

# Corporate Governance Statement

for the financial year 1 January 2019 to 31 December 2019

NORTHERN BANK LIMITED TRADING AS DANSKE BANK

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## INTRODUCTION

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Bank has adopted the Wates principles for large private companies as an appropriate framework when making a disclosure about its corporate governance arrangements.

Each of the 6 Wates Principles has been considered individually within the context of the Bank's specific circumstances and a short supporting statement is set out below to explain how each principle has been applied to achieve better outcomes.

## PURPOSE AND LEADERSHIP

**An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.**

As Northern Ireland's biggest bank, we have been helping people and businesses achieve their ambitions for over 200 years. We support financial stability by running a profitable business, conducting our activities in a responsible manner and making our time and expertise available for the benefit of the communities that we serve.

The Bank's purpose, and ultimately its vision, is to be the best bank in Northern Ireland by "Making More Possible" for our customers, colleagues, partners and society. These four focus areas form the framework of our Corporate Plan which is developed on an annual basis by management, in conjunction with the Board/under the Board's direction.

The Board is committed to a culture of strong ethical behaviour as embodied in our five core values – expertise, integrity, value, agility and collaboration which together are central to the Bank's vision of "Making More Possible".

Our Culture Wheel articulates the behaviours that are critical for the future success of our business. The wellbeing of our colleagues, customers and wider society lies at the heart of what we do and ensures alignment of our wellbeing strategy with our people strategy and overall Corporate Responsibility agenda.

## BOARD COMPOSITION

Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company.

The Bank has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Bank is effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual Director effectiveness and ensuring that the Board is effective in its task of setting and implementing the Bank's direction and strategy.

The Board comprises a Chairman, Chief Executive Officer, two Deputy Chief Executive Officers, two Group Non-Executive Directors and four Independent Non-Executive Directors. The size and composition of the Board is appropriate to the Bank's size, nature and complexity of the business.

The combination of skills of the Directors is considered suitable for the nature of the organisation; Independent Non-Executive Directors bring experience in banking and finance, audit, insolvency and business recovery, and technology, in addition to perspectives and challenge from outside the banking industry. There is an appropriate mix of local, national and international Directors and the Board continues to improve its gender balance noting that by quarter three 2019, gender diversity on the Board had increased to 30%.

The Directors have equal voting rights when making decisions, except the Chairman, who has the casting vote. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Bank's expense.

There is open debate and constructive challenge at meetings, with Board members demonstrating good engagement with the business and a sound understanding of the Bank's strategy and associated risks and challenges.

The duties of the Board are executed partially through committees. The Independent Non-Executive Directors are members of and act as chairs to relevant committees so that they are able to challenge and influence a broad range of areas across the Bank.

Directors update their skills, knowledge and familiarity with the Bank by meeting with senior management, visiting operations and by attending appropriate internal and external seminars and training courses. There is an induction programme for all new Directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business, including access to the Bank's sole shareholder, Danske Bank A/S (the 'Group').

## DIRECTOR RESPONSIBILITIES

The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

Each Board member has a clear understanding of their accountability and responsibilities. The Board has a programme of at least seven principal meetings every year, plus two additional days for strategic planning with key Group stakeholders. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate knowledge and industry experience.

At each Board meeting, all Directors are asked to declare any potential conflicts of interest. These declarations are collated by the Company Secretary and where there are potential conflicts, appropriate safeguards are implemented.

In addition, certain governance responsibilities are delegated to other Board committees (Audit, Risk and Remuneration). Membership of these committees is comprised entirely of Independent Non-Executive Directors who support effective decision-making and independent challenge.

The Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the Bank that might influence their independence or judgement.

There is a process in place for regular Board effectiveness reviews to seek independent, objective advice on the effectiveness of the Board's decision-making, its structure, its people and its processes. The Board undertook a formal effectiveness review facilitated by an independent external adviser in 2017 and has scheduled the next independent review for early 2020. Between externally facilitated assessments, the Board has conducted informal self-assessments which the Board considers important in the identification of key areas for future improvements, focus and for strengthening its overall performance.

## **OPPORTUNITY AND RISK**

**A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.**

The promotion of the long-term sustainable success of the Bank is fundamental to the Bank's 5 year Corporate Plan which is updated each year, under Board direction. It is the view of the Board that the long-term future of banking will, in part, be about strategic partnerships and this is a theme that underpins the Bank's purpose and vision. As such, 2019 was a year of strengthening existing relationships and embarking on strategic new partnerships in the technology, higher education, not-for-profit and social enterprise sectors.

At Board level, oversight of risk is delegated to the Board Risk Committee, which meets at least six times per year, the membership of which is comprised entirely of Independent Non-Executive Directors, ensuring there is appropriate accountability to stakeholders. There is also a well-established Corporate Governance Framework which establishes oversight for the identification and mitigation of risks across the Bank.

## **REMUNERATION**

**A Board should promote executive remuneration structures aligned to the long-term sustainable success of the company, taking into account pay and conditions elsewhere in the company.**

The Board of the Bank has an established Remuneration Committee (RemCo), which is chaired by the Chairman of the Board. The RemCo is instrumental in the Board's fulfilment of its governance responsibilities relating to the remuneration of employees and in particular the alignment of performance related pay with the long-term interests of the Bank and its policy on risk and stakeholders in the Bank.

The Board is committed to creating an environment at all levels in the Bank which enables people to perform and develop their abilities and potential.

A diverse workplace which does not attach specific importance to; age, community background or country of origin, disability, gender, nationality, political opinion, religious belief, or sexuality, ensures that we are able to attract talented employees who will contribute to the Bank's success.

Annually, the RemCo prepares a Remuneration Report which is published on our website [www.danskebank.co.uk](http://www.danskebank.co.uk).

## STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Directors should foster effective shareholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board has strong relationships with Danske Bank A/S, its sole shareholder, with two Executives of Danske Bank A/S appointed as Directors of Northern Bank Limited. At each Board meeting, the Board is provided with an update in relation to Danske Bank A/S and, on an annual basis, the Board visits the offices of the Group for a series of presentations from key stakeholders across the Danske Bank Group, for strategic planning purposes, and to hold an offsite meeting of the Board. Furthermore, the Board regularly receives updates from Group stakeholders across areas including Finance, IT, Risk, Business Development and Strategy. These stakeholders also provide inputs to the Bank's Corporate Planning process and are integral parts of delivering developments for the Bank.

Close dialogue with stakeholders is an integral and natural part of the Bank's operations. Senior leaders welcome dialogue with all external stakeholders, representatives of government and other leading figures within Northern Ireland and beyond and want to engage in a constructive manner, and from a long-term perspective. This approach is driven by an ambition to create value, commitment to transparency and the core values of integrity and collaboration.

Listening to, and empowering employees is critical to achieving the Bank's vision. Formally, employees have a voice through regular 'Pulse' and 'Team Talk' Surveys. The outputs from these employee surveys inform the People Board (a group of senior employees who are responsible for shaping and delivering the people strategy in collaboration with HR) and business unit action plans. In addition, regular employee 'Roadshows' are delivered in locations across Northern Ireland and provide a briefing on the Bank's performance and allow individuals to raise questions and provide feedback.

Northern Bank Pension Trust Limited is the corporate Trustee of the Northern Bank Pension Scheme. Although a wholly-owned subsidiary, the Trustee operates independently of the Bank and in accordance with pension regulations. The Bank, as sponsor of the Scheme, maintains a constructive and open relationship with the Trustee (usually through the Chairman of the Trustee Board). The Trustee Directors comprise individuals nominated either by pension scheme members or by the Bank. This support, provided by the Bank, ensures diversity of knowledge and skills on the Trustee Board, thereby facilitating good governance and decision-making (which is in the interests of all Scheme stakeholders).

The Bank's website, intranet and social media channels provide extensive and up-to-date news on recent developments impacting our customers, colleagues, partners and the society.

We advocate the benefits of running a responsible business and encourage others to follow. In January 2019, the Bank published our first annual Responsible Business Report, which highlights our contribution to the wider society that we serve and the local communities we are a part of, in areas such as diversity and inclusion, sustainability and climate change.