



AIB Group (UK) p.l.c.

Board Audit Committee Terms of Reference

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

- (A) References in this document to “Board” mean the Board of Directors of AIB Group (UK) p.l.c (the “Company” or “AIB UK”). References in this document to “AIB” and the “Group” mean AIB Group plc, Allied Irish Banks, p.l.c and all of its subsidiary companies combined.
- (B) The Company is a UK authorised and regulated financial institution with its own Board of Directors. The Board Audit Committee (the “Committee”) is a committee of the Board of the Company, from which it derives its authority and to which it regularly reports.
- (C) The Company is a wholly-owned subsidiary of Allied Irish Banks, p.l.c. which has a governance and organisation framework (“Framework”) which sets out the governance and organisation principles, expectations, roles and responsibilities in place and proposed for AIB. This Framework includes a risk policy.
- (D) AIB Group plc (“the Holding Company”) is the ultimate parent financial holding company in the AIB legal entity structure and it is the primary issuer of the Group’s capital instruments, including shares, equity instruments and debt instruments, and any derivatives thereof.
- (E) Allied Irish Banks, p.l.c. (“AIB Bank”) is the sole direct subsidiary of the Holding Company. AIB Bank continues to be the principal operating and regulated financial services company, with all other companies within the legal structure (circa 120 in total, including the Company) operating as subsidiaries of AIB Bank.
- (F) The above definitions apply throughout this document unless the context requires otherwise.
- (G) These Terms of Reference are to be read in conjunction with the Company’s Articles of Association and Board Governance Manual, as amended from time to time. In any conflict between these Terms of Reference and the Board Governance Manual and/or Articles of Association, the Articles of Association and then the Board Governance Manual take precedence.
- (H) Where specific job titles are referenced in this document, these may be used interchangeably for any job title being used for the individual holding the responsibilities normally associated with the specified job title and of the equivalent seniority.

1. Purpose

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

- The quality and integrity of the Company's accounting policies, financial and narrative reporting, Non-Financial Disclosures and disclosure practices.
- The effectiveness of the Company's internal controls and accounting and financial reporting systems.
- The adequacy of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- The independence and performance of the Internal and External auditors.

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

2. Duties & Responsibilities

Whilst specific roles and responsibilities are contained at the Appendix to this Terms of Reference, a summary (of duties and responsibilities) is outlined as follows:

Financial Reporting, Narrative Reporting & Non-Financial Disclosures

- 2.1 Monitor the integrity of, and make recommendations to the Board concerning the approval of the Company's Annual Financial Report ("AFR"), including whether the AFR, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Company's performance, risks, business model and strategy;
- 2.2 Consider, at least bi-annually, if the Company's Finance function is adequately resourced and if any finance functions are outsourced, that an adequate Service Level Agreement is in place;

Internal Control

- 2.3 Monitor and review the design and effectiveness of the Company's internal financial controls, accounting and financial reporting systems, and the Company's internal control frameworks and risk management systems. This shall include, but not be limited to, the adequacy and effectiveness of the Company's three lines of defence model and internal control framework, helping to ensure appropriate separation of duties and independent reporting lines underpin effective internal controls. The efficacy of the internal control framework shall be discussed with the Chief Risk Officer, in private session, at least annually;
- 2.4 Review the First – Third Lines of Defence combined assurance plan;

Code of Conduct & Speak Up Policy

- 2.5 Monitor and review the effectiveness of the Group's Code of Conduct Framework within the Company, and Conflict of Interest Policy;
- 2.6 Monitor and review the effectiveness of the arrangements by which staff, and external parties, may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for the proportionate and independent investigation of such matters for appropriate follow-up action;

Internal Auditor

- 2.7 Monitor and review the scope, nature, effectiveness and independence of the work of the internal audit function, including co-sourced activity and oversee the delivery of the annual audit plan, ensuring that the function has the necessary skilled resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards.

External Auditor

Taking cognisance of the Framework:

- 2.8 Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- 2.9 Make recommendations to the Board, for it to put to the shareholder for approval at general meeting, in relation to the appointment, re-appointment and removal of the external auditor and make recommendations to the Board regarding the remuneration and terms of engagement of the external auditor.
- 2.10 Review activities, key accounting and audit judgements, findings, conclusions and recommendations and Management's responses, ensuring a timely response is provided to any issues raised by the external auditor's Management letter.
- 2.11 Ensure the implementation of the policy relating to the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board in respect of any matters it identifies as requiring action or enhancement.

Capital Management

- 2.12 Assist the Board in its consideration for approval and on oversight of matters relating to:
- (i) Major changes to the Company's capital structure, such as reduction in capital, share issues and share buy backs; and
 - (ii) Major changes to the Company's corporate structure, including, but not limited to material acquisitions and disposals of shares, businesses or undertakings.

3. Committee Governance

3.1 Authority

3.1.1 The Board authorises the Committee to:

- investigate any matter falling within its Terms of Reference, undertake or consider on behalf of the Board Chair or the Board such other related tasks or topics as the Board Chair or the Board may from time to time entrust to it, and make any recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
- sub-delegate any or all of its powers and authority as it sees fit to one or more of its Members or the Secretary, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report to the Committee, to facilitate the effective discharge of its responsibilities;
- engage and provide advice on the appointment of external consultants, any firm of accountants, solicitors or other professionals as the Committee sees fit, in accordance with internal procurement policies, to provide independent advice or support and to assist in any review or investigation of such matters within these Terms of Reference as considered appropriate and the Committee shall receive appropriate funding for any such appointments,¹ subject to the procedures and limitations set out in the Board Governance Manual;
- receive all relevant information and data necessary to perform its role; and
- request the attendance of and/or seek any information it requires from any employee of the Group in order to perform its duties and the Board directs that all Directors and employees co-operate with such requests made by the Committee.

3.2 Membership

3.2.1 The Committee shall comprise at least three Members, all of whom shall be Independent Non-Executive Directors (“NEDs”) with an appropriate mix of skills and experience. At least one member of the Committee shall have recent and relevant accounting or related financial expertise.

3.2.2 The Chair of the Board and the Managing Director will not be Members of the Committee.

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

¹ If the proposed professional advisor provides statutory audit services to any part of the Group, the proposal shall be discussed with the Audit Committee Chair and the Group Audit Committee Chair before any appointment is agreed.

3.3 Quorum

The quorum for the transaction of business shall be two Members. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the powers exercisable by the Committee. A Member's participation in a meeting by electronic facility shall be valid for these purposes.

3.4 Committee Chair

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

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

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

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

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

3.5 Secretary

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

3.6 Attendees

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

- The UK Chief Finance Officer;
- The Head of Internal Audit, responsible for AIB Group (UK) plc;
- The External Auditor²; and
- The Chief Risk Officer.

² The Company's External Auditors have access to meeting minutes at their request.

- 3.6.2 Permanent invitees may only send a delegate to attend a meeting on their behalf in exceptional circumstances and with prior agreement of the Committee Chair.
- 3.6.3 The attendance at meetings by the Managing Director or Board Chair shall be by invitation and shall be managed to ensure the independence of the Committee and the maintenance of appropriate relationships with other parties including the internal and external auditors.
- 3.6.4 The Committee may also invite any Director, or any other person to attend any meeting(s) as it sees fit.
- 3.6.5 The Committee may at its discretion decide to meet in private or with specified attendees only.

3.7 Voting

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

3.8 Meetings

- 3.8.1 The Committee shall meet at least four times in each calendar year and as frequently as it deems necessary to fulfil its duties and responsibilities.
- 3.8.2 The Committee Chair, members of the Committee or the Board Chair may each request that a meeting be held at any time. The following may request the Chair to convene a meeting at any time:
- Chief Finance Officer;
 - Chief Risk Officer;
 - Head of Internal Audit; and
 - External Audit Lead Partner.
- 3.8.3 The Committee Secretary shall convene meetings of the Committee. Notice shall be given to each Member of the venue and/or electronic facility details, time and date of the meeting. As a general rule and unless not reasonably practicable, the agenda and papers shall be circulated to Members five business days in advance of the meeting.
- 3.8.4 The Committee shall meet with the following in private session as least annually and these sessions may be arranged to be joint meetings with members of the Board Risk Committee as appropriate:
- Chief Finance Officer;

- Chief Risk Officer³;
- Head of Internal Audit; and
- External Audit Lead Partner⁴.

3.9 Minutes

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

3.9.2 Draft minutes of meetings will be circulated to the Committee Chair within a reasonable timeframe following the holding of each meeting for review and comment in advance of their formal circulation to the Committee at the time of the next scheduled meeting for review and thereafter approval.

3.10 Reporting

Reporting to the Board

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

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

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

Reporting to the Group

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

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

Annual Financial Report

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

³ Refer to Appendix section A (xix)

⁴ Refer to Appendix section C (xii)

3.11 Other Matters

The Committee shall:

- 3.11.1 have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required;
- 3.11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members, in order to ensure they have the appropriate background and technical knowledge base, and are informed of relevant developments within accounting and finance should it be deemed required as part of the Board Training Programme;
- 3.11.3 to the extent possible and on an ongoing basis, take account of the need to ensure that the Committee's decision-making and discussions are not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Company as a whole;
- 3.11.4 provide oversight of and challenge to Management;
- 3.11.5 give due consideration to all relevant laws and regulations, the Senior Managers Regime, the UK Corporate Governance Code and published guidance, and any other applicable rules, as appropriate;
- 3.11.6 Provide advice to the Board in relation to the appointment, replacement or dismissal of the Chief Finance Officer;
- 3.11.7 work and liaise as necessary with all other Board Committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other committees;

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

4. Responsibility of Management

- 4.1 The Committee shall be entitled to rely on the integrity and expertise of persons providing information to the Committee and on the accuracy and completeness of such information.
- 4.2 Management will ensure that all information relevant to the discharge by the Committee of its responsibilities is provided to the Committee. Management will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.

5. Review of Operations

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

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

Board Approved Appendix to the Board Audit Committee Terms of Reference

- A. In carrying out its duties and responsibilities under the Board-approved Terms of Reference, the Board Audit Committee shall, inter alia, monitor, review and challenge, approve and recommend to the Board where relevant, the following matters:

Financial & Narrative Reporting

- (i) significant financial reporting judgements, alternative accounting treatments and assumptions made by Management;
- (ii) the reported Profit & Loss and Balance Sheet provisions, including credit, operational, conduct and legal provision amounts;
- (iii) the material drivers of Expected Credit Loss levels under IFRS9;
- (iv) new accounting policies and significant changes to existing accounting or tax policies requiring audit committee consideration prior to their implementation;
- (v) the judgement by Management as to the valuation of assets and liabilities, significant accounting accruals, reserves, including adequacy of provisions, and other significant contingencies having a material impact on the financial statements;
- (vi) the clarity and completeness of disclosures in the financial statements;
- (vii) the clarity and completeness of Non-Financial Disclosures in the Annual Financial Report;
- (viii) whether the Company has, in accordance with the relevant provisions of the Companies Act 2006, kept proper books of account;
- (ix) whether the Annual Financial Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, risks, business model and strategy. As part of this review, the Committee should assess whether the narrative reporting is aligned to the financial reporting information;
- (x) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements) and the Company's long-term viability;
- (xi) whether or not to recommend to the Board that it should approve the annual report and financial statements of the Company.

Internal Controls

- (xii) the adequacy and effectiveness of the Company's internal control framework and three lines of defence model, helping to ensure appropriate separation of duties and independent reporting lines underpin effective internal controls;

- (xiii) the integrity of internal financial control systems and helping to ensure that internal policies and procedures are managed effectively and contribute to a culture of control awareness and execution;
- (xiv) periodic reports from Management on key internal controls including in respect of fraud prevention and detection as well as the adequacy and effectiveness of IT and information security systems and processes;
- (xv) the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (xvi) the manner in which Management ensures and monitors the adequacy of the nature, extent and effectiveness of the finance and accounting systems
- (xvii) the appropriateness of Directors' statements concerning internal controls to be included in the Annual Financial Report;
- (xviii) the implementation of material business integration or separation projects against agreed plans and timelines;
- (xix) the efficacy of the internal control framework shall be discussed with the Chief Risk Officer, in private session, at least annually.

Code of Conduct Framework, Speak Up Policy and Conflicts of Interest Policy

- (xx) an annual report of the operation of the Group's Code of Conduct Framework, Speak Up and Conflicts of Interest Policy within the Company in line with evolving industry best practice;
- (xxi) oversight of arrangements for dealing with individual concerns received from staff (including confidential, anonymous submissions) and from external sources regarding accounting, financial reporting, internal controls or other matters, and for addressing and overseeing their independent investigation and resolution as appropriate.

B. *Internal Auditor*

The Chair of the Committee shall act as the UK direct reporting line for the Group Head of Internal Audit.

Subject to the Framework, the scope, nature and effectiveness of the work of the internal audit function, which should include but not be limited to the following activities:

- (i) confirm the independence of the Group Internal Audit function, and recommend to the Board the appointment and replacement of the Head of Internal Audit for the Company;
- (ii) consider and approve (a) the Group Internal Audit Charter, (b) the biannual Audit Opinion (c) the Annual Internal Audit Plan and (d) any material changes to the Plan during the year;
- (iii) review and consider the findings of internal audit reports and Management's response, ensuring a timely response by Management to all audit findings and recommendations;
- (iv) ensure that the internal audit function is adequately resourced, has appropriate access to information to enable it to perform its function effectively in relation to the Company, and in accordance with the relevant professional standards. The

Committee shall also ensure the function has appropriate standing within the organisation and is free from constraint by Management;

- (v) ensure private meetings are held with the Head of Internal Audit of the Company, at least once a year without Management being present.
- (vi) in the context of the Group Internal Audit function, ensure regular review of:
 - a. the objectives, policy, plans and effectiveness of the internal audit function;
 - b. the quality of internal audit personnel and training available to them;
 - c. the proposed and actual audit coverage;
 - d. significant matters and the implementation or otherwise by Management of related internal audit recommendations.

C. External Auditor

Subject to the Framework, the performance of, and relationship with, the External Auditor should include but not be limited to the following activities:

- (i) review and make recommendations to the Board, to be put to the shareholder for their approval at general meeting, on the External Auditor's selection, appointment, re-appointment and removal;
- (ii) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (iii) working with AIB Group, ensure that the audit services contract is put out to tender, in line with required timelines, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (iv) agree the External Auditor's terms of engagement and review the scope of the statutory audit and its cost-effectiveness, including the degree of work co-ordination between the internal and external audit functions, and to recommend to the Board the External Auditor's remuneration;
- (v) regularly review activities, key accounting and audit judgements, findings, conclusions and recommendations and Management's responses, ensuring a timely response is provided to any issues raised in the External Auditor's Management Letter;
- (vi) review the External Auditor's audit work plan, including levels of materiality and proposed resources to execute, any changes to the work plan including changes to perceived audit risks and the work undertaken by the External Auditor to address those risks;
- (vii) review levels of errors identified during the audit and identified significant deficiencies and material weaknesses arising from internal controls over financial reporting, ensuring a timely response to any issues identified;
- (viii) review and make recommendations to the Board regarding the Audit Representation Letter giving particular consideration to matters where representation has been requested that relate to non-standard issues;
- (ix) review and monitor the independence and objectivity of the External Auditor, and the effectiveness of the audit process, including (a) approving, within pre-

determined limits approved by the Board, the range and nature of non-audit services provided and related fees within the Fees Paid to the Statutory Auditor Policy, and (b) monitoring compliance with applicable ethical guidelines and professional best practice regarding the rotation of the Lead Audit Partner and (c) agreeing a policy on the employment of former employees of the External Auditor;

- (x) monitor the application of policies on the provision of non-audit services by the External Auditor and the employment of former employees of the External Auditor, with due regard to any potential direct or material effect on the audited financial statements, how the Committee will assess and explain the estimation of the effect on the financial statements and how the Committee will consider the external auditors' independence;
- (xi) monitor the effectiveness of the External Auditor through consideration of the work undertaken in that regard and the feedback received from Management in respect of the audit process; and
- (xii) to meet with the External Auditor, at least once a year without Management being present, to:
 - (a) discuss the adequacy and effectiveness of the internal auditing, accounting, financial and operational controls, and risk management systems of the company; and
 - (b) elicit any recommendations the Auditor may have for improvement of such control procedures or particular areas where new or more detailed controls or procedures are desirable.