



**Seminar for independent
Non-Executive Directors**

Central Bank of Ireland and the
Individual Accountability Framework

15 February 2023



EY

Building a better
working world

With you today



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Context of Individual Accountability Regimes

- Global Perspective
- UK Experience - Senior Manager Certification Regime
- EU - Focus on appointing suitable candidates to senior positions and enhancing accountability
- Irish Context



Main Pillars of the Individual Accountability Framework

- Senior Executive Accountability Regime (SEAR)
- Conduct Standards
- Fitness and Probity



Insights from industry implementation

- Lessons Learned from recent IAF engagements in the Irish market
- Challenges and key Benefits in Implementing Accountability - Industry, Regulators, and Senior Managers
- EY Accelerators

1 Context of Individual Accountability Regimes

C B I

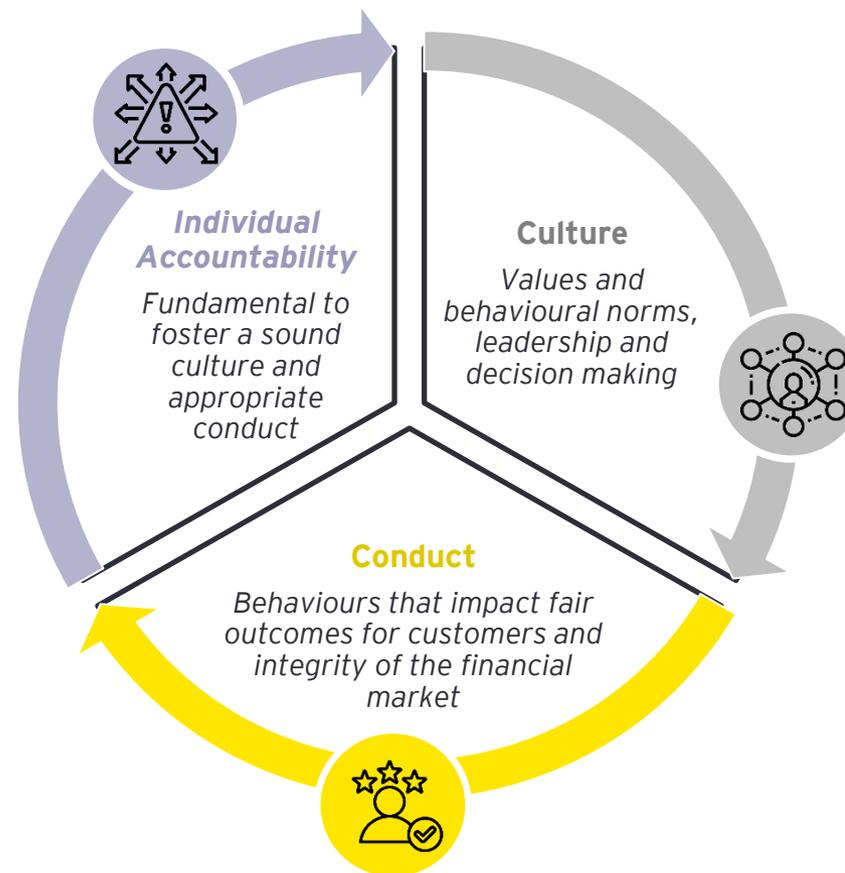
A close-up photograph of three wooden blocks standing upright on a dark wooden surface, spelling out the letters 'C', 'B', and 'I' in black ink. The blocks are light-colored wood. In the background, several other wooden blocks with various letters are scattered on the surface, some in focus and some blurred. To the left, a portion of a brass key with a dark handle is visible. The overall scene suggests a focus on individual accountability or a specific acronym.

Conduct, Culture and Accountability

What do they mean and why are they important?

Conduct, culture and accountability are under-pinned by risk culture; which is a firm's collective attitudes, perceptions, beliefs and behaviours that impact risk and affect outcomes

- ☆ Every organisation has a risk culture that determines the **collective ability to identify, understand, openly discuss and act on risk**
- ☆ Risk culture is an **important subset of an organisation's overall culture**, there is high correlation between the two
- ☆ A large organisation will not have 'one' risk culture - smaller sub-cultures exist in different lines of business, geographies etc.



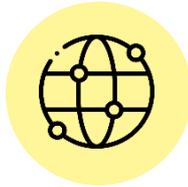
Regulators have concluded that organisational culture is a key driver of misconduct and that enforcing senior management accountability for standards of conduct within the business is paramount to drive cultural change across the FS industry.

***Culture is how employees'
hearts and stomachs
feel about Monday morning
on a Sunday night***

Bill Marklein



Individual Accountability - Regulatory Context



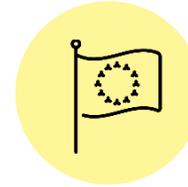
Individual Accountability regimes are in operation in a **number of countries globally**, including **UK, Hong Kong, Singapore, Australia and Malaysia** and vary considerably in terms of scope



The **UK Senior Manager and Certification Regime ("SMCR")** is the most comprehensive - and the one which the **Central Bank of Ireland ("CBI")** is emulating



These regimes build on **Fitness and Probity and Conduct standards**, with an **increased emphasis on the accountability of individuals** - rather than collective accountability. This starts with **clear descriptions of individual's roles and responsibilities** and how these responsibilities are discharged (what the 'reasonable steps' are)



Across the EU there is a focus on appointing suitable candidates to senior positions and enhancing accountability

- **Joint ESMA and EBA Guidelines** on the Assessment of the Suitability of Members of the Management Body and Key Function Holders' (first introduced in 2017) has been recently revised.
- The European Commission is also considering expanding on the existing **Fitness and Probity regime in Capital Requirements Directive 6** to have a common standard for fit and proper assessments of directors.
- In parallel, the **ECB is exploring how Board members are able to provide effective oversight**, with a growing focus on technology, cloud, cyber and privacy knowledge at Board level.

These developments are unlikely to add any additional requirements to those set out in the Irish IAF.

IAF Scope

The legislation will not define the sectors to be included in SEAR, as this will be provided for by the Central Bank Regulations under section 48 of the 2013 Act. It is intended, however, that SEAR will apply initially to the following sectors:



Credit institutions (excluding credit unions)



Insurance undertakings (excluding reinsurance undertakings, captive (re)insurance undertakings and Insurance Special Purpose Vehicles)



Investment firms that underwrite on a firm commitment basis and/or deal on their own account and/or are authorised to hold client monies/assets



Third country branches of the above
Other sectors may be brought within the scope of SEAR in the future after the legislation is enacted.

It would also be helpful to understand the PRISM rating of the investment Business Firm as the initial scope of SEAR will *'include credit institutions, insurance undertakings (other than certain specific categories), and higher risk activity investment firms – amounting in total to approximately 150 firms* ([link](#)).

Individual accountability – a maturing of financial regulation
Speech by Gerry Cross, Director of Financial Regulation: Policy and Risk

Objectives of the Individual Accountability Framework in Ireland

The CBI has been active in the area with a number of speeches delivered on the IAF. Points of emphasis from **Derville Rowland**, CBI Director General (Financial Conduct) include:

- The CBI sees the IAF as a tool to help firms strengthen their internal processes and for all staff to know what is expected of them
- Ensure that senior leaders are 'crystal-clear' on their responsibilities
- It is a tool that should drive an uplift in governance across the Board
- The IAF is about incentivising positive behaviours and promoting improved governance and culture
- The CBI's focus is on encouraging the good and not solely on stopping and punishing the bad
- When the IAF is implemented, the CBI's initial focus will be on embedding the IAF into their processes and looking to ensure firms embed it into their own
- The initial task therefore will be supervisory rather than enforcement

*“Combined, the **SEAR**, the **F&P Regime** and the **Conduct Standards** will support the objective of individual accountability - to embed a culture of ethical compliance in regulated firms”.*

*The Senior Executive Accountability Regime:
The Central Bank's Expectations and Insights for Boards*

Director General Derville Rowland (02 May 2019)

2

Main Pillars of the Individual Accountability Framework

BANK

Components of the Individual Accountability Framework



Senior Executive
Accountability
Regime (SEAR)

- Prescribed Responsibilities which must be allocated to individuals carrying out Senior Executive Functions (incl. Board members)
 - Individual Statements of Responsibilities for each SEF which clearly set out roles and areas of responsibility - to be drafted and reviewed annually a minima, upon SEF role changes, and when there is a material change to it
 - An overarching Management Responsibilities Map ("MRM") which outlines key management and governance responsibilities.
 - Demonstrate the compliance of SEFs to their duty of responsibility by documenting the reasonable steps taken to avoid contravention of legal and regulatory requirements.
- **This requires that individual Statements of Responsibility and Reasonable Steps Assessment are required for each SEF and that the assessment of compliance is conducted regularly**



Conduct
Standards

- Common Standards for Controlled Functions - the binding obligations on firms and individuals to conduct themselves with honesty and integrity, to act with due skill, care and diligence in the conduct of their business, and to co-operate with relevant regulatory authorities.
 - Additional Standards for Senior Management
 - Business Standards which apply to all employees
- **All to be clearly documented with onboarding and ongoing due diligence processes in place**



Enhancements to
the current F&P
Regime

- To strengthen onus on firms to proactively assess individuals taking up senior positions
 - To provide the Central Bank of Ireland (CBI) with the ability to investigate individuals who may no longer perform a CF function in the Firm if they pose a danger to consumers or the financial system
- **Addressing a concern that individuals would be able to leave their CF roles with little consequences for their actions**

For the regulator



Unified
Enforcement
Process

- Breaches of Conduct Standards subject to direct enforcement action
- Breaking of the current link between the conduct of an individual and a firm's wrongdoing ('participation') to allow the CBI to pursue individuals directly for their misconduct. This will be examined before the Bill is published and discussed during the Consultation Phase.

Senior Executive Accountability Regime (SEAR)

Senior Executive Accountability Regime (SEAR) is a core element of the IAR and will emphasise, in law, the Individual Accountability that each Senior Executive Function ("SEF") is required to comply with

SEAR applies to Board members and Senior executives for Financial institutions, i.e. all PCFs

Note: On April 5th 2022, the CBI issued a statement regarding amendments to the PCF list. This includes the introduction of stand-alone PCFs in respect of INEDS (PCF- 2A Non-Exec director; PCF-2B - Independent Non-executive Director)

The impact of this regime, whilst not changing any day-to-day responsibilities, does:

- Put a significant onus on SEFs to have appropriate oversight of all areas that they are accountable for. This will require, at a minimum, a set of prescribed responsibilities for each SEF role
- Require SEFs to be able to demonstrate the 'reasonable steps' that they have taken to ensure the business is compliant with regulations
- Require a map of Management Responsibilities to be documented and Board approved

Material differences between IAF and SMCR

- All NEDs in scope for SEAR - under SMCR only chairs of Board Committees in scope
- Conduct standards are currently principles-based - more prescriptive requirements may be included as a result of the consultation process
- Additional layer of Conduct requirements for PCFs and CF1s relative to UK regime
- CBI expectations for evidencing reasonable steps may be higher than the UK

Conduct Standards

The Conduct Standards will give the Central Bank of Ireland powers to set and impose binding and enforceable obligations on all Regulated Financial Service Providers (RFSPs) and the individuals working within them. The most senior the role, the more onerous the Conduct requirements. The three elements of the proposed Conduct Standards detailed in the draft Heads of Bill are outlined below:

Standards for Businesses

Obligations be imposed on regulated financial service providers (RFSPs) with respect to expected standards of conduct (the standards for businesses) so that a RFSP shall:

- Conduct its business professionally, honestly, ethically and with integrity;
- **Conduct its business with due skill, care and diligence**, and take appropriate steps to prevent or effectively manage conflicts of interest;
- **Act in the best interests of its customers** and treat them fairly and professionally;
- Maintain adequate financial resources and control and manage its affairs and systems sustainably, responsibly, and in a sound and prudent manner;
- **Arrange adequate protection for clients' assets when it is responsible for them;**
- **Deal with its regulators in good faith and in an open and cooperative way** and shall disclose to the Central Bank promptly, proactively and appropriately anything relating to the firm of which the Central Bank would reasonably expect notice.

Common Conduct Standards

Obligations be imposed on persons performing controlled functions (CFs) in regulated financial service providers (RFSPs) with respect to expected standards of conduct (the common conduct standards).

The common conduct standards require that in respect of conduct relating to the activities of RFSPs, that CFs shall:

- **Act honestly, ethically and with integrity;**
- **Act with due skill, care and diligence;**
- **Be cooperative with the Central Bank** and other regulators or authorities and deal with them in good faith and without delay;
- **Act in the best interests of customers** and treat them fairly and professionally;
- Observe proper standards of market conduct.

Additional Conduct Standards for Persons in Senior Roles

Additional obligations are imposed on senior persons performing pre-approval controlled functions (PCFs) and other persons who exercise significant influence on the conduct of a regulated financial service provider's (RFSPs) affairs (together referred to as 'persons in senior roles') with respect to expected standards of conduct (the Additional Conduct Standards).

The additional conduct standards will require persons in senior roles to:

- Ensure that the business of the RFSP for which the person is responsible is **controlled effectively;**
- Ensure that the business of the RFSP for which the person is responsible **complies with relevant regulatory requirements;**
- Ensure that any **delegation of tasks** for which they are responsible is **to an appropriate person** and that they oversee the discharge of the delegated task effectively;
- **Disclose promptly, proactively and appropriately** to the Central Bank any information of which the Central Bank would reasonably expect notice;

Conduct Standards

The Conduct Standards will give the Central Bank of Ireland powers to set and impose binding and enforceable obligations on all Regulated Financial Service Providers (RFSPs) and the individuals working within them. The most senior the role, the more onerous the Conduct requirements. The three elements of the proposed Conduct Standards detailed in the draft Heads of Bill are outlined below:

Standards for Businesses

Obligations be imposed on regulated financial service providers with respect to expected standards of conduct. These standards create a single reference point setting out in clear terms the conduct standards that all RFSPs must meet. They will also provide an essential counterbalance to conduct standards imposed on individuals.

Common Conduct Standards

Obligations be imposed on persons performing controlled functions (CFs), including PCFs, in regulated financial service providers with respect to expected standards of conduct

Additional Conduct Standards for Persons in Senior Roles

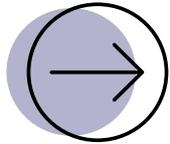
Additional obligations are imposed on senior persons performing pre-approval controlled functions (PCFs) and other persons who exercise significant influence (i.e. those in a CF1 role) on the conduct of a regulated financial service provider's affairs (together referred to as 'persons in senior roles') with respect to expected standards of conduct

Key takeaways

Firms will be required to:

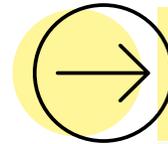
- Notify all relevant persons of the Common Conduct Standards and/or Additional Conduct Standards that apply to them
- Provide suitable training to relevant persons on the Standards for Business, Common Conduct Standards and/or Additional Conduct Standards
- Report in a timely manner any disciplinary action arising from breaches of the Conduct Standards to the Central Bank of Ireland
- Establish and maintain policies setting out how they intend to embed both the Common Conduct Standards and the Additional Conduct Standards throughout their organisation (incl. disciplinary Policy and Remuneration policy)
- Update documentation, including template offer letters, letters of appointment and contracts of employment to embed ongoing compliance with the Conduct Standards as a condition of employment
- Ensuring that Nomination Committee, recruitment and other hiring and promotion-related processes involve a specific assessment of a candidate's compliance with the Conduct Standards.

Enhancements to the Fitness & Probity Regime



As part of the IAF, the proposed F&P enhancements are:

- **a certification regime** which would require Firms to certify on annual basis that individuals performing CFs in the Firm are fit and proper to carry out their functions (currently firms are required to ask those performing the CFs to confirm their awareness of and compliance with the Regime on an annual basis)
- giving the **Central Bank the power to publish details** of where it has refused to approve an individual's appointment to a PCF role
- **empower the CBI to conduct an investigation in relation to the Fitness and Probity of a person** who, in the past, performed a CF role and who the Bank suspects pose a danger to consumers or the financial system, irrespective of whether they continue to perform a CF role at the time when an investigation is being commenced.



On April 5th 2022, the CBI issued a statement regarding amendments to the PCF list. These updates include the following:

- Expand the PCF-16 to include Branch Managers in non-EEA countries
- Introduce stand-alone PCFs in respect of INEDs (PCF- 2A Non-Exec director; PCF-2B - Independent Non-executive Director)
⇒ All existing PCF-2's will be re-designated as PCF-2A. RFSPs will then be required to notify the Central Bank which individuals are INEDs and should be designated as PCF-2B, and to confirm that they have undertaken the relevant due diligence to assess independence
- Introduce the Head of Anti-Money Laundering and Counter-Terrorist Financing (PCF-52)
- The removal of PCF 31 Head of Investment.

The proposals would support the Central Bank's implementation of two key areas of upcoming legislative reform: i) the Individual Accountability Framework (IAF) and ii) the EU's new AML/CFT legislative package.

Key Features of SEAR: Understanding the Impact Across the Firm (1/2)

Impact on Operating Model

Senior Manager Functions

- ▶ Organisational design
- ▶ Responsibilities Map and Statements of Responsibilities
- ▶ Risk culture and tone
- ▶ Basis for reasonable steps

Business lines

- ▶ Impact of certification regime
- ▶ Conduct rules
- ▶ Reasonable steps framework
- ▶ Record keeping

HR (Employee Lifecycle)

- ▶ Remuneration and reward strategy
- ▶ Performance management
- ▶ Population tracking
- ▶ Training and development
- ▶ Onboarding

Technology

- ▶ HR systems enhancements
- ▶ Enhancements to support reasonable steps
- ▶ MIS provision



Legal and Compliance

- ▶ Rule change Interpretation
- ▶ Application and authorisation framework
- ▶ Implementation and monitoring

Internal Audit

- ▶ Implementation assurance
- ▶ Monitoring
- ▶ Effectiveness testing
- ▶ Stakeholder management
- ▶ 'Reasonable Steps' Assessment

Other Control Functions (Risk, Finance, Ops)

- ▶ Impacted individuals
- ▶ Alignment to new requirements
- ▶ Enhance existing control frameworks

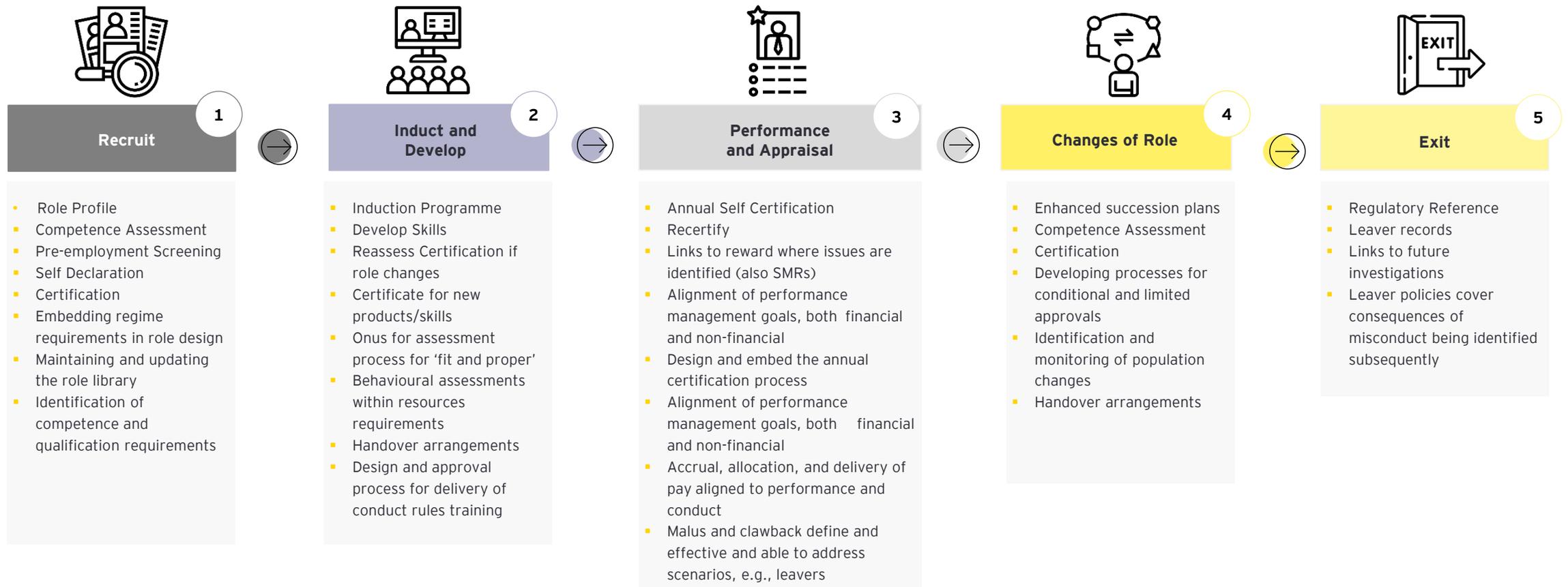
Governance

- ▶ Governance framework
- ▶ Reporting lines
- ▶ Management information
- ▶ Committee protocols
- ▶ Breach reporting

Key Features of SEAR: Understanding the Impact Across the Firm (2/2)

Impact on Employee Life Cycle

The intention of SEAR is to ensure that individuals who hold senior office in financial services firms take personal responsibility and are accountable for their decisions. Firms will need to assess how the obligations are met and how evidenced throughout the tenure of senior individuals in their roles.





Insights from
industry
implementation

Challenges in Implementing Accountability - Industry, Regulators, and Senior Managers

While great progress is being made at heightening accountability, the industry, regulators, and individual Senior Managers will continue to face challenges. Some of the key challenges of implementing accountability regimes are outlined below.

1

Challenges for Industry

- **Financial institutions often underestimate the complexity of laying the foundation for change** and driving it from a concept to embedding it in processes, systems and in behaviours across the organisation.
- **Organisational culture can determine the success or failure** of accountability frameworks. Leaders need to clearly define and communicate the values and behaviours they want. Governance systems also need to monitor these values and reward frameworks need to signal the required behavioural change.
- The differing structures of accountability impact implementation as **pyramidal structures** are faced with making delegation, escalation and reporting work in practice while **matrix structures** must consider how governance processes can be put in place to give managers the right amount of authority and decision-making influence.
- There is **significant complexity in reconciling differing accountability requirements across international borders**, regime jurisdictions, and dispersed business models.

2

Challenges for Regulators

- **How to measure and monitor the effectiveness of accountability regimes fairly**, dynamically, and in careful consideration of the differing features, risks, and maturity levels of the organisations in scope.
- **Enforcement activity over the early years of new regimes will be scrutinised**. Regulators will need to balance public desire for evidence of the new regimes working in practice as demonstrated by disciplinary action, with the need for fairness and identifying risks when assessing management decision-making.

3

Challenges for Senior Managers

- **Executives will need to define authorities and build control and reporting mechanisms** that recognise new expectations for end-to-end accountability whereby the onus sits on them as the accountable individual for business activities whether or not the activities are executed within their immediate line of management.
- Potential consequences may include reduced variable remuneration or even losing their job altogether and being banned from industry, fined or in the worst cases jailed. Such consequences may make it harder for financial institutions to hire and retain executive talent, particularly in jurisdictions where there are no known plans for other sectors to implement accountability regimes.

Insights from industry implementation

Key takeaways from recent experience developing and implementing IAF target operating models for credit institutions in Ireland.



IAF / SEAR Programme:

Identify all of the rules

Don't just consider transitional requirements; this needs to work in BAU

Governance and approval mechanisms



Senior Managers' Roles & Responsibilities:

Reasonable steps

People, Culture, and Conduct

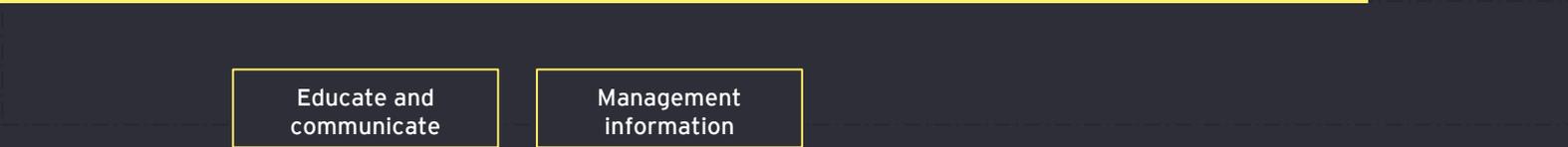
Changing roles and structures

Outsourcing arrangements

Handover arrangements



Communication and Training:



Supporting Firms with SEAR Implementation

The grid below provides guidance on the key activities that should be considered to support firms with the implementation of the Senior Executive Accountability Regime (SEAR):

Priority Focus Areas on a 'No Regrets' Basis

Review current governance and committee structures

Key Activities:

- ▶ Review terms of reference and membership of each governance committee, board and executive management
- ▶ Assess how committee discharges its responsibilities
- ▶ Review quality of information provided for decision making
- ▶ Assess records of basis for decisions taken

Review organisational design of senior management team

- ▶ Revisit 2019 and 2020 Dear CEO letter - are existing Fitness and Probity standards being met?
- ▶ Using current job descriptions / role profiles, create statements of responsibility for each PCF
- ▶ Align to create Management Responsibilities Map (MRM)
- ▶ Conduct Senior Executive interviews across full Senior Executive Function population
- ▶ Create Responsibility Assignment Matrix (RACI) for internal frameworks and activities as part of established programme so that lines of responsibility are clear

Review and map current HR processes and activities

- ▶ Job profiles/descriptions
- ▶ Talent, succession management
- ▶ Delegation of duties /responsibilities
- ▶ Performance management
- ▶ Development and communication of conduct standards
- ▶ Recruitment, assessment and on boarding
- ▶ Conduct & Breach management
- ▶ Learning and induction
- ▶ Exits/Handovers/ Regulated References
- ▶ Remuneration policies
- ▶ Vetting and referencing

Technology enablement

- ▶ Analyse the capability to update inhouse records of annual F&P assessment of Senior Executive Functions and Certified roles using regulatory compliance technology solutions
- ▶ Develop maintenance and storage process for the SEAR population
- ▶ Design and implement technology solutions for identified gaps and evidencing of reasonable steps

EY - IAF Assets

IAF assets listed below to support Irish Regulated Financial Services Providers with their preparation for the upcoming Individual Accountability Framework (IAF) and SEAR.

1. **IAF Implementation Detailed Project Plan** - Provides a full list of IAF activities that must be completed with a month-by-month tracker, activity statuses, and responsibility assignment
2. **Management Responsibilities Map** - Facilitates the creation of a single source of reference for key management, governance, and reporting arrangements
3. **Statement of Responsibility** - A collection of templates across multiple types of SEFs/PCFs for documenting key regulatory and role specific responsibilities, summarising the role, key committee memberships, and reporting lines. This includes:
 - i. Board Members (Non-Executive Directors)
 - ii. Non-Board Members
 - iii. Dual Roles (e.g. CFO & Executive Director)
 - iv. Branch Managers
4. **Reasonable Steps Assessment** - Templates for 2 types of SEFs/PCFs to evidence reasonable steps taken to discharge documented responsibilities to ensure their firm are not contravening legal and regulatory requirements in the area of the business they are responsible
 - i. Board Members (Non-Executive Directors)
 - ii. Non-Board Members

5. **Delegation Letter** - Formalises the delegating out of key activities that a SEF/PCF is responsible for
6. **Handover Letter** - Formalises the handover guidelines, highlighting what an incoming Senior member can expect to receive in order to perform their new role effectively in accordance with the requirements of the regulatory system

The content of these templates is based on our understanding of the current Bill, the work completed on the recent IAF / SEAR engagements in the Irish market, and the ongoing experience of UK firms with the Senior Managers and Certification Regime (SM&CR).

These templates would be relevant for Service Providers across sectors pending the publication of the CBI IAF Consultation Paper which is currently expected in Q2 2023.

Our Differentiators

- Tailored templates in line with IAF requirements
- Our IAF Support Team will bring first-hand industry experience of delivering IAF engagements
- Exceptional client service delivery
- You will have access to an EY Expert Panel comprising EY's industry leading subject matter resources and partners
- We will leverage our recent experience partnering with CBI

Our IAF experienced team

- We have completed IAF programmes for two (2) large international banks with substantial operations in Ireland.
- We have supported the Central Bank of Ireland (CBI) with regard to the development of IAF guidance for industry and as part of this exercise, shared insights with the Central Bank on lessons learned from our work on IAF implementation in Ireland.
- Our multi-disciplinary team can also bring you: a) the right technical skill sets around IAF b) operating model specialists and c) programme support to ensure delivery in a seamless manner with reduced disruption to stakeholders.

Accelerators

Statement of Responsibility (SoR) - Example for illustrative purposes only

Objective: This is a summary of the role, prescribed responsibilities, overall or local responsibilities and other responsibilities of individually named Senior Executive Function (SEF) appointed under the SEAR. The SoR is developed using a variety of internal information and the guidance provided by the CBI.

STATEMENT OF RESPONSIBILITY (SoR)

KEY SECTIONS - Refer to the sample on the right

- Prescribed Responsibilities (as per the Central Bank of Ireland (CBI) general/overall responsibilities)
- Overall Responsibility
- Other Responsibility

Other information include detailed responsibilities, and committee membership

DOCUMENTS USED FOR DRAFTING STATEMENT OF RESPONSIBILITY

- Central Bank of Ireland - Pre-Approval Controlled Functions (PCF)
- Central Bank of Ireland - Corporate Governance Requirements for Credit Institutions 2015
- European Banking Authority - Guidelines on Internal Governance
- Irish Statute Book - Companies Act 2014
- Enterprise Risk Governance Framework
- Committee Memberships
- Board of Directors Terms of Reference

BOARD SoR - PROCESS OF DEVELOPMENT

- Create a draft SoR drawing the various sources, including SoR from BUA/UK
- Schedule review session with Board Member to discuss the SoR
- Perform a read across with the SoRs of other Board members to ensure there is no overlap/underlap of responsibilities
- Where an overlap/underlap occurs, discuss with you and then formulate next steps (either agreement or further discussion required)
- Finalise the SoR at point in time and revise periodically in run up to implementation of SEAR

SAMPLE STATEMENT OF RESPONSIBILITY (SoR)

Statement of Responsibilities for PCF2B - Independent Non Executive Director (Board Member)

Responsibilities - A SoR is a statement issued by the Central Bank of Ireland (CBI), summarising the role, prescribed responsibilities, and role specific responsibilities of individually named Senior Executive Function (SEF) Managers in line with the Senior Executive Responsibility Register (SER) Regime.

2.8 Prescribed Responsibilities - This section will be associated with CBI Prescribed Responsibilities your published

| SEF | Responsibility | Is it met? |
|------|--|------------|
| 1.0 | Prescribed Responsibilities on specific responsibilities on the Central Bank of Ireland for non-executive or Senior Executive Function (SEF), and are engaged to ensure that a SoR is responsible for all key roles. | No |
| 1.1 | Attend and contribute to Board and committee meetings and discussions | Yes* |
| 1.2 | Act in the best interests of the Company by voting and in collective Board and committee decisions, including voting and providing independent input and challenge | Yes* |
| 1.3 | Exercise sufficient oversight of the business, risk and related activities of the Company, and to be appropriately informed of the relevant matters prior to voting and in Board or committee discussions and decisions | Yes* |
| 1.4 | Act with independence of mind and, in accordance with regulations of conduct, avoid conflicts of interest between the director's duty to the Company and their other interests | Yes* |
| 1.5 | Approve and oversee the implementation of the business strategy for the Company within the applicable legal and regulatory framework, taking into account the Company's long term financial interests and culture | Yes* |
| 1.6 | Ensure that all forms of capital and liquidity are properly managed and within Board set limits and are adequate to cover the risks of the Company | Yes* |
| 1.7 | Approve and oversee the implementation of the overall risk strategy including setting an appropriate risk appetite and risk management framework for the Company, including a well-functioning independent internal risk management function | Yes* |
| 1.8 | Ensure a proper organisational structure, a remuneration framework, an adequate and effective internal governance and internal control framework, and an appropriate financial reporting and accounting framework are in place, including key policies, and a well-functioning independent compliance and audit function | Yes* |
| 1.9 | Approve and oversee changes to the structure, role and composition of the Board and its Committees, ensure an adequate appointment and succession planning process, and undertake a periodic assessment of Board and Committee performance | Yes* |
| 1.10 | Approve the appointment of the CEO, Senior Management and PCF role holders, ensure an adequate appointment and succession planning process, and provide performance feedback and input into remuneration of individuals holding these roles | Yes* |
| 1.11 | Ensure that standards of conduct and culture are established and are adequately communicated and monitored | Yes* |
| 1.12 | Share responsibility with other Board members for the effective, prudent, and ethical oversight of Bank Europe | Yes* |

* Board responsibility with other Board members for the effective, prudent, and ethical oversight of Bank Europe

Reasonable Steps Framework - Example for illustrative purposes only

The Framework has been developed building on existing processes and activities, with the inclusion of additional elements to address the need for an evidence-based demonstration of reasonable steps

Whilst elements of the framework are in place or inferred from existing actions and assumed areas of responsibility, these require much greater definition, specification and formalisation with supporting documentation



Management Responsibility Map - Example for illustrative purposes only

Objective: The MRM describes the firm's governance arrangements under the SEAR regime. It covers in details, the reporting lines and the lines of responsibility; and reasonable details about the persons who are part of those arrangements; and their responsibilities.

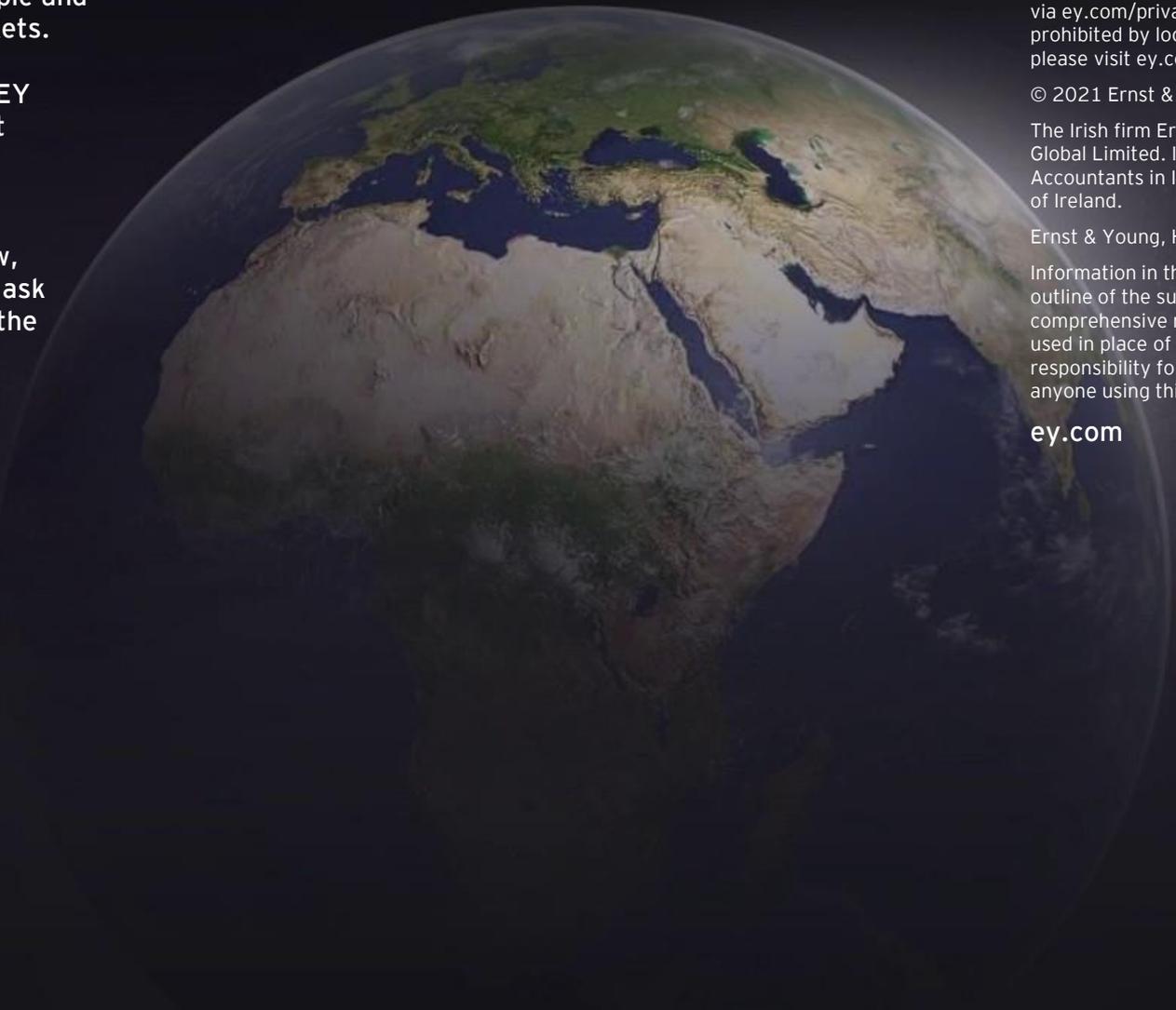


EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

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