

**Bank of Ireland (UK) plc (BOIUK or the Company)**  
**Audit Committee (the Committee) Terms of Reference**

**1. Objectives**

- 1.1. This is the Committee of the Board responsible for:-
- (i) The appropriateness and completeness of the system of internal control and ensuring that the system of internal control is adequately resourced;
  - (ii) advising the Board (in close liaison with the Board Risk Committee) in relation to the Company's risk appetite and setting standards for the Company's risk control framework, to include any associated Bank of Ireland Group outsourcing risks;
  - (iii) reviewing the manner and framework in which management ensures / monitors the adequacy of the nature, extent and effectiveness of internal control systems (including accounting control systems) and thereby maintains an effective system of internal control;
  - (iv) monitoring the integrity of the financial statements and the financial reporting process
  - (v) overseeing all matters relating to the relationship between the BOIUK Group and the External Auditors;
  - (vi) monitoring the effectiveness of BOI Group Internal Audit's functions and operations as they relate to the BOIUK Group.

**2. Membership**

- 2.1. The Committee shall normally comprise of at least three (3) members all of whom will be independent Non-Executive Directors with an appropriate mix of skills and experience that will have collectively recent and relevant financial experience, and competence relevant to the sector in which the Company operates to the satisfaction of the Board. At least one member of the Committee will have competence in accounting or auditing. The Chairman of the Board shall not be a member of the Committee unless, on an interim basis, the number of independent Non-Executive Directors falls below three; in such circumstances, the Chairman may be a member of the Committee pending the appointment of an additional independent Non Executive Director in his or her stead. The Chairman of the Board Risk Committee will be a member of the Committee, but should not be the Chairman, unless it is for a temporary period to provide cover pending the appointment of an independent Chairman of the Audit Committee.
- 2.2. Membership of the Committee will be reviewed each year by the Nomination Committee, in consultation with the Chairman of the Audit Committee and changes as required will be recommended to the Board at that time. The general aim is to change the membership from time to time to ensure an appropriate balance between continuity and fresh perspectives.
- 2.3. The Chairman will be appointed by the Board on the recommendation of the Nomination Committee in consultation with the existing Chairman of the Audit Committee. In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair the meeting.
- 2.4. The Company Secretary or his/her nominee, as agreed with the Chairman of the Committee, shall act as secretary to the Committee. He/she will not be a member of the Committee.

- 2.5. The Company Chief Executive, the Company Chief Financial Officer, the Company Chief Risk Officer and the Company's Head of Internal Audit, while not members of the Committee, will normally attend meetings. The Committee may also invite the attendance of representatives from BOIG in their role as outsource provider from time to time. The External Auditors will also attend on a regular basis except where any matter concerning the performance of the external auditors is being considered by the Committee (e.g. performance review, independence and value provided).
- 2.6. The Committee will meet privately and separately with management, the Company's Head of Internal Audit and the External Auditors at least once a year.
- 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 four occasions per annum at appropriate times in the reporting and audit cycle and otherwise as required.
- 3.2. The quorum for meetings shall be two members.
- 3.3. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of the External Auditors or BOIUK Group Internal Audit if they consider it necessary.

### **4. Voting and Conflicts of Interest**

- 4.1 In keeping with the Articles of the Company, questions arising at any meeting of the Committee shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall have a second or casting vote.
- 4.2 The Directors have a duty to act in the best interests of the Company, and must act in accordance with the Articles and the Company's Conflicts of Interest Policy at all times. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company must declare the nature of this interest to the Committee at the earliest opportunity. Directors will not participate in any decision making/ discussion of the Committee where it could be reasonably perceived that conflicts of interest exist.

### **5. Duties**

The Committee should carry out the duties below for the Company and the BOIUK Group as a whole. Major subsidiaries generally have their own Audit Committees. In pursuance of its objectives, the Committee will review and evaluate-

#### **5.1. Internal Control and Risk Management**

- (i) the effectiveness of the BOIUK Group's internal controls, including monitoring internal financial controls and risk management systems;
- (ii) the BOIUK Group's procedures for fraud prevention and detection and confirming to the Board that, at a minimum, they comply with the requirements of regulators;
- (iii) the findings of any regulatory examinations and/or responses, and consider any potential disclosures/reporting implications;
- (iv) relevant regulatory contact, such as inspections, disciplinary matters and emerging developments;

- (v) whether management is setting the appropriate “tone at the top” and “control culture” through communication and example and the timely implementation of recommendations.

## 5.2. Regulatory Risk and Compliance

- (i) arrangements established by management for compliance with relevant legislative and regulatory requirements including taxation. The Committee will review and recommend to the Board whether or not to approve any compliance statement required by statute having determined whether any such statement complies with any such statutory requirements, is fair and reasonable and is based on due and careful enquiry;
- (ii) the overall approach management is taking with regard to ongoing and future compliance responsibilities of the BOIUK Group;
- (iii) arrangements for dealing with concerns received from staff (including confidential, anonymous submissions) and from external sources regarding financial reporting, fraudulent accounting or irregularities in audit work or other matters and for addressing issues raised by regulatory authorities and overseeing their independent investigation and resolution, as appropriate.

## 5.3. Credit Risk

- (i) the adequacy and appropriateness of:
  - the BOIUK net impairment (loss) / gain on financial instruments (including, if required, any impairment management adjustment);
  - the quantum of impairment loss allowance;
  - stage allocation, including the quantum of ‘credit-impaired’ balances; and
  - the quantum of non-performing exposures

for inclusion in the BOIUK year-end and interim accounts for recommendation to the Board for approval.

## 5.4. Internal Auditors

- (i) the internal audit charter and annual risk based plan, including the degree of co-ordination with the external audit plan;
- (ii) internal audit results and the timeliness of implementation by management of solutions to major and significant issues;
- (iii) the effectiveness of BOI Group Internal Audit’s functions and operations as they relate to the BOIUK Group and will approve the BOIUK Group Internal Audit resource plan, while ensuring that it is free from undue influence by management or other restrictions;
- (iv) the annual performance of the Company’s Head of Internal Audit and any recommendations in relation to the appointment or dismissal of the Company’s Head of Internal Audit.

## 5.5. External Reporting

- (i) the integrity of the accounting and financial reporting systems including financial and operational controls and compliance with the regulatory system;
- (ii) the integrity of the consolidated financial statements of the BOIUK Group. Such reviews and evaluation should include consideration of significant financial reporting judgements, alternative accounting treatments and assumptions made by management. The Committee

reviews the Annual Report and recommends to the Board that it believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary to enable BOIUK Group's position and prospects to be assessed when presented externally;

- (iii) the impact of new accounting policies and significant changes in existing policies, prior to implementation, following appropriate input from the External Auditors;
- (iv) whether, in the Committee's opinion, the Company and its subsidiaries have kept proper books of account and whether the financial statements have been prepared in all material respects in accordance with applicable accounting standards and give a true and fair view of the state of affairs and the profit or loss of the Company;
- (v) whether or not to recommend to the Board that it should approve the annual financial statements of the BOIUK Group;
- (vi) relevant issues raised by and correspondence from the accounting and auditing regulators; and
- (vi) where necessary, the actions and judgements of management, in relation to the Annual Report, including financial information to be included in the Group Annual Report, before submission to, and approval by, the Board, and before clearance by the external auditors.

#### 5.6. External Auditors

- (i) approve and make recommendations to the Board, in consultation with the BOI Group Audit Committee, on the appointment of new auditors, and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required, subject to appropriate shareholder approval;
- (ii) make recommendations to the Board on the appropriateness of the provision of audit and non-audit services to the Bank and its subsidiaries, subject to appropriate shareholder approval;
- (iii) review with the External Auditors their plan for their audit of the BOIUK Group's financial statements; review the results of the external audit, including matters relating to:-
  - the impact of critical accounting estimates and judgements;
  - key accounting and audit judgements;
  - the statement of unadjusted items as well as adjustments resulting from the audit;
  - the clarity of disclosures;
  - issues encountered by the External Auditors and degree of co-operation received from management; and in regard thereto receive from the statutory auditors a report on key matters arising from the statutory audit of the Bank in particular on material weaknesses in internal control in relation to financial reporting process.
  - any significant unresolved accounting and auditing issues;
  - the management representation letter;
- (iv) 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.
- (iv) monitor the External Auditors' compliance with relevant statutory or regulatory requirements including the External Auditors' objectivity and independence and rotation of all audit engagement partners.

- (v) Meet the External Auditors at least once a year, without management being present, to discuss their remit and any issues arising from their audit work.

## **6. Prescribed Responsibilities**

The Committee will assist the chairman to comply with his prescribed responsibilities under the UK Regulatory Regime by:

- safeguarding the independence of and reviewing the performance of the internal audit function in accordance with SYSC 6.2; and
- Reviewing the independence, autonomy and effectiveness of BOIUK's policies and procedures on whistleblowing, including the procedures for protection of staff who raise concerns from detrimental treatment.

## **7. Reporting**

- 7.1. The Chairman should report formally to the Board the Committee's views in relation to the Annual Report.
- 7.2. The Chairman will report 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.

## **8. Authority**

- 8.1. The Committee's remit extends to all BOIUK Group activities.
- 8.2. 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 BOIUK Group.
- 8.3. The Committee acts as a channel of communication between the Board, management, auditors and reports to the Board, with its recommendations where it considers action or improvement is needed in any area under its remit.
- 8.4. 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.
- 8.5. The Committee may invite any Company Director, Company Executive or other person employed by the BOIUK Group 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. The Committee is authorised to seek any information it requires from any employee of the BOIUK Group or representatives from BOIG in their role as outsource provider to enable it to discharge its responsibilities.

## **9. Performance Evaluation**

- 9.1. 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.

**Approved by the Board on 2 March 2020**