

## **Group Secretariat**

### **Group Remuneration Committee Terms of Reference**

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RSA Insurance Group plc  
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**GROUP REMUNERATION COMMITTEE - TERMS OF REFERENCE**

**1. Definitions**

<b>Board</b>	The board of directors of the Company
<b>Code</b>	Recommendation of the UK Corporate Governance Code (FRC, June 2010 edition)
<b>Committee</b>	The Group Remuneration Committee of the Company
<b>Company</b>	RSA Insurance Group plc
<b>Group</b>	The RSA Insurance Group plc group of companies

**2. Principal Function**

- 2.1 The Committee has delegated responsibility from the Board for the determination of the terms and conditions of employment, remuneration and benefits of each of the Executive Directors and the Chairman of the Board.
- 2.2 The Committee also has delegated responsibility from the Board for the exercise of certain powers under the terms of share option, long term incentive and any other schemes that have been specifically reserved to a committee of non-executive directors. The Committee shall also consider and advise the Board on the Group's remuneration policy in relation to senior executives.

**3. Membership and attendance**

- 3.1 The Committee shall be appointed by the Board and shall comprise at least three members.
- 3.2 All members of the Committee shall be independent Non-Executive Directors. In addition, the Chairman of the Company may also be a member of, but not chair, the Committee if he or she was considered independent on appointment (Code D.2.1).
- 3.3 The Board shall appoint the Committee Chairman, who shall be an independent Non-Executive Director, and determine the period for which they hold office. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting who would qualify under these terms of reference to be appointed to that position.
- 3.4 If a regular member is unable to attend due to absence, illness or any other cause the member may appoint another independent Non-Executive Director to serve as an alternate member, maintaining the quorum set out in paragraph 5.1 below.
- 3.5 Only Committee members have the right to attend Committee meetings (Code B.1). The Committee may invite any directors or other executives of the Group or any external professional advisors to attend all or part of any meetings as and when

appropriate. The Group Chief Executive, the Group Director of Human Resources and the Group Director, Reward and Recognition usually attend meetings at the invitation of the Committee, except when their own remuneration is under discussion.

#### **4. Secretary**

The General Counsel and Group Company Secretary or his duly appointed nominee shall act as the Secretary of the Committee.

#### **5. Quorum**

5.1 The quorum necessary for the transaction of business shall be two members of the Committee.

5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise any or all of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **6. Frequency of meetings**

The Committee shall meet at least twice a year and at such other times as otherwise required.

#### **7. Notice of meetings**

7.1 Meetings of the Committee shall be summoned by the Secretary to the Committee at the request of any of its members.

7.2 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 Committee, and to other attendees as appropriate not less than two working days prior to the date of the meeting. The Committee Chairman shall have the sole discretion to reduce the above notice period to whatever the Committee Chairman considers appropriate in the circumstances.

#### **8. Minutes of meetings**

8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

8.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.

8.3 Draft minutes of Committee meetings shall be circulated promptly to the Committee Chairman and, once agreed, to all members of the Committee.

8.4 Once approved, minutes of Committee meetings shall be circulated to all members of the Board, unless it would be inappropriate to do so.

## **9. Annual General Meeting**

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

## **10. Responsibilities**

The Committee shall:

- 10.1 determine and agree with the Board the framework or broad policy for the remuneration of the Chairman of the Board, the Group Chief Executive, the Executive Directors, the General Counsel and Group Company Secretary and such other members of the senior management as it is designated to consider. 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 (Code D.2);
- 10.2 in determining such policy, take into account all factors that it deems necessary, including relevant legal and regulatory requirements. In addition, the Committee shall have particular regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management. The objective of such policy shall be to ensure that the Group's executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The Committee shall have due regard to the employment conditions for other senior executives of the Group. The Committee shall also ensure that the remuneration of newly appointed executive directors and the General Counsel is within the Group's overall policy and that issues of retention of key individuals are addressed;
- 10.3 approve the design of and determine targets for any performance related pay schemes operated by the Company, including the application of relevant performance criteria and the phasing of awards. The Committee shall ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements;
- 10.4 within the terms of the agreed policy, determine on an annual basis the total individual remuneration package of each Executive Director, the General Counsel and Group Company Secretary and other designated senior executives, including bonuses, incentive payments, share options or other long term incentives and other benefits in kind;
- 10.5 exercise such functions as fall to it under the terms of the Group's executive share option schemes' and other incentive schemes' rules, including the granting of options and the allotment of shares in the Company (including the use of treasury shares) to satisfy the exercising of those options;
- 10.6 determine the policy for and scope of pension arrangements, including which elements of remuneration should be pensionable and which should not, service

agreements for the Executive Directors, termination payments and compensation commitments. 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;

- 10.7 in determining such packages and arrangements, give due consideration to relevant legal and regulatory requirements including but not limited to the provisions of the Code (in particular, Schedule A, the Design of Performance-Related Remuneration for Executive Directors) and the requirements of the UK Listing Authority's Listing and Prospectus and Disclosure and Transparency Rules;
- 10.8 obtain reliable, up to date information about remuneration in other companies. The Committee shall have full authority (within any budget restrictions imposed by the Board) to commission any reports or surveys which it deems necessary;
- 10.9 oversee any major changes in employee benefit structures throughout the Company or Group;
- 10.10 agree the policy for authorising claims for expenses from the Group Chief Executive and Chairman of the Board;
- 10.11 review its constitution and terms of reference on an annual basis and recommend any changes it considers necessary to the Board for approval; and
- 10.12 make available the Committee's terms of reference (Code D.2.1).

## **11. Reporting responsibilities**

- 11.1 The Committee shall produce an annual report describing the Company's remuneration policy, practices, attendance and frequency of Committee meetings to be included in the Company's Annual Report and Accounts and ensure each year that it is put to shareholders for approval at the Annual General Meeting.
- 11.2 The Committee Chairman shall report formally to the Board on its proceedings after each Committee meeting.
- 11.3 The Committee may make recommendations to the Board it deems appropriate on areas within its remit where it believes action or improvement is needed.
- 11.4 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group's Secretariat and other Group functions for assistance as required.

## **12. Authority**

The Committee is authorised by the Board to:

- 12.1 seek any information it reasonably requires from any employee of the Company in order to effectively perform its duties;

- 12.2 select, appoint and set the terms of reference for any remuneration consultants at the Company's expense;
- 12.3 retain and terminate any remuneration consultants to be used to assist the evaluation of any director or executive manager's 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 as to whether they have any other connection with the Company (CC D.2.1); and
- 12.4 obtain, at the Company's expense, independent legal or other professional advice on any matters within its terms of reference.

**Approved by the Board on 29 March 2011**

