

**AIB Group**



**Remuneration Policy**

November 2023

## 1. Introduction

The AIB Group plc (the “Group”) Remuneration Policy (the “Policy” or the “Remuneration Policy”) sets the framework for all remuneration related policies, procedures and practices for all employees and directors of the Group. The principal aim of the Remuneration Policy is to support AIB in being a bank to believe in, recognised for outstanding customer experience and superior financial performance. The Remuneration Policy is designed to foster a truly customer focused culture; to create long term sustainable value for our customers and shareholders; to attract, develop and retain the best people and to safeguard the bank’s capital, liquidity and risk positions. The Remuneration Policy sets out its objectives in line with the overall business and risk strategy of the bank and those of its key stakeholders. A key principle of the Remuneration Policy is to reward employees fairly and competitively in order to attract, motivate and retain the right calibre of individuals to grow and sustain the bank’s business.

## 2. Scope & Applicability

The scope of the Remuneration Policy includes all financial benefits available to all employees and directors of the Group and extends to all individual subsidiaries, entities and branches, including all employees of the Group at consolidated and sub-consolidated levels.

## 3. Regulatory Compliance

Remuneration policies, procedures and practices reflect the provisions, where applicable, of national and EU legislation, continuing Irish Government restrictions, the Capital Requirements Directive (CRD), the Shareholder Rights Directive II (“SRD II”), the Investment Firms Directive (IFD), corporate governance requirements issued by the Central Bank of Ireland and relevant guidelines issued by the European Banking Authority (EBA) and other regulatory authorities).

## 4. Remuneration Philosophy

The Group Board of Directors recognises that the long-term success of the Group is dependent on the talent of employees, in particular, the ability to consistently perform at the highest level in the best interests of our customers. The Group’s remuneration philosophy aims to ensure that remuneration is aligned with performance and that employees are rewarded fairly and competitively for their contribution to the Group’s success and growth.

## 5. Remuneration Principles

AIB is committed to a simple, transparent and affordable reward structure incorporating the following key principles:-

- i. **Fair:** AIB aims to reward employees fairly and transparently for their contribution and to ensure that all employees have equal opportunity to progress their careers and enhance their earning potential irrespective of gender, age, religion, disability, sexual orientation, political affiliation or ethnic background.
- ii. **Performance Based:** Performance management plays a critical role in aligning individual objectives with AIB’s overall strategy, financial and non-financial goals and brand values. Performance outcomes, using a combination of “What” objectives and “How” behaviours, inform individual remuneration and provide a clear link between performance and remuneration.
- iii. **Externally Aligned:** AIB aims to align remuneration with industry peers and competitors for talent in each of AIB’s principal geographical locations, assessed against market benchmarks from recognised providers of benchmarking data.

- iv. **Risk Aligned:** Remuneration is designed to promote high performance, a strong risk management culture and risk-taking which is aligned to AIB's Risk Appetite Statement. All employees are required to have a risk objective in their performance management plan. Increases in remuneration and the potential awarding of variable remuneration will at all times be predicated on the Group's ability to pay and on maintaining strong capital and liquidity levels.

## 6. Remuneration Constraints

In December 2022, the Irish Government eased most remuneration restrictions impacting the Group, while retaining the cap on base salaries of €500,000 and a limit on variable remuneration of €20,000 per employee in each twelve month period. The Government's consent is required for payments above these amounts and the Excess Bank Remuneration Charge continues to apply. AIB's inability to implement market aligned remuneration practices and in particular, the inability to offer senior management remuneration on an equal footing with competitors for talent in the market represents a key risk to the Group. The Remuneration Committee (the "Committee") monitors and endeavours to address this risk on an ongoing basis.

## 7. Individual Remuneration

Individual remuneration consists of all forms of fixed and variable payments, including base salary, allowances, employer pension contributions, short-term incentive plans and other benefits, including non-financial benefits. The combination of all reward elements comprises the total remuneration to the individual. Each individual is paid a base salary which reflects their role, skills and responsibilities.

Increases in remuneration are typically performance based, determined by performance against objectives which reflect AIB's strategy, goals and values and typically occur as part of the annual pay review process. Increases may also arise through progression and promotion and, in exceptional cases only, through out-of-course salary increases to retain key talent and skills.

It is the bank's policy to engage in ongoing dialogue and negotiations with staff representatives, notably the FS Union, and to comply with agreed pay outcomes and the recommendations of State bodies such as the Labour Court and the Workplace Relations Committee.

## 8. Remuneration Structure

### 8.1 Fixed Remuneration

#### Base Salary & Allowances

AIB's current remuneration structure predominantly consists of fixed pay elements, encompassing base salary, allowances, benefits and employer pension contributions. Base salary is the principal component of fixed remuneration and is designed to be fair and competitive and set according to appropriate salary ranges which reflect the size and level of responsibilities attached to each role. Allowances mainly consist of non-pensionable cash allowances which are payable to eligible senior employees which recognise equivalent benefits and allowances available in the market.

#### Pension

AIB places considerable emphasis on the need for employees to plan for an appropriate standard of living in retirement and an appropriate pension scheme is available to all employees for that purpose. In Ireland and the UK, AIB offers employees a highly competitive defined contribution pension benefit. Employees are entitled to participate in one of the Group's defined contribution schemes with a monthly contribution based on a percentage of base salary. A standard contribution of 10% of base salary is made plus an additional matching contribution of up to 8%, depending on the age of the employee. In the US, a similarly competitive defined contribution benefit is offered to employees. Death-in-service cover is also provided under the schemes. All of the Group's defined benefit pension

schemes were closed to future accrual by 31 December 2013 and all Group employees accrue pension benefits on a defined contribution basis from 1 January 2014. For employees whose accumulated pension benefits have exceeded or are likely to exceed the Standard Fund Threshold (SFT) or local equivalent, the following alternative is offered. Any such employees have the option to replace the current contractual employer pension contribution of base salary, with a 15% of salary non-pensionable allowance in lieu of pension contribution. ExCo members and Executive Directors whose accumulated pension benefits have exceeded or are likely to exceed the Standard Fund Threshold (SFT) have the option of a 20% non-pensionable allowance in lieu of employer pension contribution.

## **Benefits and Wellbeing**

AIB provides affordable benefits (as determined by the Committee) in accordance with local market practice, including income protection, death-in-service cover and transaction fee free banking services. AIB will offer healthcare benefit to employees in all locations. A functional car policy is in place based on role requirements. AIB does not provide company cars outside of the functional car policy and does not provide preferential interest rates on new employee borrowings or deposits.

AIB takes the wellbeing of employees very seriously and provides access to a variety of health and wellbeing initiatives.

## **8.2 Variable Remuneration**

AIB employees will be eligible for inclusion in a variable remuneration scheme based on company performance. All variable remuneration arrangements are designed in a way that promotes the interests of AIB's stakeholders and fully complies with applicable regulatory requirements.

Awards will be assessed on a combination of financial and non-financial performance and will be made in cash or where feasible, in shares or a combination of both. AIB will ensure that the form of awards will comply with regulatory obligations around the nature and form of payments under the plan. It will be possible to reduce the level of the award to reflect risk adjustments and awards will be subject to the Group's Policy on malus and clawback, including where participants leave the Group during the year. Variable remuneration incorporates policies and practices to stimulate behaviour consistent with AIB's Sustainability Strategy and commitments.

AIB will aim to establish vehicles such as an Approved Profit Share Scheme ("APSS") in the Republic of Ireland and a Share Incentive Plan ("SIP") in the UK.

The Group also operates 'Appreciate', a non-cash employee-led peer-to-peer staff recognition programme for employees.

## **Business Specific Commission Schemes**

AIB currently operates three business specific variable commission schemes applicable to:

- i. Financial Planning Advisors;
- ii. Finance & Leasing
- iii. Payzone

These schemes are designed to protect the rights and interests of customers via robust customer centric performance criteria, the prevention of conflicts of interest and the assessment and mitigation of risks to the customer. For those limited numbers of employees who currently participate in business specific commission schemes, sustainability risk is considered as part of the determination of final award outcomes. The maximum amount payable to any individual per year is €20,000. There is also a separate EBS Tied Agency Remuneration Scheme, where the required monitoring is performed by the EBS d.a.c. Senior Management Team. This ensures that payments made do not provide any incentive for excessive risk taking or the mis-selling of products. Details of the EBS Tied Agency Remuneration Scheme are reported to the Board of EBS d.a.c.

## **Goodbody**

As part of the acquisition of Goodbody in 2021, it was agreed with the Department of Finance that the remuneration restrictions that applied to AIB at that time would not apply to Goodbody employees, and that they could continue to remain eligible for variable remuneration.

Goodbody variable remuneration schemes are fully discretionary and compliant with all applicable regulatory requirements, including the remuneration regulatory requirements of the IFD, which apply to Goodbody as an investment firm.

The schemes are designed to reward superior customer outcomes, high performance and long term value creation while not incentivising excessive risk taking. At the discretion of the Committee, performance is assessed against a combination of both financial and non-financial measures, including individual performance, business unit performance and overall Goodbody performance. Any awards made in the Goodbody variable pay schemes will be subject to risk adjustment. For some employees, an element of any award may be delivered in shares and / or deferred, and awards may be subject to malus and clawback.

Further details on remuneration for Goodbody employees is detailed in the Goodbody remuneration policy.

## **9. Remuneration of Key Groups**

### **9.1 Non-Executive Directors**

Non-Executive Directors are paid a competitive, non-pensionable fee in respect of their services as directors and additional non-pensionable fees in respect of other responsibilities, such as the chairmanship or membership of Board Committees or the board of a subsidiary company or in performing the role of senior independent non-executive director, reflecting the time commitment and the responsibilities of the role. The remuneration of Non-Executive Directors is reviewed as appropriate by a group comprising the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief People Officer and Group Company Secretary. Non-Executive Directors' fees are determined by the Board, within the limits set by shareholders, in accordance with the Group's Articles of Association. Non-Executive Directors are not entitled to variable remuneration.

Non-Executive Directors are entitled to reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses, and the use of a pool car and driver.

### **9.2 Executive Directors and members of the Executive Committee ("ExCo")**

Executive Directors of the Group and Allied Irish Banks, p.l.c. currently consist of the Chief Executive Officer and the Chief Financial Officer. Members of ExCo consist of other senior executives appointed to the ExCo. The remuneration of Executive Directors and members of the ExCo is determined on appointment by reference to external benchmarks in order to provide an appropriate level of competitive remuneration commensurate with the size and functional responsibilities attaching to their roles.

Remuneration principally consists of base salary (with a cap of €500,000 applying), allowances and pension contributions. Allowances consist of non-pensionable cash allowances of up to €30,000, while employer pension contributions of up to 20% of base salary are payable in respect of Executive Directors and ExCo members. For reference, all other employees receive a minimum employer pension contribution of 10%, with the option of additional employer matching contributions of up to 8% based on age. Other benefits (as determined by the Committee) include income protection, death-in-service cover and transaction fee free banking services. Relocation costs, including tax

advice, accommodation and flight allowances, may be provided in line with market practice. Executive Directors and ExCo members may occasionally avail of the use of a pool car and driver. Executive Directors and members of the ExCo will be eligible for healthcare benefits as outlined in section 8.1. The Committee retains the right to provide additional benefits subject to ongoing remuneration restrictions.

Individual fixed and total remuneration are assessed against median, lower quartile and upper quartile benchmarks across an appropriate peer group in the Republic of Ireland, United Kingdom and other European countries. Base salaries of Executive Directors and members of the ExCo are reviewed by the Committee on behalf of the Board. Increases in base salary may be awarded following the outcome of the annual pay review or, alternatively, to reflect a significant increase in the scope of responsibility of an Executive Director or member of the ExCo. Executive Directors and members of the ExCo will also be eligible for variable remuneration in line with the scheme detailed in Section 8.2. In the event of the removal of the salary cap, AIB would consider the impact of this, including the introduction of shareholding requirements that apply under the UK Corporate Governance Code. Remuneration for Executive Directors and members of ExCo is approved by the Board following review and recommendation by the Committee. Executive Directors' remuneration is disclosed annually as part of the Directors' Remuneration Report in the Annual Financial Report.

### **9.3 Material Risk Takers**

AIB is required to maintain a list of employees whose professional activities have a material impact on the Bank's risk profile. The list of Material Risk Takers is prepared using a combination of qualitative and quantitative criteria in accordance with the relevant EU regulations and guidelines together with additional criteria specific to the Group's structure, business activities and risk profile. The list is prepared at Group and subsidiary levels. This follows an annual assessment carried out by Human Resources, in conjunction with the Chief Risk Officer and each business area, in accordance with a documented process for the identification of Material Risk Takers.

Due to their potential impact on the Bank's risk profile, there are more stringent rules governing the remuneration of Material Risk Takers, principally in relation to variable remuneration, to ensure that this does not encourage excessive risk taking. These include the application of a maximum ratio of variable to fixed remuneration, the application of deferral, malus and clawback arrangements and the payment of variable remuneration in shares or equivalent instruments. These rules, as applicable, will be incorporated by Group Reward in the design elements of AIB variable remuneration schemes as outlined in section 8.2 in conjunction with Group Risk and will be reviewed by Group Compliance. The variable remuneration of Material Risk Takers will not exceed 100% of fixed remuneration unless approved by shareholders.

The remuneration components of all Material Risk Takers are reviewed annually by the Committee to ensure that variable remuneration, where applicable, does not encourage excessive risk taking. With the exception of Executive Directors, members of the ExCo and Group Heads of Risk, Compliance and Audit, the Committee delegates authority to management to approve individual remuneration proposals within agreed policy, as considered appropriate, for Material Risk Takers.

Regulatory impacts arising from the Material Risk Taker process are managed in line with the advisory role of Compliance as detailed in the Regulatory Compliance Risk Management Policy and Framework.

### **9.4 All Other Employees**

AIB aims to provide all employees with fair and competitive remuneration in order to facilitate long term commitment of employees at all levels within the Group. For the vast majority of employees, remuneration principally consists of fixed remuneration, comprising base salary, allowances, benefits and pension contributions, and will include variable remuneration as outlined in section 8.2. Base salary is set according to appropriate salary ranges which reflect the size, skills and level of

responsibilities attaching to each role. Salary ranges are determined for each career level within the principal geographic locations of Republic of Ireland, Great Britain, Central London, Northern Ireland and US (NY specific).

To facilitate ongoing market alignment of salary ranges, Group Reward carry out periodic benchmarking exercises using a combination of at least two external benchmarking surveys in each of the principal locations in which AIB operates. As appropriate, Group Reward will advise the Committee of the findings, including key remuneration issues, trends and market pressures, and make recommendations of changes to existing salary ranges.

## **10. Employees in Control Functions**

The remuneration of employees in Audit, Risk and Compliance functions is determined independently of the businesses that they oversee. Remuneration is commensurate with their role in AIB and based on performance against objectives linked to their specific functional roles. In line with regulatory guidelines, the remuneration of control functions will predominantly consist of fixed remuneration and the methods used for determining their remuneration will not compromise employees' objectivity and independence.

The remuneration of Group Heads of Risk, Compliance and Audit is directly overseen by the Committee. The remuneration of Heads of Risk, Compliance and Audit of subsidiaries is overseen by management, notwithstanding the Committee's general responsibility to approve annually the remuneration approach for MRTs.

## **11. Sign-On Payments & Guaranteed Variable Remuneration**

Remuneration packages to compensate employees for loss of income from previous employments are made in exceptional cases only to attract and retain highly specialised key staff and are subject to Committee approval. Such awards are limited to the first year of employment but payments may be deferred over a number of years. The awards will incorporate retention, deferral, performance, malus and clawback provisions, where considered appropriate and taking into consideration the terms of the awards being foregone from the previous employer.

AIB does not offer guaranteed variable remuneration to new or existing employees.

## **12. Severance Payments**

Severance payments are made in accordance with approved criteria and exit framework for all staff and do not reward failure or misconduct. In particular, severance payments reflect performance achieved over time and are not awarded where there is obvious failure which allows for the immediate cancellation of a contract or the dismissal of an employee. Under the terms of the current scheme, a maximum of four weeks' salary per year of service (up to a total of 2 years salary) is paid up to a maximum of €300,000 or £270,000 for UK employees. US employees can receive severance payments up to four weeks salary per year of service, with those individuals with less than twenty years of service eligible to receive a maximum of twelve months salary and individuals with more than twenty years of service eligible to receive a maximum of eighteen months salary.

AIB has a dedicated team and exit framework for the determination and approval of severance pay, including agreed responsibilities, decision forums and inputs from other functions such as Group Reward, Pensions & Employee Relations. All severance proposals are reviewed individually in accordance with approved criteria and exit framework to ensure appropriate suitability within the criteria. The Committee will be made aware of any severance payments made to Material Risk Takers.



### **13. Directors' Service Contracts and Letters of Appointment**

The Chair of the Board and Non-Executive Directors undertake their duties in accordance with the responsibilities and time commitments outlined in Letters of Appointment. There are no notice periods and no compensation is payable to the Chair or Non-Executive Directors in the event of termination of appointment, other than standard payments payable for the period up to the termination date.

Executive Directors have service contracts in place. Notice periods do not exceed 12 months, provided by the individual or the company, and there are no pre-determined provisions for compensation on cessation or termination of employment, other than payments in lieu of notice periods. The Committee reserves the right to determine appropriate severance payments in accordance with the terms of the approved criteria outlined in section 12. Service contracts include standard clauses covering, inter-alia, remuneration arrangements, reimbursement of expenses, annual leave and sick leave arrangements, notice periods, suspension and garden leave provisions, minimum competency and fitness and probity requirements.

### **14. Related Parties**

AIB's Related Party Lending policy is aligned to the Central Bank of Ireland Related Party Lending Code. Rule 4 'Staff Minimum Control Standard' requires business units to ensure they have procedures in place to ensure members of staff do not benefit from lending to a Related Party other than the receipt of standard remuneration also available in lending to a non-Related Party.

### **15. Governance**

The Remuneration Policy is governed by the Committee on behalf of the Board.

The Committee is responsible for determining the Remuneration Policy and for overseeing its implementation. No individual is involved in the decision making process around their own remuneration. The Committee further ensures that the Remuneration Policy and practices are subject to a review at least annually, taking into account the alignment of remuneration to the Group's culture for all employees and executive directors. The annual review is informed by appropriate input from the Group's risk and internal audit functions to ensure that remuneration policies and practices are operating as intended, are consistently applied across the Group and are compliant with regulatory requirements.

Group Reward, in conjunction with Group Risk and Compliance, is directly involved in the design, implementation and evaluation of the Remuneration Policy, including incentive schemes. Group Reward monitors compliance with relevant EU and national legislation and guidelines and advises the Committee on new and upstream regulatory issues.

Group Risk provide an assessment of the risks impacting the Group and performance against the Group's Risk Appetite Statement to ensure that the Remuneration Policy is aligned with the Group's risk profile. The Chief Risk Officer will review the list of Material Risk Takers in conjunction with Group Reward and provides the Committee with an annual assessment of the risks facing the Group to ensure that policies and practices are consistent with and promote sound and effective risk management.

Group Compliance will assess the Remuneration Policy's compliance with legislation and regulations.

Group Internal Audit will carry out an independent annual review of the design, implementation and management of AIB's remuneration policies.



**Policy Sponsor:** Head of Reward, Benefits & Pay Services

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**Last updated:** 06.11.2023

**To be reviewed:** Annual review by Group Reward and Group Risk, with approval by the Committee