

**The Governor and  
Company of the  
Bank of Ireland**

Corporate Governance  
Statement

2017



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# Governance

## Corporate Governance Statement

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Note: Page numbers and note references in the Corporate Governance Statement reference to The Governor and Company of the Bank of Ireland (the 'Bank') Annual Report year ended 31 December 2017.

Signed on behalf of the Court by  
23 February 2018

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**Archie G Kane**  
Governor

**Francesca McDonagh**  
Group Chief Executive

## Governor's introduction



Archie G Kane, Governor

Dear Shareholder,

I am pleased to present our Corporate Governance Report for 2017. This report explains how the Group applies the principles of good governance.

### Establishment of Bank of Ireland Group plc

The Group was reorganised in 2017, following notification to the Group by the Single Resolution Board that a single point of entry bail-in at group holding company level was the preferred resolution strategy for Bank of Ireland Group.

Pursuant to a Scheme of Arrangement, which was approved by shareholders in April 2017, BOIG plc, which was incorporated on 28 November 2016, became the holding company of the Bank on 7 July 2017. BOIG plc replaced the Bank as the main listed entity of the Group on 10 July 2017.

As part of these changes, the structure of governance which was in place for the Bank was replicated at BOIG plc level as follows:

BOIG plc:

- adopted a Board Governance Policy similar to that in place for the Bank;
- put in place a delegation of authority to management, with appropriate reservations of authority;
- delegated authority to the Group CEO as CEO of BOIG plc; and
- established committees mirroring those in place for the Bank.

The existing governance and committee structure of the Bank has remained in

place throughout 2017, subject to such amendments as were required by the establishment of BOIG plc.

The Directors of the Bank, with the exception of Brad Martin, were appointed to the board of BOIG plc on 23 March 2017.

As a matter of policy, the Board and main Committees of BOIG plc and the Court of the Bank comprise the same Directors, with Board and Committee meetings for these companies being held concurrently. Agendas are split between the boards and committees of BOIG plc and the Bank, allowing decisions to be taken and scrutinised by the appropriate entity.

Unless a distinction is indicated, this Report describes the activities and governance practices of the parent entity of the Group for the financial year ended 31 December 2017 (i.e. the Bank from 1 January to 7 July 2017 and the Company from that date until 31 December 2017). Thus, references to attendance at, and matters considered by, board and committees reflect the activities at parent level for the entire financial year of 2017. For ease of reference, the term 'Board' includes 'Court', references to Group-level committees include the equivalent entity for the Bank, 'Chairman' includes 'Governor' and so forth.

The Court is accountable to shareholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the long term interests of shareholders 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.

### Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (the 'Irish Code')

The Irish Code imposes statutory minimum core standards upon all credit institutions licenced or authorised by the Central Bank of Ireland (CBI). The Company's primary banking subsidiary,

the Bank, was subject to the Irish Code, (which is available on [www.centralbank.ie](http://www.centralbank.ie)) throughout 2017. The Bank is also subject to the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively.

### UK Corporate Governance Code

The Company is subject to the UK Corporate Governance Code 2016 published by the Financial Reporting Council in the UK (the 'UK Code' which is available on [www.frc.org.uk](http://www.frc.org.uk)) and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange (the 'Irish Annex' which is available on [www.ise.ie](http://www.ise.ie)). The UK Code and the Irish Annex applied to the Bank until 7 July 2017. Thereafter the Irish Annex and certain provisions of the UK Code ceased to apply to the Bank. The Bank has voluntarily applied the Irish Annex and those provisions of the UK Code which ceased to apply to the Bank.

### Thank you

I would like to thank each of the Directors for their commitment and support during 2017. I would also like to express the Court's sincere appreciation to Richie Boucher for his contribution towards the success of the Group as CEO and to Tom Considine, Pat Butler and Brad Martin for their contributions to the Group as Non-executive Directors over the years. I wish them well in all their future ventures. I would also like to take this opportunity in wishing Francesca McDonagh well in leading the Group into the next phase of its development.

### Looking ahead

I have also informed the Court of my intention to step down as Governor during 2018 and, as this my last report to you in this role, I would like to take this opportunity to thank you for your support over the years. The Senior Independent Director, Mr Patrick Haren is leading the process to identify my successor.

Archie G Kane  
Governor  
23 February 2018

## Corporate Governance Report

The Directors believe that the Bank complied with the provisions of the Irish Code throughout 2017. The Directors also believe that the Bank and the Company complied with the provisions of the UK Code and the Irish Annex, during the respective periods in 2017 in which the UK Code applied to the Bank and the Company (the 'relevant periods'), other than in the following respects:

- As Tom Considine was nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and was not required to stand for election or regular re-election by shareholders, he was not classified as an independent Non-executive Director. In accordance with the Bye-Laws of the Bank and the Constitution of the Company, Directors nominated by the Minister for Finance may not serve as a Director of the Bank or the Company for a period of longer than nine years after his or her date of appointment.

Tom Considine was a member of both the Group Audit Committee and CRC, which benefited from his judgement and the quality of his contributions during 2017. Both Committees comprise a minimum of three independent Non-executive Directors as per provision C.3.1 of the UK Code.

- Provision B.7.1 of the UK Code recommends annual election of directors by shareholders. In accordance with the Bye-Laws of the Bank and the Constitution of the Company, Government nominated Directors are not required to put themselves up for re-election on an annual basis and accordingly Tom Considine was not submitted for re-election at the Annual General Court (AGC) held in 2017. Government nominated Directors are subject to an annual review of their fitness and probity.
- Provision D.1.2 of the UK Code states that where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain earnings from that position and if so, what that remuneration is. For part of the period during which he was Executive Director and Group CEO (10 January 2017 to 1 October 2017), Richie

Boucher held the position of Non-executive Director of Eurobank Ergasias S.A. ('Eurobank') and retained fees in respect of this position in accordance with the remuneration policy of Eurobank. In accordance with the applicable law governing Eurobank's remuneration disclosures, remuneration of all staff and directors is publically disclosed on an aggregate basis only and so the individual remuneration of directors is not disclosed.

Details of how the Bank and the Company applied the main and supporting principles of the UK Code throughout the year ended 31 December 2017 for the relevant periods are set out in this Corporate Governance Report and in the Remuneration Report. These reports also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional corporate governance provisions.

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review.

Directors of the Bank are aware that, should they have any material concern about the overall corporate governance of the Group, it should be reported without delay to the Court and, should their concerns not be satisfactorily addressed within five business days, the Directors should report the concern to the Central Bank of Ireland.

The Court's oversight of risk and control is supported through delegation of certain responsibilities to Committees of the Court, the principal Committees being the Court Audit Committee, the CRC, the Court Nomination and Governance Committee and the Court Remuneration Committee. Details of these Committees are set out on pages 10 to 19. The Chairman of each Committee formally reports on key aspects of Committee proceedings to the subsequent scheduled meeting of the Court and minutes of

principal Committees are tabled at the Court as soon as possible for noting and / or discussion as necessary. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Court and are available on the Group's website ([www.bankofireland.com](http://www.bankofireland.com)) or by request to the Group Secretary. The Group's position on audit tendering is set out on page 17.

### The Court of Directors

#### Role of the Court

The Court'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 Court 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 Court also reviews management performance. The Court has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly. Matters requiring Court approval include:

- Determination of strategy.
- Determination of risk appetite within the parameters of the Group's Risk Appetite Statement (RAS).
- Approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP).
- Promoting the appropriate culture, values and ethics of the Bank.
- Overseeing the management of the business.
- Overseeing the internal control and risk management systems of the Bank.
- Approval of the Bank's business plans and budgets.
- Overseeing corporate governance and succession planning.
- Acquisitions or divestments of companies involving a third party or management buyout except for credit management purposes.
- Approval of Common equity tier 1 capital investments of greater than €20 million in a regulated subsidiary and €40 million in any other subsidiary.
- Capital expenditure (in excess of €40 million).
- Guarantees including those in respect of subsidiary companies, entered into by the Bank, other than in the normal course of business.
- Pension scheme funding / benefits - all changes to the funding of pension

## Corporate Governance Report (continued)

- schemes in the Bank and / or benefits of same.
- The approval of equity underwriting sums of greater than €20 million.
- Certain specified senior management appointments.

The Court is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Court approval.

The Court is responsible for determining high-level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives.

The Court approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through a Court Risk Report reviewed monthly for all risks. Further information on risk management and the Court's role in the risk governance of the Group is set out in the Financial risk management note on pages 79 to 108.

The work of the Court follows an agreed schedule of topics which evolves based on business need and is formally reviewed annually by the Court. The Court monitors and reviews the performance of the Group through a series of reports, receives updates from the Group's principal businesses on the execution of their business strategy and considers reports from each of the principal Court Committees. The strategy of the Group and performance against strategic goals continued to receive considerable focus throughout 2017. In addition the matters considered, and action taken by the Court during the year are set out in the accompanying table.

### Court size and composition

At close of business on 31 December 2017, the Court comprised ten Directors: the Chairman, who was independent on appointment, two Executive Directors and seven Non-executive Directors, all of whom have been determined by the Court to be independent Non-executive Directors in accordance with the requirements of the UK Code and Irish Code. Brad Martin resigned from the Court on 28 April 2017, Richie Boucher resigned from the Court on 1 October 2017, and Pat Butler and Tom Considine resigned on 31 December 2017. Richard Goulding was appointed as Non-executive Director to the Court on 20 July 2017 and Francesca McDonagh was appointed as CEO and Executive Director on 2 October 2017. Biographical details, including each Director's background, experience and independence classification, are set out in the BOIG plc Annual Report on pages 89 to 92.

The composition of the Court and its Committees is reviewed by the Court Nomination and Governance Committee

Matters considered and action taken by the Court in 2017	
Area of focus	Role of the Court
<b>Business environment</b>	<ul style="list-style-type: none"> <li>Reviewed economic, investor and stakeholder perspectives.</li> <li>Reviewed Group communications and the external environment.</li> <li>Reviewed the macroeconomic and regulatory environment, including the implications of Brexit, and the changing international corporate tax environment.</li> </ul>
<b>Group strategy and risk appetite</b>	<ul style="list-style-type: none"> <li>Approved the Group Risk Appetite and Framework.</li> <li>Approved capital strategy, capital optimisation and capital allocation, and funding and liquidity strategy and policy. Approved a credit risk transfer programme.</li> <li>Reviewed divisional and business unit strategies, product strategies and customer propositions.</li> <li>Approved Integrated Plan and Core Banking System updates.</li> <li>Reviewed and approved Group culture programme.</li> <li>Reviewed leadership development and engagement including employee engagement and succession planning including the approval of the appointment of a new CEO.</li> <li>Considered and approved the Group Resolution Strategy, incorporating the establishment of a group holding company and reviewed operational continuity in resolution.</li> <li>Approved non-performing exposures strategy.</li> <li>Approved M&amp;A transactions including the merger of the private banking business into the main bank, the divestment of IBI Corporate Finance, the acquisition of loan portfolios and the acquisition of a motor finance business in the UK.</li> </ul>
<b>Business performance</b>	<ul style="list-style-type: none"> <li>Reviewed the performance of the Group's business divisions, its major subsidiaries and business units.</li> <li>Reviewed and approved Group financial performance updates, forecasts, budgets, dividend policy, capital position, capital allocation and RAROC performance.</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>Approved the Group Risk Framework and the Group Contingency Funding and Contingency Capital Plan.</li> <li>Approved key group risk policies, risk mitigation plans and the Group Recovery Plan.</li> </ul>
<b>Governance and regulatory</b>	<ul style="list-style-type: none"> <li>Reviewed the Group tracker mortgage redress and compensation programme.</li> <li>Approved the annual Court effectiveness reviews and Court succession proposals.</li> <li>Approved governance documentation for the group holding company.</li> <li>Assessed the fitness and probity and approved the appointment of pre-approval controlled functions (PCF) role holders. Approved the annual PCF reconfirmation.</li> <li>Approved the appointment of KPMG as external auditors from 2018 following tender process.</li> <li>Approved corporate governance matters including group policies and Court / committee terms of reference.</li> </ul>

## Corporate Governance Report (continued)

and the Court, on an annual basis, to ensure that there is an appropriate mix of skills and experience. This includes a review of tenure, an assessment of the skills profile of the Court and consideration of succession for key roles to ensure the Court and committees comprise Directors having a comprehensive understanding of the Group's activities and the risks associated with them. In addition, where any appointment or resignation will alter the overall size of the Court, a review is undertaken to ensure that the composition remains appropriate. The Court regards its current size and composition as appropriate to provide the broad range of skills and experience necessary to govern the business effectively, while enabling full and constructive participation by all Directors.

In 2017 the Group completed a review of the ongoing fitness and probity of persons in PCFs whereby Directors were asked to confirm any changes in circumstances in respect of their compliance with the Fitness and Probity Standards issued by the Central Bank of Ireland (the 'Standards'). Directors of the Bank are subject to the Standards. All changes in circumstances disclosed were assessed and their materiality determined. Time commitments of Directors were considered as part of this review process and Directors confirmed that they continue to have sufficient time to perform their roles. The Court concluded that each of the Directors of the Court has the requisite standard of fitness, probity and financial soundness to perform their functions with reference to the Standards and provided the required confirmation to that effect to the Central Bank of Ireland.

### Court meetings

The Court held seventeen meetings during the year ended 31 December 2017, eleven of which were scheduled meetings. As part of its oversight of major subsidiaries, the Court visited the UK business including holding one Court meeting in the UK. The Governor and Members of the Court, together with their attendance at Court meetings are shown below.

Further details on the number of meetings of the Court, its Committees and attendance by individual Directors are set out on page 20.

Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to discharge fully their duties.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal Court process. The Company has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

### Term of appointment and re-election of Directors

Non-executive Directors are normally appointed for an initial three year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity. On recommendation by the then Group Nomination and Governance Committee, in order to maintain continuity and succession on the Court and its committees, the Court approved the proposal that Patrick Kennedy serve for a third term of three years, starting from the AGC held in April 2017, and that Patrick Haren and Patrick Mulvihill would be requested to serve for a third term of three years, starting from the AGC to be held in April 2018. A rigorous review of their skills, experience, independence and knowledge was carried out and the Court concluded that they continue to be effective and make a valuable contribution to the deliberations of the Court.

A Non-executive Director's term of office will not extend beyond nine years in total unless the Court, on the recommendation of the Court Nomination and Governance

Committee, concludes that such extension is necessary due to exceptional circumstances. In respect of executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Group of greater than one year. None of the Non-executive Directors has a contract of service with the Group.

It is Group practice that, following evaluation, all Court Directors are subject to annual re-election by shareholders. All Directors retired at the AGC held on 28 April 2017, with the exception of Tom Considine, who was nominated as a Director by the Minister for Finance. The requirement to stand for election and regular re-election was dispensed with for a Government nominated Director.

The following Directors, being eligible, offered themselves for re-election and were re-elected at the AGC in 2017: Kent Atkinson, Richie Boucher, Pat Butler, Patrick Haren, Archie G Kane, Andrew Keating, Patrick Kennedy, Davida Marston, Fiona Muldoon and Patrick Mulvihill. The Directors, with the exception of Richie Boucher and Pat Butler will stand for re-election at the forthcoming AGC. Richard Goulding was co-opted to the Court on 20 July 2017 and Francesca McDonagh was co-opted to the Court on 2 October 2017, and will offer themselves for election at the forthcoming AGC.

### Conflicts of interest

The Court has an approved Conflicts of Interest Policy which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Bank. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

### Time commitment

The Group ensures that individual Court Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under the European Union (Capital Requirements) Regulations 2014 (the 'Regulations').

#### Court attendance in 2017:

Court meetings	Eligible to attend	Attended
Archie G Kane*	17	17
Kent Atkinson	17	14
Richie Boucher	13	10
Pat Butler	17	16
Tom Considine	17	17
Richard Goulding	7	6
Patrick Haren**	17	17
Andrew Keating	17	17
Patrick Kennedy***	17	17
Davida Marston	17	16
Francesca McDonagh	4	4
Bradley Martin	7	5
Fiona Muldoon	17	17
Patrick Mulvihill	17	17

\*Governor

\*\*Senior Independent Director

\*\*\*Deputy Governor

## Corporate Governance Report (continued)

During the year ended 31 December 2017, all Directors were within the directorship limits set out for significant institutions under the Regulations.

### Governor, Deputy Governor, Senior Independent Director and Group Chief Executive Officer

The respective roles of the Governor and the Group CEO, which are separate, are set out in writing and have been agreed by the Court. The Governor oversees the operation and effectiveness of the Court, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Court. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment. The Governor was appointed as a Non-Executive Director to Melrose Industries plc during the year ended 31 December 2017. During the year, the Governor and Non-executive Directors met without the executive Directors present, to discuss a range of business matters.

The Deputy Governor deputises for the Governor as required and is a Trustee of the BSPF.

The 'Senior Independent Director' (SID) provides Court members, the Group Secretary, shareholders and customers with an additional channel, other than the Governor or the Group CEO, through which to convey, should the need so arise, concerns affecting the Governorship or the Court, or any other issue.

The Group CEO is responsible for execution of approved strategy, holds delegated authority from the Court for the day to day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance. Procedures are in place to review the Group Chief Executive's contract at least every five years.

### Balance and independence

The independence status of each Director on appointment is considered by the Court. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence

status remains appropriate. In 2017, the Court considered the principles relating to independence contained in the Irish Code and the UK Code and concluded that the previously determined independence status of each Director was appropriate. Specifically, the Court concluded that the Governor was independent, and that each current Non-executive Director, is independent within the meaning of the Irish Code and the UK Code.

Each of the Governor, Deputy Governor and all of the Non-executive Directors bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity.

### Appointments to the Court

The Court is committed to identifying the people best qualified and available to serve on the Court and is responsible for the appointment of Directors. The Court plans for its own renewal with the assistance of the Court Nomination and Governance Committee which regularly reviews Court composition tenure and succession planning. In accordance with the Director Assessment Policy and Court Diversity Policy, all appointments are made on merit against objective criteria (including the skills and experience the Court as a whole requires to be effective) with due regard for the benefits of diversity on the Court.

Prior to the appointment of a Director, the Court Nomination and Governance Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role, having regard to the formal assessment of the skills profile of the Court and 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 Group then works with that firm to shortlist candidates, conduct interviews / meetings (including meetings with members of the Court Nomination and Governance Committee and the Court) and complete comprehensive due diligence. In accordance with the Director Assessment Policy of the Court, the assessment process and the due diligence completed is extensive and includes self-certification confirmations of probity and financial soundness and external

checks involving a review of various publicly available sources. The Court Nomination and Governance Committee makes a recommendation to the Court, with the Court satisfying itself as to the candidate's ability to devote sufficient time to the role, independence, fitness and probity, and assessing and documenting its consideration of possible conflicts of interests. Appointments will not proceed where conflicts emerge which are significant to the overall work of the Court.

The processes described above were followed in the selection and appointment of Richard Goulding and Francesca McDonagh to the Court in 2017. Russell Reynolds and Egon Zehnder, two external search consultancy firms, which also assist with executive searches for the Group, were engaged, to assist with the appointments of Richard Goulding and Francesca McDonagh respectively.

Archie G Kane has signalled his intention to retire from the Court in 2018. The Court is also considering the appointment of two additional Non-executive Directors in 2018.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-executive Directors can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, Non-executive Directors are normally required to sit on at least one Court Committee, which involves the commitment of additional time. Certain Non-executive Directors, such as the Deputy Governor, Senior Independent Director and Committee Chairmen, are required to allocate additional time in fulfilling those roles.

### Induction and professional development

On appointment, all new Directors receive a comprehensive induction programme designed to familiarise them with the Group's operations, management and governance structures, including the functioning of the Court and the role of the



## Corporate Governance Report (continued)

key committees. In addition, new Directors undertake significant induction in relation to risk and business matters, including visits to or presentations by Group businesses and briefings with senior management. Further meetings are arranged as required based on the particular circumstances of each Director.

On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-executive Directors. In order to ensure that the Directors continue to further their understanding of the issues facing the Group, Directors are provided with professional development sessions and briefings on a range of technical matters, tailored to their particular requirements. During the year ended 31 December 2017, the modules attended by Directors included 'deep dives' on specific business areas; International Corporate Tax Environment; Brexit; Business Reviews on Youth markets and People; Group Communications; IFRS 9; Cybercrime; the Operational Risk Management System; Retail Banking UK; Wealth Management; Global Markets Strategy and Markets: Group Culture; and Rol Mortgages. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Court on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

### Performance evaluation

There is a formal process in place for annual evaluation of the Court's own performance, and that of its principal Committees and of individual Directors (including the Governor). An evaluation of the performance of the Court and its Committees is conducted every year, with an externally facilitated review conducted at least every third year. The objective of these evaluations is to review past

performance with the aim of identifying any opportunities for improvement, determining whether the Court / Committee as a whole is effective in discharging its responsibilities and, in the case of individual Directors, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

### Court evaluation

Following an external evaluation in 2016 by Independent Audit Ltd, internal evaluations were conducted for 2017. This comprehensive self-evaluation process, which was led by the Governor and supported by the Group Secretary, considered overall performance relative to the role of the Court and consisted of:

- completion of written evaluations by each Director;
- one to one discussions between the Governor and each Director; and
- discussion by the Court of the assessment and recommendations for change or improvement.

The outcome of the Court evaluation was considered by the Court Nomination and Governance Committee and collectively discussed by the Court. The Court concluded that it continues to be effective.

### Committee evaluations

The Chairman of each principal Court Committee led the self-evaluation process in respect of Committee performance. The process was supported by the completion of questionnaires tailored to each specific Committee. The results of this process were considered by each individual Committee with conclusions and any relevant recommendations reported to the Court. The Court concluded that each of its principal Committees continues to be effective.

### Director evaluations

The annual individual Director performance evaluation was led by the Governor and involved:

- the circulation of tailored questionnaires to Directors;
- one to one discussions between the Governor and each Director;
- consideration of the findings by the Court Nomination and Governance Committee; and
- presentation of the overall findings to the Court for consideration.

The Court concluded that each individual Director continues to make a valuable contribution to the deliberations of the

Court, continues to be effective and demonstrates continuing commitment to the role.

### Governor evaluation

The SID leads the process of evaluation of the Governor's performance, based on written submissions and one to one discussions with each Director. The SID presents the results of these assessments to the Court Nomination and Governance Committee and the Court for discussion, without the Governor being present. The SID then meets the Governor to present him with the Court's conclusions on his effectiveness. The SID also meets individual Directors on such other occasions as are deemed appropriate.

The Court concluded that the Governor continues to lead the Court effectively, continues to make a valued contribution and demonstrates continuing commitment to the role.

### Directors' loans

The Companies Act, IAS 24 'Related party disclosures' and a condition imposed on the Bank's licence by the Central Bank of Ireland in August 2009 require the disclosure in the Annual Report of information on transactions between the Bank and its Directors and their connected persons. The amount of outstanding loans to Directors (and relevant loans to connected persons) is set out on pages 135 to 140.

A condition imposed on the Bank's licence by the Central Bank of Ireland in May 2010 requires the Bank to maintain a register of loans to Directors and relevant loans to their connected persons, which is updated quarterly and is available for inspection by shareholders on request for a period of one week following quarterly updates. The Group's process for ensuring compliance with the Central Bank of Ireland's Code of Practice on Lending to Related Parties as amended ('Related Party Lending Code') has been in place since 1 January 2011 and is subject to regular review. A Related Party Lending Committee of the Court is in place which is authorised to review and approve lending to Related Parties as more particularly defined in the Related Party Lending Code.

## Corporate Governance Report (continued)

### Accountability and audit

The Report of the Directors, including a going concern statement and a viability statement, is set out on pages 16 and 17 of the consolidated financial statements. This Corporate Governance Statement forms part of the Report of the Directors.

### Internal controls

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to ensure that there are thorough and regular evaluations of the nature and extent of risks and the ability of the Group to react accordingly. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involves varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment;
- a three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions; central risk management functions; and Group Internal Audit;
- Court and Management Committees with responsibility for core policy areas;
- a set of policies and processes relating to key risks; business and strategic risk, conduct risk, credit risk, funding and liquidity risk, life insurance risk, market risk, operational risk, pension risk, regulatory risk and reputation risk (further details are given in the financial risk management note on pages 79 to 108);
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon by the Court and relevant subsidiary board's;
- regular meetings of the senior management teams, where the executive Directors and other senior executives responsible for running the

Group's businesses, amongst other matters, review performance and explore strategic and operational issues;

- reconciliation of data consolidated into the Group's financial statements to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions; and
- a Code of Conduct setting out the standards expected of all Directors, officers and employees in driving an appropriate, transparent risk culture. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial and non-financial reporting.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements. The main features are as follows:

- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with International Financial Reporting Standards as adopted by the European Union;
- a Group Internal Audit function with responsibility for providing independent, reasonable assurance to key internal (Court, Group & Subsidiary Audit and Risk committees and Senior Management) and external (Regulators and External Auditors) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items, and where judgements and estimates are made, they are independently reviewed to ensure that they are

reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;

- the Annual Report and Interim Report are also subject to detailed review and approval through a structured governance process involving senior and executive finance personnel;
- summary and detailed papers are prepared for review and approval by the Court Audit Committee covering all significant judgemental and technical accounting issues, together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

The Directors confirm that the Court through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 31 December 2017. This review involved consideration of the reports of the internal audit and the risk management functions, (including regulatory compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, any reports of the external auditors which contain details of any material control issues identified arising from their work are reviewed by the Court Audit Committee, if they arise.

Following the year ended 31 December 2017, the Group reviewed the Court Audit Committee's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control in accordance with the Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) was in place throughout the year and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the roles of the various Committees and Group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed.

## Corporate Governance Report (continued)

Further information on the Group Risk Framework is set out in the Risk Management Report on page 49 of the BOIG plc Group Annual Report.

### Group Code of Conduct and Speak Up Policy

The Group has a Code of Conduct in place which is applicable to all employees and Directors of the Group and which is reviewed annually. The Code of Conduct sets out the standards that are expected from all those who work for the Group and gives guidance on how these standards should be applied. Training on the Code of Conduct is mandatory across the Group.

The Group has a Speak Up policy in place for all staff, including Directors, which is in accordance with international practice.

This policy is reviewed on an annual basis in line with the Group Code of Conduct. During 2017, the Group focused on increasing awareness efforts to improving the speak up culture, which included, the annual Policy Review, a module of mandatory web based training included in the Code of Conduct training, increased guidance notes to cover specific scenario events and a formal call to action to all employees on their Speak Up obligations. The Group will continue with a number of initiatives to further increase awareness in 2018. The Speak Up policy gives an assurance that it is safe and acceptable to raise a concern about malpractice, risk or potential wrongdoing and outlines how to speak up and raise a concern. The Court and Group Chief Executive are committed to this policy, which encourages staff to

raise concerns openly and locally. Where this is not possible or the problem has not been resolved effectively at that level, there are clear alternative senior contacts within the Group to whom the concern may be addressed. In the case of concerns regarding fraudulent financial reporting, fraudulent accounting or irregularities in audit work, these can be raised directly with the Chairman of the Court Audit Committee. With reference to the Protected Disclosures Act 2014, a review of the Group Speak Up policy was conducted to ensure that the standards set out in this Act are being met.

## Report of the Court Nomination and Governance Committee



Archie G Kane, Chairman

Dear Shareholder,

On behalf of the Court Nomination and Governance Committee ('N&G Committee'), I am pleased to present our report on the N&G Committee's activity during the financial year ended 31 December 2017.

### Membership and meetings

At close of business on 31 December 2017, the N&G Committee comprised three Non-executive Directors and its composition is fully compliant with the Irish Code, the UK Code and CRD IV. Pat Butler resigned from the N&G Committee on 31 December 2017. I chair the Committee, as Court Governor, other than when the N&G Committee is dealing with the appointment of a successor to the role of Court Governor.

Biographical details, including each Director's background, experience and independence classification, are set out in the BOIG plc Annual Report on pages 89 to 92.

The N&G Committee met eight times in 2017, six of which were scheduled meetings. The Chairman and Members of the N&G Committee, together with their attendance at meetings, are shown below. The Group Chief Executive is invited to attend meetings. The N&G Committee meets annually with no management present.

#### Member attendance in 2017:

N&G committee meetings	Eligible to attend	Attended
Archie G Kane	8	8
Pat Butler	8	7
Patrick Haren	8	8
Patrick Kennedy	8	8

### Matters considered by the N&G Committee

The matters considered, and action taken by the N&G Committee during the year are set out below.

### Role and responsibilities

The key responsibilities of the N&G Committee are set out in its terms of reference and include:

- leading the process for appointments and renewals for the Court and Court Committees; and
- with the support of the Group Secretary, keeping Court governance arrangements under review and making appropriate recommendations to the Court to ensure corporate governance practices are consistent with good practice corporate governance standards.

### Matters considered and action taken by the N&G Committee in 2017

Area of focus	Role of the N&G Committee
<b>Court and committee size and composition including succession planning</b>	<ul style="list-style-type: none"> <li>• Reviewed Court and Court Committee composition, skills and succession plans including approving the appointment of the new CEO and succession planning for key roles on the Court, taking into account the skills profile of the Court.</li> <li>• Reviewed the annual effectiveness evaluation of the Court and its Committees including individual Directors and approved follow-up actions from the externally conducted review in 2016 by Independent Audit. Reviewed the annual effectiveness evaluation of the N&amp;G Committee.</li> <li>• Assessed the fitness and probity and approved the appointment of PCF role holders. Approved the annual PCF reconfirmation.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Reviewed and recommended the Group Culture Programme.</li> <li>• Approved and recommended to the Court for approval updated corporate governance documents, including the Bank's Corporate Governance Statement and Annual Compliance Statement.</li> <li>• Reviewed and approved key governance policies including: the Code of Conduct, the Speak Up Policy, Court Conflicts of Interest Policy and reviewed the Subsidiary Governance Policy.</li> <li>• Reviewed developments in corporate governance, including the revised EBA Guidelines on Internal Governance.</li> <li>• Recommended appointments to the Group's Pension Schemes.</li> </ul>
<b>Executive succession planning and performance review</b>	<ul style="list-style-type: none"> <li>• Reviewed the performance of senior executives.</li> <li>• Approved the Group Executive Committee Terms of Reference.</li> </ul>
<b>Subsidiary governance</b>	<ul style="list-style-type: none"> <li>• Reviewed board composition and succession planning for substantial regulated subsidiaries and reviewed key subsidiary board appointments.</li> <li>• Reviewed the effectiveness evaluations of the boards of substantial regulated subsidiaries.</li> <li>• Reviewed subsidiary nomination committee minutes.</li> <li>• Provided oversight on the Individual Accountability Regime.</li> </ul>
<b>Corporate responsibility</b>	<ul style="list-style-type: none"> <li>• Reviewed the Corporate Responsibility Programme and Responsible Business Report.</li> <li>• Reviewed the Group Modern Slavery Statement.</li> </ul>
<b>Corporate reorganisation</b>	<ul style="list-style-type: none"> <li>• Reviewed key governance documentation for the new Group holding company, BOIG plc.</li> </ul>

## Report of the Court Nomination and Governance Committee (continued)

### Court Composition and Diversity

The Court benefits from the diverse range of skills, knowledge and experience acquired by the Non-executive Directors as directors of other companies, both national and international, or as leaders in the public and private sectors. The effectiveness of the Court depends on ensuring the right balance of Directors with banking or financial services experience and broader commercial experience. Following review in 2017, the N&G Committee approved a Court skills matrix and determined that the skills profile of the Court was appropriate to the business of the Group including:

- Major Business Lines (including retail, corporate & treasury and insurance).
- Geographies (including Ireland, UK, Europe and the US).
- Significant Subsidiaries.
- Products (including retail banking, corporate banking, Insurance and treasury services).
- Group wide risks (including business and strategic, conduct, credit, life insurance, funding and liquidity, market, operational, pension, regulatory and reputational risks).
- Governance.
- Risk management, compliance and audit (including strategy, capital,

funding & liquidity, regulation, whistleblowing transformation and change, customer engagement, business environment and engagement with investors / capital markets).

- Management strategy and decision-making (including strategy, culture, management oversight, ethics and values, business sustainability, stakeholders and corporate governance).

Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group.

The Group recognises the benefits of having a diverse Court and workforce. In reviewing Court composition and identifying suitable candidates, the N&G Committee considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, regional and industry experience, background, nationality, gender, age and other relevant qualities in order to maintain an appropriate range and balance of skills, experience and background on the Court. All Court appointments are made on merit, in the

context of the skills, experience, independence and knowledge which the Court as a whole requires to be effective.

During 2017 the N&G Committee reviewed the Court Diversity Policy (the latest version of which is available on the Group's website) and the measurable objectives set out thereunder. The Court has set a target of achieving a minimum of 33% female representation on the Court for the year ending 31 December 2020. As at 31 December 2017 there was 30% female representation on the Court. The Group is also addressing diversity in the Group's workforce through an Inclusion and Diversity Programme, which recognises that developing and utilising the skills and perspectives of all of our employees is critical to the Group's ongoing business success.

As Chairman of the N&G Committee, I reported to the Court after each meeting to ensure all Directors were fully informed of the N&G Committee's activities. I would like to thank the N&G Committee members and attendees for their contribution and support in steering the work of the N&G Committee throughout 2017.

### Archie G Kane

Chairman of the Court Nomination & Governance Committee  
23 February 2018

## Report of the Court Remuneration Committee



Patrick Haren, Chairman

Dear Shareholder,

On behalf of the Court Remuneration Committee, I am pleased to present our report on the Court Remuneration Committee activities during the financial year ended 31 December 2017.

### Membership and meetings

At close of business on 31 December 2017, the Court Remuneration Committee comprised four independent Non-executive Directors from diverse backgrounds to provide a balanced and independent view on remuneration matters. The Court Remuneration Committee is chaired by the Senior Independent Director and its composition is compliant with the requirements of the Irish Code and CRD IV, and with the recommendations of the UK Code.

Richard Goulding was appointed to the Court Remuneration Committee on 20 July 2017 and Pat Butler resigned from the Court Remuneration Committee on 31 December 2017. In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the Court Remuneration Committee and the Court Risk Committee (CRC). Kent Atkinson, Pat Butler and Richard Goulding have been members of both committees in 2017. Biographical details, including each Director's background, experience and independence classification, are set out in the BOIG plc Annual Report on pages 89 to 92.

The Court Remuneration Committee met six times in 2017, five of which were scheduled meetings. The Chairman and Members of the Court Remuneration Committee, together with their attendance at meetings, are shown above. The Group CEO, Head of Group HR and the Head of Group Performance and Reward are invited to attend meetings as appropriate.

### Member attendance in 2017:

Court Remuneration Committee Meetings	Eligible to attend	Attended
Patrick Haren	6	6
Kent Atkinson	6	5
Pat Butler	6	6
Richard Goulding	2	1
Archie G Kane	6	6

### Matters considered by the Court Remuneration Committee

The matters considered, and action taken by the Court Remuneration Committee during the year are set out in the table below.

### Role and responsibilities

The Court Remuneration Committee holds delegated responsibility from the Court for the oversight of the Group remuneration policy with specific reference to the Governor, Directors and senior management across the Group, and those employees whose activities have a material impact on the Group's risk profile. The Court Remuneration Committee is responsible for overseeing the annual

review of the Group Remuneration policy with input from relevant risk management functions and the CRC.

The remuneration of Non-executive Directors is determined and approved by the Court. Neither the Chairman nor any Director participates in decisions relating to their own personal remuneration.

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, please see page 118 of the Remuneration Report in the BOIG plc Annual Report.

Deloitte are the current advisors to the Court Remuneration Committee. In addition to the provision of remuneration services to the Remuneration Committee of Bank of Ireland UK plc, Deloitte provided the following services to the Group in 2017:

- Programme Management and support for Change Projects.
- Programme Management for Regulatory projects.
- Digital Capability.
- Data Analytics.
- Support for Insurance Broker tender.
- Risk Advisory Support.

### Matters considered and action taken by the Court Remuneration Committee in 2017

Area of focus	Role of the Court Remuneration Committee
<b>Annual Remuneration Review</b>	<ul style="list-style-type: none"> <li>• Considered the external Remuneration Policy review with input from the relevant risk management functions and the CRC and adopted the Group Remuneration Policy. Approved changes to the Group Remuneration Policy as a result of the implementation of MiFID II.</li> <li>• Approved the performance and remuneration of the Group CEO, and the GEC.</li> <li>• Reviewed the remuneration of the Governor of the Court.</li> <li>• Approved the remuneration terms for senior management appointments.</li> <li>• Approved the performance and remuneration for senior management .</li> <li>• Reviewed and approved the Group's Code Role policy, process and procedures.</li> </ul>
<b>Risk and conduct</b>	<ul style="list-style-type: none"> <li>• Reviewed the Group Risk profile and its relationship to Remuneration.</li> <li>• Approved the Group Code Role Holder List.</li> </ul>
<b>Disclosures and governance</b>	<ul style="list-style-type: none"> <li>• Recommended the draft Remuneration Reports in the Annual Report.</li> <li>• Recommended the remuneration element of the Pillar III disclosures.</li> <li>• Approved governance documentation in respect of remuneration matters for BOIG plc and approved appropriate changes to Non-executive Directors and Executive contracts.</li> <li>• Reviewed the evaluation of the Court Remuneration Committee's effectiveness and approved the process for the internal evaluation of the Court Remuneration Committee's performance.</li> <li>• Reviewed and approved the Court Remuneration Committee's Annual Schedule of Topics and reviewed its Terms of Reference.</li> </ul>

## Report of the Court Remuneration Committee (continued)

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As Chairman of the Court Remuneration Committee, I reported to the Court after each meeting to ensure all Directors were fully informed of the Court Remuneration

Committee's activities. I would like to thank the Court Remuneration Committee members and attendees for their contributions and support in steering the

work of the Court Remuneration Committee throughout 2017.

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**Patrick Haren**  
Chairman of the Court Remuneration Committee  
23 February 2018

## Report of the Court Audit Committee



Kent Atkinson, Chairman

Dear Shareholder,

On behalf of the Court Audit Committee (CAC), I am pleased to present our report on the CAC's activity during the financial year ended 31 December 2017.

### Membership and meetings

At close of business on 31 December 2017, the CAC comprised five Non-executive Directors. Tom Considine resigned from the CAC on 31 December 2017. The Court believes that I am considered independent and I may be regarded as an Audit Committee financial expert and that the CAC as a whole has an appropriate mix of skills, experience, professional qualifications, knowledge and relevant financial / banking experience. Patrick Kennedy is the Chairman of the CRC and I am also a member of the CRC. Patrick Mulvihill and Davida Marston were also members of the CRC during 2017. Patrick Haren is Chairman of the Court Remuneration Committee and I am also a member of the Court Remuneration Committee. This common membership helps facilitate effective governance across all finance and risk issues, and ensures that agendas are aligned and overlap of responsibilities is avoided where possible. Biographical details, including each Director's background, experience and independence classification, are set out in the BOIG plc Annual Report on pages 89 to 92.

### Member attendance in 2017:

CAC meetings	Eligible to attend	Attended
Kent Atkinson	13	13
Tom Considine	13	13
Patrick Haren	13	13
Patrick Kennedy	13	13
Davida Marston	13	10
Patrick Mulvihill	13	13

The Chairman and members of the CAC, together with their attendance at meetings are shown below.

The CAC's performance during 2017 was assessed as part of Court / Committee performance evaluation process and is set out on page 7 of this report.

### Matters considered by the CAC

The CAC met 13 times in 2017, ten of which were scheduled and matters considered / action taken by the CAC during the year are set out below.

### Role and responsibilities

The key responsibilities of the CAC are set out in its terms of reference, which are available on the Group's website

### Matters considered and action taken by the CAC in 2017

Area of focus	Role of the CAC
<b>Internal controls and risk management</b>	<ul style="list-style-type: none"> <li>Reviewed the effectiveness of the Group's internal controls, including financial reporting controls review, IT@BOI review, reports from Group Internal Audit, Group Compliance and Regulatory Risk and the Group Anti-Money Laundering Officer.</li> <li>Reviewed the Group's fraud protection and prevention programme.</li> <li>Reviewed the Group's BCBS 239 Programme.</li> <li>Reviewed reports from the Group Investment Committee - post implementation reviews for individual capital expenditure of over €20 million.</li> <li>Recommended the Group's ICAAP and ILAAP processes.</li> <li>Reviewed the internal governance arrangements with respect to Liquidity Coverage Ratio (LCR) Regulatory Reporting</li> </ul>
<b>External reporting</b>	<ul style="list-style-type: none"> <li>Reviewed and recommended annual and interim reporting including the significant accounting and judgemental matters.</li> <li>Recommended the Group Impairment Policy and impairment provisions.</li> <li>Approved the Going Concern assessment and the Group's Viability Statement.</li> <li>Approved the Group's existing accounting policies, and new and significant changes in existing policies, prior to implementation.</li> <li>Reviewed the Group's preparations for IFRS 9 and GDPR.</li> <li>Approved the Group's Pillar III Disclosure Policy; disclosures and non-disclosures (due to immateriality) and Country by Country Reporting disclosures.</li> </ul>
<b>Internal auditors</b>	<ul style="list-style-type: none"> <li>Approved the Internal Audit plan.</li> <li>Reviewed Group Internal Audit (GIA) findings and management's response to GIA audits.</li> <li>Approved annual review of GIA's Charter.</li> </ul>
<b>External auditors</b>	<ul style="list-style-type: none"> <li>Reviewed the external auditors plan, report, external audit findings and the external auditor's engagement letter.</li> <li>Reviewed the Group's audit tender plans, provided oversight for a competitive tender process and reviewed the audit transition process.</li> <li>Considered the effectiveness of the External Auditor.</li> <li>Approved the Non-audit Services Policy and non-audit fees for the External Auditor.</li> </ul>
<b>Governance and talent</b>	<ul style="list-style-type: none"> <li>Recommended the governance documentation including the prospectus and processes for the establishment of BOIG plc.</li> <li>Reviewed and recommended the 2017 Annual Compliance Statement.</li> <li>Recommended the CAC's Terms of Reference and approved the CAC's Annual Schedule of Topics.</li> <li>Reviewed the evaluation of CAC effectiveness.</li> <li>Reviewed talent development and succession planning for the finance function in the Group.</li> </ul>



## Report of the Court Audit Committee (continued)

(www.bankofireland.com) and are reviewed annually and approved by the Court.

One of the key responsibilities of the CAC is to assist the Court in monitoring the integrity of the financial statements. To achieve this for the current reporting period, the CAC reviewed the Annual Report and considered whether the financial statements were consistent with the operating and financial reviews elsewhere in the Annual Report. The CAC also reviewed the governance and approval processes in place in the Group relating to the financial statements and the CAC Report within the Corporate Governance Statement. These governance and approval processes include the completion by management of disclosure checklists to ensure all required disclosures from applicable company law, listing requirements and accounting standards are included and review of the draft Annual Report by the Disclosure Committee. The CAC also considered the treatment and disclosure of key events as presented in the financial statements.

### Significant issues

The CAC considered, inter alia, the following significant issues in its review of the financial statements for the year ended 31 December 2017. In addressing these issues, the CAC considered the appropriateness of management's judgements and estimates and, where appropriate, discussed those judgements and estimates with the External Auditor.

### Loan impairment

The Group Risk Policy Committee (GRPC) approves the Group's provisioning methodology on a half yearly basis. The CRC, on an annual basis, provides observations on the Group's asset quality management and profile to the CAC as an input into the CAC's assessment of year end impairment provisions.

The CAC considered the methodology for loan loss provisioning, including the specific trigger events which are considered as an indicator of impairment, as set out on pages 98 to 100 and an asset quality report from the CRC. The CAC also discussed and challenged management's assumptions used in determining the overall level of impairments recognised in the financial year and the total impairment allowance at the year end with management noting the requirements of IAS 39 in respect of the

timing of recognition of impairments (the incurred loss methodology) and the requirements of the relevant regulatory authorities.

The CAC reviewed management papers and was satisfied that the level of loans classified as impaired and non-performing at year end was consistent with the Group's methodology, and that the calculation and resulting provision recognised and disclosures were appropriate, based on the relevant accounting and disclosure standards including, among others, IAS 39 and IFRS 7.

### Deferred tax assets

The CAC considered the extent of DTAs to be recognised in respect of unutilised tax losses, and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised.

The Group has prepared financial projections which are being used to support the Group's Internal Capital Adequacy Assessment Process (ICAAP). The projections for future taxable profits incorporate economic factors (e.g. economic activity including projected growth levels, unemployment levels, interest rates, etc.) and projected operating performance for each division within the Group (e.g. projected new business, margins, costs, loan losses, etc.). As part of this process, the Group prepares impairment projections, involving a review of projection models for loan loss provisions and challenge of key assumptions and scenarios.

The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by executive management and the Court. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA arising from unused tax losses.

The CAC discussed with management its assessment of the recoverability of the DTA and the related disclosures. The CAC and the Court concluded that it was probable that there would be sufficient

taxable profits in the future to recover the DTA arising from unused tax losses, and that the related disclosures were as required under IAS 12.

### Retirement benefit obligations

The CAC considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored DB pension schemes under IAS 19. Management considered advice from independent actuaries, Willis Towers Watson, for the determination of significant actuarial assumptions including discount rates and inflation. The key assumptions proposed by management and considered by the CAC were assumptions relating to inflation rates, demographic assumptions and discount rates in Ireland and the UK which are used in determining liabilities at the balance sheet date.

During 2017, the Group refined its approach to the determination of the discount rate used to value sterling denominated liabilities under IAS 19 by adopting an alternative model produced by the independent actuary and available to all its clients. The CAC considered this refinement and its appropriateness for the determination of the discount rate applied to the Group's sterling schemes.

The CAC was satisfied that the inflation rates, discount rates and other significant assumptions were appropriate and that the accounting for the Group's sponsored DB pension schemes and related disclosures was in accordance with IAS 19.

Further detail on the inflation rates, discount rates and other significant assumptions related to retirement benefit obligations are set out in note 45 to the consolidated financial statements.

### Tracker Mortgage Examination Review

The CAC considered management's assessment of the impact of the Central Bank of Ireland's Tracker Mortgage Examination Review, including the level of provisioning and the presentation of the charge as a non-core item, excluded from underlying profit before tax. The CAC was satisfied that the level of provisioning, related disclosures and presentation were appropriate.

## Report of the Court Audit Committee (continued)

### *Life assurance operations*

During 2017, the Group changed its accounting policy for the valuation of insurance contract liabilities and ViF business, as set out on page 44. The CAC considered management's rationale for the change, and was satisfied that the revised policy was more relevant and no less reliable than the previous policy, and was consistent with current market practice and requirements.

The CAC considered management's key assumptions and judgements used in determining the ViF business and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rate, lapse rates, mortality, morbidity and expenses.

The CAC was satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF business and insurance contract liabilities is appropriate.

### *IFRS 9 transition*

The CAC considered the estimated impact on shareholders' equity of transition to IFRS 9 on 1 January 2018. The CAC reviewed management papers and discussed and challenged management judgements used in determining the correct classification and measurement of financial assets and the opening stock of impairment loss allowance based on IFRS 9 requirements. The CAC considered the associated disclosures and concluded that they were appropriate based on the relevant accounting and disclosure standards, principally IAS 8.

Further information on the impact of this new accounting standard is set out on page 55 in note 1.

### *Going concern*

The CAC considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2017 on a going concern basis. In making this assessment, matters considered include the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios. The considerations assessed by the CAC are set out on page 43 in the Going Concern disclosure within the Accounting Policies in note 1.

On the basis of the review performed and the discussions with management, the CAC was satisfied that there were no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 43) was subsequently approved by the Court.

### *IT operational risk*

The CAC considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA's review of the internal control considerations related to the Group's IT investment programme. On the basis of the review performed, discussions with management, and the continued operation of the comprehensive internal control framework over financial reporting, the CAC was satisfied that these risks do not impact financial reporting.

Further information on these significant items is set out in the Critical Accounting Estimates and Judgements on pages 56 to 58.

### *Other responsibilities*

The CAC is responsible for the appropriateness and completeness of the system of internal control. In close liaison with the CRC, it reviews the manner and framework in which management ensures and 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.

In addition, the CAC has responsibility for:

- assisting the Court in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function and its operations; and
- discharging the statutory responsibility of the Company under relevant statutes or regulations.

The CAC is also responsible for overseeing all matters relating to the relationship between the Group and its External Auditors, including the external audit plan, terms of engagement, audit and non-audit fee arrangements, interim findings and audit finding reports. The CAC also meets annually with the External

Auditors without management present. PricewaterhouseCoopers (PwC) have acted as sole auditors to the Group since 1990. The External Auditors are required to rotate the Group audit engagement partner every five years and this process occurred in 2015. Kevin Egan of PwC has been the Group's senior audit partner with effect from the audit for the 2015 financial year.

The Group is committed to ensuring the independence and objectivity of the External Auditor and on an annual basis the CAC formally reviews the effectiveness, independence and performance of the External Auditor. This process is supported by tailored questionnaires completed by CAC members and relevant senior management personnel. The responses received in 2017 were collated and presented to the CAC for discussion. Based on the results and assessment of the review process and the CAC's own interactions with the External Auditors, the CAC concluded that they were satisfied with the performance of PwC as External Auditor.

As an additional check on independence, the CAC has developed and implemented a Group Policy on the Provision of Non-Audit Services by the Group's Statutory Auditor. The Group policy ensures, among other things, that auditor objectivity and independence are not compromised. Under this policy, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be approved in advance by the CAC. It is the Group's policy to engage the Statutory Auditor to provide non-audit services only where they are required by legislation, regulation or where this is required by an underwriter in a capital markets transaction. The CAC monitors compliance with the Group policy on the provision of non-audit services and receives reports on the performance of such services.

The fees paid to PwC for the year ended 31 December 2017 amounted to €5.9 million (2016: €4.9 million), of which €2.4 million (2016: €1.3 million) was payable in respect of non-audit services. Non-audit services represented 69% of the statutory audit fee (2016: 36%). Further information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in note 14 on page 69.

## Report of the Court Audit Committee (continued)

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Having considered the impact of the updated EU regulatory framework on statutory audits and the relevant recommendation of the UK Code, and to ensure the continuing quality and effectiveness of the external audit service, the Group had previously announced its intention to conduct an external audit tender in 2017. Following a transparent and competitive tender process, including presentations from all candidate firms and discussions with management, the CAC recommended to the Court that KPMG be appointed to replace PwC as the external

auditor of the Group commencing with the 2018 financial year. This appointment will be the subject of advisory resolution at the Bank's 2018 AGC.

The CAC was provided with a technical training session on relevant accounting matters during the year. The CAC also meets annually with the Group Chief Internal Auditor and with the PwC Group Audit Partner without any other management present and with senior management.

As Chairman of the CAC, I reported to the Court after each meeting to ensure all Directors were fully informed of the CAC's activities. I wish to thank the CAC members and attendees for their contributions and support in steering the work of the CAC throughout 2017.

I would also like to take this opportunity to thank PwC for their significant contribution as the Group External Auditor since their appointment as sole auditors to the Group in 1990.

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**Kent Atkinson**

Chairman of the Court Audit Committee  
23 February 2018

## Report of the Court Risk Committee



Patrick Kennedy, Chairman

Dear Shareholder,

On behalf of the Court Risk Committee (CRC), I am pleased to present our report on the CRC’s activity during the financial year ended 31 December 2017.

The CRC is established to monitor risk governance and to assist the Court in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group’s risk appetite.

### Membership and meetings

At close of business on 31 December 2017, the CRC comprised four Non-executive Directors. Patrick Mulvihill and Davida Marston resigned as members of the CRC on 19 May 2017, and Tom Considine and Pat Butler resigned as members of the CRC on 31 December 2017. Richard Goulding was appointed to the CRC on 20 July 2017. Patrick Mulvihill was re-appointed to the CRC on 1 January 2018. Kent Atkinson is Chairman of the CAC and I am also a member of the CAC. Kent Atkinson and Richard Goulding are members of the Court Remuneration Committee and Pat Butler was a member of both committees during 2017.

### Member attendance in 2017:

CRC meetings	Eligible to attend	Attended
Patrick Kennedy	11	11
Kent Atkinson	11	10
Pat Butler	11	9
Tom Considine	11	11
Richard Goulding	5	5
Davida Marston	5	4
Fiona Muldoon	11	11
Patrick Mulvihill	5	5

The CRC met eleven times in 2017. The Chairman and Members of the CRC, together with their attendance at meetings, are shown below.

This common membership helps facilitate effective governance across all finance and risk issues, including remuneration decisions, ensures that agendas are

### Matters considered and action taken by the CRC in 2017

Area of focus	Role of the CRC
<b>Risk Strategy and management</b>	<ul style="list-style-type: none"> <li>Recommended the RAS and approved the Group Risk Framework and Policy, and the Group Risk Identification Process.</li> <li>Reviewed the top five risks facing the Group and considered the impact of rising bond yields on the Group and the impact of Brexit.</li> <li>Reviewed quarterly risk reports, the Group Recovery Plan and the quality of risk disclosures by the Group.</li> </ul>
<b>Operational risk</b>	<ul style="list-style-type: none"> <li>Approved the operational risk framework, including the RADAR system.</li> <li>Reviewed IT risk and cybercrime and model risk.</li> <li>Considered on an ongoing basis business continuity, technology, information security, cyber security and payments risk profiles.</li> </ul>
<b>Credit risk</b>	<ul style="list-style-type: none"> <li>Reviewed the Group’s asset quality. The observations of this asset quality review were brought to the attention of the CAC in the context of its assessment of impairment provisions.</li> <li>Recommended the non-performing loans strategy and operating plan.</li> <li>Recommended the Group Credit Policy.</li> <li>Reviewed the Group Country Risk Policy and limits including the UK limit post Brexit and the Group’s Brexit Credit Risk Monitoring Programme.</li> <li>Reviewed credit risk transfer transaction.</li> </ul>
<b>Market risk</b>	<ul style="list-style-type: none"> <li>Recommended the Group Market Risk Policy and reviewed controls on discretionary risk and stress testing and approved the Group Policy on Derivatives.</li> </ul>
<b>Liquidity Risk</b>	<ul style="list-style-type: none"> <li>Recommended the Group Funding and Liquidity Policy and management strategy including the Contingency Funding Plan and the Group Liquidity Stress Testing Position.</li> </ul>
<b>Other risk</b>	<ul style="list-style-type: none"> <li>Approved the regulatory risk framework including ongoing monitoring of the regulatory change programmes.</li> <li>Approved Group Conduct Risk Framework and Policy, Group Property Collateral Valuation Policy, Anti-Money Laundering Policy, Group Sanctions and Countering the Financing of Terrorism Policy, and the Group Reputation Risk Policy.</li> <li>Reviewed reports from the Head of Group Governance and Regulatory Risk and risk updates from significant subsidiaries.</li> <li>Reviewed the Risk Mitigation Programme, material regulatory interactions and terms of reference for the Tracker Mortgage Examination Review.</li> <li>Reviewed and considered Pension Risk, including the Group pension position.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Reviewed the CRC effectiveness evaluation and the discharge of its duties. Approved the CRC Terms of Reference and its Annual Schedule of topics.</li> <li>Reviewed the minutes of risk committee meetings of material subsidiaries.</li> <li>Provided the Court Remuneration Committee with risk input into the Group Remuneration Policy.</li> </ul>

## Report of the Court Risk Committee (continued)

aligned and overlap of responsibilities is avoided where possible.

Biographical details, including each Director's background, experience and independence classification, are set out in the BOIG plc Annual Report on pages 89 to 92.

### Matters considered by the CRC

The matters considered, and action taken by the CRC during the year are set out on page 18.

### Role and responsibilities

The CRC makes recommendations to the Court on risk issues where the Court has reserved authority, maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards, and approves material risk policies within delegated discretion. Further information on the Group Risk Framework and the Risk

Governance of the Group is set out in the Risk Management Report on pages 49 to 55 of the BOIG plc Group Annual Report.

The CRC also provides advice to the Court Remuneration Committee to inform remuneration decisions from a risk perspective, monitors the risk elements of any due diligence appraisal of any acquisition or divestment activity reserved for Court decision, as required, and considers the findings of Group Internal Audit and Group Credit Review in respect of risk management.

The Boston Consulting Group undertook a review of the effectiveness of the Court Risk Committee covering the areas of agenda, role, attendance and membership. The overall conclusion was that Committee was effective with a number of opportunities to improve efficiency. An action plan was agreed and significantly implemented during 2017.

The GRPC is the most senior management risk committee and reports to the CRC. During 2017, the CRC reviewed the terms of reference of the GRPC. Further information on the role of the GRPC in the Risk Governance of the Group is set out in the Risk Management Report on page 51 of the BOIG plc Group Annual Report.

On an ongoing basis, the CRC reviews decisions of the GRPC through its minutes as presented to the CRC and receives reports from the committee chairman.

As Chairman of the CRC, I reported to the Court after each meeting to ensure all Directors were fully informed of the CRC's activities. I would like to thank all of the CRC members and attendees for their contributions and support in steering the work of the CRC throughout 2017.

**Patrick Kennedy**

Chairman of the Court Risk Committee  
23 February 2018

## Attendance table

Attendance at scheduled and unscheduled meetings of the Court and its Committees during the year ended 31 December 2017.

Name	Court scheduled		Court unscheduled		Court Audit Committee scheduled		Court Audit Committee unscheduled		Nomination and Governance Committee			Court Remuneration Committee			Court Risk Committee		
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Kent Atkinson	11	10	6	4	10	10	3	3	-	-	-	5	4	1	1	11	10
Richie Boucher <sup>1</sup>	8	6	5	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Pat Butler <sup>2</sup>	11	10	6	6	-	-	-	-	6	5	2	2	5	5	1	11	9
Tom Considine <sup>3</sup>	11	11	6	6	10	10	3	3	-	-	-	-	-	-	-	11	11
Richard Goulding <sup>4</sup>	5	4	2	2	-	-	-	-	-	-	-	-	1	1	1	5	5
Patrick Haren	11	11	6	6	10	10	3	3	6	6	2	2	5	5	1	-	-
Archie G Kane	11	11	6	6	-	-	-	-	6	6	2	2	5	5	1	-	-
Andrew Keating	11	11	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-
Patrick Kennedy	11	11	6	6	10	10	3	3	6	6	2	2	-	-	-	11	11
David Marston <sup>5</sup>	11	11	6	5	10	9	3	1	-	-	-	-	-	-	-	5	4
Bradley Martin <sup>6</sup>	4	3	3	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Francesca McDonagh <sup>7</sup>	3	3	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Fiona Muldoon	11	11	6	6	-	-	-	-	-	-	-	-	-	-	-	11	11
Patrick Mulvihill <sup>8</sup>	11	11	6	6	10	10	3	3	-	-	-	-	-	-	-	5	5

Column A: Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend. Column B: Indicates the number of meetings attended.

<sup>1</sup> Resigned from the Court on 1 October 2017.

<sup>2</sup> Resigned from the Court, Risk, Nomination and Governance, and Remuneration Committees on 31 December 2017.

<sup>3</sup> Resigned from the Court, Audit and Risk Committees on 31 December 2017.

<sup>4</sup> Appointed to the Court, Risk and Remuneration Committees on 20 July 2017.

<sup>5</sup> Resigned from the Court on 19 May 2017.

<sup>6</sup> Resigned from the Court on 28 April 2017.

<sup>7</sup> Appointed to the Court on 2 October 2017.

<sup>8</sup> Resigned from the Risk Committee on 19 May 2017.

Further to a scheme of arrangement approved by stockholders, Bank of Ireland Group plc (BoIG plc) became the ultimate parent company of the Group on 7 July 2017, when The Governor and Company of the Bank of Ireland (the Bank) became its sole direct subsidiary. In preparation for the scheme of arrangement, the Board of BoIG plc (the Board) was appointed on 23 March 2017 and, from the effective date of the scheme of arrangement, the composition of the Board and the Court of the Bank (the Court) have been identical. Meetings of the Board and the Court are run concurrently. Attendance at meetings of the Court prior to 23 March 2017 are counted as an attendance for the purposes of the table above. Concurrent meetings of the Board and the Court are counted as a single attendance in the table above.



