

REMUNERATION COMMITTEE

Terms of Reference

Membership

The Committee shall comprise not less than three independent non-executive directors.

The Chairman of the Committee shall be appointed by the Board.

The Board may from time to time appoint additional members to the Committee from among the non-executive directors it has determined to be independent and, subject to the Company's Articles of Association, such other persons as the Board considers to be independent.

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 objective. The Group Chief Risk Officer will attend meetings to present reports on the implications of the remuneration policy on risk and risk management and to validate and assess risk adjustment data.

The Committee shall be supported by the Group Managing Director, Human Resources (and such executives from Group Human Resources as he or she shall consider appropriate) and by the Committee Secretary who shall produce such papers and minutes of the Committee's meetings as are appropriate and distribute them to all members of the Committee.

The Committee is authorised by the Board to obtain such legal, remuneration or other professional advice as it shall deem appropriate and shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference of remuneration consultants to advise it on all aspects of remuneration.

Meetings and Quorum

The Committee shall meet with such frequency and at such times as it may determine. The Chairman of the Committee or in his absence, another member of the Committee, shall give an oral report to the Board after each meeting.

The quorum for meetings of the Committee shall be two, one of whom should be the Committee Chairman, unless he or she is unable to attend due to exceptional circumstances.

Objective

The purpose of the Committee is to set the over-arching principles, parameters and governance framework of the Group's remuneration policy and the remuneration of Senior Executives (being those whose appointment requires Board approval; employees who perform a significant influence function; employees whose activities have or could have a material impact on the Group's risk profile; and any other employee as determined by the Committee from time to time in accordance with the requirements of the Group's regulators).

Responsibilities of the Committee

1. Without limiting the generality of the Committee's objective, the Committee shall have the following responsibilities, powers, authorities and discretion:
 - (a) to determine the remuneration policy of the Company and its subsidiaries and to make recommendations to the Board on the Company's policy and structure for all remuneration and fees of Directors and Senior Executives and on the establishment of a formal and transparent procedure for developing policy on such remuneration as the Committee may consider appropriate;
 - (b) to periodically review the adequacy and effectiveness of the remuneration policy of the Company and its subsidiaries in the context of consistent and effective risk management;
 - (c) to give the Board such additional assurance as it may reasonably require regarding the Human Resources policies of the Group, pertaining to the terms and conditions of employment, remuneration and retirement benefits which are fair and will attract and retain high calibre staff;
 - (d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
 - (e) to review and approve any statement required by the Group's regulators from the Committee on the Group's remuneration policy.
 - (f) to review and sanction new or amended salary, incentive bonus and retirement benefit policies for the Company and its subsidiaries which are substantial in their cost and impact on a significant proportion of employees;
 - (g) to review and sanction all proposals for employee share plans for the Company and its subsidiaries (prior to referral to shareholders);
 - (h) to review and sanction proposals for new or amended policies on severance;
 - (i) to review and sanction proposals for new or amended retirement benefit policies and the associated funding arrangements for the Company and its subsidiaries and to approve significant changes in funding requirements and all unfunded liability arrangements;
 - (j) to ensure that no Director or Senior Executive or any of their associates is involved in deciding their own remuneration;
 - (k) to review and disclose, as appropriate, in the Directors' Remuneration Report in the annual report and accounts whether any executive Director or Senior Executive has the right or opportunity to receive enhanced benefits beyond those already disclosed and whether the Committee has exercised its discretion during the year to enhance such benefits either generally or for any member of this group.

- (l) to review and endorse the content of the Directors' Remuneration Report in the annual report and accounts for submission to the Board as a whole;
 - (m) to agree the policy for authorising claims for expenses from the Group Chairman and the Group Chief Executive; and
 - (n) to review the powers, duties and responsibilities of similar committees of any subsidiary company.
2. To seek advice from the Group Risk Committee, as appropriate, on the alignment of risk appetite with performance objectives set in the context of incentive packages and on whether any adjustments for risk need to be applied when considering performance objectives or actual performance. In the event of any difference of view, appropriate risk adjustments should be decided by the Group Chairman and the non-executive Directors on the Board.
3. the Remuneration Committee has the following specific responsibilities for Directors and Senior Executives, namely to approve:
- (a) overall market positioning of the remuneration package;
 - (b) individual base salaries and increases;
 - (c) annual and long-term incentive/bonus arrangements;
 - (d) benefit entitlements (including pension arrangements);
 - (e) service contracts; and
 - (f) termination arrangements

ensuring that remuneration for employees in risk management and compliance functions is determined independently of other business areas.

The Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and Senior Executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The Committee shall review and approve, for Directors and Senior Executives, the compensation payable in connection with any loss or termination of office or appointment and compensation arrangements relating to the dismissal or removal for misconduct to ensure that such compensation or arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise fair, reasonable, appropriate and not excessive.

4. To approve the total remuneration of any other employee of the Group for whom annual and long-term incentive/bonus arrangements are greater than 10 times the individual's base salary and other relevant allowances.
5. to undertake on behalf of the Group Chairman or the Board such other related tasks as the Group Chairman or the Board may from time to time entrust to it.

6. to review annually the Committee's terms of reference and its own effectiveness and recommend to the Board any necessary changes.