsidiary Audit Committees

The Committee shall work and liaise as necessary with the GovCo Group's material regulated subsidiaries and their audit committees and shall receive appropriate assurances at least annually, to support the Company's external reporting and receive copies of the minutes from each principal subsidiary audit committee.

5. Reporting

- 5.1** The Chair of the Committee should report formally to the Court the Committee's views in relation to the Interim Report, any Preliminary Announcement of Annual Results and the Annual Report.
- 5.2** The Chair of the Committee will report formally on the key aspects of the proceedings of the Committee to the subsequent full meeting of the Court and the minutes of the Committee should be tabled at the Court as soon as possible for noting and/or discussion as necessary.
- 5.3** In line with the requirements of the Central Bank of Ireland's Auditor Protocol, the Chair of the Committee will attend relevant meetings with the Central Bank and with the External Auditors, as required.

6. Authority

The Committee's remit extends to all GovCo Group activities.

- 6.1** Subject to the responsibilities of the Committee under applicable laws and regulations, the Committee will operate under delegated authority from the Court which is ultimately responsible for all matters relating to the presentation of financial statements and all issues arising from internal and external audits in the GovCo Group.
- 6.2** The Committee acts as a channel of communication between the Court, management, auditors and stockholders and reports to the Court, with its recommendations where it considers action or improvement is needed in any area under its remit.
- 6.3** The Committee may investigate any matter falling within its terms of reference calling on whatever resources (including external professional or legal services) and information it considers necessary to do so. It shall have access to adequate funding to enable it to discharge its duties.
- 6.4** 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.
- 6.5** The Committee is authorised to seek any information it requires from any employee of the GovCo Group to enable it to discharge its responsibilities.

7. Performance Evaluation

The Committee shall, at least once a year, review its own performance and terms of reference and shall report its conclusions and recommend any changes it considers necessary to the Court.