



**Prepared by:** Legal & Secretarial  
**Version:** 4.0  
**Status:** Signed Off  
**Owned by:** Group Board  
**Authorised by:** Group Board  
**Dept:** Legal & Secretarial  
**Sign-Off Date:** 25/11/2020

# GROUP REMUNERATION COMMITTEE TERMS OF REFERENCE

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## Document Control

### Document History

Date	Version	Key Changes	Distributed To
03/10/2017	V0.1	Adoption of new template	Group Remuneration Committee
29/11/2017	V.0.2	Adoption of new template	Group Board
15/11/2018	V1.1	Minor amendment	Group Remuneration Committee
11/11/2019	V2.1	2019 Annual Review reflecting 2018 UK Corporate Governance Code	Group Remuneration Committee
27/11/2019	V2.2	Minor amendments following the Group Remuneration Committee Meeting.	Group Board
12/11/2020	V3.1	2020 Annual Review	Group Remuneration Committee

### Document Sign-Off

Authorised by	Department	Version Signed-Off	Sign-Off Date
Group Board	N/A	V1.0	29 November 2017
Group Remuneration Committee	N/A	V2.0	15 November 2018
Group Board	N/A	V3.0	27 November 2019
Group Board	N/A	V4.0	25 November 2020

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## **1. Constitution**

- 1.1 The Group Remuneration Committee (“the **Committee**”) was constituted as a committee of the Board of Directors (the Board) of Benefact Group plc and Ecclesiastical Insurance Office plc in accordance with the articles of association of each Company.
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

## **2. Membership**

- 2.1 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. It is recognised that the number of members may fall below three for temporary periods due to departures and pending new appointments.
- 2.2 The Committee shall comprise a minimum of three members, all of whom are independent non-executive directors (NEDs) as determined by the Board (in accordance with the 2018 UK Corporate Governance Code (the Code). If any member of the Committee is deemed not to be independent, then the Board shall provide an explanation as to why they consider it appropriate for such a director to be a member of the Committee.
- 2.3 A member of the Group Risk Committee shall serve as a member of the Committee.
- 2.4 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.
- 2.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chief Executive Officer (GCEO), the Group HR Director, Group Reward Director, Group Chief Risk and Compliance Officer (CRO) and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 2.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three-year period and annually thereafter, provided the director continues to hold office and remains independent and approved by Shareholders.
- 2.7 The Board shall appoint the Committee Chairman who shall be an independent NED and before such appointment, the appointee should have served on the Committee for at least 12 months. 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.
- 2.8 Any Board member may attend any Committee meeting with the prior consent of the Committee’s Chairman, which consent may not be unreasonably withheld.

### **3. Secretary**

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

### **4. Quorum**

4.1. The quorum necessary for the transaction of business shall be two members present in person, by audio or video conference.

4.2. 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.

### **5. Attendance at Meetings**

5.1. The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.

5.2. 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.

5.3. 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 shareholder about remuneration.

5.4. 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).

### **6. Notice of Meetings**

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

6.2. 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 NEDs, 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.

### **7. Minutes of Meetings**

7.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

- 7.2. 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.
- 7.3. 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.

## **8. Voting arrangements**

- 8.1. Subject to paragraph 8.2, 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.
- 8.2. 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.
- 8.3. The Committee chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **9. Annual General Meeting**

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

## **10. Role**

- 10.1. The role of the Committee is to assist the board to fulfil its responsibility to shareholders to ensure that:
- a) remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
  - b) executive remuneration is aligned to company purpose and values and linked to delivery of the Company's long-term strategy.
- 10.2. In particular the Committee shall consider:
- a) Remuneration policies, including base pay, long and short term incentives and the use of the Committee's discretion;
  - b) Remuneration practice and its cost to the Company;
  - c) Recruitment, service contracts and severance policies;
  - d) Pension arrangements and other benefits;
  - e) The engagement and independence of external remuneration advisers; and
  - f) A review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.
- 10.3. 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.

## **11. Duties**

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

### **11.1. Remuneration Policy and Practices**

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

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

11.1.2 in determining such policy consider:

- a) all relevant legal and regulatory requirements (including PRA and FCA Remuneration Codes and Solvency II requirements);
- b) the provisions and recommendations of the UK Corporate Governance Code (Code) and associated guidance;
- c) the need to promote the long-term success of the Company and the alignment to the Company's purpose and values, 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;
- d) the business strategy of the Group and how the policy reflects and supports the business strategy;
- e) 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; and
- f) the transparency of the performance-related elements, ensuring they are stretching and rigorously applied.

11.1.3 when determining executive director remuneration policy and practices, address the following factors:

- a) clarity;
- b) simplicity;

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

- c) risk;
- d) predictability;
- e) proportionality; and
- f) alignment to culture.

- 11.1.4 when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;
- 11.1.5 exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances
- 11.1.6 review the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate on the policy or any other aspects of the policy;
- 11.1.7 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;
- 11.1.8 determine, within the terms of the agreed remuneration policy, each element of the total individual remuneration package for the Group Chairman, each Executive Director and designated senior managers (with appropriate consultation with Group Chairman and Group Chief Executive) including (to the extent applicable):
  - 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.
- 11.1.9 ensure that any payments made in respect of any remuneration package are permitted under the latest approved Remuneration Policy; and
- 11.1.10 within the terms of the agreed Remuneration Policy decide on any ex gratia payments to be made and the benefits granted to directors and senior executives.

## **11.2. Long Term Incentive Schemes and Bonus Arrangements**

- 11.2.1 recommend for approval by the board the design of, and determine the targets for, the operation of key long term incentive schemes and bonus arrangements, in which Executive Directors and designated senior management participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- 11.2.2 monitor and assess any performance conditions applicable to any long term and short term incentive awards granted under any schemes adopted by the Group. Ensure that the performance conditions are fully explained, aligned to the Group's purpose and



values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value;

11.2.3 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;

11.2.4 ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success. Incentive arrangement will recognise and reward outstanding individual performance; and

11.2.5 exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances.

### **11.3. Pensions**

11.3.1 review the pension arrangements for the Executive Directors and designated senior managers and consider:

a) the alignment of pension contribution rates, or payments in lieu, for Executive Directors, with those available to the workforce; and

b) the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration or contribution rates, particularly for directors close to retirement, when compared with the workforce.

### **11.4. Remuneration Consultants**

11.4.1 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; and

11.4.2 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.

### **11.5. Service contracts and severance**

11.5.1 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;

11.5.2 determine the policy for, and scope of, termination payments and compensation commitments for each executive director and designated senior managers. Ensure that

poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance; and

11.5.3 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.

## **11.6. Workforce remuneration and related policies**

11.6.1 review workforce remuneration and related policies and the alignment of incentives and rewards with culture;

11.6.2 when setting the policy for executive director remuneration, take into account the matters in paragraph 11.6.1;

11.6.3 engage with the workforce annually to explain how decisions on executive pay reflect wider company pay policy; and

11.6.4 oversee any major changes in remuneration and employee benefits structures throughout the Group.

## **11.7. Other matters**

11.7.1 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'

11.7.2 keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;

11.7.3 review and monitor the Group's compliance with relevant gender pay reporting requirements; and

11.7.4 agree the policy for authorising claims for expenses from Directors.

## **12. Reporting Responsibilities**

12.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

12.2. The Committee shall:

a) report to the board on workforce reward, incentives and conditions, and support the board's monitoring of the alignment of company policies and practices with culture and strategy;

b) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

- c) 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.
- d) prepare an annual Remuneration Report to be included in the Company's Annual Report, which shall include:
  - i. a Statement from the Committee Chairman providing a summary of the Company's remuneration policy and the annual report on remuneration;
  - ii. a report of the Company's remuneration policy and practices;
- e) if the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company or individual directors;
- f) ensure, through the chair of the board, that the Company maintains contact, and the Committee chair seeks engagement, as required, with the Company's major shareholders on significant matters related to the Committee's areas of responsibility;
- g) prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report setting out:
  - i. the number of meetings of the Committee and individual attendance by the members; and
  - ii. the matters listed in Provision 41 of the Code and other information recommended by the Code; and
- b) make publicly available the Committee's terms of reference by placing them on the Company's website.

### **13. Other Matters**

The Committee shall:

- 13.1. have access to sufficient resources to carry out its duties including access to the Company Secretary for assistance as required;
- 13.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 13.3. give due consideration to laws and regulations and any published guidelines or recommendations regarding the remuneration of directors;
- 13.4. work and liaise as necessary with other Board Committees; and
- 13.5. 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.

## **14. Authority**

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

- 14.1. Seek any information it requires from any employee of the Group in order to perform its duties.
- 14.2. 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.
- 14.3. Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 14.4. Call any employee of the Group to be questioned at a Committee meeting as and when required.
- 14.5. 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 HR Director

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

Group Chief Risk and Compliance Officer  
Group Chief Internal Auditor  
Group Company Secretary

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