

**WATFORD HOLDINGS LTD.  
WATFORD RE LTD.**

Compensation Committee Charter

**Organization**

The Compensation Committee (the “Compensation Committee” or “Committee”) of the Board of Directors (the “Board”) of Watford Holdings Ltd. and Watford Re Ltd. (collectively referred to as the “Company”) shall consist of no fewer than three members. The Compensation Committee may also include a non-voting observer (the “Observer”) appointed by Arch Capital Group Ltd. or a subsidiary thereof. Each member (which shall not include the Observer) of the Compensation Committee shall be independent of the Company and its management and free of any relationship which, in the opinion of the Board, would interfere with the director’s exercise of independent judgment as a Compensation Committee member. Without prejudice to the generality of the foregoing, members of the Committee shall be independent non-executive directors. So long as members continue to be independent, the Committee shall not have a policy of tenure.

The members of the Compensation Committee, together with the Chairman of the Committee (the “Chairman”), shall be appointed, and may be replaced, by the Board.

**Purpose**

The Compensation Committee, in its capacity as a committee of the Board, has overall responsibility for approving and evaluating, and making recommendations to the Board regarding, officer compensation plans, policies and programs of the Company.

As a guiding principle, the Committee shall have regard to the laws, regulations and any published guidelines or recommendations regarding the remuneration of directors and senior executive compensation of listed/non-listed companies and the formation and operation of share option schemes.

Except where otherwise specifically varied below, the affairs of the Compensation Committee shall be governed by the Amended and Restated Bye-laws of Watford Holdings, Ltd., *mutatis mutandis*.

**Meetings**

The Compensation Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require or otherwise as may be directed by the Board. The Compensation Committee shall report at least annually to the Board and whenever the Board may direct.

A quorum for any Compensation Committee meeting shall be two; provided, that if more than three members are appointed to serve on the Committee, the quorum shall be the majority of the members so appointed. 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.

The Chairman shall appoint a member of the Committee to act as secretary of the Committee (the "Committee Secretary").

The Committee Secretary shall be responsible for:

- a) Assisting the Chairman in planning the Committee's work;
- b) Drawing up Committee meeting agendas;
- c) Maintenance of minutes;
- d) Drafting of material about its activities for the annual financial report;
- e) Collection and distribution of information; and
- f) Necessary practical support.

Only members of the Committee and the Observer have the right to attend Committee meetings. However, the Observer may not be present for (i) executive committees or (ii) voting by the Committee. Additionally, the Chairman may, on behalf of the Committee, dismiss the Observer from any meeting at any time. Notwithstanding the foregoing, such other parties as the Committee may deem appropriate including, without limitation, the Company's external advisers and members of management, will be invited to make presentations to the Committee as and when deemed by the Committee to be appropriate.

Meetings of the Committee shall be convened by the Committee Secretary at the request of any of its members or at the request of the external auditor or internal auditor, if they consider it necessary.

Unless otherwise agreed from time to time, notice of each meeting confirming the venue, time and date together with an agenda shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days prior to the date scheduled for the meeting.

Any Committee member may, by notice to the Chairman, appoint any person to act as his/her alternate at an upcoming Committee meeting; provided, however, that such person must be independent of the Company and its management and free of any relationship which would interfere with his/her ability to exercise independent judgment.

The Committee Secretary shall minute the proceedings and resolutions of the Committee meetings, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all directors within ten working days.

The Committee Secretary shall ascertain the existence of any conflicts of interest and minute accordingly.

Members of the Committee shall disclose, at the first opportunity, any potential conflict of interest pertaining to any matter coming before the Committee (an "Interested Member"). An Interested Member who has complied with this disclosure requirement shall be counted in the quorum for the meeting but may not vote in respect of such matter. The Committee Secretary shall record the Interested Member's disclosure in the Committee minutes.

## Committee Authority and Responsibilities

1. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to the Board and senior executive compensation, evaluate senior executive performance in light of those goals and objectives, and recommend to the Board senior executive compensation levels based on this evaluation. In determining the long-term incentive component of senior executive compensation, the Compensation Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards to senior executives at comparable companies and the awards given to senior executives in past years. The Company's Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO") and Chief Financial Officer ("CFO") may not be present during any voting or deliberations regarding their compensation.

2. The Compensation Committee shall review and approve, for the senior executives of the Company, (a) the annual base salary level, (b) the annual incentive compensation level, (c) any long-term incentive compensation level, (d) any stock option and stock grant awards, (e) employment agreements, severance arrangements, and change in control agreements/provisions, and (f) any special or supplemental benefits (it being understood that such compensation matters in respect of the CEO, CRO and CFO of the Company shall be subject to ratification by the Board). In determining the foregoing, the Committee should take into account any factors that it deems necessary bearing in mind that the objective of the Company's compensation policies generally is to attract, retain and motivate executive and senior management of the quality required to manage the Company without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Company's compensation policies should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals with a significant portion of remuneration structured so as to link rewards to corporate and individual performance and designed to promote the long term success of the Company.

3. The Compensation Committee shall annually review and make recommendations to the Board with respect to the compensation of other officers including directors.

4. The Compensation Committee shall review and pre-approve all compensation-related resolutions that will be submitted for Board and/or shareholder approval.

5. The Compensation Committee may form and delegate authority to subcommittees when appropriate.

6. The Compensation Committee shall arrange for periodic reviews of its own performance and, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

7. The Compensation Committee shall perform such other activities as the Board may from time to time deem necessary or appropriate.

## Appointment of External Advisers

8. The Compensation Committee is authorized to engage outside counsel and other

advisers as it determines to be necessary or appropriate to carry out its duties. The Compensation Committee shall have the sole authority to appoint, retain, engage, oversee and terminate any independent or outside legal counsel, compensation consultants, accountants or other advisers used to assist in the evaluation of senior executive compensation (including the Company's CEO and all other executive officers) and shall have sole authority to approve the consultant's fees and other retention terms. The Board shall provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Compensation Committee.

9. The Compensation Committee may retain, or receive advice from, any compensation consultant, legal counsel or other adviser it prefers, including ones that are not independent, and shall be directly responsible for the appointment, compensation and oversight of such adviser; *provided*, however, that if such consultant, legal counsel or other adviser is someone other than in-house legal counsel, the Compensation Committee may only select, or receive advice from such person after taking into consideration the following six independence factors specified in NASDAQ Listing Rule 5605(d)(3):

- (i) The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- (ii) The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- (iii) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (iv) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Compensation Committee;
- (v) Any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
- (vi) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

10. Notwithstanding the foregoing, the Compensation Committee is not required to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities: (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; and/or (b) providing information that either is not customized for a particular issuer or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.

11. The Board shall provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to compensation consultants,

legal counsel or any other adviser retained by the Compensation Committee, as well as for payment of ordinary administrative expenses of the Compensation Committee that are necessary or appropriate in carrying out its duties.

12. For the avoidance of doubt, the Compensation Committee is not required to implement or act consistently with the advice or recommendations of any compensation consultant, legal counsel or other adviser to the Compensation Committee. The retention of any outside advisers shall not affect the ability or obligation of the Compensation Committee to exercise its own judgment in fulfillment of its duties.