



Bank of Ireland

Group Audit Committee

Terms of Reference

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Bank of Ireland Group plc (the “Company”)

Group Audit Committee (the “Committee”)

Terms of Reference

1. Objectives

The Group Audit Committee is the Committee of the Board of Directors of Bank of Ireland Group plc (the “Board”) responsible for assisting the Board in fulfilling its independent oversight responsibilities in relation to:

- 1.1 the appropriateness and completeness of the system of internal control;
- 1.2 in partnership with the Board Risk Committee, reviewing the internal control framework utilised by management to ensure and monitors 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 Board in meeting its obligations under relevant Stock Exchange Listing Rules and under other applicable laws and regulations;
- 1.4 monitoring and reviewing all matters relating to the relationship between Bank of Ireland Group plc and its subsidiaries (the “Group”) and the external auditors of the Group (“External Auditors”);
- 1.5 monitoring and reviewing the effectiveness of the Group’s Internal Audit function and its operations;
- 1.6 discharging the statutory responsibility of the Group under relevant statutes or regulations; and
- 1.7 overseeing, as necessary, the Group’s material regulated subsidiaries’ audit committees.

2. Membership

- 2.1 The Committee shall comprise at least four (4) members, all of whom will be either 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 Board believes, have an appropriate qualification and recent and relevant financial experience, including competence in accounting and or auditing. The Chairman of the Board shall not be a member of the Committee. The Chair of the Board 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 Board Risk Committee simultaneously.
- 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 Committee and changes will be recommended to the Board 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 Board on the recommendation of the Group Nomination, Governance and Responsible Business Committee in consultation with the existing Chair of the Committee. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4 The Group Secretary 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 Group Chief Financial Officer, the Group Chief Risk Officer, the Group Chief Compliance Officer, the Group Secretary, the Group 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 Group 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 Group Secretary at the request of any of its members or at the request of the External Auditors or the Group 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 Company and the Group as a whole. Major subsidiaries 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 Board Risk Committee, the effectiveness of the 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 Board 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 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

- 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 Board 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 Board 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 Board Risk Committee in relevant asset quality matters;
- 4.3.3 the Group 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 and approve the Group Internal Audit Charter and approve the internal audit annual risk based assurance plan, including the degree of co-ordination with the external audit plan;
- 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 Group Internal Audit function in the context of the Group’s overall risk management system;
- 4.4.4 approve the Group Internal Audit annual budget and annual resource plan while ensuring that it is adequately resourced and is free from undue influence by management or other restrictions;
- 4.4.5 reports on the Group Internal Audit semi-annual Control Environment Opinion and the Enterprise Risk Management Approach Rating
- 4.4.6 reports on the semi-annual Group Combined Assurance Plan for internal audit and risk assurance;
- 4.4.7 and approve the performance appraisal and remuneration (including bonus, if applicable) of the Group Chief Internal Auditor, subject to the determination of the Group Remuneration Committee. Any changes must be discussed with the Chair of the Committee prior to implementation;
- 4.4.8 the appointment, replacement or dismissal of the Group Chief Internal Auditor

4.5 External Reporting

- 4.5.1 the integrity of the financial statements of the Group, the Annual Report and Accounts, the Preliminary Announcement of Annual Results, the Interim Statement and any formal announcements relating to the 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 recommending to the Board 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 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 Company and its subsidiaries have kept adequate accounting records and whether the financial statements have been prepared in all material respects in accordance with applicable accounting standards and give a balanced and reasonable view of the assets, liabilities and financial position and the profit or loss of the Group;
- 4.5.6 whether or not to recommend to the Board 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, shareholder 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 shareholder documentation;
- 4.6.4 relevant disclosures included in shareholder documentation relating to any "significant changes" to the financial condition and prospects of the 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 make recommendations to the Board for the approval of shareholders, on the appointment, re-appointment and removal of the External Auditors. The Committee shall 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 Company and its subsidiaries, subject to appropriate shareholder 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 Group's financial statements;

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 of the Company and the Group and in particular on significant control deficiencies in internal control 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 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 Company and its subsidiaries by the External Auditors. Monitor the level of such expenditure to ensure that the External Auditors' objectivity and independence from the Group is not impaired;

4.7.8 review any relevant issues arising out of the potential employment by the 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 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 Board the Committee's views in relation to the Interim Report, 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 Board and the minutes of the Committee should be tabled at the Board as soon as possible for noting and/or discussion as necessary.

- 5.3 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to shareholder questions on the Committee's activities.
- 5.4 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 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 Board 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 Group.
- 6.2 The Committee acts as a channel of communication between the Board, management, auditors and shareholders and reports to the Board, 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 so do. 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 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 Board.