



AIB Group plc *(Holding Company)*

Board Risk Committee Terms of Reference

Approved by the AIB Group plc Board Risk Committee on 9 December 2020
Approved by the AIB Group plc Board on 10 December 2020

- (A) References in this document to “Board” mean the Board of Directors of AIB Group plc and to “Committee” mean the Board Risk Committee that is a committee of the Board of AIB Group plc and Allied Irish Banks, p.l.c. from which it derives its authority and to which it regularly reports. References in this document to “the Company” mean AIB Group plc and Allied Irish Banks, p.l.c. combined. References to “AIB” or “the Group” mean AIB Group plc, Allied Irish Banks, p.l.c and all of its subsidiary companies combined;
- (B) AIB Group plc (“the Holding Company”) is the ultimate parent financial holding company in the AIB legal entity structure and it is the primary issuer of the Group’s capital instruments, including shares, equity instruments and debt instruments, and any derivatives thereof;
- (C) Allied Irish Banks, p.l.c. (“AIB Bank” or the “Operating Company”) is the sole direct subsidiary of the Holding Company. AIB Bank continues to be the principal operating and regulated financial services company, with all other companies within the legal structure (circa 120 in total) operating as subsidiaries of AIB Bank;
- (D) The Board Risk Committee is replicated at both Holding Company and AIB Bank level and their Terms of Reference are identical. Any differences, should they be introduced in future iterations, will be highlighted;
- (E) The above definitions apply throughout this document unless the context requires otherwise.



AIB Group plc

Board Risk Committee Terms of Reference

1. Purpose

The Committee is appointed by the Board to assist and advise the Board in fulfilling its oversight responsibilities in relation to:

- fostering sound risk governance across the Group’s operations, encompassing all operations, legal entities and branches in RoI, UK and the US, taking a forward looking perspective and anticipating changes in business conditions;
- discharging its responsibilities in ensuring that risks within the Group are appropriately identified, reported, assessed, managed and controlled to include commission, receipt and consideration of reports on key strategic and operational risk issues;
- ensuring that the Group’s overall actual and future risk appetite and strategy, taking into account all types of risks, are aligned with the business strategy, objectives, corporate culture and values of the institution;
- promoting a risk awareness culture within the Group.

2. Duties and responsibilities

The Committee shall:

Risk Appetite / Risk Profile

- 2.1 review and recommend to Board (i) risk appetite statements, (ii) risk frameworks and any associated policies which require Board approval, in line with the requirements set out within the Group Policy Governance Framework and associated Risk Policy Architecture; ¹
- 2.2 ensure that the risk appetite of the Group is clearly articulated and reflected within its Group ‘Risk Appetite Statement’ (“RAS”). That the RAS is reviewed on an ongoing basis and at least annually in advance of the strategic and financial planning process;
- 2.3 ensure that a process is in place to monitor the Group’s risk profile against the Group’s risk appetite and recommend changes in either the risk profile or risk appetite to the Board as appropriate; and
- 2.4 ensure the RAS aligns with the business objectives and that the subsequent business strategy and financial plans are executed in line with relevant RAS parameters with regard to the Group and material subsidiary entities²;

Risk Framework & Policies

- 2.5 review, challenge, and if appropriate approve designated new material risk frameworks and policies, amendments to designated existing material risk frameworks and policies, recommended by management for approval by the Board,

¹ The Group Policy Governance Framework and associated Risk Policy Architecture are subject to review and approval by the Committee in line with its annual review cycle.

² As set out within the Group Subsidiary Governance Framework.

in line with the requirements set out in the Group Policy Governance Framework and associated Risk Policy Architecture;

- 2.6 satisfy itself that risk management and measurement systems are in place and are appropriate;
- 2.7 review and satisfy itself that the Group's stress testing framework, governance and related internal controls are sufficiently robust;

Liquidity / Funding / Capital

- 2.8 review the liquidity, funding and capital position of the Group, the size of the liquidity and capital buffers and management actions to mitigate against the risk of falling below the Group's risk appetite and regulatory floors;
- 2.9 review management strategies to maintain, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the institution, such as market, credit, operational (including legal and IT risks) and reputational risk;
- 2.10 evaluate the output of stress tests (including reverse stress tests) and actions management is undertaking to mitigate against unforeseen events and assess how the Group's risk profile would react to external and internal events;
- 2.11 review and recommend to the Board the Capital Adequacy Statement, the Liquidity Adequacy Assessment, and any supporting material as deemed appropriate;
- 2.12 review whether prices of liabilities and assets offered to clients take into account the institution's business model and risk strategy;

Key Risk Areas/Issues

- 2.13 review periodic reports in respect of the Group's material risks. evaluate the nature and extent of the material risks facing the Group, and challenge management's assessment of (a) the likelihood of the risk concerned materialising, (b) the impact of the risk if it did materialise and (c) management actions to mitigate the risk;
- 2.14 review and assess the findings arising from regulatory reviews and inspections, challenge and oversee the subsequent action plans proposed by Management to address those findings, where required;

Remuneration & Material Risk Taker ("MRT") Process

- 2.15 provide qualitative and quantitative input to the Remuneration Committee on the alignment of variable remuneration to risk performance and the potential impact of same on items which fall within the remit of the Board Risk Committee for consideration;
- 2.16 assess the basis for the inclusion or exclusion of employees as MRTs. In doing so, the Committee should:

- assess the financial and non-financial risk exposures considered by the Risk function in the identification/exclusion process, to ensure all relevant risks that the Group is exposed to, have been taken into account;
 - review the criteria used by the Risk function in respect of risk processes and frameworks (for example credit approval limits or position limits for traders) used to support the exclusion of employees as MRTs;
 - on request, provide advice/information to the Remuneration Committee on the risks and compliance processes considered in the identification process and the extent to which these accurately reflect the Group’s risk exposures, risk profile and risk appetite.
- 2.17 determine, in conjunction with the Remuneration Committee and the Risk function, whether an appropriate level of risk management and performance adjustment has been applied in performance assessments and remuneration awards for Executive Directors, members of the Group Executive Committee and the Group Heads of Risk, Compliance and Internal Audit functions, including an assessment of the application of malus and clawback provisions.

Chief Risk Officer and Group Risk Function

- 2.18 review the annual plans for the Risk function, including the Compliance Assurance Plan and Operational Risk Plan (the ‘Second Line of Defence’) including a review of the adequacy of resources in place to address risks;
- 2.19 provide advice to the Board in relation to the appointment, replacement or dismissal of the Chief Risk Officer;
- 2.20 meet separately with the Chief Risk Officer, the Chief Credit Officer and the Group Head of Compliance at least once a year without management being present, to ensure that the Risk Management function is adequately resourced; has appropriate standing within the Group and is free from constraint by management. The Chief Risk Officer shall have direct access to the Chair of the Committee on a continual and unrestricted basis;
- 2.21 ensure the Group Risk Function has adequate resources and appropriate access to information to enable it to perform its functions effectively and in accordance with the relevant professional standards;

Equity Investment

- 2.22 consider and approve of equity investment/divestment proposals in line with the thresholds outlined in the Equity Investment Risk Management Framework; the Committee shall retain the right to refer decisions to Board for final approval should they deem it appropriate;

Compliance

- 2.23 review and challenge arrangements established by management for compliance with all internal policies and frameworks and external regulatory and legal requirements, to include Anti Money Laundering and Financial Crime requirements in each of the markets where the Group operates;

- 2.24 review and approve the Committees report for inclusion in the Annual Financial Report. In recommending the Board Risk Committee Report for inclusion, the Committee shall focus on the following:
- 2.24.1 the Group's risk disclosures, including the articulation of the Group's strategy within a risk management context, including inherent risks to which the strategy exposes the Group, the associated risk appetite and tolerance and how actual risk appetite is assessed over time;
- 2.24.2 forward looking information indicating the expected impact of potential risks facing the Group;
- 2.24.3 the articulation of how risk is managed across the Group and the role of the Committee in providing oversight.

Other Matters

- 2.25 review and, as required, approve any matters which the Committee is so required, to approve from time to time in line with various material risk policies and frameworks;
- 2.26 meet separately with the Group Head of Internal Audit once a year, without Management being present; and
- 2.27 address any other duties assigned to it by the Board.
- 2.28 in line with BCBS 239 requirements, consider on an annual basis the adequacy of risk reporting it receives.

Committee Governance

3. Authority

The Board authorises the Committee to:

- investigate any matter falling within its Terms of Reference;
- sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report to the Committee, to facilitate the effective discharge of its responsibilities;
- engage and provide advice on the appointment of external consultants, any firm of accountants, solicitors or other professionals as the Committee sees fit, in accordance with internal procurement policies and Governance and Organisation Framework, to provide independent advice or support and to assist in any review or investigation of such matters within these Terms of Reference as considered appropriate;
- collaborate with other committees whose activities may have an impact on the risk strategy and regularly communicate with the institution's internal control function, in particular the risk management function;
- ensure that appropriate liaison is maintained with, and feedback provided on proceedings in, the Group Risk Committee;
- seek any information it requires from any employee of the Group; and
- provide recommendations to the Board on any required adjustments to the risk strategy resulting from, changes in the business model of the Group, market developments or recommendations made by the risk management function.

Where there is a perceived overlap of responsibilities between the Board Risk and Board Audit Committees, the respective Committee Chairs shall have discretion to agree the most appropriate Committee to fulfill any obligation.

An obligation under the Terms of Reference of the Board Risk or Board Audit Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either of the Committees.

In performing its duties the Committee shall, to the extent possible and on an ongoing basis, take account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the institution as a whole.

4. Membership

Number of Members

4.1 The Committee shall comprise at least three Non-Executive Directors, the majority of whom should be Independent Non-Executive Directors. The Members shall between them have sufficient knowledge, skills and risk management expertise and experience to constructively challenge the risk governance of the Group.

To support the Board in meeting its risk oversight obligations in a consistent and co-ordinated manner, one Member should also be a Member of the Board Audit Committee and one also a Member of the Remuneration Committee.

Quorum

4.2 The quorum for any meeting shall be two Members. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the powers exercisable by the Committee. A Member's participation in a meeting by video link or audio link shall be regarded as valid for these purposes.

Membership

4.3 Membership will be reviewed each year by the Nomination and Corporate Governance Committee, in consultation with the Chair of the Committee, and changes as required will be recommended to the Board.

Chair

4.4 The Chair will be appointed by the Board on the recommendation of the Nomination and Corporate Governance Committee, in consultation with the existing Chair of the Committee. This appointment will be subject to the Central Bank Fitness and Probity assessment.

In the absence of the 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.

In the normal course of business, the Chair of the Committee may not be the Chair of any other Committee in operation within the Group. Any exception to this requirement would be duly considered and approved by the Board, and subject to consultation with the relevant regulatory authorities.

Secretary

- 4.5 The Group Company Secretary, or a nominee if approved by the Chair of the Committee, shall act as the Secretary of the Committee.

Attendees

- 4.6 The Chief Risk Officer, the Chief Financial Officer, the Group Head of Internal Audit, a representative from the Bank's External Auditors, and the Chair of AIB Group (UK) p.l.c., while not Members of the Committee, will normally attend meetings. The Chief Executive Officer will have an open invitation to all meetings. The Committee may invite any Director, or any other person to attend any meeting(s) as it sees fit.

Training

- 4.7 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on a continual basis for all Members, should it be deemed required. The Chief People Officer and the Group Company Secretary will be responsible for ensuring this training is provided and this may form part of the wider Board Continuous Education Programme.

5. Voting

Noting that only Committee Members have a right to vote on the business of the meeting, where the Chair calls upon Members to vote on any issue, decisions will be by way of simple majority. In the event of a split decision, the Chair shall exercise a casting vote to determine the outcome.

6. Meetings & Minutes

The Committee shall meet as frequently as it deems necessary to fulfil its duties and responsibilities but not less than six times in each calendar year. The Chair of the Committee, Members of the Committee or the Chair of the Board may each request that a meeting be held at any time. Additionally the Chief Risk Officer, the Chief Financial Officer and the Chief Credit Officer may each request the Chair to convene a meeting at any time.

Unless otherwise agreed, notice of each meeting confirming venue, time and date together with an agenda of items to be discussed shall be forwarded, unless not reasonably practicable, to each member of the Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time.

Notice shall be given to each Member of the venue, time and date of the meeting. As a general rule, the agenda and papers shall be circulated to Members five business days in advance of the meeting.

The Secretary shall minute the proceedings of all meetings of the Committee. Draft minutes of meetings will be circulated to the Committee Chair within a reasonable timeframe following the holding of each meeting for review and comment in advance of their formal circulation to the Committee at the time of the next scheduled meeting for review and if appropriate, approval.

7. Reporting

The Chair will report formally on the key aspects of the proceedings of the Committee and its recommendations to the subsequent full meeting of the Board and the minutes of the Committee shall be tabled at the Board as soon as possible for noting and/or discussion as

necessary. The Committee will report to the Board annually on how it has discharged its responsibilities and any other matters referred to it by the Board.

Outside of this reporting cycle, the Committee shall ensure the Board is informed promptly of all matters of material of concern to the Committee.

8. Responsibility of Management

The Committee shall be entitled to rely on the integrity and expertise of persons providing information to the Committee and on the accuracy and completeness of such information.

Management will ensure that all information relevant to the discharge by the Committee of its responsibilities is provided to 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.

9. Review of Operations

The Committee shall conduct, in line with agreed Board policy and processes, an annual review of the Committee's effectiveness and Terms of Reference and make recommendations to the Board for changes where it deems them appropriate.