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# **GROUP REMUNERATION COMMITTEE TERMS OF REFERENCE**

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## Document Control

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### Document Sign-Off

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**Contents**

- 1. Membership .....4
- 2. Secretary.....4
- 3. Quorum .....4
- 4. Meetings .....4
- 6. Minutes of Meetings .....5
- 7. Annual General Meeting.....5
- 8. Role .....5
- 9. Duties.....6
  - 9.1. Remuneration Policy .....6
  - 9.2. Long Term Incentive Schemes.....7
  - 9.3. Bonus Arrangements.....7
  - 9.4. Pensions .....8
  - 9.5. Remuneration Consultants.....8
  - 9.6. Service contracts and severance .....8
  - 9.7. Other matters .....8
- 10. Reporting Responsibilities .....9
- 11. Other .....9
- 12. Authority.....9
- Appendix .....10

## **1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nominations Committee in consultation with the Chairman of the Group Remuneration Committee. The Committee shall comprise at least two members, all of whom are independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group HR Director, Group Chief Risk Officer (CRO) and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for a two further three-year periods, provided the director continues to hold office and remains 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. The Chairman of the Board shall not be Chairman of the Committee.
- 1.5 Any Board member may attend any Committee meeting with the prior consent of the Committee's Chairman, which consent may not be unreasonably withheld.

## **2. Secretary**

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

## **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.

## **4. Meetings**

- 4.1. The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.
- 4.2. No person of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 4.3. Through the chairman of the board, the Committee shall ensure that the Company (whether through the Committee or otherwise) maintains contact as required with its principal shareholders about remuneration.

- 4.4. Meetings of the Committee may be conducted when the members are physically present together or in an alternative form (such as video conference, audio conference or written resolution).

## **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- 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.

## **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. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless, in the opinion of the Chairman of the Committee it would be inappropriate to do so.
- 6.3. A resolution in writing and signed by all members of the Committee (including by electronic means) 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. Annual General Meeting**

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **8. Role**

- 8.1. The role of the Committee is to assist the board to fulfil its responsibility to shareholders to ensure that remuneration policy and practices of the Company, fairly and responsibly reward, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 8.2. In particular the Committee shall consider:
- a) Remuneration policies, including base pay, long and short term incentives.
  - b) Remuneration practice and its cost to the Company.
  - c) Recruitment, service contracts and severance policies.
  - d) Pension and superannuation arrangements and other benefits.
  - e) The engagement and independence of external remuneration advisers.

## 9. Duties

The Committee shall carry out the following duties for the Company and its subsidiaries:

### 9.1. Remuneration Policy

9.1.1 determine and agree with the Board the policy for the remuneration and benefits of the

- a) the Group's Chief Executive Officer (CEO);
- b) the Executive Directors;
- c) members of the Group Management Board (GMB)
- d) and other 'designated senior managers'<sup>1</sup>, including any senior executive officers with risk management or compliance functions

and monitor the outcome of such policies for such employees.

The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board to be determined within the limits set by shareholders at a General Meeting. No director or manager shall be involved in any decisions as to their own remuneration.

9.1.2 in determining such policy consider:

- a) all relevant legal and regulatory requirements (including PRA and FCA Remuneration Codes and Solvency II disclosure requirements);
- b) the provisions and recommendations of the UK Corporate Governance Code (Code) and associated guidance;
- c) an appropriate balance between fixed and variable remuneration, immediate and deferred remuneration;
- d) the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders and ensuring that Executives and designated senior management are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
- e) the business strategy of the Group and how the policy reflects and supports the business strategy;
- f) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long term strategic goals;
- g) remuneration trends and employment conditions across the Company and the Group; and
- h) the transparency of the performance-related elements, ensuring they are stretching and rigorously applied.

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<sup>1</sup> See appendix 2 for definition of "designated senior managers".

- 9.1.3 Review the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate.
- 9.1.4 Consider advice from the Group Risk function on risk impact of the proposed Remuneration Policy and remuneration packages and in particular any risk adjustment mechanisms applied to performance objectives set in the context of incentive packages.
- 9.1.5 Determine, within the terms of the agreed remuneration policy, each element of the total individual remuneration package for each Executive Director and designated senior managers (with appropriate consultation with Group Chairman and Group Chief Executive) including:
- a) base salary;
  - b) incentive remuneration schemes/arrangements;
  - c) pension arrangements, including the level of contributions by the Company; and
  - d) Other bonuses and benefits in cash or in kind.

Ensure that any payments made are permitted under the latest approved remuneration policy.

- 9.1.6 Engage in appropriate discussions as necessary with key stakeholders on policy or any other aspects of remuneration.
- 9.1.7 settle the over-arching principles and parameters of remuneration policy on a Group wide basis;

## **9.2. Long Term Incentive Schemes**

- 9.2.1 Recommend for approval by the board the design of, and determine the targets for, the operation of key long term incentive schemes, in which Executive Directors and designated senior management participate.
- 9.2.2 Monitor and assess any performance conditions applicable to any long term incentive awards granted under any schemes adopted by the Group. Ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value.
- 9.2.3 Design and invoke appropriate agreed safeguards, for example malus and clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements.
- 9.2.4 Ensure that all incentive arrangements are aligned to the Company's risk policies and systems.

## **9.3. Bonus Arrangements**

- 9.3.1 Consider whether the Executive Directors and designated senior managers should be eligible for annual bonuses.

9.3.2 In relation to any bonus scheme operated, determine annual targets and key performance indicators for, and assess performance against targets and key performance indicators, by the relevant business, individual Executive Directors and designated senior managers.

#### **9.4. Pensions**

9.4.1 Review the pension arrangements for the Executive Directors and in particular the pension consequences and associated costs to the Company of basic salary increases and any other changes in pension remuneration.

#### **9.5. Remuneration Consultants**

9.5.1 To help it fulfil its obligations and to enable it to judge where to position the Company relative to other companies, 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.

9.5.2 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee ensuring that any such consultants adhere to the Remuneration Consultants Code of Conduct.

#### **9.6. Service contracts and severance**

9.6.1 Approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for Executive Directors and designated senior managers and any material amendments to those contracts.

9.6.2 Determine the policy for, and scope of, termination payments and compensation commitments for each executive director and designated senior managers. Ensure that there is a clear policy to link non-contractual payments to performance.

9.6.3 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.

#### **9.7. Other matters**

9.7.1 Monitor and review the level and structure of remuneration of senior management in the context of the pay policy of the Group as a whole, pay and conditions elsewhere in the Group, and the overall cost to shareholders.

9.7.2 Keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants.

9.7.3 Review and monitor the Group's compliance with relevant gender pay reporting requirements.



- 9.7.4 Oversee any major changes in employee benefits structures throughout the Company and Group.
- 9.7.5 Agree the policy for authorising claims for expenses from Directors.

## **10. Reporting Responsibilities**

- 10.1. The Committee Chairman shall report formally 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 prepare an annual Remuneration Report to be included in the Company's Annual Report, which shall include:
  - a) a Statement from the Committee Chairman providing a summary of the Company's remuneration policy and the annual report on remuneration; and
  - b) a report of the Company's remuneration policy and practices.

The Committee shall ensure that all obligations regarding disclosure of remuneration (including pensions), including the Remuneration Report in the annual accounts, are fulfilled and that the specific disclosures are reviewed and approved by the Committee.

## **11. Other**

- 11.1. The Committee shall, at least once a year, review its own performance, 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.

## **12. Authority**

**The Committee is authorised by the Board to:**

- 12.1. Seek any information it requires from any employee of the Company or any of the Company's subsidiaries in order to perform its duties.
- 12.2. Have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, any appropriate professional advice on any matter within its terms of reference as it considers necessary.
- 12.3. Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 12.4. Obtain reliable and up to date information about remuneration in other companies. Within any budgetary restraints imposed by the Board, the Committee shall have full authority to commission or purchase any reports, surveys or information which it deems necessary to help fulfil its obligations.

## **Appendix**

### **List of Executive and Designated Senior Management**

This list is comprised of those positions which either report directly to the Group CEO, lead Strategic Business Units or are designated Code Staff under the terms of the FCA/PRA Remuneration Code. As such it will be subject to review and amendment as necessary.

#### **Executives:**

Group Chief Executive Officer  
Deputy Group Chief Executive  
Group Chief Financial Officer

Other members of the Group Management Board including:

Group Chief Risk Officer  
Group Compliance Director  
Group HR Director

Director of Group Internal Audit

#### **Designated Senior Management:**

CEO, Ansva Australia  
CEO Canada  
MD Ireland  
MD UK  
CEO, SEIB  
CEO, Lycetts  
Material Risk Takers (Remuneration Code Staff and Solvency II Staff)