

Ulster Bank Ireland DAC

Compliance with the Capital Requirements Directives Governance Disclosures

The Capital Requirements Directives have been implemented in Ireland by way of SI158 European Union (Capital Requirements) Regulations 2014 as amended (“SI158”).

Ulster Bank Ireland DAC (UBIDAC) is a member of NatWest Group plc (NWG). In February 2021, NWG announced its decision for UBIDAC to commence a phased withdrawal from Ireland.

In line with Regulation 84 of SI158, this document explains how UBIDAC complies with Regulations 76 – 83 of SI158.

Regulation 81 (Institutions that benefit from government intervention) does not apply to UBIDAC.

1. Governance

The management body (the Board)

Regulation 76 and 79 of SI158 sets out the requirements for the Board including the role of the Board Chair, and its members, induction and training of members, the number of directorships an individual director may hold and arrangements for loans to its members, and their related parties.

The Board is the main decision-making forum for UBIDAC. It has overall responsibility for management of the business and affairs of the company, the phased withdrawal strategy and the allocation and raising of capital and is accountable to its shareholder for financial and operational performance. The Board considers strategic issues and ensures the company manages risk effectively through approving and monitoring the company’s risk appetite, considering stress scenarios and agreed mitigants and identifying strategic threats to business operations and to the phased withdrawal strategy.

The Board is responsible for ensuring the integrity of financial information and reporting, maintaining a robust accounting function, financial reporting framework and policies, ensuring the maintenance of adequate accounting and other records and systems of planning and internal control.

Members of the Board are committed to observing high standards of corporate governance, integrity and professionalism. The Board is collectively responsible for executing the withdrawal strategy of UBIDAC. The Board provides leadership of UBIDAC within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board’s terms of reference include key aspects of the company’s affairs reserved for the Board’s decision and are reviewed at least annually.

There are instances where the Board has delegated responsibility for certain matters to management. Except for matters reserved for the Board, day to day responsibility for the operation of the Bank is delegated to the CEO and the UBIDAC Executive Committee (or “ExCo”) in accordance with the ExCo Terms of Reference. ExCo is required to update the Board at regular intervals and / or at the request of the Board on all operational and day to day activities. Decision-making authority regarding Wholesale and Retail Credit are delegated to the Director of Risk. Notwithstanding these delegated authorities the Board acknowledges that it remains accountable for all delegated functions.

The role of Chair is distinct and separate from that of the Chief Executive Officer (“CEO”), and there is a clear division of responsibilities, with the Chair leading the Board and the CEO managing the company’s business day to day. The Chair’s key responsibilities are to ensure the UBIDAC Board: is structured effectively; observes the highest standards of integrity and corporate governance; and sets the tone from the top in terms of culture. The Chair is responsible for leading a Board with an appropriate balance of skills and experience; considering succession planning; and fostering open and inclusive discussions at each Board / Board Committee meeting in order to challenge executives, where appropriate. The Chair ensures that the performance of individual directors and of the Board as a whole is evaluated regularly and that the company maintains effective communication with the shareholder and other stakeholders.

The CEO’s key responsibilities are to: exercise executive accountability for the relevant businesses; drive and deliver the strategy approved by the Board and NWG; and drive performance against financial plans. The CEO consults regularly with the Board Chair and Board on matters which may have a material

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impact on the company and drives the culture and values of the company, creating an environment where employees are engaged and committed to good customer outcomes. Additional responsibilities include leading, managing and developing the company's senior leadership team and ensuring it has effective frameworks and structures to identify, assess and mitigate risks.

The independent and group non-executive directors combine broad business and commercial experience with independent and objective judgement and provide constructive challenge, strategic guidance and specialist advice to the executive directors and hold management to account.

The Board is structured to ensure that the directors have an appropriate balance of skills, experience and knowledge as well as independence. The inclusion of independent and group non-executive and executive directors enables the Board to provide clear and effective leadership across UBIDAC's business activities. UBIDAC has a comprehensive formal induction programme for new directors that includes induction meetings with the major divisions, directors and senior management. The Board ensures adequate induction training is provided for new appointees, on-going training is given to existing Board members and training is updated as necessary.

On appointment, each director is provided with guidelines for referring conflicts of interest to the Board. UBIDAC has procedures in place to ensure that the Board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively.

Independent and group non-executive directors must confirm they are able to allocate sufficient time to meet the expectations of the role as part of their appointment with UBIDAC. Directors have been briefed on the limits on the number of other directorships that they can hold under the requirements of the Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 and of CRD V. Each director is required to seek the approval of the UBIDAC Board before accepting additional commitments that might impact the time the director is able to devote to his or her role as an independent or group non-executive director of UBIDAC. The Board monitors the other commitments of the Chair and directors and is satisfied that they can allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

UBIDAC maintains a register of all relevant lending by it to members of the UBIDAC Board, senior management and their related parties as defined by 76(9) of SI158. The information documented in this register is available to the Central Bank of Ireland upon request, in accordance with Regulation 76(7) of SI158. In addition, UBIDAC's Corporate Governance Policy sets out how UBIDAC Board Members should address potential conflicts of interest.

The Board is responsible for ensuring sufficient oversight of the process of communicating with external stakeholders and competent authorities including circulars and press releases. The Board interacts as required with the regulatory authorities.

Role of the UBIDAC Nominations Committee (UBIDAC NomCo)

Regulation 76 and 79 of SI158 sets out the Governance arrangements of the management body including the requirement for a nominations committee including its membership, resources, need for appropriate funding and activities.

The UBIDAC NomCo is comprised of at least three members who are all Non-Executive Directors with a majority of Independent Non-Executive Directors ("INEDs"). The Committee is required to have adequate collective knowledge, expertise and experience relating to the business of UBIDAC to be able to assess the appropriate composition of the Board, including recommending candidates to fill vacancies on the UBIDAC Board.

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The UBIDAC NomCo is responsible for:

- Recommending suitable individuals to the UBIDAC Board in respect of appointments to the UBIDAC Board, Board Committees, Executive Committee and Senior Management (including Material Risk Takers and Pre-Approval Controlled Functions).
- Reviewing the structure, size and composition of the Board and making recommendations to the Board on any necessary changes, having regard to the overall balance of skills, knowledge, experience and diversity on the Board.
- Considering and making recommendations in respect of membership of Board, Board Committees and succession planning for the Board and Board Committees.
- Reviewing and recommending to UBIDAC Board, requests from the Board directors to take up additional external directorships.
- Preparing a description of the role, responsibilities and capabilities required for UBIDAC Board appointments, following an evaluation of the balance of skills, knowledge, experience, time required and the objectives of the Boardroom Inclusion Policy.
- Ensuring that the Board is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of UBIDAC, when considering the roles and responsibilities of Board Directors, Board Committee Members and Senior Management.

The Nominations Committee considers potential candidates and recommends the appointment of new directors to the Board for approval.

UBIDAC has a Boardroom Inclusion Policy which aims to ensure that the Board attracts, motivates and retains the best talent and avoids limiting potential caused by bias, prejudice or discrimination. The Boardroom Inclusion Policy contains several measurable objectives and has a diversity target which is approved by the Board annually.

UBIDAC understands the importance of being a diverse and inclusive organisation and, as part of this, recognises the importance of having appropriate representation of women and men on the Board and ExCo. The search for candidates for Board vacancies will continue to be conducted, and nominations/appointments made, with due regard to the benefits of diversity and inclusion on the Board. However, all appointments are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board. The Board is compliant with its diversity target of a minimum of 33% of directors of each gender on the Board. The Boardroom Inclusion Policy can be accessed [here](#).

The balance of skills, experience, independence, knowledge and diversity on the Board, and how the Board operates together as a unit is reviewed annually as part of the annual Board evaluation.

Removal of a Board Member

Upon receipt of a Notice from the Central Bank of Ireland proposing to remove a Board Member (“Removal Notice”), arrangements will be made, without delay, to provide a copy to the individual Board Member concerned (if practical to do so) and confirm to the Central Bank of Ireland that it has done so.

In the event of a Removal Notice being issued, the individual concerned must stand aside from the UBIDAC Board for the effective period of the Removal Notice.

2. Remuneration

Regulations 80 and 82-83 of SI158 sets out the requirements for remuneration policies, variable elements of remuneration and the Remuneration Committee.

Remuneration Policy Principles

As a fully owned subsidiary of NWG, the UBIDAC Remuneration Principles are aligned with the NWG’s Remuneration Policy Principles. These policies are aligned to regulatory requirements and comply with the

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relevant remuneration regulations applicable based on the size, nature, scope and complexity of our activities. The requirements are applied at group, parent undertaking and subsidiary undertaking levels, including UBIDAC. The requirements are also applied to subsidiaries or joint ventures where NWG has control or significant influence. The NWG Performance and Remuneration Committee (“Group RemCo”) reviews and approves the Group Remuneration Policy as well as the effectiveness of its implementation on an annual basis, which the UBIDAC Performance & Remuneration Committee (“UBIDAC RemCo”) inputs into. The UBIDAC RemCo also approves the UBIDAC Remuneration Policy Principles on an annual basis.

The Group Remuneration Policy Principles are consistent with and promote sound and effective risk management and do not encourage excessive risk taking. They support the purpose-led business strategy and the Group’s desired culture and behaviours and promote the long-term success of the Group. This is evidenced by our remuneration arrangements, our chosen performance metrics and effective risk management in line with UBIDAC’s risk appetite. Pay equality, including neutrality in respect of protected characteristics such as sex and race, is a core feature of our approach, to support our fair pay approach.

UBIDAC has a Managing Conflicts, Inside Information and Personal Account Dealing Policy which aims to maintain and operate effective organisational and administrative arrangements which identify and manage conflicts of interest.

There are systems for capturing performance management goals for all colleagues, and performance discussions and decisions dependent on role level. The performance management policy and process are documented on our internal website for all employees to access and training, support calls and documentation are provided throughout the year.

Remuneration structure

UBIDAC’s approach to remuneration and remuneration policies promotes effective risk management through a clear distinction between fixed remuneration (base salary, allowances where applicable, benefits and employer pension contributions) which reflects the role undertaken by an individual; and variable remuneration (discretionary bonus and Sharing in Success) which is reflective of sustainable performance and can be risk-adjusted.

Fixed pay is set using pre-determined criteria and reflects a colleague’s professional experience, organisational and role responsibilities, and geographic location. It is set at an appropriate level to give the flexibility to decide not to pay variable remuneration in any given year and to discourage inappropriate risk taking. Fixed pay is pre-determined; non-discretionary; transparent; permanent and non-revocable. Fixed pay cannot be reduced, suspended or cancelled by UBIDAC. Whilst fixed pay progression can be linked to performance, the entitlement to fixed pay does not depend on performance and therefore fixed pay does not incentivise risk taking.

Variable pay is offered to our more senior colleagues as it is considered appropriate for them to have some pay at risk. Variable pay is linked to NWG, UBIDAC performance measures and individual performance measures and is subject to deferral, malus and claw back provisions in order to meet regulatory requirements. It promotes a culture where colleagues are rewarded for long-term and sustained business performance, aligned to the strategic goals of the Group and UBIDAC, whilst demonstrating sound and effective risk management and avoiding excessive risk taking. Individual performance is measured across a balanced scorecard including risk and control and other financial and non-financial objectives (including customer, and people & culture). Performance is measured with reference to what a colleague achieves and how it is achieved, ensuring that behaviours are reflected in performance assessments. Critical People Capability behaviours are used to provide a consistent Group-wide behavioral measure. Variable pay outcomes are designed to reflect sustainable and risk-adjusted performance against our purpose-led strategic priorities.

The Sharing in Success scheme for all colleagues is intended to recognise One Bank behaviours, drive a performance culture with purpose-led outcomes and further align colleagues with our strategic direction. Success is measured based on financial performance, approach to risk, being brilliant for our customers and delivering value for shareholders.

Depending on the amount of the variable remuneration and the role of the recipient, awards can be deferred over at least a two-year period with awards to Material Risk Takers (MRTs) subject to a four to

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seven-year deferral period. During this time unvested awards remain at risk of forfeiture through malus adjustment. Remuneration payable under deferral arrangements vests no faster than on a pro-rata basis. Claw back provisions also apply to vested awards in line with regulatory requirements. An accountability review process is operated which allows UBIDAC to respond where new information that comes to light would change the original variable pay decision. The range of circumstances under which malus and claw back will be considered are described in the internal malus and claw back policy.

Unless an exemption is applied under regulatory derogations, at least 50% of any variable remuneration for Material Risk Takers is delivered in shares with the shares subject to a 12 month retention period after vesting. The payment of variable remuneration does not limit our ability to maintain or strengthen our capital base. Variable pay proposals are reviewed against our capital adequacy framework to ensure that regulatory requirements are met. No variable remuneration is provided to non-executive directors so that they can maintain appropriate independence. Guaranteed awards are only used in exceptional circumstances to compensate new hires for awards forfeited from their previous employer and are limited to the first year of service. Such awards are subject to NWG wide policies on deferral, retention, forfeiture, malus and claw back. The policies for buy-out awards and early termination payments are in line with regulatory requirements. UBIDAC does not actively provide discretionary pension benefits other than to the extent that existing pension provision may require a discretionary decision (for example: the annual pension increase for legacy Defined Benefit pension plan which requires a formal decision each year). UBIDAC does not allow variable pay that would otherwise be subject to deferral to be taken in pension form.

The Personal Account Dealing Policy prohibits the use of any personal hedging strategies or remuneration-related or liability-related contracts of insurance, designed to lessen the impact of a reduction in value of variable pay awards. This condition is confirmed in participant award documentation and any breach may result in the award being cancelled. Material Risk Takers must expressly accept this term as a condition of grant. UBIDAC does not pay variable remuneration through vehicles or methods that facilitate the non-compliance with the requirements of Article 94(1)(q) of CRD IV or EU Regulation no.575/2013.

UBIDAC recognises that remuneration structures need to comply with the remuneration requirements of CRD V, including the cap which limits the maximum ratio of variable to fixed remuneration for non-UK jurisdictions. UBIDAC, applies a 1:1 ratio (of variable to fixed remuneration) for Material Risk Takers in line with EU regulatory requirements. The level of variable remuneration can be calculated in line with EBA guidelines, including any available discount for long-term deferral.

UBIDAC Performance and Remuneration Committee (RemCo)

The Chair and members of the UBIDAC RemCo are all independent non-executive directors of UBIDAC.

The RemCo is responsible for

- Ensuring the incentive structure created by the remuneration arrangements promotes good performance, conveys acceptable risk-taking behaviour and reinforces UBIDAC's operating and risk culture consistent with UBIDAC's risk appetite taking into account the ongoing interests of shareholders (including those of NWG as the ultimate parent company), investors and other stakeholders in the institution and the public interest;
- Overseeing the establishment and management's implementation of the Remuneration Policy Principles, which is designed to support the business strategy and values of UBIDAC as well as promote effective risk management and compliance with applicable legal and regulatory requirements;
- Reviewing and approving the Remuneration Policy Principles for the UBIDAC business on an annual basis, and ensuring that it meets applicable legal and regulatory requirements;
- Ensuring that the remuneration system properly considers all types of risks, liquidity and capital levels and that the overall Remuneration Policy Principles is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture, risk culture and interests of the Bank. In particular, the Committee seeks to ensure the remuneration policy and practices do not promote excessive risk taking;
- Reviewing and approving in conjunction with Group, or where appropriate ratifying, performance measures, performance assessment and the remuneration arrangements of senior officers in the risk and compliance function and internal audit function, the Executive Directors and ExCo

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members, as well as any other employees deemed to be senior management or Pre-Approval Control Functions (PCFs) within UBIDAC. As part of the review, the RemCo determines whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the senior Board Committees of NWG and UBIDAC; and the UBIDAC and NWG Control Functions, as it considers necessary or appropriate;

- Reviewing and approving, in conjunction with Group, remuneration arrangements for UBIDAC high earners;
- Overseeing the remuneration framework for other Material Risk Takers within UBIDAC;
- Reviewing the annual bonus pool proposals for UBIDAC, to ensure that they are appropriately performance and risk adjusted, are congruent with UBIDAC's financial performance and meet UBIDAC's capital adequacy and liquidity requirements;
- Ensuring that for employees in control functions, remuneration is determined independently and performance measures are based on the achievement of their own objectives so as not to compromise their independence;
- Maintaining oversight of pay considerations across the broader UBIDAC employee population; and
- Reviewing any public UBIDAC remuneration disclosures.

The terms of reference of UBIDAC RemCo are reviewed regularly and approved by the UBIDAC Board. Further details on the remuneration policy can be found in the [2023 Annual Report and Accounts](#)

3. Reporting

Country-by-country reporting

Regulation 77 of SI158 relates to country-by-country reporting.

UBIDAC meets its requirements under this article for the reporting period ended 31 December 2023. The list of subsidiaries and the income/profit/tax/subsidies/headcount by country disclosure is available [here](#).

Public disclosure of return on assets

Regulation 78 of SI158 requires disclosure in a firm's annual report and accounts of its return on assets.

Details of return on average total assets for UBIDAC can be found on page 6 of the 2023 UBIDAC statutory accounts within the [Director's Report](#)