



# 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>
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# 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).

At a high level the Committee is responsible for:

- Monitoring risk management and assisting the Court in ensuring that risks relating to the Bank and its subsidiaries (the “Group<sup>1</sup>”) 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 CRC makes recommendations to the Court on risk issues where the Court has reserved authority, maintains oversight of the Group’s risk profile, including setting and monitoring adherence to Group risk principles, policies and standards and approves certain material risk policies within delegated discretion.

#### 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 Court 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. Additionally, at least one (1) member of the Committee will also be a member of the Court 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, Governance and Responsible Business 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 Court Nomination, Governance and Responsible Business 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 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 Secretary's Office will support the Committee.

### **3. Meeting operations**

- 3.1 The Committee shall meet at a minimum on four (4) 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") 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 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") and the Asset and Liability Committee ("ALCO") on items as detailed hereunder which are relevant to the Group.

#### **Risk Appetite**

- 4.1 Review and recommend to the Court for approval the Group's Risk Appetite Statement.

#### **Risk Profile**

- 4.2 Provide oversight of the Group's risk profile, to include:
- 4.2.1 Review and challenge of the risk profile against Board/Court approved Risk Appetite Statement, ERC Supporting Risk Appetite Metrics and specified Risk appetite qualitative metrics, and report the conclusions to the Court;
- 4.2.2 Review all breaches of Board Risk Appetite and breaches of ERC Supporting Metrics (and other limits that are not Risk Appetite Limits). Review materiality assessments of breaches, with similar protocols at subsidiary level. Recommend to the Board an assessment of materiality, with onward reporting of material breaches to regulators;
- 4.2.3 Monitor the current status of all material risks facing the Group;
- 4.2.4 Review of the CRO update, Court Risk Report, Chief Compliance Officer Report and Challenged Assets Quarterly Report; and
- 4.2.5 Perform deep dive risk reviews into subsidiaries and key business lines as appropriate.

- 4.3 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.
- 4.4 Approve **Path to Target for all risk profiles outside of Risk Appetite** and review regular updates on progress or consider escalation of issues/ delay in achieving milestones as required.

#### **Risk Strategy/ Management**

- 4.5 Review and recommend to the Court for approval the Group Risk Framework and Risk Strategy.
- 4.6 Review and recommend to the Court for approval changes to the Risk Strategy resulting from, changes in the business model of the Group, market developments or recommendations made by the risk management function.
- 4.7 Monitoring the risk elements of a due diligence appraisal of any acquisition or divestment activity reserved for Court decision and advising the Court on their findings.
- 4.8 [Review and approve the adequacy and effectiveness of the technology infrastructure supporting the Risk Management Framework and the production of effective management information.]
- 4.9 Review the **adequacy and effectiveness of resources within the risk and compliance functions** following review by ERC.
- 4.10 Review and approve the Court Risk Report Reader Guide and basis of preparation prior to noting by the Court.
- 4.11 Consider longer term macro and strategic threats, undertaking a bi-annual review of new emerging and strategic risks through the Top 5 risk process prior to consideration by the Court to include consideration of the procedures in place to identify emerging risks.
- 4.12 .
- 4.13 Review and recommend to the Court/Board for approval securitisation transactions, including those which intend to achieve Significant Risk Transfer ("SRT").

#### **Policies**

- 4.14 Review and recommend to the Court/Board for approval all policies listed in **Appendix A**.
- 4.15 Review and approve all policies listed in **Appendix B**.

#### **Frameworks**

- 4.16 Review and recommend to the Court/Board for approval all frameworks listed in **Appendix C**.
- 4.17 Review and approve all frameworks listed in **Appendix D**.

#### **Risk Identification and Assessments**

- 4.18 Review and approve the output of the Group's annual Risk Identification and Materiality Assessment Process which is documented as the Risk Taxonomy, including the output of the Group's model risk assessment process.
- 4.19 Review and approve on an annual basis the Group Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT") Risk Assessments, the Sanctions Risk Assessment and Anti Bribery Corruption ("ABC") Risk assessment.
- 4.20 Review and approve on an annual basis the AML/CFT Risk Assessment Methodology and the ABC Risk Assessment Methodology.

#### **Risk Culture**

- 4.21 Monitor the implementation of the Group's risk culture ensuring that a sound and consistent risk culture is embedded and supports the Group in making informed decisions. Consider issues escalated from the ERC.

### **Oversight of Material Subsidiaries and branches**

- 4.22 Review and consider, at least annually, or as required, an update on risk matters from the US Country Manager and material subsidiaries.
- 4.23 Noting the minutes of the material subsidiary Risk Committee meetings.

### **Recovery and resolution planning**

- 4.24 Review and recommend for approval to the Court the Group Recovery Plan and any supporting documents.
- 4.25 Review and recommend for approval to the Board the key Single Resolution Board (“SRB”) Resolution Planning submissions including the Group’s Resolution Playbook, Resolvability Self-Assessment Report and the **Business Reorganisation Plan (BRP) Analysis Report**.

### **Credit Risk**

- 4.26 Review and consider as appropriate Asset Quality. Provide key observations on asset quality to the CAC as an input into the CAC’s consideration, review and 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 Groups Large exposures and commentary on Top 20 loans.
- 4.27 Review and recommend to the Court for approval Court Approved Personal Lending Discretions.
- 4.28 Review and consider, as appropriate Credit Policy Exceptions, credit limit breaches and portfolio limit breaches reported in the quarterly Court Risk Report.
- 4.29 Review and recommend to the Court for approval bank limits that exceed the Risk Appetite limit for Single Name Bank Exposure.
- 4.30 Review and approve Country limits within Country risk exposure guide points and recommend limits outside guides to the Court / Board.
- 4.31 Review and approve reinsurance counterparty risk to be assumed by New Ireland Assurance Company plc where the proposed counterparty limits is >€350m.
- 4.32 Review and recommend to the Court/Board for approval the Group’s Non Performing Exposures (“NPE”) Strategy and Operational Plan.
- 4.33 Monitor the implementation of the NPE strategy and operational plan, to include review the NPE self-assessment and recommending any proposed actions to the Court / Board.

### **Private Equity Governance**

- 4.34 Review and approve changes to the Group’s private equity investment limits.
- 4.35 Review and consider details of the Group’s **private equity investments** annually.
- 4.36 Review and approve equity underwrite transactions outside of discretions delegated by the Court.

### **Capital Management**

- 4.37 Review and recommend to the Court for approval the Group’s Internal Capital Adequacy Assessment Process (“ICAAP”) report, incorporating the solvency stress testing results.
- 4.38 Review and recommend to the Court for approval the ICAAP supporting detailed documents including:
  - (a) Capital Adequacy Statement;
  - (b) Base & Stress Case Financial Projections;
  - (c) Internal Capital Requirements under the Economic Perspective; and
  - (d) Reverse Stress Testing Report

4.39 Reverse Stress Testing Report Review and consider the ICAAP of BOIUK plc.

### **Liquidity Risk**

4.40 Review and recommend to the Court for approval the following Internal Liquidity Adequacy Assessment Process (“ILAAP”) supporting documents:

(a) the Group Funding and Liquidity Management Strategy;

(b) the Group Funding and Liquidity Policy; and

(c) Liquidity Adequacy Statement.

4.41 Review and consider as appropriate the results of the Group Liquidity stress testing update prior to review and consideration by the Court.

4.42 Review and consider as appropriate ALCO approved limits via ALCO minutes.

4.43 Review and recommend to the Court for approval the Group’s ILAAP” report.

### **Regulatory Compliance and Conduct Risk**

4.44 Reviewing reports, as appropriate, from Group Compliance and Regulatory Risk.

4.45 Provide oversight on the overall approach management is taking with regard to ongoing and future compliance responsibilities of the Group.

4.46 Review and consider deep dives on errors.

### **Operational Risk**

4.47 Review progress on the development of an effective operational resilience approach.

### **Other**

4.48 Receiving and considering as appropriate the implications for the Group’s risk governance and management framework of the findings of the External Auditors and Group Internal Audit (including Group Credit Review) in respect of risk management and follow up on implementation of appropriate measures.

4.49 Provide oversight on 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.

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

4.51 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.

4.52 Providing Group Remuneration Committee with appropriate risk related input to their annual review of Group remuneration policy or other remuneration matters.

### **Governance and Reporting**

4.53 Review and consider annually proposed changes to the Risk Management Notes contained in the Annual Report.

4.54 Review progress on the CBI Risk Mitigation Programme (“RMP”) and other material regulatory interactions which the Group CRO brings to the attention of the Committee.

4.55 Note any reporting received from ERC, ALCO and Risk Measurement Committee (“RMC”).

4.56 Review and approve the Committee’s minutes and review those of the ERC, ALCO and RMC.

- 4.57 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.
- 4.58 Receive an annual report from the Chair of the ERC, ALCO and the RMC following completion of the respective committee's annual assessment.
- 4.59 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 of the Court and to the Committee.

## **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 The Committee has oversight of the following executive Committees in respect of certain matters:
- ERC
  - ALCO
  - RMC
- 6.3 The Committee will review any changes to the Terms of Reference of each of the above Committees on the recommendation of the GEC.

## **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, are required to:

- 8.1 Oversee quality and accuracy in all papers and information provided to enable the Committee to discharge its duties.
- 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.

## **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 At least once a year, the Committee shall:
  - 10.1.1 Review its own performance and submit a report to the Court;
  - 10.1.2 Receive a report on performance of the ERC, ALCO and RMC; and
  - 10.1.3 Review the Committee's TOR, with any changes 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.

## Appendices

*Note items marked with an \* are expected by the regulator to be reviewed by the management body annually.*

*Note items listed in these appendices are reviewed on an annual basis, unless marked with \*\* in which case they are on a three year review cycle with annual review stipulated within the individual documents.*

### **Appendix A: Items approved by Court**

- Group Credit Policy;
- Group Country Risk Policy;
- Group Property Collateral Valuation Policy\*\*;
- Group Private Equity Investment Policy;
- Group Equity Underwriting Policy\*\*;
- Group Conflict of Interest Policy;
- Group Market Risk Policy\*\*; and
- Group Funding and Liquidity Policy\*\*.

### **Appendix B: Items approved by the CRC**

- Group Sourcing Policy\*\*;
- Group Operational Risk Management Policy\*\*;
- Group Policy Standard IT Risk;
- Group Policy Standard Information Security & Cyber Risk;
- Group Data Management Framework and Policy;
- Group Model Risk Policy\*\*;
- Group Derivatives Mark-to-Model Policy;
- Group Regulatory Compliance Policy\*\*;
- Customer Focussed Outcomes Policy\*\*;
- Colleague Compliance & Culture Policy\*\*;
- Group Anti-Money Laundering Policy;
- Group Sanctions and Countering the Financing of Terrorism Policy;
- Group Product & Services Governance and Lifecycle Management Policy; and
- Group Fraud Policy.

### **Appendix C: Items approved by Court**

- Group Risk Framework and Risk Strategy; and
- Group Risk Appetite Framework.

### **Appendix D: Items approved by the CRC**

- Group Sourcing Risk Framework;

- Group IT Risk Management Framework\*;
- Information Security Risk Management Framework\*;
- Group Operational Risk Management Framework; and
- Group Regulatory and Conduct Risk Management Framework; and
- Group People Risk Framework.