



# ***AIB Group (UK) p.l.c.***

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## Board Risk Committee Terms of Reference

Reviewed by the AIB Group (UK) p.l.c. Board Risk Committee on 31 January 2023  
Approved by the AIB Group (UK) p.l.c Board on 1 February 2023  
Date of next review: January/February 2024

- (A) References in this document to “Board” mean the Board of Directors of AIB Group (UK) p.l.c (the “Company” or “AIB UK”). References in this document to “AIB” and the “Group” mean AIB Group plc, Allied Irish Banks, p.l.c and all of its subsidiary companies combined.
- (B) The Company is a UK authorised and regulated financial institution with its own Board of Directors. The Board Risk Committee (the “Committee”) is a committee of the Board of the Company, from which it derives its authority and to which it regularly reports.
- (C) The Company is a wholly-owned subsidiary of Allied Irish Banks, p.l.c. which has a governance and organisation framework (“Framework”) which sets out the governance and organisation principles, expectations, roles and responsibilities in place and proposed for AIB. This Framework includes a risk policy.
- (D) 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.
- (E) Allied Irish Banks, p.l.c. (“AIB Bank”) 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, including the Company) operating as subsidiaries of AIB Bank.
- (F) The above definitions apply throughout this document unless the context requires otherwise.
- (G) These Terms of Reference are to be read in conjunction with the Company’s Articles of Association and Board Governance Manual, as amended from time to time. In any conflict between these Terms of Reference and the Board Governance Manual and/or Articles of Association, the Articles of Association and then the Board Governance Manual take precedence.
- (H) Where specific job titles are referenced in this document, these may be used interchangeably for any job title being used for the individual holding the responsibilities normally associated with the specified job title and of the equivalent seniority.

## **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 Company's operations, encompassing the implementation and maintenance of the Company's overall risk culture, risk management framework and its risk appetite, strategy, and policies, to ensure they are consistent with the strategy, regulatory requirements, corporate governance principles and industry best practice, and cognisant of the Group Framework.
- Discharging its responsibilities in ensuring that risks within the Company are appropriately identified, reported, assessed, managed and controlled to include commission, receipt and consideration of reports on key risk issues;
- Ensuring that the Company'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; and
- Promoting risk awareness culture within the Company.

The Committee works to ensure that this purpose is fully aligned to the Company's strategy and values and considers the interests of stakeholders while operating within all applicable regulatory and statutory requirements.

## **2. Duties & Responsibilities**

The Committee shall:

### Risk Appetite / Risk Profile

2.1 Review and recommend to Board for approval the Company's:

- (i) Risk Appetite Statements ("RAS"); and
- (ii) risk frameworks and any associated policies which require Board approval, in line with the requirements set out in the AIB Group Policy Governance Framework and associated Risk Policy Architecture<sup>1</sup>;

2.2 Ensure that the risk appetite of the Company is clearly articulated and reflected within its RAS and that the RAS is reviewed on an ongoing basis, at least annually in advance of the strategic and financial planning process;

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<sup>1</sup> The AIB Group Policy Governance Framework and associated Risk Policy Architecture are subject to review and adoption by the Company on the basis that there are no legal, regulatory or proportionality considerations that prevent adherence and also following review and approval by the AIB Group Board Risk Committee in line with its annual review cycle.

- 2.3 Ensure that a process is in place to monitor the Company's risk profile against the Company's risk appetite and recommend changes in either the risk profile or risk appetite to the Board as appropriate;
- 2.4 Ensure the RAS aligns with business objective and that the subsequent business strategy and financial plans are executed in line with the relevant RAS parameters;
- 2.5 Receive notification of any breaches of the Company's overall risk appetite or risk limits as appropriate and consider Management's response a potential or actual material breach of the same;

#### Risk Framework & Policies

- 2.6 Review, challenge, and approve if appropriate, designated new material risk frameworks and policies, and amendments to existing designated material risk frameworks and policies, recommended by Management for approval by the Board, in line with the requirements set out in the Group Policy Governance Framework and associated Risk Policy Architecture;
- 2.7 Satisfy itself that risk management and measurement systems are in place and are appropriate;
- 2.8 Review and satisfy itself that the Company's stress testing framework, governance and related internal controls are sufficiently robust;
- 2.9 Review and challenge arrangements established by Management for compliance with all internal frameworks and policies for ensuring that frameworks and policies meet relevant external regulatory and legal requirements;

#### Liquidity, Funding & Capital

- 2.10 Review the liquidity, funding and capital position of the Company, the size of the liquidity and capital buffers and management actions to mitigate against the risk of breaching the Company's risk appetite and regulatory requirements;
- 2.11 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 Company, such as market, credit, operational (including legal and IT) pension and banking book interest rate risks;
- 2.12 Evaluate the output of stress tests (including reverse stress tests) and actions management is undertaking to mitigate against unforeseen events and assess how the Company's risk profile would react to external and internal events;
- 2.13 Review annually and recommend to the Board for approval the Company's Liquidity Adequacy Assessment Process ("ILAAP");
- 2.14 Review annually and recommend to the Board for approval the Company's Internal Capital Adequacy Assessment Process ("ICAAP");

#### Key Risk Areas & Issues

- 2.15 Review periodic reports in respect of the Company's material risks, as set out in the Material Risk Assessment ("MRA");

- 2.16 Evaluate the nature and extent of the material risks facing the Company, as presented in the MRA and in other regular risk reports and challenge Management's assessment of:
- (i) the likelihood of the risk concerned materialising;
  - (ii) the impact of the risk if it did materialize; and
  - (iii) management actions to mitigate the risk;
- 2.17 Receive updates regarding the effectiveness of the Company's policies and programmes which relate to identifying, managing and mitigating Environmental, Social and Governance risks ("ESG"), including climate and financial risk, in connection with the Company's operations and ensure compliance with regulatory requirements and industry standards in this regard;
- 2.18 Review the output of climate risk stress testing on a periodic basis;
- 2.19 Review and assess the findings arising from regulatory reviews and inspections, and challenge the subsequent action plans proposed by Management to address those findings, where required;
- 2.20 Review and approve new and renewed material Outsourcing (external and intra-group) and Third Party engagements that impact the Company<sup>2</sup>;
- 2.21 Review and, as required, approve any matters which the Committee is required to approve from time to time in line with various material risk policies and frameworks;

#### Material Risk Taker ("MRT") Process

- 2.22 Assess the basis for the inclusion or exclusion of employees as MRTs. In doing so, the Committee should:
- (i) 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 Company is exposed to have been taken into account;
  - (ii) Review the criteria used by AIB Group in respect of compliance processes and frameworks used to support the exclusion of employees as MRTs; and
  - (iii) Recommend to the Board the list of employees as MRTs and Remuneration Code Staff for approval.

#### Chief Risk Officer & Risk Function

- 2.23 Provide advice to the Board in relation to the appointment, replacement or dismissal of the Chief Risk Officer;
- 2.24 Review the annual plan for the Risk Function (including Compliance) and ensure the Risk Function has adequate resources and appropriate access to information to

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<sup>2</sup> Specifically approve new Tier 1 service assessments and note new Tier 2 service assessments. Other items to be approved or noted as appropriate when escalated to the Committee on a risk based approach.

enable it to perform its functions effectively and in accordance with the relevant professional standards;

#### Compliance

2.25 Review and challenge the management of compliance risk, including but not limited to:

- (i) reviewing and challenging arrangements established by Management for compliance with all internal policies and frameworks;
- (ii) monitoring compliance by the Company with external legal and regulatory requirements including upstream risks and changes in each of the markets where the UK business operates, Anti-Money Laundering (“AML”), Countering the Financing of Terrorism (“CFT”) and Financial Sanctions, which will include the reviewing of the annual Money Laundering Officer’s report;
- (iii) receiving reports on compliance related matters including any material compliance breaches, activity with regulators, fraud and money laundering reports;

2.26 Review and approve the Committee’s report for inclusion in the Annual Financial Report. In recommending the Board Risk Committee Report for inclusion, the Committee shall focus on the following:

- (i) The UK risk disclosures, including the articulation of the UK’s strategy within a risk management context, including inherent risks to which the strategy exposes the Company, the associated risk appetite and tolerance and how actual risk appetite is assessed over time;
- (ii) Forward looking information indicating the expected impact of potential risks facing the Company; and
- (iii) the articulation of how risk is managed across the Company and the role of the Committee in providing oversight.

#### Ongoing Viability

2.26 where required by the Board, and subject to overlap with the Board Audit Committee,

- (i) provide advice on how, taking into account the Company’s position and principal risks, the Company’s prospects have been assess, over what period and why the period is regarded as appropriate; and
- (ii) advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions.

### **3. Committee Governance**

#### **3.1 Authority**

3.1.1 The Board authorises the Committee to:

- investigate any matter falling within its Terms of Reference, undertake or consider on behalf of the Board Chair or the Board such other related tasks or topics as the Board Chair or the Board may from time to time entrust to it, and make any recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
- sub-delegate any or all of its powers and authority as it sees fit to one or more of its Members or the Secretary, 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, 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 and the Committee shall receive appropriate funding for any such appointments,<sup>3</sup> subject to the procedures and limitations set out in the Board Governance Manual;
- receive all relevant information and data necessary to perform its role; and
- request the attendance of and/or seek any information it requires from any employee of the Group in order to perform its duties and the Board directs that all Directors and employees co-operate with such requests made by the Committee.

### 3.2 Membership

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

3.2.2 Membership and succession planning will be reviewed each year by the Board Nomination Committee, in consultation with the Committee Chair, and changes as required will be recommended to the Board.

### 3.3 Quorum

The quorum for the transaction of business 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 electronic facility shall be valid for these purposes.

### 3.4 Committee Chair

3.4.1 The Committee Chair shall be appointed by the Board on the recommendation of the Board Nomination Committee. This appointment is subject to the Prudential Regulation Authority Senior Manager and Certification Regime.

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<sup>3</sup> If the proposed professional advisor provides statutory audit services to any part of the Group, the proposal shall be discussed with the Audit Committee Chair and the Group Audit Committee Chair before any appointment is agreed.

3.4.2 In the absence of the Committee Chair from any meeting, they shall nominate or, in the absence of such nomination, the remaining members present shall elect, one of their number to chair the meeting.

3.4.3 The Committee Chair will be responsible for leadership of the Committee and for ensuring its effectiveness in all aspects of its role. The Committee Chair should also facilitate the effective contribution of all Members.

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

3.4.5 To ensure co-ordination with the work of the Board Audit Committee, the Committee Chair should be a member of the Board Audit Committee and vice versa.

### 3.5 Secretary

The Company Secretary, or a nominee if approved by the Committee Chair, shall act as the Committee Secretary and attend all meetings.

### 3.6 Attendees

3.6.1 While not Members of the Committee, the following will normally attend meetings as permanent invitees:

- UK Chief Risk Officer;
- UK Chief Finance Officer;
- Group Head of Internal Audit;
- Strategic Head of Audit;
- The External Auditor;<sup>4</sup> and
- AIB Group Chief Risk Officer.

3.6.2 Permanent invitees may only send a delegate to attend a meeting on their behalf in exceptional circumstances and with prior agreement of the Committee Chair.

3.6.3 The UK Managing Director also has an open invitation to all meetings.

3.6.4 The Committee may also invite any Director, or any other person to attend any meeting(s) as it sees fit.

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<sup>4</sup> The Company's External Auditors have access to meeting minutes at their request.



3.6.5 The Committee may at its discretion decide to meet in private or with specified attendees only.

### 3.7 Voting

Each Member present shall have one vote and will be entitled to vote on all matters, save for where a perceived, potential or actual conflict of interest exists (subject to the Company's Articles of Association). All decisions will be by way of simply majority. In the event of a split decision, the Committee Chair shall exercise the casting vote.

### 3.8 Meetings

3.8.1 The Committee shall meet at least six times in each calendar year and as frequently as it deems necessary to fulfill its duties and responsibilities.

3.8.2 The Committee Chair, members of the Committee or the Board Chair may each request that a meeting be held at any time. The following may request the Chair to convene a meeting at any time:

- UK Chief Risk Officer;
- UK Chief Finance Officer;
- UK Chief Credit Officer; and
- UK Chief Operating Officer.

3.8.3 The Committee Secretary shall convene meetings of the Committee. Notice shall be given to each Member of the venue and/or electronic facility details, time and date of the meeting. As a general rule and unless not reasonably practicable, the agenda and papers shall be circulated to Members five business days in advance of the meeting.

3.8.4 The Committee shall meet with the following in private session at least annually and these sessions may be arranged to be joint meetings with members of the Board Audit Committee as appropriate:

- UK Chief Risk Officer;
- UK Chief Credit Officer;
- Group Head of Internal Audit;
- UK Head of Compliance; and
- UK Head of Financial Crime Prevention.

### 3.9 Minutes

3.9.1 The Committee Secretary shall minute the proceedings and resolutions of all formal committee meetings, including recording the names of those present and in attendance and the existence of any conflicts of interest.

3.9.2 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 thereafter approval.

### 3.10 Reporting

#### *Reporting to the Board*

3.10.1 The Committee Chair shall report verbally or in writing 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.

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

3.10.3 Committee papers will be made available to all Board Members.

#### *Reporting to the Group*

3.10.4 The minutes of Committee meetings will be sent to the Group Board Risk Committee of AIB for information, via the AIB Corporate Governance Team.

3.10.5 The Committee Chair will attend the Group Risk Committee on at least one occasion annually, in response to an invitation, to present a written report on matters and issues considered by the Committee.

#### *Annual Financial Report*

3.10.6 The Committee shall compile a report describing its membership and its duties and activities during the year, to be included in the Company's Annual Financial Report. In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

### 3.11 Other Matters

The Committee shall:

3.11.1 have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required;

3.11.2 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, as part of the Board Training Programme;

3.11.3 to the extent possible and on an ongoing basis, take account of the need to ensure that the Committee's decision-making and discussions are not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Company as a whole;

- 3.11.4 provide oversight of and challenge to Management;
- 3.11.5 give due consideration to all relevant laws and regulations, the Senior Managers Regime, the UK Corporate Governance Code and published guidance, and any other applicable rules, as appropriate;
- 3.11.6 work and liaise as necessary with all other Board Committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other committees;
- 3.11.7 provide recommendations on any required adjustments to the risk strategy resulting from, changes in the business model of the Company, market developments or recommendations made by the risk management function;
- 3.11.8 ensure that appropriate liaison is maintained with, and feedback provided on proceedings in, the Company's Executive Risk and Operations Committees; and
- 3.11.9 collaborate with other committees whose activities may have an impact on the risk strategy and regularly communicate with the Company's internal control function, in particular the Risk Management function.

Where there is a perceived overlap of responsibilities between the Committees, the respective Committee Chairs shall have discretion to agree the most appropriate Committee to fulfil any obligation. An obligation under the Terms of Reference of any of these Committees will be deemed by the Board to have been fulfilled providing it is dealt with by any of the Committees.

#### **4. *Responsibility of Management***

- 4.1 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.
- 4.2 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.

#### **5. *Review of Operations***

The Committee shall conduct annually, in line with agreed Board policy and processes, to ensure it is operating at maximum effectiveness:

- 5.1 an evaluation of the Committee's work and effectiveness with the results and action plan to address any issues raised submitted to the Board; and
- 5.2 a review of these Terms of Reference, including performance against the Terms of Reference and recommend any proposed changes to the Board for approval.