

Corporate Governance Arrangements 2019

A. The Board

The Board is responsible for ensuring the business is able to take decisions, operate independently and run in a way that promotes the long term success of the Group, creating and delivering sustainable value. The Group has independent governance arrangements which take account of industry best practice.

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 established a set of matters reserved for the Board and an annual rolling agenda to ensure control over key decision making. In the course of 2019, the Board reviewed and approved a number of strategic initiatives including an extension to the Group's long term financial services partnership with the UK Post Office, the annual operating plan, capital and liquidity assessments, provided oversight of the culture programme and the customer plan, and played a key role in all material decisions. During 2019 the Board met 10 times.

The Board comprises a mix of Executive Directors; independent Non-Executive Directors; and Non-Executive Directors from the Parent. The Board considers a Board size of 10 Directors appropriate to meet the requirements of the business and allows for a good balance between having the full range of skills necessary on the Board, and to populate its committees and retain a sense of accountability by each Director for Board decisions.

B. Board Committees

The Board is assisted in the discharge of its duties by a number of Board committees, whose purpose it is to consider, in greater depth than would be practicable at Board meetings, matters for which the Board retains responsibility. The Board is supported by the following Committees:

Board Audit Committee

The Committee is comprised of independent Non-Executive Directors, and is chaired by John Baines.

Meetings are attended by management, at the invitation of the Committee Chairman, including the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and the Group's external auditors.

The principal role and responsibilities of the Committee are set out in its terms of reference. Overall, the Committee monitors the integrity of the financial statements, oversees all relevant matters pertaining to the external auditors and reviews the Group's internal controls, including financial controls, and the effectiveness of the internal audit function. The Committee met five times in 2019. The Terms of Reference for this Committee can be found here (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>).

Board Nomination Committee

The Committee is comprised of independent Non-Executive Directors, and is chaired by Robert Sharpe.

Meetings are attended by management, at the invitation of the Committee Chairman, including the Chief Executive Officer and Human Resources Director.

The principal role and responsibilities of the Committee are set out in its terms of reference. Responsibility has been delegated by the Board to the Nomination Committee for ensuring an appropriate balance of experience, skills and independence on the Board. Non-Executive Directors are appointed so as to provide strong, effective leadership and appropriate challenge to Executive management. It is responsible for leading the process for Board, Board committee and senior management appointments and renewals. The Committee regularly reviews succession plans for the Board, and the senior management team, and makes appropriate recommendations to the Board. The Committee met five times in 2019. The Terms of Reference for this Committee can be found here (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>).

Board Remuneration Committee

The Committee is comprised of independent Non-Executive Directors and is chaired by Philip Moore. Meetings are attended by management, at the invitation of the Committee Chairman, including the Chief Executive Officer and Human Resources Director.

The principal role and responsibilities of the Committee are set out in its terms of reference and include delegated responsibility for setting remuneration strategy and policy for Executive Directors and senior management. The Committee met three times in 2019. The Terms of Reference for this Committee can be found here (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>).

Board Risk Committee

The Committee is comprised of independent directors (including one from the Parent). Meetings are attended by management, at the invitation of the Committee Chair, including the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor.

The principal role and responsibilities of the Committee are set out in its terms of reference. Overall the Committee monitors risk governance and assists the Board in discharging its responsibilities in ensuring that risks are properly identified, reported, assessed, and controlled and that strategy is cognisant of the Group's risk appetite. The Committee met seven times in 2019. The Terms of Reference for this Committee can be found here (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>).

The Board Risk Committee is supported by the Executive Risk Committee (ERC), which is chaired by the Chief Risk Officer. The ERC membership comprises members of the Executive Committee and Senior Executives.

C. Board Governance and Policies

The Board is accountable to its shareholder for the overall direction and control of the Company. It is committed to high standards of governance designed to protect the interests of its shareholder and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements.

Corporate Governance Arrangements 2019 (continued)

The Board is provided with various technical and business training sessions during the course of the year.

The Group ensures that individual Directors of the Board have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships held by any individual Director.

D. Board Diversity by Gender and Independence 2019

The Board recognises and embraces the benefits of diversity among its own members, including diversity of skills, experience, background, gender and other qualities and is committed to achieving the most appropriate blend and balance of diversity possible over time. The Board has retained its gender diversity target of 33% of female Directors by the end of 2022.

E. Nomination Procedures

The Board is committed to identifying the people best qualified and available to serve on the Board and is responsible for the appointment of Directors. On the recommendation of the Nomination Committee the Board regularly reviews board composition, tenure and succession planning. In accordance with the Board Diversity Policy, which is available here (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>), all appointments are made on merit against objective criteria (including the skills and experience the Board as a whole requires to be effective) with due regard for the benefits of diversity on the Board. Upon appointment, each Director receives a detailed and tailored induction, including a briefing on directors' duties.

Prior to the appointment of a Director, the Nomination Committee assesses the time commitment involved and identifies the skills and experience required for the role, having regard to Board 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 Nomination Committee then shortlists candidates, conducts interviews and completes comprehensive due diligence. The Nomination Committee then makes a recommendation to the Board.

During 2019, the Nomination Committee reviewed and updated its Director Assessment Policy and Board Diversity Policy.

F. Corporate Governance Arrangements

The Group has adopted the Wates Principles of Corporate Governance for Large Private Companies as its preferred corporate governance code. While the Parent fully complies with the UK Corporate Governance Code 2018 (in addition to a number of other codes of corporate governance), the Wates Principles are complementary to the governance arrangements of the Parent, and compliance with the Wates Principles for large private companies by the Group has been consistent with Bank of Ireland Group good governance practice. In 2019, in order to comply with the Principles, the Group carried out the following activities:

Principle 1: Purpose and leadership

- The Bank of Ireland Group has adopted the following purpose: "Enabling our customers, colleagues and communities to thrive", and requires management to operate within it.
- The Audit Committee leads on the establishment of transparent policies in relation to raising concerns about misconduct and unethical practices (Speak-Up).
- The Board engages with customers and employees using offsite visits to relay the Group's stated purpose and discusses any issues or items of concern directly with them. The NEDs then discuss their views and observations with the rest of the Board. Processes for engagement with customers and employees are kept under review to ensure they remain effective.
- The Board regularly reviews its material suppliers and outsourcing arrangements, and works to ensure compliance with the General Outsourcing Requirements of the FCA Handbook (SYSC 8).
- The Group has adopted the following Bank of Ireland Group wide values:
 - Customer focused: we understand our customers well. We listen to them to ensure they feel valued. We use our insights to consider how best to serve their needs. We take appropriate actions to deliver solutions to meet customers' changing

requirements.

- One Group, one team: we know we work smarter when we come together behind our common purpose. We learn from each other and share ideas to expand our thinking. We build an open, trusting and supportive environment and foster diversity of thought, ideas and experiences to spark creativity.
 - Accountable: we are empowered to take ownership and trusted to do the right thing to support our customers, employees and communities. We lead by example and challenge ourselves and each other to do our best work at all times. We learn from our mistakes and celebrate our successes together.
 - Agile: we embrace change with an open mind and a can-do attitude. We respond quickly and proactively seek different perspectives. We challenge ourselves to look for new and simplified ways to efficiently deliver the best solutions for our customers.
 - The Group's strategic priorities are consistent with those of the Parent:
 - Transform the Bank by improving culture, systems and business model;
 - Serve customers brilliantly; and
 - Grow sustainable profits through growing our revenue and optimising our cost base.
 - The Group has deployed a number of ways to communicate its purpose and values including holding values in actions workshops and working to integrate its values into the wider people strategy.
- #### Principle 2: Board composition
- The roles of the Chairman and CEO are separate to ensure a balance of power and effective decision-making.
 - A Board Diversity Policy is in place to support appointments to the Board and succession planning. The policy includes targets and aspirations promoted by Government and industry initiatives.
 - The Nomination Committee regularly considers the Board size and structure so that it is appropriate to meet the strategic needs and challenges of the Company and enables effective decision-making.

Corporate Governance Arrangements 2019 *(continued)*

Each year the Board reviews its effectiveness (including committee effectiveness) and seeks to find ways to improve its operation. It is the Board's practice to have an external review every three years.

Principle 3: Director responsibilities

- The Nomination Committee has adopted an internal governance policy which governs the internal affairs of the Company.
- The Board has adopted terms of reference that sets out matters reserved for the Board.
- The Board has adopted a Conflicts of Interest Policy setting out how conflicts should be identified and managed at Board level.
- Board papers and supporting information are accurate, clear, comprehensive and up to date; papers contain a broad range of information sources; a summary of the contents; inform the Directors what is expected of them on each issue; and wherever possible are issued in good time ahead of Board meetings.

Principle 4: Opportunity and risk

- The Board holds Strategy Days for the identification of future opportunities for innovation and entrepreneurship.
- There is a Board approved Risk Appetite Statement.
- The Board has a process for ensuring that new business opportunities of a certain value are considered and approved at Board level.
- The Board is responsible for overseeing the Group's risk management and internal control systems, which are designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations, and to review the

effectiveness of the same. For further details on the main features of the internal control and risk management systems, refer to the Risk Governance Report.

- The Board has an agreed approach to reporting, including frequency of reporting and the points at which decisions are made and escalated

Principle 5: Remuneration

- The Remuneration Committee takes a broad view of pay and conditions across the Group during all its deliberations and decision making.
- The Remuneration Committee oversees the annual review of the Group Remuneration Policy.
- Remuneration for all employees and Directors are aligned with performance, behaviours, and the achievement of company purpose, values and strategy.
- The Bank of Ireland Group Remuneration Committee is responsible for the oversight of the Group-wide Remuneration Policy with specific reference to the Chair, Directors and senior management across the Group and those employees whose activities have a material impact on the Bank of Ireland Group's risk profile.
- The Bank of Ireland Group is currently operating under a number of remuneration restrictions, which cover all Directors, senior management, employees and certain service providers across the Bank of Ireland Group. For further information, refer to the Remuneration Report of the Bank of Ireland Group plc.

Principle 6: Stakeholders relationships and engagement

- The Board notes the accountable executives responsible for each of its main stakeholders. In this respect, the

Senior Manager and Certification Regime in the UK has driven greater accountability of responsibilities.

- Senior management teams from each of the strategic partnerships of the Group attend Board meetings regularly to present business updates.
- Talent and visibility sessions for managers in the layers below the Executive Committee are held regularly.
- A Customer Board has been established to identify challenges, opportunities, and to ensure that the Group delivers its customer plan.
- Annual Board site visits are held in key locations and include customer and employee immersion sessions for all Directors.
- Employees have access to a Speak-Up Policy, and are actively encouraged to report any concerns or worries, either internally or externally via confidential, externally facilitated advice line. The Board monitors these reports and follows up actions regularly through the Audit Committee.
- Employees are actively involved in fundraising and volunteering in charitable events across the UK for the flagship charity, the Alzheimer's Society and a range of other local charities and community projects.
- Give Together is the Group's charity and community initiative, through which employees lend their support to their nominated charities by fundraising, volunteering and making donations.
- The Group continues to support a wide range of Northern Ireland based community, business and sporting activities through sponsorship each year.