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Bank of Ireland (UK) plc



Bank of
Ireland
UK

Corporate Governance Arrangements 2020

The Group has adopted the Wates Principles of Corporate Governance for Large Private Companies as its preferred corporate governance code. The Parent complies fully with the UK Corporate Governance Code 2018 (in addition to a number of other codes of corporate governance) and the Wates Principles are complementary to the governance arrangements of the Parent.

Compliance with the Wates Principles

Principle 1: Purpose and leadership

- The Board is responsible for the leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board approves the Group's strategy, ensures that the necessary financial and People Services are in place for the Group to meet its objectives and reviews management performance.
- The Board has oversight of the Group's values and standards, the development of the Group's culture, the allocation of Prescribed Responsibilities under the UK Regulatory Regime and ensures that the Group's obligations to its shareholder, regulators, customers and other stakeholders are understood and met. The Board approves the Group's risk appetite, capital, liquidity and operating plans.
- The Group's purpose, "Enabling our customers, colleagues and communities to thrive", is supported by four key values: Customer focused; One Group, one team; Accountable; and Agile. Details are set out under "Our purpose and values" in the Strategic Report on page 15.
- The Group's strategy is "to transform the bank, to serve customers brilliantly and to grow sustainable profits". Details are set out under "Our Strategy" on page 15.
- The Board recognises that culture is critical to the Group's competitive advantage and creation and protection of long-term value. To support its commitment to embedding the Group's culture and values, the Board receives regular updates on Open View survey results as well as an annual Culture update. The Nomination Committee reviews information on Management Hires and Exits. The Risk Committee also receives an annual update on the Risk Culture Framework.
- The Audit Committee leads on the

establishment of transparent policies in relation to raising concerns about misconduct and unethical practices (Speak-Up).

- In its deliberations, the Board has taken into account the long-term interests of shareholders, investors and other stakeholders in the Group and the public interest. The Board has also given due consideration to laws, regulations and any published guidelines or recommendations. The Board is accountable to its Shareholder for the overall direction and control of the Group.
- The Board met 19 times in 2020.

Principle 2: Board composition

- The roles of the Chair and CEO are separate to ensure a balance of power and effective decision-making.
- Robert Sharpe stepped down as Chair of the Board on 30 November 2020; Peter Herbert was appointed as Interim Chair of the Board on 1 December 2020 (appointed Chair 12 February 2021).
- The Nomination Committee regularly considers the Board size and structure to ensure it remains appropriate to meet the strategic needs and challenges of the Group and enables effective decision-making.
- 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.
- A schedule of technical and business Board training is developed annually and reviewed throughout the year. In 2020, the Board received training in the following areas:
 - AML/ Financial Crime;
 - Cyber Risk;
 - Operational Resilience;
 - Financial Risks of Climate Change; and;
 - Corporate Governance Developments.
- 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 accordance with the Articles, the Board has established the following Board Committees:
 - Audit Committee;
 - Nomination Committee;
 - Risk Committee;
 - Remuneration Committee
- Each Board Committee has specific delegated authority as set out in its

terms of reference (<https://www.bankofirelanduk.com/about/corporate-governance/documents/>).

- In 2020, the Board also established a Strategic Transformation sub-committee to facilitate focused review, challenge and oversight as to the progress of the Group's strategic transformation.
- The Board comprises a mix of Executive Directors; independent Non-Executive Directors; and Non-Executive Directors from the Parent.
- The Board recognises and embraces the benefits of diversity among its own members, including diversity of skills, experience, background, gender, ethnicity 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. The Board Diversity Policy, 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 independently assessed candidates as well as providing independent assessment of candidates. The Nomination Committee then shortlists candidates, conducts interviews and completes comprehensive due diligence. The Nomination Committee then makes a recommendation to the Board.

Principle 3: Director responsibilities

- The Board held 8 scheduled and 11 out of course meetings. Principal decisions made by the Board during 2020 are set out in the Section 172

Corporate Governance Arrangements 2020 *(continued)*

Companies Act 2006 Report on pages 24 to 25.

- The Board Terms of Reference provide a clear line of accountability and responsibility. Each Committee has a Terms of Reference which outlines their respective accountability and responsibility.
- The Terms of Reference for the Board and Board Committees are reviewed annually by the Company Secretary with any recommended changes presented to the Board for approval.
- The Board has adopted terms of reference that set out matters reserved for the Board.
- The Board undertakes an effectiveness review annually. Every three years, this evaluation process is externally facilitated. Allen and Overy Consulting was engaged to undertake a Board effectiveness review in 2020. The review concluded that the governance of the Board and its committees has been designed appropriately and the Board and committees are effective in their operation and in discharging their responsibilities. Recommendations for enhancement will be implemented by the Board during 2021.
- The Board has adopted a Conflicts of Interest Policy setting out how conflicts should be identified and managed at Board level.
- The Audit and Risk Committees hold meetings with controlled function heads without executive management present at least annually.
- 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 as to what is being requested of them; and, wherever possible are issued in good time ahead of Board meetings.

Principle 4: Opportunity and risk

- The Board considers major projects and has delegated authority from the Shareholder for the approval of business strategy and direction for Group, within the parameters of the Parent's strategy.
- The Risk Committee and the Board

considered the proposals made as part of the strategic review undertaken by the Group in 2020 resulting in the agreed transformation strategy. Further information on the strategic review can be found on page 17.

- The Board has established a dedicated Risk Committee with responsibility for monitoring risk governance and to assist the Board in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed. In addition to regular review of the Group's Principal Risks (see - Principal Risks and Uncertainties (page 26), matters considered by the Risk Committee during 2020 included:
 - Strategic Transformation Risk;
 - COVID-19 Risk;
 - Operational Resilience;
 - Brexit Impact; and
 - Financial Risks of Climate Change
- The Group has a robust framework for reviewing and refreshing the RAS. This includes an agreed approach to reporting, including frequency of reporting and the points at which decisions are made and escalated. For further details on the main features of the internal control and risk management systems, refer to the Risk Governance Report.

Principle 5: Remuneration

- The Board has established a dedicated Remuneration Committee. The Remuneration Committee's primary objective is to consider and make recommendations to the Board in respect of remuneration strategy and policy for Executive Directors, Senior Management and the Group appointed Senior Management Functions (as defined under the UK Senior Managers & Certification Regime in the Group).
- The Remuneration Committee is responsible for overseeing the operation of a gender-neutral and appropriately inclusive remuneration policy, for Executive directors, Senior management and the wider workforce
- In framing remuneration strategy, frameworks and policies, the Remuneration Committee seeks to promote executive remuneration structures aligned to the long-term

sustainable success of the Group, taking into account pay and conditions elsewhere in the Group.

- 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. For further information, refer to the Remuneration Report of Bank of Ireland Group plc.

Principle 6: Stakeholders relationships and engagement

- Behaving in a responsible and sustainable way is fundamental to the Group's achievement of its purpose of "enabling our customers, colleagues and communities to thrive". A Responsible and Sustainable Business framework supports the Group's behaviours and strategic priorities. Further details are set out in the Responsible and Sustainable Business section of the Strategic Report on page 19.
- Workforce policies and practices are aligned with the Group's purpose and values. Employees have access to a Speak-Up Policy and are actively encouraged to report any concerns or worries, either internally or externally via a confidential, externally facilitated advice line. The Board monitors these reports and follows up actions regularly through the Audit Committee.
- Terms of Reference for Customer and Employee Engagement Non-Executive Directors were approved by the Nomination Committee in 2020 with appointments to these roles to be made in 2021.
- Executive and Non-Executive Senior Management Function role holders meet regularly with the Group's regulators; and the PRA presents an annual update to the Board.

See Section 172(1) Statement (page 24) for further details on stakeholders and engagement.