

Group Secretariat

Group Remuneration Committee Terms of Reference

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RSA Insurance Group plc
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RSA Insurance Group plc (the “Company”)

GROUP REMUNERATION COMMITTEE – TERMS OF REFERENCE

1. Principal Function

- 1.1 The Committee specifically has delegated authority from the Board to:
- determine the policy for Executive Director remuneration;
 - set the remuneration of the Individuals within its Scope (Chairman of the Board of the Company, Executive Directors and Executive Committee including the Company Secretary, and Other Executives i.e. any other senior employees of the Group the Committee determines to be within its scope as may be agreed by the Board from time to time); and
 - fulfil its oversight responsibilities to shareholders.
- 1.2 The Committee meets its oversight responsibilities by ensuring that remuneration principles, policy and practices:
- are suitable, taking into account the Company’s size, sector, performance, strategy, risk profile, purpose and values, and the Code principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture;
 - support the principle that levels of variable pay will be aligned to the levels of performance delivered (on a Group / Company and individual basis);
 - comply with regulation and law and take account of published guidelines where appropriate;
 - support good risk management principles and corporate governance; and
 - promote the long-term sustainable success of the company (UK Corporate Governance Code Principles P-Q and Provision 40).
- 1.3 The Committee oversees remuneration policy for the Group as a whole.
- 1.4 The Committee has specific accountability for the matters set out in paragraph 11, and shall report to the Board on these matters.

2. Membership

- 2.1 The Committee shall be appointed by the Board and shall comprise at least three members all of whom shall be independent Non-Executive Directors. Only Committee members have the right to attend Committee meetings. The Chairman of the Board may also serve as a member of, but not chair, the Committee if he or she was considered independent on appointment (Code Provision 32).
- 2.2 Care should be taken to minimise the risk of any conflict of interest or coalition of interests that could arise.

- 2.3 The Board shall appoint the Committee Chair and determine the period for which they shall hold office. In the absence of the Committee Chair, 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 by the Board.

3. Attendance

- 3.1 If a regular Committee member is unable to attend due to absence, illness or any other cause the Chair of the Committee may appoint an independent Non-Executive Director to serve as an alternate member, maintaining the quorum set out in paragraph 5.1 below.
- 3.2 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 and Group Human Resources Director usually attend meetings at the invitation of the Committee, except at times when their own remuneration is under discussion.

4. Secretary

- 4.1 A duly appointed nominee of the Group Human Resources Director shall act as Secretary to 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.
- 5.3 The Committee may meet for the despatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all members of the Committee may participate in a meeting of the Committee by means of a conference telephone or by any communication equipment which allows all persons participating in the meeting to hear each other or otherwise be party to all elements of the discussion. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

6. Frequency of Meetings

- 6.1 The Committee shall meet at least twice a year at appropriate times in the reporting and annual cycle, and at any other such time as the Chair of the Committee requests, or at the reasonable request of any of the members as is considered necessary or appropriate.

7. Notice of Meetings

- 7.1 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 prior to the date of the meeting. Papers will be made available to other Non-Executive Directors as appropriate.

8. Minutes of Meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those members present and absent plus individuals in attendance. The Secretary shall also minute the proceedings of any meeting between the Non-Executive Directors where executive management are not present at the discretion of the Committee Chair.
- 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 Chair 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 for reasons agreed by the Committee Chair or Chairman of the Board.

9. Annual General Meeting

- 9.1 The Committee Chair shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities and responsibilities.
- 9.2 The Committee Chair shall engage as required with the Company's principal shareholders about remuneration at any other time during the year.

10. Scope and Responsibilities

10.1 Determining Remuneration Policy

The Committee shall determine the Directors' Remuneration Policy subject to shareholder approval and review it at least triennially to ensure it remains fit for purpose.

The objectives of such a policy are to express the over-arching principles and broad framework through which these individuals' remuneration and benefits will be determined and governed.

The Committee shall determine how this Policy is cascaded to the Executive Committee and any Other Executives.

More broadly, the Committee shall oversee the over-arching principles of the remuneration policy for the Group as a whole, and the specific arrangements for individuals having accountability for key functions or identified as Material Risk Takers.

10.2 Implementing Remuneration Policy

The Committee shall agree how the Policy will be implemented in the next financial year.

The Committee shall set the remuneration and benefits for the Chairman of the Board and the Executive Directors in accordance with the Directors' Remuneration Policy, as well as for the Executive Committee and any Other Executives (Code Provision 33).

The Committee shall exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances (Code Principle R).

10.3 Fixed remuneration

The Committee shall oversee the annual gross basic salaries/fees, benefits and allowances of the Individuals within its Scope, approving any specific changes to these elements of remuneration as and when they arise. In carrying out these activities, the Committee shall take into account relevant market and other data, any retention issues, legal and regulatory considerations, in addition to having regard to the remuneration policy and practices applied to other employees within the Group. In setting and changing basic salaries in particular, the Committee will have regard to the impact of this on other forms of remuneration which are linked to basic salary.

The Committee shall judge where to position remuneration relative to other companies, using such comparisons with caution, in view of the risk of upward ratchet of remuneration levels and avoiding paying more than is necessary.

The Committee shall agree the scope of pension arrangements, taking account the Code. In setting pension benefit levels, account will be taken of workforce pension benefit levels (Code Provision 38).

10.4 Variable remuneration

The Committee shall approve the design and rules of any incentive plans covering the Individuals within its Scope, and other employee groups should the plan require the issue of shares in the Company or share equivalents.

The Committee's remit shall specifically include (but not be limited to): the selection and application of relevant performance criteria ensuring alignment to Group strategy and risk management principles, the targets for achievement, the form and timing of awards and the treatment of leavers.

The Committee shall ensure that these incentive plans encourage enhanced performance and support the growth of shareholder value, rewarding individuals for their contribution to the success of the Group in a fair and responsible manner which aligns their interests with those of shareholders.

The Committee shall ensure that performance related elements should be transparent, stretching and rigorously applied.

The Committee shall determine the extent to which any performance or other conditions have been met each year, ensuring that the levels of award vesting under the plans are appropriately consistent with the degree of performance achieved, as measured by the plans' performance conditions and the overall performance of the Company and/or the Group.

The Committee shall approve all incentive plan awards in respect of the Executive Directors, Executive Committee and any Other Executives. In so doing, it shall have regard to the individuals' level of total remuneration and ensure that this is appropriate and in accordance with the remuneration policy.

The Committee shall exercise such functions as fall to it under the terms of the rules governing the Group's incentives and other share plans.

The Committee shall ensure that variable pay schemes promote long-term shareholdings, that share awards granted are released for sale on a phased basis and subject to a total vesting and holding period of at least five years. It shall develop a formal policy for post-employment shareholding covering unvested and vested shares (Code Provision 36).

The Committee shall ensure that arrangements are in place which allow the Company to override formulaic outcomes and to withhold or recover variable pay when appropriate to do so (Code Provision 37).

The Committee shall ask the Board, when appropriate, to invite shareholders to approve all new long-term incentive plans (as defined in the Listing Rules LR 9.4), and significant changes to existing schemes, save in the circumstances provided by the Listing Rules.

The Committee Chair shall, where appropriate, consult the Company's major shareholders / institutional investors and principal corporate governance bodies on material incentive plan changes that do not require formal shareholder approval.

10.5 Service agreements and contractual matters

The Committee shall approve the terms contained within the service agreements for Executive Directors, the Executive Committee and any Other Executives, ensuring they are in accordance with prevailing legal and regulatory requirements. The Committee shall review such terms to ensure that the service agreements contain up to date provisions, which are compliant with all appropriate legal and regulatory requirements. The Committee has the discretion to request amending any existing service agreement or employment

contract in respect of Individuals within its Scope, provided the reason for doing so is necessary and appropriate. In making such a proposal, the Committee shall take into account all relevant legal factors and ensure that the individual is consulted prior to making any contractual changes.

The Committee shall approve the engagement terms for all Individuals within its Scope, and shall ensure that these are in accordance with the remuneration policy. As a point of principle, the Committee shall ensure that suitable forfeiture terms are in place if exceptional remuneration is agreed, such as compensation for forfeited incentives or a relocation package.

The Committee shall approve the payments and awards arising from the employment termination of Executive Directors, the Executive Committee and any Other Executives, ensuring that these adhere to the remuneration policy. In agreeing termination arrangements, it shall observe the principle of not rewarding poor performance. Where appropriate, remuneration arising from employment termination shall be made on a phased basis provided it is contractually permissible, and the individual's duty to mitigate loss shall be expected (Code Provision 39).

10.6 Expenses

The policy for authorising claims for expenses from the Group Chief Executive and the Chairman of the Board shall be set by the Board.

10.7 Non-Executive Directors

The remuneration of the Non-Executive Directors shall be determined in accordance with the Matters Reserved for the Board and the Company's Articles of Association.

The Chairman of the Board and Non-Executive Directors are not permitted to participate in any Group or Company incentive plan (Code Provision 34).

10.8 Workforce remuneration

The Committee shall review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration (Code Provision 33).

10.9 Share plan oversight

The Committee shall have oversight of the programmes which enable the Group's employees to own shares in the Company, whether or not such programmes are performance-related. The Committee shall recommend any amendments to these programmes or the introduction of new ones to the Board for approval, prior to obtaining any required shareholder approval (Listing Rule 9.4).

The Committee shall monitor the dilution levels of the Group's share plans at least once a year and report on these to the Board and to shareholders when required.

11. Reporting Responsibilities

- 11.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting.
- 11.2 The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively, and recommend any changes it considers necessary to the Board. An external evaluation shall be carried out once every three years, or at other such frequency as is determined by the Board.
- 11.3 The Committee shall be accountable for the preparation of the Directors' Remuneration Report (DRR). The Committee approves the contents of the DRR and all required other remuneration disclosures, ensuring that these comply with prevailing legislation and/or regulation; and take account of Code Provisions (Code Provision 41).
- 11.4 The Committee shall make available its terms of reference.

12. Advice and training

- 12.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group's Secretariat, Human Resources and Risk functions for assistance as required.
- 12.2 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members (arranged by the Secretary and paid for by the Company should this entail external support) and on an ongoing basis for all members.
- 12.3 To enable it to discharge its responsibility to the Board under the scope of these terms of reference, the Committee can, at the Company's expense (within any budget restrictions imposed by the Board):
 - appoint remuneration consultants and other external advisors such as lawyers, and agree the terms of reference under which they will be engaged including fees. Where remuneration consultants are appointed a statement in the annual report will be made available as to any other connection they have with the Company or individual directors (Code Provision 35);
 - commission independent professional advice, surveys, market data and/or reports from reliable external sources as it deems necessary and appropriate, and the outputs of which shall be shared with the regular attendees to the Committee unless it concerns a matter connected to such an individual directly.

12.4 The Committee shall also have the right to terminate any contractual arrangements it may have with its external advisers, notifying the Secretary in advance of such an intention.

13. Conflicts of Interest

13.1 The Committee shall take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management, or consulting the Group Chief Executive about its proposals (Code Provision 35).

13.2 No individuals shall be involved in decisions relating to their own remuneration, nor shall they be present during Committee meetings when such matters are discussed (Code Principle Q).

14. Authority

14.1 The Committee is authorised by the Board to:

- investigate any activity within its terms of reference;
- seek any information it reasonably requires, in order to effectively perform its duties;
- call any member of staff to be questioned at a meeting of the Committee as and when required; and
- delegate any of its duties as is appropriate to such persons or person as it thinks fit whilst retaining responsibility and oversight for any and all actions taken.