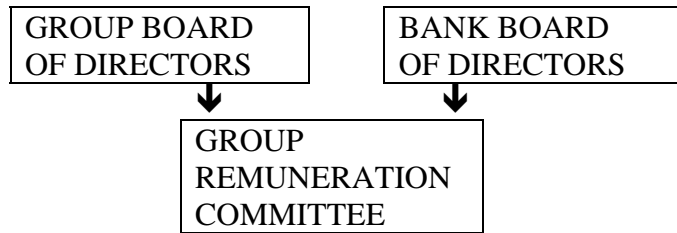


**GROUP REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE AND REPORTING LINE**



**MEMBERS:** At least three independent Non-executive Directors.

**QUORUM:** Two members

**IN ATTENDANCE:** Group Chairman  
 Group Chief Executive  
 Group General Counsel and Group Secretary  
 Group Director, Human Resources  
 Chairman of Board Risk Committee – as required  
 Group Chief Risk Officer – as required  
 Independent advisers, as required

**MEETINGS:** At least four meetings per annum

**SECRETARY:** Group Secretariat

**OBJECTIVES AND AUTHORITY**

The Group Remuneration Committee will be responsible for the overview of the Group's Policy on Remuneration, as well as considering Executive Remuneration and, as required, making recommendations to the Group Board in respect of the remuneration arrangements of the Executive and Non-executive Directors of the Group. It shall also be responsible for setting the remuneration arrangements of the Group Executive Committee and Management Committee and any executives whose total remuneration exceeds or might be expected to exceed the median compensation of Executive Directors.

The Group Remuneration Committee will operate under delegated authority from the Group and Bank Boards. In carrying out the responsibilities of the Group Remuneration Committee, the Directors will act in accordance with all relevant and applicable legislative and regulatory rules. In particular, they will take into account the Directors' Duties contained in the Companies Act 2006 and will consider the factors listed in Section 172 of the Companies Act 2006, the FSA Code of Practice on Remuneration Policies and any other relevant factors.

## SPECIFIC OBJECTIVES OF THE GROUP REMUNERATION COMMITTEE

1. Remuneration Policy and Remuneration Arrangements
  - (a) To determine and develop the Group's Executive Remuneration Policy and oversee Remuneration Policy across the organisation, ensuring that remuneration arrangements are consistent with and promote effective risk management. The Committee will receive reports from the Risk function on the implications of the remuneration policy for risk and risk management and will receive advice from the Board Risk Committee on risk adjustments to be applied to performance objectives set in the context of incentive packages. The Committee will undertake an annual review of adequacy and effectiveness of the remuneration policy to ensure it is consistent with the Group's long-term objectives.
  - (b) To determine the Group's Remuneration governance framework and oversee its application across the organisation. The Committee will receive an annual report on the remuneration governance arrangements applying across the organisation and the underpinning performance management approach.
  - (c) To review an annual report on remuneration arrangements across the organisation, including overall expenditure on incentives.
  - (d) To approve and periodically review the Group's Design Principles for Short-term Incentives, and to consider any changes recommended by the Group Performance and Reward Committee.
  - (e) To make recommendations to the Group Board on the total individual remuneration package of each Executive Director; including, where appropriate, salaries, annual and longer term incentive targets and payments, share options, pension rights, service contracts and compensation payments. In determining such packages and arrangements, the Committee will ensure that the arrangements are consistent with the company's financial situation and future prospects and that account is taken of market comparisons and practice as well as any other relevant guidance;
  - (f) To make recommendations to the Group Board on any termination payments for Executive Directors, having regard to the terms of the service contract and reasons for termination. The Committee will ensure that any payments made are reasonable, that failure is not rewarded and that the duty to mitigate loss is recognised.
  - (g) To consider proposals from the Chairman in respect of the remuneration arrangements of Non-executive Directors of the Group and to make recommendations to the Group Board in this respect;
  - (h) To approve proposals from the Group Chief Executive in respect of the remuneration arrangements of senior executives below Board level

who are members of the Group Executive and Management Committees and any executives whose total remuneration exceeds or might be expected to exceed the median compensation of Executive Directors. The Committee will also approve the remuneration arrangements for employees falling within the definition of Principle 8 of the FSA Remuneration Code (i.e. employees performing a significant influence function and employees whose activities could have a material impact on the Group's risk profile), following an initial review by HR and other control functions.

- (i) To approve all long term incentive arrangements operated in the Group;
- (j) To approve annual incentive arrangements operated in the Group's Global Banking and Markets Division.
- (k) To consider recommendations from and review the reports from the Group Performance and Reward Committee and the Asset Protection Scheme Senior Oversight Committee ("SOC"). The Group Performance and Reward Committee will provide a six-monthly report on the annual plans which have been approved and an overview of target types, risk factors and risk adjusted payouts. The SOC shall consult with the Remuneration Committee over the setting of the remuneration of Scheme Personnel in accordance with the Remuneration Policy and the APS Remuneration Conditions. The SOC shall evaluate the performance of the Scheme Head and the other members of the Scheme Executive Team against such goals, objectives and performance criteria (including those referred to in the Scheme Documents) as are specified in the Remuneration Policy and provide a report of those evaluations to the Remuneration Committee.

## 2. Reporting and Disclosure

- (a) To consider and recommend to the Board the annual remuneration policy statement to be submitted to the FSA. The Chairman of the Committee will be available to meet with the FSA to discuss the policy statement
- (b) To prepare an Annual Report to Group shareholders which will form part of the Annual Report and Accounts of the Group and will include all relevant information in respect of the Group's Executive Remuneration Policy and full details of each Director's remuneration package; and
- (c) To account directly to Group shareholders for decisions of the Group Remuneration Committee through the attendance of the Chairman of the Group Remuneration Committee at the Group's Annual General Meeting to answer Group shareholders' questions on Directors' remuneration.

3. Share Schemes

- (a) To keep under review the Group's employee share schemes in light of legislative and market developments and the overall remuneration policy of the Group; and
- (b) To decide, on an annual basis, whether grants of options or awards should be made in terms of the Group's employee share schemes.

4. External Advice

- (a) To select, appoint and set the terms of reference for any external advisers to the Remuneration Committee; and
- (b) To obtain internal or external legal or other professional advice on matters within the terms of reference of the Remuneration Committee.