

**REMUNERATION COMMITTEE TERMS OF REFERENCE
(NOVEMBER 2016)**

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 serve on the committee as an additional member if he/she was considered independent on appointment as chairman (but shall not chair the committee). Members of the committee shall be appointed by the board, on the recommendation of the Nomination Committee and in consultation with the committee chairman.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Group People Director, the Head of Reward and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. The Chief Executive shall be invited to attend meetings to discuss the performance of executive directors and make proposals as necessary, and will also report to the committee on significant group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level. Any non-executive director may attend all or part of a committee meeting with the prior approval of the committee chairman.
- 1.3 Appointments to the committee are 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 members (other than the chairman of the board, if he or she is a member of the committee) continue 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 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 chairman of the committee.

2 SECRETARY

- 2.1 The Company Secretary or his/her nominee shall act as secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3 QUORUM

- 3.1 The quorum necessary for the transaction of business shall be two.

4 MEETINGS

- 4.1 The committee shall meet at least twice a year and otherwise as required.

5 NOTICE OF MEETINGS

- 5.1 Meetings of the committee shall be called by the secretary of 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, in sufficient time to allow the committee to consider the papers and for the board to follow up on any recommendations if necessary. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6 MINUTES OF MEETINGS

- 6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 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.
- 6.3 A resolution in writing authenticated by all committee members who would be entitled to vote (and which may consist of several documents in the same form each authenticated by one or more of the committee members) will be as effective as a resolution passed at a committee meeting. Any written resolution shall be tabled and noted at the next meeting of the committee.

7 VOTING ARRANGEMENTS

- 7.1 Each committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a committee meeting (whether in person or by audio or video conference).
- 7.2 If a matter that is considered by the committee is one where a committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting. The committee chairman may ask any attendees of a committee meeting to leave the meeting to allow discussions of matters relating to them.
- 7.3 Except where he/she has a personal interest, the committee chairman shall have a casting vote.

8 ANNUAL GENERAL MEETING

- 8.1 The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities.

9 DUTIES

The primary function of the committee is to make recommendations to the board on executive remuneration packages and to ensure that remuneration policy and practices of the company reward fairly and responsibly, with a clear link to corporate and individual performance. The committee shall:

- 9.1 Have responsibility for setting the remuneration policy for all executive directors and the company's chairman, including pension rights and any compensation payments. The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 9.2 Recommend and monitor the level and structure of remuneration for the Airline Management Board, and other senior management as appropriate.
- 9.3 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 Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term 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, with an appropriate balance between fixed and performance-related remuneration and immediate and deferred remuneration.
- 9.4 When setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases.
- 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, as appropriate, determine the total individual remuneration package of each executive director, the company chairman, the Airline Management Board and any other designated senior executives including bonuses, incentive payments and share options or other share awards.
- 9.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. 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 which may be imposed by the board.
- 9.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 9.9 Approve the design of, and determine targets for, any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the Code).

- 9.10 Monitor and assess any performance conditions applicable to any long term incentive awards granted under schemes adopted by the company, and design and invoke any safeguards, for example clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements.
- 9.11 Review the design 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, approve the grant of the overall amount of such awards, the individual awards to executive directors, the Airline Management Board and any other designated senior executives and the performance targets to be used.
- 9.12 Determine the policy for, and scope of, pension arrangements for each executive director, the Airline Management Board and any other designated senior executives.
- 9.13 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure and poor performance 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 group.
- 9.15 Agree the policy for authorising claims for expenses from the directors.
- 9.16 Agree the policy for directors' (both non-executive and executive) shareholding guidelines, as well as the Airline Management Board, as appropriate.
- 9.17 Review and monitor the Group's compliance with relevant gender pay reporting requirements.
- 9.18 Work and liaise as necessary with all other board committees.
- 9.19 For the avoidance of doubt, the chairman and the executive directors will be responsible for determining the fees of the non-executive directors, but excluding the chairman of the board (which is the remit of the committee).
- 9.20 Exercise any discretion or judgement on: (i) the remuneration of current and future executive directors in accordance with the remuneration policy; **and** (ii) the operation of all share incentive plans, in accordance with the share plan rules, for executive directors, the Airline Management Board and any other designated senior executives.

10 REPORTING RESPONSIBILITIES

- 10.1 The committee 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 it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 The committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a directors' remuneration report to be included in the company's annual report, comprising of: (i) an annual report on remuneration and the annual statement by the chairman of the committee both which are subject to an advisory shareholder vote at each AGM; and (ii) a directors' remuneration policy which is the subject of a binding shareholder vote at least every three years (or earlier if any changes are to be made to the remuneration policy in the meantime). 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.
- 10.4 Through the chairman of the board or the chairman of the committee as appropriate, ensure that the company (whether through the committee or otherwise) maintains contact as required with its principal shareholders about remuneration, and engages in appropriate discussions as necessary.

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 secretariat 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 on-going basis for all members.
- 11.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the Companies Act 2006, the Enterprise and Regulatory Reform Act 2013, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013/1981, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association and the National Association of Pension Funds, the GC100 and any other applicable rules, as appropriate.
- 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 at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- 11.5 The committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference. The committee may sub-delegate any or all of its powers as it thinks fit to the chairman of the committee or, if it considers it to be appropriate, to the company secretary.

12 AUTHORITY

- 12.1 The committee is authorised by the board to obtain, at the company's expense, appropriate outside legal or other professional advice on any matters within its terms of reference.

The committee is authorised by the board to seek any information it requires from, or request the attendance at any of its meetings of, any director or member of management, and all employees are expected to cooperate with any request made by the committee. However, where executive directors or senior management are involved in advising or supporting the committee, care is to be taken by the committee to recognise and avoid conflicts of interest. In particular, no director (including the chairman), senior executive or committee attendee shall be present for any discussion, or involved in any decision, as to his/her own remuneration.