

SHAWBROOK GROUP PLC

REMUNERATION COMMITTEE

TERMS OF REFERENCE

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

1. Membership

- 1.1 The Committee shall be appointed by the board of directors of the Company (the “Board”) and shall comprise at least three members.
- 1.2 A majority of the members of the Committee shall be independent non-executive directors. The Chairman of the Board may also be a member if he or she was considered independent when appointed Chairman. The Institutional Directors shall be members of the Committee.
- 1.3 The Board shall appoint the Chairman of the Committee (the “Chairman”), who shall 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. The chairman of the Board shall not chair the Committee.
- 1.4 Appointments to the 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 Committee, the chairperson(s) of the Board Audit Committee and the Board Risk Committee shall be required to attend at least one meeting of the Committee per year.
- 1.6 The Company Secretary (or his or her nominee) shall act as the secretary of the Committee (the “Secretary”) and will ensure that the 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 Committee, one of whom must be an independent non-executive director.
- 2.2 A duly convened and quorate meeting of the Committee shall be competent to exercise any or all of the authorities, powers and discretions vested in or exercisable by the Committee.

3. Frequency of meetings

- 3.1 The Committee shall meet at least four times 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 Committee shall be called by the Secretary at the request of the Committee Chairman.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, will be forwarded to each Committee member no later than ten business days prior to the meeting. An agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and to other attendees as appropriate, no later than five working days before the date of the meeting. The notice period for a meeting may be reduced to consider urgent business on receipt of written shareholder consent. In these cases, at least 24 hours' notice will be provided with an accompanying agenda and papers for the meeting.

5. Proceedings of meetings

- 5.1 Only Committee members have the right to attend Committee meetings. However, the Committee may invite any directors or other executives of the Company, including the Chief Executive Officer, Group Human Resources Director, Head of Reward, Chief Risk Officer or Chief Financial Officer to attend all or part of the meeting as and when appropriate and necessary.
- 5.2 The Chief Risk Officer will attend at least annually, to discuss any risk issues that could impact on the payment of remuneration, including the presentation of an independent report to the Committee at the year end.
- 5.3 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 Committee meetings and record the names of those present and in attendance. The members of the Committee shall, at the beginning of each meeting, declare any conflicts of interest arising and the Secretary shall minute them accordingly.
- 6.2 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.

7. Annual general meeting

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

8. Authority

- 8.1 The Committee is authorised by the Board to undertake any activity within its terms of reference. The Committee shall have access to sufficient to carry out its duties, including access to other Group functions for assistance as required.
- 8.2 The Committee shall act within the authority delegated to it by the Board and under the terms of the Framework Agreement. In the case of a conflict, the terms of the Framework Agreement shall prevail.
- 8.3 In particular, the Committee is authorised by the Board to:
- (A) set the terms of reference for any remuneration consultants at the Company's expense;
 - (B) call any Group employee or contractor to be questioned at a meeting of the 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 Material Risk Takers' 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) as to whether they have any other connection with the Company; and
 - (E) obtain, at the Company's expense, independent legal or other professional advice on any matters within its terms of reference and invite those persons to attend meetings of the Committee where required.

9. Responsibilities

Overview

The 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, the Company Secretary and all other Material Risk Takers (together, the "**Material Risk Takers**"). The Committee exercises independent judgment on remuneration policies and practices and the incentives created for managing risk capital and liquidity. The Committee also has delegated responsibility from the Board in relation to the determination of all aspects of share-based incentive arrangements policy in line with 9.11(E) below.

- 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 Material Risk Taker shall be involved in any decisions as to their own remuneration.

- 9.2 The Committee shall determine, for recommendation to Board and Parent, any changes to the remuneration policy for the executive directors and the Executive Management Team of the Company, any material amendments to any of their respective service agreements and any determination or approval of bonuses or other incentives payable to the Directors and/or Executive Management Team.
- 9.3 The Committee shall agree with the Board policy for the remuneration of the Material Risk Takers, including pension rights and any compensation payments. The Committee shall recommend and monitor the level and structure of remuneration for the Material Risk Takers. In determining this policy, the Committee shall take into account all factors it deems necessary, including relevant legal and regulatory requirements including the provisions of the Remuneration section of the Prudential Regulation Authority's Rulebook, as well as SYSC 19D within the Financial Conduct Authority's Handbook (the "**Remuneration Code**").
- 9.4 The objectives of such policy shall be to promote the long term success of the Company and to ensure that the Company's Material Risk Takers 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 to link rewards to corporate and individual performance, designed to promote the long-term success of the Company. The Committee shall ensure such performance related elements of the policy are transparent, stretching and rigorously applied.
- 9.5 The Committee should ensure that the Company's remuneration policies and procedures do not promote excessive risk taking and are aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and the related governance processes, and consider liquidity and capital levels (including ensuring that the policies should support the Company in maintaining a sound capital base).
- 9.6 In respect of the directors of the Company, the Committee shall determine a "remuneration policy" which shall be subject to Board and Parent approval. All future remuneration for Directors must fall within this approved policy This remuneration policy shall comply with all relevant requirements of the Remuneration Code.
- 9.7 The Committee shall consider and recommend to Board and Parent, any allocations of any share or other equity-based incentives or long-term incentive plans of the Group.
- 9.8 The 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 Parent approval. The Committee shall periodically review the overall appropriateness and relevance of the Company's remuneration policy. Any changes out of this review will require Parent approval.

- 9.9 The Committee shall determine the policy for and scope of pension agreements, service agreements, termination payments and compensation commitments for the Material Risk Takers. The 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 Committee will agree the policy for authorising claims for expenses from the directors.
- 9.10 The Committee shall be responsible for approving the Material Risk Taker identification methodology and process and overseeing its implementation on an ongoing basis, as part of the overall remuneration policy, with input from the Board Risk Committee. This includes approving the list of Material Risk Takers and any exclusions under the regulations.

Other

- 9.11 The Committee shall:
- (A) within the terms of the agreed policy and the requirements of the Remuneration Code determine on an annual basis the total individual remuneration package of each Material Risk Taker, including salary, incentive payments (including annual bonus and long-term incentives), pension and other benefits in kind that do not form part of the Company's standard proposition, 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) consider whether Material Risk Takers 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 Material Risk Takers, including the application of relevant performance criteria and approve the total annual payments made under such schemes (in alignment with the provisions in Schedule A of 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 Material Risk Takers 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 policy, to be subject to Parent approval;
 - (D) determine the clawback and malus arrangements in respect of any annual bonus or long-term incentive awards in accordance with the Remuneration Code so that

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 the Parent;
- (F) review and note the remuneration of Material Risk Takers across the Group within the risk and compliance functions annually;
- (G) be aware of, and oversee any major changes in, employee benefit structures throughout the 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 Director remuneration;
- (I) obtain reliable, up-to-date information about remuneration in other companies and market practice generally. The Committee shall have full authority to commission any reports or surveys which it deems necessary at the expense of the Group but within any budgetary restraints imposed by the Board;
- (J) review the ongoing appropriateness and relevance of the remuneration policy;
- (K) ensure that the implementation of the remuneration policy, is, at least annually, subject to central and independent internal review to ensure compliance with policies and procedures; review annually a summary of the 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 and Parent for approval; and
- (M) make available the Committee's terms of reference on the Company's website.

9.12 In determining remuneration packages and arrangements, the 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 included in the Framework Agreement (which in the case of any dispute, the terms of the Framework Agreement shall apply);
 - (ii) the provisions of the Remuneration Code and other 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 and Transparency Rules and associated guidance including the Investment Association Principles of Remuneration;
 - (v) guidelines published by the Investment Association and the Pensions and Lifetime Savings Association;
 - (vi) relevant guidance issued by the Basel Committee on Banking Standards and the International Organisation of Securities Commissions;
 - (vii) other regulatory requirements including any applicable rules and guidance issued by regulatory bodies; and
- (B) take into account remuneration trends and employment conditions across the Company.

9.13 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 and the Parent on the implications of the remuneration policy for risk and risk management and take account of the Audit Committee's annual review of risk appetite for the Company. Specifically, the Chief Risk Officer will produce an independent annual report for presentation to the Committee discussing areas of material risk.

9.14 The Committee shall also work and liaise with the Nomination Committee and other Committees as required.

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

10.3 The Committee shall have regard to 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 Committee shall ensure that all remuneration record-keeping and disclosure requirements set out in the Remuneration Code and the Capital Requirements Regulations are fulfilled.

10.5 The Committee shall review and recommend a Directors Remuneration Report (DRR) to be included in the Group's Annual Report and Accounts. The DRR will include a statement from the Committee's chair, a section on the implementation of the remuneration policy in the preceding year, how the policy will be enhanced in the future,

description of its members and an outline of how it has fulfilled its duties and its activities throughout the financial year.

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 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 Committee shall arrange for periodic reviews of its performance and, at least annually, review its constitution and terms of reference 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 [September 2018].

APPROVAL RECORD

Approval Body	Approval Date	Details
Shawbrook Group/Bank Board	June 2014	Adopted by Board
Shawbrook Group/Bank Board	20 March 2015	Adopted by Board
Shawbrook Group/Bank Board	4 April 2017	Adopted by Board
Marlin Bidco/ Board	4 September 2018	Adopted by Board/Parent