

# **Group Remuneration Committee**

## **Terms of Reference**

**Approved by the Court in May 2008**

# **Group Remuneration Committee Terms of Reference**

## **1. Objectives**

This is the Committee of the Court responsible for ensuring that the Group's overall reward philosophy is consistent with achievement of the Group's strategic objectives and with the Group's values.

It is responsible for considering and making recommendations to the Court in respect of remuneration policy for Directors, senior management and top earners across the Group.

In framing remuneration policies, the Committee shall give full consideration to the principles and provisions of the Combined Code on Corporate Governance and to Schedule A to that Code.

The resultant policies will be reviewed by the Committee and will be ratified regularly by the Court.

## **2. Membership**

- 2.1 The Committee will comprise a minimum of three independent non-Executive Directors. Membership and chairmanship of the Committee will be reviewed by the Court each year on the recommendation of the Group Nomination and Governance Committee in consultation with the Chairman of the Remuneration Committee. While there is no fixed term of membership, no more than three consecutive years would be expected from members. The general aim is to change the membership from time to time to ensure an appropriate balance between continuity and fresh perspectives.
- 2.2 The Group Chief Executive shall not be a member of the Committee but shall be in attendance as required. The Group Secretary shall be secretary of the Committee.
- 2.3 Each year the membership of the Committee will be displayed in the Annual Report and Accounts. When a Director, who is a member of the Committee, stands for re-election at the Annual General Court ("AGC"), his/her membership of the Committee will be noted on the proxy forms issued to stockholders.

### **3. Meetings and Quorum**

- 3.1 The Committee will meet as often as it deems necessary for the discharge of its responsibilities.
- 3.2 The quorum for meetings shall be three members.
- 3.3 Any member of the Committee who has any personal interest in the matters to be considered by the Committee must so declare that interest and must absent himself/herself from any meeting while such issue is being considered.

### **4. Duties**

Without limiting the generality of the Committee's objectives and given that neither the members of the Court nor the Committee participate in discussions or decisions relating to their own remuneration, the Committee shall;

- 4.1 Determine, after consultation with the Court, the Group Chief Executive's annual performance assessment and remuneration terms.
- 4.2 Determine the total remuneration package of each Executive Director and members of Senior Management, as defined from time to time by the Court including salary, bonus payments, all incentive payments, stock options, stock awards under the Group's Long Term Incentive Plan, service contracts and pension rights. In their deliberations, the Committee will have regard to the ongoing appropriateness and relevance of the remuneration policy, relevant market comparisons and practice together with any other relevant guidance.
- 4.3 Consider the implications of compensation policy/commitments for Executive Directors and senior management in the event of early termination, in order to ensure that any such payments are fair to all parties.
- 4.4 The remuneration of Non-Executive Directors of the Court shall be a matter for the Governor in consultation with the Group Chief Executive, the Group Secretary and the Head of Group HR. Such fees to be determined by the Court itself (non-Executives not participating in the decision).
- 4.5 Review annually the level of Board fees paid by subsidiary Boards and recommend to the Court, increases (if any), to be proposed to the Board of that subsidiary.
- 4.6 Review annually;
  - (1) all long term incentive arrangements and employee share schemes operated in the Group

- (2) the level of Staff Stock Issue (SSI) in ROI and Stock Incentive Plan (UK)
- (3) general pension increase applicable to all pensioners.
- 4.7 Determine the powers delegated to the Senior Executive Performance and Reward Management Committee and other Management Committees and consider the minutes of their deliberations.
- 4.8 Periodically review the remuneration policy for all Group staff and in particular review the basis of the overall remuneration of the top earners within the Group each year.
- 4.9 Approve any contract of employment or related contract, and any proposed amendments to these (including salary changes), with any Executive Director or with the Governor.
- 4.10 Consider and recommend to the Court policy on stockholder disclosure and related matters for all remuneration issues including the contents of the Directors' Remuneration Report contained in the Annual Report and Accounts. Ensure that such disclosure is clear and transparent.
- 4.11 Perform any other duties or responsibilities relating to remuneration issues delegated to the Committee by the Court from time to time.

## **5. Authority**

- 5.1 The Committee will operate under delegated authority from the Court and the Chairman will report to the Court on the Committee's proceedings after each meeting. Committee minutes will also be circulated to the Court.
- 5.2 As and when required the Committee may access professional advice and may commission both informal and formal remuneration studies to assist its formulation of remuneration policy.
- 5.3 The Committee may invite any Director, Executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objectives.

The Committee is authorised to seek any information it requires from any employee of the Group to enable it discharge its responsibilities.

## **6. Performance Evaluation**

- 6.1 The Committee shall, at least once a year, review its own performance and terms of reference and shall report its conclusions and recommend any changes it considers necessary to the Court for its approval.