

## ARROW GLOBAL GROUP PLC

### REMUNERATION COMMITTEE TERMS OF REFERENCE

The following are the terms of reference of the Remuneration Committee (the “**Remuneration Committee**”) of Arrow Global Group plc (the “**Company**”) and its subsidiaries (together, the “**Group**”).

#### 1. **Membership**

- 1.1 The Remuneration Committee shall be appointed by the board of directors of the Company (the “**Board**”) on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee and shall comprise at least three members.
- 1.2 Unless the Board agrees otherwise, the members of the Remuneration Committee shall be independent non-executive directors. The chairman of the Board may be a member if he or she was considered independent when appointed chairman.
- 1.3 The Board shall appoint the chairman of the Remuneration Committee (the “**Chairman**”), who shall also be an independent non-executive director (but not the chairman of the Board). In the absence of the Chairman, the remaining members present shall elect one member who is an independent non-executive director to chair the meeting.
- 1.4 Appointments to the Remuneration Committee shall be for a period of up to three years, which may be extended by no more than two additional three year periods, so long as (where applicable) members continue to be independent.
- 1.5 If not already a member of the Remuneration Committee, the chairman of the Audit and Risk Committees shall be required to attend at least one meeting of the Remuneration Committee per year.
- 1.6 The company secretary (or his or her nominee) shall act as the secretary of the Remuneration Committee (the “**Secretary**”) and will ensure that the Remuneration Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

#### 2. **Quorum**

- 2.1 The quorum necessary for the transaction of business shall be two members of the Remuneration Committee.
- 2.2 A duly convened and quorate meeting of the Remuneration Committee shall be competent to exercise any or all of the authorities, powers and discretions vested in or exercisable by the Remuneration Committee.

### **3. Frequency of meetings**

- 3.1 The Remuneration Committee shall meet at least twice a year and at such other times as required. Meetings may be convened by telephone when necessary.

### **4. Notice of meetings**

- 4.1 Meetings of the Remuneration Committee shall be called by the Secretary at the request of the Chairman.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Remuneration Committee, and to other attendees as appropriate, no later than five working days before the date of the meeting. The Chairman shall have the sole discretion to reduce the above notice period to whatever the Chairman considers appropriate in the circumstances.

### **5. Proceedings of meetings**

- 5.1 Only Remuneration Committee members have the right to attend Remuneration Committee meetings. However, the Remuneration Committee may invite any directors or other executives of the Company, including the Chief Executive Officer, the head of human resources and any external advisers, to attend all or part of any meeting as and when appropriate and necessary.
- 5.2 An executive will not attend when his or her own remuneration is being discussed.

### **6. Minutes of meetings**

- 6.1 The Secretary shall minute the proceedings and decisions of all Remuneration Committee meetings and record the names of those present and in attendance.
- 6.2 The members of the Remuneration Committee shall, at the beginning of each meeting, declare any conflicts of interest arising and the Secretary shall minute them accordingly.
- 6.3 Draft minutes of Remuneration Committee meetings shall be circulated to all members of the Remuneration Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.

### **7. Annual general meeting**

The Chairman shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Remuneration Committee's activities and responsibilities.

## 8. Authority

The Remuneration Committee shall have access to sufficient resources to carry out its duties, including access to other Group functions for assistance as required. Accordingly, the Remuneration Committee is authorised by the Board to:

- (A) undertake any activity within its terms of reference;
- (B) call any Group employee or contractor to discuss matters at a meeting of the Remuneration Committee, as and when required;
- (C) seek any information that it requires from any Group employee or contractor in order to perform its duties;
- (D) select, appoint, retain and terminate any remuneration consultants to be used to assist the evaluation of any Senior Executives' remuneration, including sole authority to approve the remuneration consultant's fees and other retention terms. Where remuneration consultants are appointed a statement shall be made available (and included in the annual report) whether they have any other connection with the Company, The Remuneration Committee shall set the terms of reference for any remuneration consultants at the Company's expense; and

obtain, at the Company's expense, independent legal or other professional advice on any matters within its terms of reference. Although the Remuneration Committee may seek advice and assistance from any of the Company's executives, it will ensure that this role is clearly separated from their role within the business.

## 9. Responsibilities

### Overview

The Remuneration Committee has been delegated responsibility from the Board for the determination of the terms and conditions of employment, remuneration and benefits of each of the chairman of the Board, executive directors, members of the executive and the company secretary (together, the "**Senior Executives**"). The Remuneration Committee also has delegated responsibility from the Board for the determination of all aspects of share-based incentive arrangements.

### Policy

- 9.1 The remuneration of non-executive directors shall be a matter for the chairman of the Board and the executive directors subject to the constraints contained in the Company's Articles of Association. No director or manager shall be involved in any decisions as to their own remuneration.
- 9.2 The Remuneration Committee shall determine and agree with the Board policy for the remuneration of the Senior Executives, including pension rights and any compensation payments. The Remuneration Committee shall recommend and monitor the level and structure of remuneration for the Senior Executives. In determining this policy, the

Remuneration Committee shall take into account all factors it deems necessary, including the provisions of the Prudential Regulation Authority's Remuneration Code (the "**Remuneration Code**"), albeit recognising that the Company is not yet bound by this.

- 9.3 The objectives of such policy shall be to attract, retain and motivate the Company's executive management and to ensure that they are provided with remuneration that reflects and supports the long-term business strategy of the Group as well as appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company without paying more than is necessary, and having regard to the views of shareholders and other stakeholders. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance, designed to promote the long-term success of the Company. The Remuneration Committee shall ensure such performance related elements of the policy are transparent, stretching and rigorously applied.
- 9.4 In respect of the directors of the Company the Remuneration Committee shall determine a "remuneration policy" which shall be subject to a shareholder vote at a general meeting of the Company in accordance with applicable law. All future remuneration for directors must fall within this approved policy unless it is approved separately by shareholders or is covered at the time of payment by a revised policy approved by shareholders.
- 9.5 The Remuneration Committee shall liaise with the Nominations Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy. If any part of the remuneration for a newly appointed director is outside the policy then it will be subject to a shareholder vote obtained at a general meeting of the Company in accordance with applicable law. The Remuneration Committee shall periodically review the overall appropriateness and relevance of the Company's remuneration policy.
- 9.6 The Remuneration Committee shall determine the policy for and scope of pension agreements, service agreements, termination payments and compensation commitments for the Senior Executives. The Remuneration Committee shall ensure that contractual terms on termination are observed, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Remuneration Committee will agree the policy for authorising claims for expenses from the directors.

#### Other

- 9.7 The Remuneration Committee shall:
- (A) within the terms of the agreed policy determine on an annual basis the total individual remuneration package of each Senior Executive, including salary, incentive payments (including annual bonus and long-term incentives), pension and other benefits in kind, and in doing so shall;
- (i) determine an appropriate balance between fixed and performance related, immediate and deferred remuneration;

- (ii) ensure that remuneration incentives are compatible with risk policies and systems;
  - (iii) weight traditional share options schemes against other long-term incentive schemes; and
  - (iv) consider whether Executive Directors should be required to hold a minimum number of shares for a further period after vesting of exercise, including for a period after leaving the Company;
- (B) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company for Senior Executives, including the application of relevant performance criteria and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A to the UK Corporate Governance Code (the “Code”));
- (C) determine, each year, whether awards will be made under the Company's share-based incentive plans and, if so, the overall amount of such awards, the individual award to Senior Executives and the performance targets to be used. Such determination shall take account of dilution limits and headroom capacity within the relevant share-based incentive plans and the financial impact and, for directors, take into account the requirement for any determinations not falling within the existing shareholder approved policy, to be subject to shareholder approval;
- (D) determine to what extent, if at all, clawback and malus arrangements should be invoked in respect of any annual bonus or long-term incentive awards so that:
  - (i) performance-related payments to Executive Directors reflect actual achievements against original targets; and
  - (ii) the Company can recover sums paid or withhold the payment of any sum in circumstances the Company considers appropriate to do so;
- (E) review the design and implementation of all share-based incentive plans for approval by the Board and, where required, shareholders;
- (F) review and note the remuneration of senior employees within the risk and compliance functions annually;
- (G) be aware of, and oversee any major changes in, employee benefit structures throughout the Company or Group;
- (H) review and note annually the outcome of any employee consultation on executive pay and agree how employees' views will be taken into account in determining Board Director remuneration;
- (I) review and note following the annual general meeting (and at any other relevant time) the views given by shareholders and the results of the shareholder votes on

executive pay. Agree how the views of shareholders will be taken into account in determining executive remuneration;

- (J) obtain reliable, up-to-date information about remuneration in other companies and market practice generally. The Remuneration Committee shall have full authority (within any budget restrictions imposed by the Board) to commission any reports or surveys which it deems necessary;
- (K) review annually a summary of the Remuneration Committee's consultants' fees for the year and the consultants' policy and procedures on dealing with potential conflicts of interest to ensure it is comfortable with them;
- (L) review its terms of reference on an annual basis and recommend any changes it considers necessary to the Board for approval; and
- (M) make available the Remuneration Committee's terms of reference.

9.8 In determining remuneration packages and arrangements, the Remuneration Committee shall:

- (A) give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed and non-listed companies and formation and operation of share schemes including but not limited to:
  - (i) the provisions of the Remuneration Code where relevant and appropriate;
  - (ii) the relevant provisions of the PRA Rulebook and the Financial Conduct Authority Handbook;
  - (iii) the provisions of the Code;
  - (iv) the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association and the Pensions and Lifetime Savings Association; and
  - (v) the regulatory requirements including any applicable rules and guidance issued by regulatory bodies;
- (B) take into account remuneration trends across the Company, including the differential between the total remuneration at the highest and lowest groups within the Company.

In determining remuneration packages and arrangements, including the performance criteria and targets for performance-related plans, the Remuneration committee shall ensure they do not encourage inappropriate business risk. When assessing incentive outcomes, the Remuneration 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 take account of the Risk Committee's annual review of risk appetite for the Company and its risk management assessments carried out

from time to time..The Remuneration Committee may apply malus and clawback to incentive remuneration in the event of risk failures.

## 9.9

9.10 On request, the Remuneration Committee shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed Senior Executives is within the Company's overall policy.

## 10. Reporting responsibilities

10.1 The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2 The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Remuneration Committee shall ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 and the Code, are fulfilled.

10.4 The Remuneration Committee shall produce an annual report of the Committee's remuneration policy to be included in the company's annual report that comprises a statement from the Committee's chair and two main sections: a section on policy for the future and a separate section on how policy has been implemented in the preceding year.

10.5 The Remuneration Committee shall ensure that the section on future policy is put to a binding shareholder vote at least every three years and the section on the preceding year is put to an advisory shareholder vote each year at the annual general meeting, in each case in accordance with applicable law. Matters to be included in the annual report include:

- (A) a single figure for total remuneration for each director including an explanation of how this relates to the Group's performance; and
- (B) an explanation of why certain benchmarks have been used to determine the remuneration of the directors and how they have taken into account employee earnings including pay differentials.

## 11. Other matters

11.1 The Remuneration Committee shall, through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

11.2 The Remuneration Committee shall 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 The Remuneration Committee shall arrange for periodic reviews of its performance to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

These terms of reference were reviewed and approved by the Board on 23 February 2018.