



AIB Group plc *(Holding Company)*

Board Remuneration Committee Terms of Reference

Approved by the AIB Group plc Board on 21 September 2017

Office of the Group Company Secretary

- (A) References in this document to “**Board**” mean the Board of Directors of AIB Group plc. References in this document to “**AIB**”, “**the Group**”, or “**the Company**” mean AIB Group plc, Allied Irish Banks, p.l.c and all of its subsidiary companies combined;
- (B) 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;
- (C) The above definitions apply throughout this document unless the context requires otherwise.



Remuneration Committee Terms of Reference

(approved by the Board on 21 September 2017)

1. Purpose

The Remuneration Committee (the “Committee”) is a committee of the Board of AIB Group plc from which it derives its authority and to which it regularly reports. The Committee is established to:

- 1.1. monitor and set coherent company-wide remuneration policies and practices generally (including benefits) for all Group employees, with specific reference to the Chief Executive Officer, Directors and Senior Management across the Organisation, and those employees who have a material impact on the risk profile of the organisation, and, through its decisions and recommendations, to enable the Company and the Group to ensure that its Directors and Senior Management are encouraged to enhance the performance of the Company and the Group and are fairly, while not excessively, rewarded for their contributions in that regard;
- 1.2. demonstrate to the Company’s stakeholders that all components of the remuneration of the Executive Directors and Senior Management are controlled by a committee of Non-Executive Directors whose members have no personal financial interest in these matters and who, in making decisions, or in making recommendations to the Board, will have due regard to the interests of the Company and its shareholders, and to the financial and commercial health of the Company;
- 1.3. ensure compliance with legislation enacted by the Irish Government to address the serious and continuous disruption to the economy and the financial system and, in particular, Government Policy in relation to the remuneration of Senior Management and staff generally in the organisation;
- 1.4. assist the Board in complying with the remuneration-related provisions of the Central Bank of Ireland’s Corporate Governance Code for Credit Institutions and Insurance Undertakings, European Banking Authority guidelines, codes of best practice with regard to the governance of remuneration, such other codes or regulations as may be applicable to the Company including, inter alia, the requirements of regulatory bodies such as the European Commission and the Financial Stability Board, and the principles of the EU Capital Requirements Directives; and
- 1.5. perform any other functions appropriate to a Remuneration Committee, or assigned to it by the Board.

2. Duties and responsibilities

Noting that the remuneration of the Directors in accordance with Article 89 of the Articles of Association is reviewed by the Chairman of the Board in consultation with the Chief Executive Officer, the Chief People Officer, and the Group Company Secretary, and is determined by the Company in General Meeting and having accepted the principle that no Director or manager shall be involved in any decisions relating to his or her own remuneration, the Committee shall:

- 2.1 recommend to the Board appropriate remuneration policies and practices, including pension arrangements, periodically overseeing and

- reviewing the operation of the bank's remuneration policy, its adequacy and effectiveness, to ensure that remuneration outcomes, risk measurements and risk outcomes are consistent with the Bank's long term strategy and which promote sound and effective risk management;
- 2.2 ensure that the remuneration policy and practices are subject to an annual central and independent internal review;
 - 2.3 recommend to the Board the remuneration package of the Chairman of the Board on appointment, and annually thereafter, in the absence of the Chairman of the Board if that person is a member of the Committee, review that remuneration package and make any recommendations considered appropriate;
 - 2.4 recommend to the Board the additional remuneration to be paid to a Deputy Chairman, Senior Independent Non-Executive Director, and Chairmen of the Audit Committee, Board Risk Committee (where such role is not remunerated as part of a wider Director role, such as Deputy Chairman, on a fixed fee basis) and the Remuneration Committee;
 - 2.5 determine the total remuneration package of the Chief Executive Officer on appointment, and annually thereafter review all components of that package and make any changes considered appropriate;
 - 2.6 within the terms of approved policy and in consultation with the Chief Executive Officer, determine the individual total remuneration package of each Executive Director (excluding the Chief Executive Officer), member of the Leadership Team, to include Heads of Risk, Compliance and Internal Audit, and the Group Company Secretary, on appointment; review all components of each such package and of other Identified Staff (as defined by the European Banking Authority) annually and make any changes considered appropriate;
 - 2.7 consider, and, if considered appropriate, approve the design of any proposed performance-related bonus scheme (including performance targets) for business leaders or persons who, in the view of the HR function, are of equivalent rank, or amendments to such schemes, and review the operation of such performance-related pay schemes on such frequency as shall be determined by the Committee;
 - 2.8 consider the design of any proposed share incentive plan, or amendments to such plans, for approval by the Board and shareholders; in respect of each approved share incentive plan, consider each year whether awards should be made, and, if so, determine the overall amount of such awards and, in respect of the awards made to individuals on foot thereof, determine the applicable dates and share values;
 - 2.9 ensure that all short- and long-term incentives are consistent with and support sound risk management, and are aligned with shareholder interests, demonstrating that the Committee's decisions are consistent with a reasonable assessment of the bank's financial situation and future prospects;
 - 2.10 review, and, if considered appropriate, approve proposals relating to the remuneration of the Non-Executive Directors of subsidiary companies;
 - 2.11 ensure that all relevant statutory, regulatory and Listing Rule provisions regarding disclosure of Directors' remuneration are complied with and, in that regard, review and approve the Report on Directors' Remuneration and Interests to be included in the Annual Financial Report;
 - 2.12 satisfy itself that the proportion of risk-adjusted profits awarded in the form of variable remuneration is appropriate;
 - 2.13 consider, and, if thought fit, approve the terms of any service contract proposed for a Director or member of the Leadership Team, and, in respect of any such person, ensure that contractual terms on termination

- of employment and any related payments made are fair to the individual and the Company, and that failure is not rewarded;
- 2.14 agree the policy for authorising claims for expenses from the Chairman of the Board and the Chief Executive Officer;
 - 2.15 control the appointment of any external remuneration consultants or similar specialist advisors who may be employed by the Group;
 - 2.16 oversee the ongoing design, operation and review of the process for the identification of Material Risk Takers (Identified Staff);
 - 2.17 review annually a remuneration disclosure report for inclusion in the bank's Pillar III Disclosures on remuneration policies, practices and aggregate remuneration of Identified Staff;
 - 2.18 consider such other matters relating to remuneration policies or practices as the Board, or the Chairman, may from time to time bring to its attention;
 - 2.19 report the Committee's decisions with respect to items 2.4 to 2.7 to the Board in a timely manner;
 - 2.20 prepare a Remuneration Report for the Board annually for publication in the Annual Financial Report;
 - 2.21 formally review a number of possible scenarios to test how the remuneration system will react to future external and internal events, and back test as well; and
 - 2.22 ensure that due process is complied with and due consideration is given to the Risk Appetite Statement in all decision making.

3. Authority

The Board authorises the Committee to:

- investigate any matter falling within its terms of reference or undertake or consider on behalf of the Chairman of the Board or the Board such other related tasks or topics as the Chairman of the Board 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;
- call on whatever resources (including external professional or legal services) and information it considers necessary or desirable, and the Board directs that all Directors and all employees co-operate with any requests made by the Committee;
- seek any information it requires from any employee of the organisation; and
- delegate any of its powers to one or more of its Members or the Secretary of the Committee.

4. Constitution

4.1 Number of Members

The members of the Committee shall be Non-Executive Directors appointed by the Board annually, and shall comprise at least four Non-Executive Directors, the majority of whom shall be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment. Recognising the benefit of cross-committee membership and interaction, at least one member of the Committee shall be a member of the Board Risk Committee and at least one member of the Committee shall be a member of the Nomination & Corporate Governance Committee.

4.2 Quorum

The quorum necessary for the transaction of business shall be three. 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 video link or audio link shall be regarded as valid for these purposes.

4.3 Membership

The Board Chairman may serve on the Committee as an additional member (but not chair) if he or she was considered independent on appointment as Board Chairman. Membership of the Committee will be reviewed each year by the Nomination and Corporate Governance Committee, in consultation with the Chairman of the Committee, and changes as required will be recommended to the Board at that time. While there is no fixed term of membership, a minimum of three and no more than five consecutive years' service would normally be expected from Members.

4.4 Chairman

The Chairman of the Committee shall be appointed by the Board, subject to Central Bank fitness and probity approval, and shall be an independent Non-Executive Director. In the absence of the Chairman from any meeting, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee.

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

4.5 Secretary

The Company Secretary, or her nominee if approved by the Chairman of the Committee, shall act as the Secretary of the Committee.

4.6 Attendees

The Chief Risk Officer shall attend at least one meeting of the Remuneration Committee each year to present a report on the risk exposure of the bank, including in relation to the management of risk and its link with rewards, and to ensure remuneration arrangements do not promote excessive risk taking.; such attendance should coincide with the Committee's consideration of items referred to at 2.7, 2.8 and 2.9 set out herein, to allow for appropriate input by the Chief Risk Officer.

In addition to appointed members, the Chairman of the Committee may invite other persons to attend for all or part of any meeting.

4.7 Training

The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on a continual basis for all Members. The Chief People Officer and the Company Secretary will be responsible for ensuring this training is provided.

5. Voting

Where the Chairman calls upon Members to vote on any issue, decisions will be by way of simple majority. In the event of a split decision, the Chairman shall exercise a casting vote to determine the outcome.

6. Meetings & Minutes

The Committee shall meet at least twice a year. Additional meetings may be held as the Chairman or the Committee deem necessary. The Chairman of the Committee or any other Member of the Committee may each request that a meeting be held at any time.

The Secretary shall minute the proceedings of all meetings of the Committee. The Secretary, at the request of the Chairman of the Committee, shall summon meetings of the Committee. Notice shall be given to each member of the venue, time and date of the meeting. The minutes of each meeting shall, when approved by the Chairman, be circulated to all members and, once approved, by the Committee, to all other Directors.

7. Reporting

The Chairman will report formally on the key aspects of the proceedings of the Committee to the subsequent full meeting of the Board. The minutes of Committee meetings should be tabled at the Board by the second scheduled monthly meeting of the Board for noting and/or discussion as necessary.

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.

8. Review of Operations

The Committee shall conduct, in line with agreed Board policy and processes, an annual review of the Committee's effectiveness and Terms of Reference and make recommendations to the Board for changes where it deems them appropriate.