



# **AIB Group plc** *(Holding Company)*

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Board Risk Committee  
Terms of Reference

Reviewed by the AIB Group plc Board Risk Committee on 11 December 2024

Approved by the AIB Group plc Board on 12 December 2024

- (A) References in this document to “Board” mean the Board of Directors of AIB Group plc and to **“Committee”** mean the Board Risk Committee that is a committee of the Board of AIB Group plc and Allied Irish Banks, p.l.c. from which it derives its authority and to which it regularly reports.<sup>1</sup> References in this document to **“the Company”** mean AIB Group plc and Allied Irish Banks, p.l.c. combined. References to **“AIB”** or **“the Group”** mean AIB Group plc, Allied Irish Banks, p.l.c and all of its subsidiary companies combined;
- (B) AIB Group plc (**“the Holding Company”**) is the ultimate parent financial holding company in the AIB legal entity structure and it is the primary issuer of the Group’s capital instruments, including shares, equity instruments and debt instruments, and any derivatives thereof<sup>2</sup>;
- (C) Allied Irish Banks, p.l.c. (**“AIB Bank” or the “Operating Company”**) is the sole direct subsidiary of the Holding Company. AIB Bank continues to be the principal operating and regulated financial services company, with all other companies within the legal structure operating as subsidiaries of AIB Bank;
- (D) The Board Risk Committee is replicated at both Holding Company and AIB Bank level and their Terms of Reference are identical. Any differences, should they be introduced in future iterations, will be highlighted; and
- (E) The above definitions apply throughout this document unless the context requires otherwise.

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<sup>1</sup> In line with Section 19.2 of the Central Bank of Ireland Corporate Governance Requirements for Credit Institutions, certain material subsidiaries rely on the Committee in lieu of forming a separate subsidiary risk committee.

<sup>2</sup> With the exception of Asset Covered Securities issues by AIB Mortgage Bank u.c., a wholly owned subsidiary of Allied Irish Banks, plc.



## **Board Risk Committee Terms of Reference**

### **1 Purpose**

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

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

### **2 Duties and responsibilities**

The Committee shall:

#### **Risk Appetite / Risk Profile**

- 2.1** review and recommend to Board risk appetite statements;;
- 2.2** ensure that the risk appetite of the Group is clearly articulated and reflected within its Group ‘Risk Appetite Statement’ (“RAS”). That the RAS is reviewed on an ongoing basis and at least annually in advance of the strategic and financial planning process;
- 2.3** ensure that a process is in place to monitor the Group’s risk profile against the Group’s risk appetite and recommend changes in either the risk profile or risk appetite to the Board as appropriate;
- 2.4** ensure the RAS aligns with the business objectives and that the subsequent business strategy and financial plans are executed in line with relevant RAS parameters with regard to the Group and material subsidiary entities<sup>3</sup>;

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<sup>3</sup> As set out within the Group Subsidiary Governance Framework.

- 2.5** receive notification of any breaches of the Group's overall Risk Appetite or risk limits as appropriate and consider Management's response to a potential or actual material breach of same;

### **Risk Framework & Policies**

- 2.6** review, challenge, and if appropriate approve designated new material risk frameworks and policies, amendments to designated existing material risk frameworks and policies, and consider the appropriateness of existing 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 Group's stress testing framework, governance and related internal controls are sufficiently robust;

### **Liquidity / Funding / Capital**

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

### **Key Risk Areas/Issues**

- 2.14** review periodic reports in respect of the Group's material risks, evaluate the nature and extent of the material risks facing the Group, and challenge

Management's assessment of (a) the likelihood of the risk concerned materialising, (b) the impact of the risk if it did materialise and (c) Management's actions to mitigate the risk;

- 2.15** receive updates regarding the effectiveness of the Group's policies and programmes which relate to identifying, managing and mitigating ESG risks, including climate risk in connection with the Group's operations and ensuring compliance with regulatory requirements and industry standards;
- 2.16** review the output of climate risk stress testing on a periodic basis;
- 2.17** review and assess the findings arising from regulatory reviews and inspections, challenge and oversee the subsequent action plans proposed by Management to address those findings, where required;
- 2.18** review and assess the management of risks relating to the Group's cyber and data security.

#### **Remuneration & Material Risk Taker ("MRT") Process**

- 2.19** on an annual basis, provide qualitative and quantitative input to the Remuneration Committee on the alignment of variable remuneration to risk performance and the potential impact of same on items which fall within the remit of the Board Risk Committee for consideration;
- 2.20** assess the basis for the inclusion or exclusion of employees as MRTs on an annual basis. In doing so, the Committee should:
  - assess the financial and non-financial risk exposures considered by the Risk function in the identification/exclusion process, to ensure all relevant risks that the Group is exposed to, have been taken into account;
  - review the criteria used by the Risk function in respect of risk processes and frameworks (for example credit approval limits or position limits for traders) used to support the exclusion of employees as MRTs;
  - on request, provide advice/information to the Remuneration Committee on the risks and compliance processes considered in the identification process and the extent to which these accurately reflect the Group's risk exposures, risk profile and risk appetite;
- 2.21** determine, on an annual basis, in conjunction with the Remuneration Committee and the Risk function, whether an appropriate level of risk management and performance adjustment has been applied in performance assessments and remuneration awards for Executive Directors, members of the Group Executive Committee and the Group Heads of Risk, Compliance and Internal Audit

functions, including an assessment of the application of malus and claw back provisions;

### **Chief Risk Officer and Group Risk Function**

- 2.22** review the annual plans for the Risk function, including the Compliance Assurance Plan and Operational Risk Plan (the ‘Second Line of Defence’) including a review of the adequacy of resources in place to address risks;
- 2.23** provide advice to the Board in relation to the appointment, replacement or dismissal of the Chief Risk Officer;
- 2.24** The Chief Risk Officer shall have direct access to the Chair of the Committee on a continual and unrestricted basis. The Group Chief Compliance Officer also has direct access to the Committee on an ongoing basis;
- 2.25** ensure the Group Risk Function has adequate resources and appropriate access to information to enable it to perform its functions effectively and in accordance with the relevant professional standards;

### **Equity Investment**

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

### **Compliance**

- 2.27** oversee and challenge the management of compliance risk, which will include, but not be limited to:
  - 2.27.1 reviewing and challenging arrangements established by Management for compliance with all internal policies and frameworks;
  - 2.27.2 monitoring compliance by the Company with legal and regulatory requirements including Anti Money Laundering (“AML”), Countering the Financing of Terrorism (“CFT”) and Financial Sanctions, which will include reviewing the annual Money Laundering Reporting Officer report;
  - 2.27.3 receiving reports on compliance related matters including any material compliance breaches, activity with regulators, whistleblowing, fraud and money laundering reports;
- 2.28** review and approve the Committees report for inclusion in the Annual Financial Report. In recommending the Board Risk Committee Report for inclusion, the Committee shall focus on the following:

- 2.28.1 the Group's risk disclosures, including the articulation of the Group's strategy within a risk management context, including inherent risks to which the strategy exposes the Group, the associated risk appetite and tolerance and how actual risk appetite is assessed over time;
- 2.28.2 forward looking information indicating the expected impact of potential risks facing the Group; and
- 2.28.3 the articulation of how risk is managed across the Group and the role of the Committee in providing oversight.

### **Ongoing Viability**

- 2.29 The Committee shall, where requested by the Board, and subject to overlap with the Group Audit Committee, provide advice on how, taking into account the Group's position and principal risks, the Group's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Group 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 as necessary.

### **Oversight of material subsidiaries, branches and joint ventures**

- 2.30 provide oversight of key risk matters at material subsidiaries in line with the requirements of the Group Subsidiary Governance Framework, via reporting from the Group Risk Function and, where applicable, regular engagement with subsidiary risk committees;
- 2.31 provide oversight of key risk matters at branches via reporting from the Group Risk Function and annual updates directly from the Heads of Branch; and
- 2.32 Review and challenge risk reporting on material joint ventures or associates on at least a bi-annual basis.

### **Other Matters**

- 2.33 review and, as required, approve any matters which the Committee is so required, to approve from time to time in line with various material risk policies and frameworks;
- 2.34 address any other duties assigned to it by the Board; and

in line with ECB Guidelines on Risk Data Aggregation and Risk Reporting, confirm on at least an annual basis that the internal risk reports the Committee receives are meaningful and well balanced in terms of qualitative and quantitative information and contribute to sound decision making.

## **Committee Governance**

### **3 Authority**

The Board authorises the Committee to:

- investigate any matter falling within its Terms of Reference or undertake or consider on behalf of the Chair of the Board or the Board such other related tasks or topics as the Chair of the Board 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, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report to the Committee, to facilitate the effective discharge of its responsibilities;
- engage and provide advice on the appointment of external consultants, any firm of accountants, solicitors or other professionals as the Committee sees fit, in accordance with internal procurement policies and Governance and Organisation Framework, to provide independent advice or support and to assist in any review or investigation of such matters within these Terms of Reference as considered appropriate;
- collaborate with other committees whose activities may have an impact on the risk strategy and regularly communicate with the institution's internal control function, in particular the Risk Management function;
- ensure that appropriate liaison is maintained with, and feedback provided on proceedings in, the Group Risk Committee;
- seek any information it requires from any employee of the Group;
- provide recommendations to the Board on any required adjustments to the risk strategy resulting from, changes in the business model of the Group, market developments or recommendations made by the Risk Management function; and
- call on whatever resources (including external professional or legal services) and information it considers necessary to so do, and shall receive appropriate funding to that effect, and the Board directs that all Directors and all employees co-operate with any requests made by the Committee. If the proposed professional advisor provides statutory audit services to any part of the Group, the proposal will be discussed with the Chair of the Audit Committee before any appointment is agreed;

The Committee shall work and liaise as necessary with all other Committees of the Board. Where there is a perceived overlap of responsibilities between Committees, the respective Committee Chairs shall have the discretion to agree the most appropriate Committee to fulfil any obligation.



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

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

## **4 Membership**

### **Appointment**

**4.1** Members of the Committee shall be appointed by the Board on the recommendation of the Board's Nomination and Governance Committee ("NomCo") in consultation with the Chair of the (Board Risk) Committee

### **Number of Members**

**4.2** The Committee shall comprise at least three Members, all of whom will be Independent Non-Executive Directors ("NEDs") with an appropriate mix of skill and experience to constructively challenge the risk governance of the Group.

To support the Board in meeting its risk oversight obligations in a consistent and co-ordinated manner, one Member should also be a Member of the Board Audit Committee, one a Member of the Remuneration Committee and one Member of the Sustainable Business Advisory Committee.<sup>4</sup>

### **Quorum**

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

### **Membership**

**4.4** Membership and succession planning will be reviewed each year by the NomCo, in consultation with the Chair of the Committee, and changes as required will be recommended to the Board. The Committee shall work and liaise as necessary with all other Committees of the Board.

### **Chair**

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<sup>4</sup> This is a target state, but in times of heightened succession challenges, it may not always be feasible to achieve this joint Membership.

- 4.5** The Chair shall be appointed by the Board on the recommendation of the NomCo and is subject to the Central Bank Fitness and Probity assessment.

In the absence of the Committee Chair the remaining Members present shall elect one of themselves to chair the meeting.

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

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

### **Secretary**

- 4.6** The Head of Corporate Governance, or a nominee if approved by the Chair of the Committee, shall act as the Secretary of the Committee.

### **Attendees**

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

### **Training**

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

## **5 Voting**

Each Member present shall have one vote and will be entitled to vote on all matters, save for those where a perceived, potential or actual conflict of interest exists. All decisions will be by way of simple majority. In the event of a split decision, the Chair of the Committee shall exercise a casting vote.

## **6 Meetings & Minutes**

The Committee shall meet as frequently as it deems necessary to fulfil its duties and responsibilities but not less than six times in each calendar year.

The Chair of the Committee, Members of the Committee or the Chair of the Board may each request that a meeting be held at any time. Additionally, the Chief Risk Officer, the Chief Financial Officer and the Chief Credit Officer may each request the Chair to convene a meeting at any time.

The Committee shall meet with the Chief Financial Officer, Chief Risk Officer, Group Chief Compliance Officer and Group Head of Internal Audit in private session, at least annually.

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

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

## **7 Reporting**

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

The Committee shall ensure the Board is informed promptly of all matters of material of concern to the Committee. Committee papers will be made available to all Board Members via Diligent, the online Board portal.

The Chair attends material subsidiary risk committees, or material subsidiary boards where no subsidiary risk committee has been established, on an annual basis to support oversight of the subsidiary and to provide a verbal update on relevant Group risk matters.

## **8 Reporting to Shareholders**

The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee's responsibilities.

## **9 Responsibility of Management**

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

Management will ensure that all information relevant to the discharge by the Committee of its responsibilities is provided to the Committee. Management will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.

## **10 Review of Operations**

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