

Remuneration Committee's Terms of Reference

These terms of reference were adopted by the Remuneration Committee on 9 November 2017. They were last approved by the Committee on 30 November 2018.

1. MEMBERSHIP

- 1.1. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chairman of the Board may be a member of (but not Chair) the Committee if they were considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee (the "**Committee Chairman**").
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, the Chief Executive Officer, the head of Human Resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 1.3. Appointments to the Committee shall be made by the Board and shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as the relevant member (other than the Chairman of the Board, if they are a member of the Committee) continues to be independent.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be the Committee Chairman.

2. SECRETARY

The Company Secretary or their nominee shall act as the secretary to the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to its business.

3. QUORUM

- 3.1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.2. The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary to the Committee shall minute them accordingly.

3.3. The members of the Committee may meet for the despatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all or any of the members of the Committee may participate in a meeting of the Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

3.4. Without prejudice to the provisions of paragraphs 3.1 to 3.3 above, the members of the Committee may make decisions without a meeting, by unanimous written consent, but only when deemed appropriate and necessary by the Committee Chairman.

4. MEETINGS

The Committee shall meet at least two times a year and otherwise as required.

5. NOTICE OF MEETINGS

5.1. Meetings of the Committee shall be convened by the Secretary to the Committee at the request of the Committee Chairman.

5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

5.3. The notice period set out in paragraph 5.2 may be reduced at the sole discretion of the Committee Chairman to whatever they consider appropriate.

5.4. The Committee may send notices, agendas and supporting papers in electronic form where the recipient has agreed to receive the documents in such a way.

6. VOTING ARRANGEMENTS

6.1. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

6.2. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

6.3. Except where he has a personal interest, the Committee chairman shall have a casting vote.

6.4. The Committee chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

7. MINUTES OF MEETINGS

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 7.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.
- 7.3. Final signed copies of the minutes of the Committee should be maintained for the Company's records, in hard and soft copy (where possible).

8. ANNUAL GENERAL MEETING

The Committee Chairman should attend the annual general meeting of the Company to answer any shareholder questions on the Committee's activities.

9. DUTIES

The Committee should carry out the duties detailed below for the Group as a whole, as appropriate. The Committee shall:

- 9.1. have responsibility for setting the remuneration policy for all executive directors, senior employees, the Company Secretary and the Company's Chairman, including pension rights and any compensation payments. The Board itself or, where required by the Company's articles of association, the Company's shareholders should determine the remuneration of the non-executive directors within the limits set in the Company's articles of association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 9.2. in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the prevailing UK Corporate Governance Code (or any replacement governance code), the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, the guidelines published by the Association of British Insurers, the National Association of Pension Funds, the Prudential Regulation Authority's rules as set out in the Prudential Regulation Authority's Rulebook Authority, the requirements of the Solvency II Directive and associated guidance. The Committee shall also have regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management. The objective of such policy shall be to promote the long-term success of the Company, incentivising management with performance elements which are transparent, stretching and vigorously applied. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;

- 9.3. when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Group, especially when determining annual salary increases;
- 9.4. in determining remuneration packages and arrangements, including the performance criteria for performance-related plans, the Committee shall have particular regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management, and shall take account of the Board's annual review of risk appetite for the Company;
- 9.5. review the on-going appropriateness and relevance of the remuneration policy;
- 9.6. within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman of the Board, each executive director, company secretary and other designated senior executives, including bonuses, pensions arrangements, incentive payments, share options or other share awards and any other benefits in kind;
- 9.7. having regard to the relevant provisions of the Companies Act 2006 (the "**Act**") including that the directors' remuneration policy required to be prepared under the Act be put to the shareholders of the Company for approval at a general meeting at least once every three years and that the directors' remuneration report (excluding the directors' remuneration policy) be put to shareholders for approval at a general meeting annually;
- 9.8. obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and market practice generally, but be mindful of the need to use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the Board;
- 9.9. approve the design of, and determine targets for, any performance-related pay schemes and approve the total annual payments made under such schemes (in accordance with the provisions of the prevailing UK Corporate Governance Code (or any replacement governance code));
- 9.10. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 9.11. review the design and implementation of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used. Such determination shall take account of dilution limits and headroom

- capacity within the relevant share incentive plans and the financial impact of awards on the Group;
- 9.12. determine the policy for, and scope of, service agreements, termination payments, compensation commitments and pension arrangements for each executive director and other designated senior executives;
 - 9.13. ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
 - 9.14. oversee any major changes in employee benefits structures throughout the Company or the Group;
 - 9.15. agree the policy for authorising claims for expenses from the directors; and
 - 9.16. work and liaise as necessary with all other Committees of the Board.

10. REPORTING RESPONSIBILITIES

- 10.1. The Committee shall produce an annual Remuneration Report, made up to an Annual Statement by the Committee Chairman, a Director's Remuneration Policy (which may be excluded from the Remuneration Report where not being put to a binding vote at an Annual General Meeting of the Company) and an Annual Report on Remuneration.
- 10.2. The Remuneration report, excluding the Directors' Remuneration Policy, will be put to shareholders for an advisory vote of approval at the Annual General Meeting each year. The Director's Remuneration Policy will be put to a binding shareholder vote at least every three years.
- 10.3. The Committee Chairman shall report to the Board on its proceedings after each meeting of the Committee on all matters within its duties and responsibilities.
- 10.4. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where the Committee considers action or improvement is needed.
- 10.5. The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in applicable legislation, the Act, the Financial Conduct Authority's Listing Rules, the Large and Medium Sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013 and the UK Corporate Governance Code (or any replacement governance code), are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and accounts and ensure each year that the report is put to shareholders for approval at the Company's annual general meeting. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.

- 10.6. Through the Chairman of the Board, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 10.7. If the Committee has appointed remuneration consultants, the Annual Report should identify such consultants and state whether they have any other connections with the Company.
- 10.8. Review and note annually the remuneration of senior employees within the internal audit, risk and compliance functions to ensure their remuneration arrangements are not linked to the businesses they support.

11. OTHER MATTERS

The Committee shall:

- 11.1. have access to sufficient resources in order to carry out its duties, including access to the company secretarial function and any employees of the Group for assistance as required;
- 11.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3. give due consideration to laws and regulations, any published guidance or recommendations regarding the remuneration of directors of listed and non-listed companies and the formation and operation of share schemes including but not limited to the Act, the provisions of the UK Corporate Governance Code (or any replacement governance code) and the requirements of the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules sourcebook and the National Association of Pension Funds and any other applicable rules, as appropriate; and give due consideration to the recommendations and requirements of any body which regulates the activities of the Group (whether such recommendations and requirements have force of law or no);
- 11.4. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- 11.5. make available these terms of reference.

12. AUTHORITY

The Committee is authorised to:

- 12.1. undertake any activity within its terms of reference;
- 12.2. seek any investigations it requires from any employee of the Group in order to perform its duties; and

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- 12.3. obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.