Annual statement from the Chair of the Remuneration Committee

“Our remuneration strategy is designed to attract and keep talented, ambitious people and foster a culture that encourages sustainable high performance. Our aim is to deliver strong returns across the insurance cycle and create long-term value for our shareholders.”

Colin Keogh
Chair of the Remuneration Committee

Dear fellow shareholder
2022 was a year of progress for Hiscox. The Group delivered a strong underwriting profit of $269.5 million, the highest for seven years, representing an ROE of 10.8% from the core business, in a year which has included a range of significant natural and man-made catastrophes. Hurricane Ian losses were much lower than they would have been had we not reduced our exposure to under-priced business. Hiscox has achieved a combined ratio for retail within its target range a year ahead of market expectations and internal targets; the bench strength of talent at a senior leadership level was bolstered with a number of new appointments, including Paul Cooper who joined the Executive team earlier in the year as the new Group Chief Financial Officer, bringing fresh thinking to the top table; and employee engagement scores reached their highest level in ten years.

The Remuneration Committee has been busy reviewing our remuneration policy and consulting with shareholders in light of the forthcoming policy review. As a result of this process, we have proposed a number of changes which we believe will ensure that our executive remuneration fully supports achievement of our strategic objectives and motivates continued high performance on behalf of shareholders – including our financial results but also our wider role as a responsible employer, insurer and corporate citizen.

The Committee is focused on ensuring that we are rewarding performance that is sustainable. As such, we plan to introduce non-financial performance measures under our incentive plans for the first time as we look to further focus Executive Directors on leading measures of performance. Our customers are at the heart of what we do and their experience of dealing with us is becoming an increasingly key part of our overall performance, particularly given our growing retail focus. Likewise, we know that there is a strong relationship between employee engagement and company performance, and we believe that making Hiscox a great place to work is in shareholders’ long-term interests, in addition to being valuable in its own right. We are also conscious of the impact we can have as a business on the environment, which is why we propose to allow scope within our long-term incentive plan for the addition of ESG-related targets. We anticipate that our use of non-financial measures will evolve as we continue to develop our approach over the coming years, in line with our strategic aims and evolving market practice.

The 2021 Annual Report and Accounts included details of the Group’s strategic evolution as Hiscox seeks to build more balanced portfolios in the big-ticket businesses, alongside the significant structural growth opportunities that exist in our retail operations. This strategic evolution means that the profile of our returns is expected to change over time and this – along with the continuing volatility in market conditions – formed part of the Committee’s decision-making around incentive targets and how they calibrate with pay outcomes for 2023 and beyond (described below). Our objective was to ensure the strongest possible ongoing alignment between Executive pay outcomes and shareholder interests in the context of market change.

Remuneration policy review
The comprehensive policy review confirmed that, overall, our framework continues to operate effectively, supporting our aims of delivering strong

returns across the insurance cycle and creating sustainable long-term value for our shareholders. Nevertheless, we are proposing some improvements, set out below, with three key objectives in mind:

- to align the policy with good remuneration practice among UK-listed companies;
- to reduce any unnecessary complexity and volatility within the framework; and
- to appropriately reinforce our environmental, social and governance (ESG) responsibilities.

Throughout the review process, shareholders have provided valuable, constructive feedback on the proposals and on behalf of the Committee, I would like to thank all those who contributed.

Performance measures for incentives

Our incentives have previously been based only on financial measures, with a discretionary overlay to account for non-financial performance. The Committee intends to add formal non-financial metrics into the framework of both the bonus and long-term incentive plan to reflect the Group's wider strategic objectives and align with developing market practice among UK-listed companies. The non-financial metrics have been carefully selected to be relevant to business performance.

Annual bonus

The annual bonus is intended to align reward with the achievement of key annual objectives. We are proposing in the policy to base up to 25% of annual bonus awards on non-financial performance measures. The majority of the bonus opportunity (75% of the total) will still be based on financial metrics which remain the primary driver of bonus awards. Given the importance of our customers and colleagues, for the 2023 annual bonus we propose the introduction of employee and customer engagement metrics – each weighted at 5% of total bonus. The customer and employee metrics are direct drivers of business growth and performance, so fully aligned with shareholder value.

Employee engagement will be measured by considering our annual employee engagement survey scores, and customer engagement will be considered through quarterly claims transactional NPS results across our retail businesses.

Alongside these engagement metrics will be an individual personal objectives scorecard weighted at 15%, taking the total non-financial component of the bonus for 2023 to 25% for each Executive Director.

Long-term incentive plan (LTIP)

The LTIP is intended to incentivise and reward our Executives for delivering against long-term objectives that are focused on growth in Company value and aligned with the interests of shareholders.

The current metrics of growth in net asset value (NAV) per share plus dividends and relative total shareholder return (TSR) measured against a group of our main peers, remain key measures of our long-term success and are therefore being retained.

To complement the existing structure we are proposing to include in the policy the capacity to base up to 30% of LTIP awards in future years on non-financial measures, including an element related to our environmental impact in order to ensure that the LTIP supports the delivery of our wider corporate strategy and recognises the impact that we can have as an insurer and an investor.

As work continues in this area and having considered shareholder feedback, for 2023 LTIP awards we propose to retain our past focus on financial measures only, with a 50% weighting proposed for relative TSR and 50% for NAV growth. We will consult with shareholders again ahead of introducing an environment-related measure in future years.

Good governance changes

We are also proposing a number of smaller changes to the policy in order to ensure its continued alignment with good governance practice.

- **Bonus deferral mechanism:** the current policy includes a cash deferral structure which applies for up to two years following the end of the financial year, with a variable amount deferred depending on bonus quantum. In order to align Executive interests further with shareholders, align with market practice and make deferral simpler, we propose that deferral be applied at a flat rate of 40% of bonus with amounts deferred into Hiscox shares and released three years following the end of the relevant performance year.
- **Post-employment share ownership guidelines:** post-employment share ownership under the current policy tapers by 50% at one year post-termination. We propose to align to the Investment Association's principles of remuneration, to extend the full post-employment shareholding guideline to two years with a requirement to hold shares in line with the in-service guideline in place immediately prior to departure, or the actual shareholding on termination if lower.

- **Malus and clawback:** we propose to extend our current provisions by adding to the existing list of circumstances that may trigger the use of malus or clawback. Further details are included on page 140.

Target setting

The strategic evolution of the Group (see pages 6 to 7) has two important consequences – first, more consistent earnings growth should, over time, narrow the range of performance outcomes and, secondly, the planned increase in the contribution from retail should, again over time, reduce NAV volatility arising from underwriting.

Therefore, the Committee felt it was important to incentivise Executives to deliver long-term incremental and stable growth in earnings. We will therefore seek to incorporate these factors as we set incentive targets. For 2023 this will involve:

- slightly lower parameters for the ROE outcomes that underpin our bonus targets; and
- a narrower range of NAV growth outcomes applicable to the LTIP.

In setting the targets, we have also moved away from referencing the risk-free rate to absolute thresholds for ROE and NAV growth, reflecting both broader market practice and also the fact that the risk-free rate is forecast to remain volatile.

2022 business performance

The Group has delivered a strong result in an active year of geopolitical uncertainty, economic unpredictability and natural catastrophe losses. An underwriting profit of $269.5 million (2021: $215.6 million) and combined ratio of 90.6% (2021: 93.2%) is a testament to the disciplined execution of a refined strategy of building more balanced portfolios to drive reduced earnings volatility. Hiscox has achieved strong organic capital generation, enabling deployment of additional capital into a very favourable rating and underwriting environment while continuing to maintain a strong balance sheet and solvency ratio, and preserving a progressive dividend.

However, an excellent underwriting performance was masked by significant unrealised investment losses in our bond portfolio. This was driven by the high level of volatility in the global bond markets this year and some of the sharpest rises in interest rates on record. Most of the bond portfolio losses are mark-to-market losses, and thus accounting rather than cash losses. Given that our portfolios typically hold these investments until maturity, and the portfolio is of very high quality, we expect that these losses will unwind as the bonds mature.

Remuneration outcomes for 2022

2022 annual bonus

Pre-tax ROE, our performance metric for both Executive Director and wider workforce profit bonuses, was materially impacted by the unrealised investment losses on the bond portfolio. The Committee is firmly of the view that unrealised gains and losses in such a volatile external environment are not a helpful or fair reflection of management performance.

For the wider workforce, the Committee has decided that the fairest course is to pay bonuses on the pre-tax result after excluding the impact of unrealised investment losses on bonds in their entirety. As those bonds return to par over the next three years, we will adjust future bonus pools to remove the impact of any future gains. This smoothing effect of an accounting impact on the maturity profile of our bonds is, we feel, appropriate from a short-term incentive perspective.

For the three Executive Directors, without adjustment they would not receive a bonus in respect of 2022. Given the Group reported its strongest underwriting profit since 2015 during what has been a turbulent year, and considering the broader contribution and impact made by Executive Directors, after careful consideration the Committee determined that it would be appropriate to exclude 50% of the unrealised investment losses on bonds ($107.5 million) for 2022, from the bonus calculation. This results in an adjusted pre-tax ROE result of 6.1%.

The Committee is of the view that paying 25% of the maximum bonus opportunity to Executive Directors is a fair outcome and that payment of this level of bonus is aligned with the shareholder experience. The Committee also noted the improvement in share price performance seen during 2022 and the payment of dividends which were not impacted by unrealised investment losses.

As with the wider workforce, we will adjust the bonus pools over the next three years to remove the unwinding of the unrealised investment losses, so that there is no future benefit.

2020-2022 LTIP

Growth in NAV per share plus dividends is our performance metric for awards made in 2020, vesting in 2023. Performance averaged over 2020, 2021 and 2022 has not met the vesting threshold and therefore awards made to Executive Directors will lapse in full.

2023 remuneration

Executive Directors will receive salary increases of 5% which is below the average across other Hiscox employees in the UK of 6.1%.

Award opportunities under the bonus and LTIP arrangements remain unchanged from 2022.

Proposed changes to the performance metrics and the assessment process for both plans are outlined above. Further detail on the measures and targets are set out on pages 123 to 124.

Wider workforce

Engagement

We recognise the importance of engaging with and seeking feedback from employees on issues including remuneration to inform decision-making. One of the ways we do this is through our Employee Engagement Network, a representative group from across functions and geographies, whose sessions are facilitated by Employee Liaison and Non Executive Director Anne MacDonald and whose anonymised views are shared with the Board throughout the year. In 2022, a range of people-related topics were discussed in this forum, including new ways of working, diversity, equity and inclusion (DEI) and remuneration.

Another way in which we do this is through the Group's annual employee engagement survey, and the Committee is particularly pleased with the positive improvements in employee engagement during the year, reflecting the strategic importance placed on building connected teams post-pandemic. More information on the Group's 2022 employee engagement scores, the highest in ten years, can be found on page 3.

Rewards and benefits

Another of the Group's strategic priorities for 2022 was to take a fresh look at the experience of working at Hiscox, ensuring it remains a great place to work and build a career. This was a consultative process, with views collected from across the Group, and resulted in some significant improvements to the global benefits offering during 2022:

- the introduction of HSX:26 – an all-permanent-staff share ownership grant, in line with our ownership value and in recognition of the critical role that all employees play in achieving our strategic objectives between now and 2026, when the shares vest;
- a refreshed sabbatical policy – giving all permanent staff a four-week paid sabbatical for every five years of service; and
- the introduction of Hiscox days – giving our people two additional days of leave to allow them to mark occasions that matter to them – from religious holidays, to family events, or something else important. These days may also be donated to a colleague.

Pay

Financial well-being is a core pillar of our benefit philosophy and is why Hiscox has been an accredited Living Wage employer in the UK since 2019. In 2022, we recognised the additional challenges of high inflation levels and an increased cost of living, and made cost of living lump sum payments of £1,500/$1,500/€1,500 to the lowest-earning portion of our workforce – with 38% of our people benefitting from a one-off payment.

Pay reporting, measurement and monitoring

In 2022, Hiscox published its sixth annual gender pay report for the UK, and the mean pay gap of 16.0% (2021: 19.1%) represents steady progress at getting more women into more senior and higher-paid roles. Since 2017, on a mean basis, our gender pay gap has reduced steadily and is now 15 percentage points lower than when reporting commenced.

While gender pay gap reporting is a UK-specific disclosure requirement, internally we measure and monitor the gap globally. This supports our continued focus on DEI and is reflected in how we nurture talent and build a pipeline of diverse leaders. For example, each business unit and function across the Group has an action plan in place that is measured and monitored and ensures we are building gender diversity into succession planning and career development as we seek to realise women's leadership potential across our business.

In summary

The Remuneration Committee is satisfied that the 2022 remuneration outcomes are aligned with the experience of shareholders and reflective of business performance. Our policy has served us well to date, but we believe that the proposed amendments reflect good market practice, align incentives with our wider strategic objectives, and will enable us to continue to retain and recruit the high-calibre leadership required to deliver in a highly competitive global sector.

Colin Keogh
Chair of the Remuneration Committee

Remuneration summary

Key principles underpinning remuneration at Hiscox

The Hiscox remuneration policy is designed to drive a culture of high performance and create sustainable long-term value for shareholders. The policy follows three clear principles:

- simple and results-driven, with variable rewards if Hiscox delivers profits and shareholder returns in excess of specified return thresholds;
- incentivise Executive Directors appropriately, over the short and long term; and
- align Executive Directors' interests with those of our shareholders, focusing on effective risk management, return on equity (ROE) and net asset value growth, which drives total shareholder return over time.

Remuneration outcomes for 2022

Bonus of c.25% of maximum opportunity for the Executive Directors.

Long-term performance impacted by Covid-19 events and catastrophe claims. PSP awards granted in 2020 will not vest.

Single figure of £1,390,959 for the CEO.

Summary of remuneration arrangements

A summary of the remuneration arrangements for Executive Directors is provided opposite.

Base salary

Competitive fixed pay.

Benefits

Same as majority of employees.

Annual bonus

Aligned to shareholder interests.

Performance Share Plan (PSP)

Aligned to long-term shareholder interests and performance.

Shareholding guidelines

Aligned to shareholder interests.

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Read our updated remuneration policy.

Implementation of policy for 2022

Implementation for 2023

Salaries for 2022:
- Aki Hussain: £750,000
- Paul Cooper: £525,000
- Joanne Musselle: £525,000

Salaries for 2023:
- Aki Hussain: £787,500
- Paul Cooper: £551,250
- Joanne Musselle: £551,250

Salary increase of 5% in line with the average UK employee increase of 6.1%.

Executive Directors' benefits can include health insurance, life insurance, long-term disability schemes and participation in all-employee share schemes. Retirement benefits are delivered via a cash allowance of 10% of salary, paid in lieu of the standard pension contribution, or a combination of pension contribution and cash allowance, totalling 10% of salary. These benefits mirror those available to most other employees in the organisation.

Maximum opportunity:
- up to 300% of salary for CEO and CFO;
- up to 400% of salary for CUO.

Over the past ten years, the average bonus awarded to the CEO has been equivalent to 26% of the current maximum opportunity.

Performance metrics: disclosure of the ROE target ranges and detail around the individual performance factors used to determine outcomes for 2022 is provided on pages 114 to 117.

Deferral: part deferral of amounts in excess of £50,000.

2022 actual as a percentage of maximum opportunity:
- Aki Hussain: 25%
- Paul Cooper: 25%
- Joanne Musselle: 25%

Maximum opportunity unchanged.

Performance metrics: 75% weighting on ROE and 25% on non-financial performance metrics. Further details are provided on page 123.

Deferral: flat rate of 40% of bonus with amounts deferred into Hiscox shares and released three years following the end of the relevant performance year.

Award subject to three-year performance period and two-year holding period.

Maximum opportunity: 250% of salary for all Executive Directors.

Vesting subject to: net asset value per share growth plus dividends (60% weighting) and relative TSR (40% weighting).

2022 award as percentage of salary:
- Aki Hussain: 250%
- Paul Cooper: 250%
- Joanne Musselle: 250%

Holding period: awards subject to a further two-year holding period following vesting.

Maximum opportunity, time horizon and holding period all unchanged.

Vesting subject to: net asset value per share growth plus dividends (50% weighting) and relative TSR (50% weighting).

2023 award as percentage of salary:
Aki Hussain: 250%
Paul Cooper: 225%
Joanne Musselle: 225%

Share ownership guidelines of 200% of salary for all Executive Directors, after five years in role.

2022 actual:
- Aki Hussain: 212%
- Paul Cooper: 62%
- Joanne Musselle: 243%

Paul Cooper was appointed in May 2022.

Post-employment shareholding requirement: retain a shareholding at the level of the in-employment guideline for one year and half this amount for the following year.

Share ownership guideline unchanged.

Post-employment shareholding requirement: maintain the level of the in-employment shareholding guideline (or the actual shareholding on stepping down, if lower) for two years following stepping down from the Board.

Annual report on remuneration 2022

This report explains how the remuneration policy was implemented for the financial year ended 31 December 2022.

PwC has been engaged to audit the sections in the annual report on remuneration 2022 below entitled 'Executive Director remuneration' and 'additional notes to the Executive remuneration table', 'annual bonus', 'performance outcomes for 2022', 'long-term incentive plan', 'Non Executive Director remuneration table', 'Directors' shareholding and share interest', 'Performance Share Plan' and 'Sharesave Schemes', 'payments to past Directors', 'payments for loss of office', to the extent that would be required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.

Executive Director remuneration table (audited)

2022

Name	Salary £	Benefits £	Bonus £	Long-term incentive plan[4] £	Retirement £	Other[3] £	Total £	Total split: Fixed remuneration £	Total split: Variable remuneration £
Aki Hussain[1]	750,000	10,593	562,500	0	67,866	0	1,390,959	828,459	562,500
Paul Cooper[2]	340,057	6,009	237,182	0	30,732	620,273	1,234,253	376,798	857,455
Joanne Musselle	522,125	8,890	525,000	0	43,527	0	1,099,542	574,542	525,000

2021

Name	Salary £	Benefits £	Bonus £	Long-term incentive plan £	Retirement £	Total £	Total split: Fixed remuneration £	Total split: Variable remuneration £
Aki Hussain	511,000	8,308	462,150	0	46,453	1,027,911	565,761	462,150
Joanne Musselle	511,000	9,060	550,000	0	46,938	1,116,998	566,998	550,000

[1]Aki Hussain was appointed as Group Chief Executive Officer on 1 January 2022 (he was formerly the Group Chief Financial Officer).
[2]Paul Cooper was appointed as Group Chief Financial Officer on 9 May 2022 and appointed to the Hiscox Ltd Board as an Executive Director on 12 May 2022. Details of his joining package are contained on page 107 of the 2021 remuneration report.
[3]Includes Sharesave scheme discount to market value of £4,500 (see page 121), plus 2021 bonus buy-out of £253,470 paid in May 2022, plus partial 2022 bonus buy-out of £119,318, plus share buy-out of £242,985 using the middle market quotation of £9.142 on the 20 September 2022 vesting date. Dividend equivalents were added. The share price had dropped 5% between the date of grant and vest. See page 117 for more details of buy-out arrangements.
[4]2022 long-term incentives for Aki Hussain and Joanne Musselle relate to performance share awards granted in 2020 where the performance period ends on 31 December 2022. The award is due to vest on 15 May 2023. Based on the performance achieved, the awards will not vest. As the award will lapse in full there is no part of the award attributable to share price appreciation.

Additional notes to the Executive Director remuneration table (audited)

Salary

Salary reviews take place in the first quarter of the year, effective from 1 April. As noted in last year's remuneration report, Joanne Musselle's salary was increased by 2.2% from April 2022, which was below the average UK-based employee salary increase. Aki Hussain's salary remained unchanged from his 1 January 2022 starting salary. Paul Cooper's salary was effective from him commencing employment on 9 May 2022.

Base salaries for Executive Directors from 1 April 2022 were as follows:

	April 2022 £
Aki Hussain	750,000
Paul Cooper	525,000
Joanne Musselle	525,000

Benefits

For 2022, benefits provided for Executive Directors included the healthcare scheme, life insurance, income protection insurance and critical illness policies, as well as a Christmas gift and fitness cash allowance.

Retirement benefits

Aki Hussain and Paul Cooper received a 10% of salary cash allowance in the year (less an offset for the employer's UK National Insurance liability) in lieu of the standard employer pension contribution. Joanne Musselle receives a combination of cash allowance and employer pension contribution totalling 10% of salary (less an offset for employer's UK National Insurance on the cash allowance). The value of these retirement benefits are shown in the Executive Director remuneration table on page 112. Executive Director retirement benefits are consistent with those offered to the majority of UK employees. This has been the policy at Hiscox for a number of years.

Variable pay

To ensure that remuneration is aligned with Company performance and the shareholder experience, a significant proportion of pay is delivered through incentive awards, consisting of an annual bonus and share awards under the Performance Share Plan, which can vary significantly based on the level of performance achieved. Bonuses are only paid if results exceed a specified threshold set taking into account prevailing market conditions.

Although the remuneration structure has naturally evolved over time to reflect market and best practice, the simple framework has been in place for more than 15 years.

Annual bonus (audited)

The Executive Directors, along with other employees across the Group, participate in profit-related bonus pools, which are calculated at a business unit level and for the Group as a whole. The Remuneration Committee believes that the most appropriate measure for the calculation of the bonus pool is pre-tax return on equity (ROE), as this aligns management's interests with those of shareholders, minimises the possibility of anomalous results, and ensures that incentives for Executive Directors and other employees are tied to the Company's profit performance. When setting targets, the Committee seeks to motivate strong performance while also encouraging sustainable behaviours, in line with the defined risk appetite of the business.

The bonus is structured in a way that ensures significant variability in outcomes, including the possibility of no bonus being paid. Over the past ten years there have been three occasions when the Group delivered a pre-tax ROE below the required threshold and no bonuses were paid to Executive Directors. The threshold is set annually using an investment benchmark rate and for 2022 was set at a pre-tax ROE of risk-free-rate plus 2.5%.

In determining the bonuses to be paid to Executive Directors, the Remuneration Committee bases its judgement on both the performance of the Group and a robust assessment of personal and strategic objectives, including adherence to specific risk management objectives. Details of the key objectives for 2022 and individual achievements by the Executive Directors are shown on page 116. The Remuneration Committee also seeks input from the Chief Risk Officer and Chief Actuary. To aid the Committee's assessment of bonus outcomes, the following framework was in place for 2022.

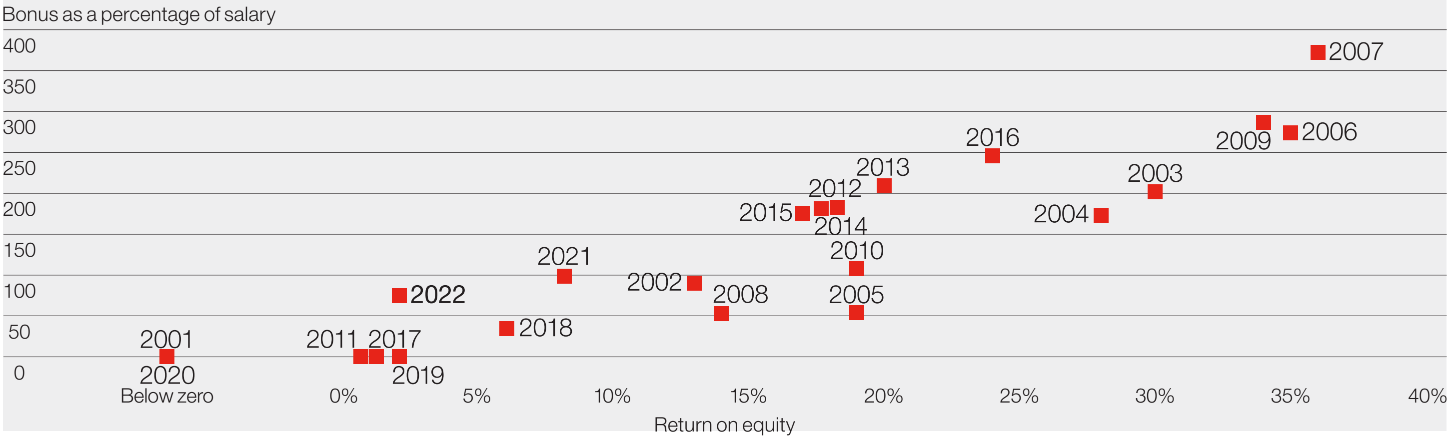
Pre-tax return on equity	Indicative bonus range (% of max)
<RFR +2.5%	0%
RFR +2.5% to RFR +10%	0-30%
RFR +9% to RFR +14%	25-55%
RFR +13% to RFR +18%	45-75%
RFR +16% to RFR +21%	65-90%
Greater than RFR +19%	80-100%

The risk-free rate (RFR) is reviewed annually. For 2022, the RFR was set at 0%.

The maximum bonus opportunity for 2022 remained unchanged from 2021, being 300% of salary for both the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. Bonuses are payable in March 2023 and are subject to deferral (in accordance with the remuneration policy approved by shareholders in 2020) and malus and clawback (see page 140 for more details).

Employees below the Board also participate in a personal performance bonus scheme. Awards under this scheme are normally based on individual performance ratings. The scheme is designed to ensure that employees continue to be motivated to perform well, irrespective of overall Group performance. The benefit is typically up to 15% of salary.

Executive Directors' cash incentives and return on equity



Pay for performance – track record

The chart above shows the relationship between the Group ROE performance and bonus awards for Executive Directors over an extended period. It demonstrates the strong link between Company performance and bonus outcomes.

Performance outcomes for 2022 (audited)

The Group has delivered a strong result in an active year of geopolitical uncertainty, economic unpredictability and natural catastrophe losses. An underwriting profit of $269.5 million is a testament to the disciplined execution of a refined strategy of building more balanced portfolios to drive reduced earnings volatility. However, an excellent underwriting performance was masked by significant unrealised investment losses in the bond portfolio. This was driven by the high level of volatility in the global bond markets this year and some of the sharpest rises in interest rates on record. Most of the bond portfolio losses are mark-to-market losses, and thus accounting rather than cash losses. Given that our portfolios typically hold these investments until maturity, and the portfolio is of very high quality, these losses are expected to unwind as the bonds mature.

Pre-tax ROE, our performance metric for profit bonuses, was materially impacted by the unrealised investment losses on the bond portfolio. The Committee is firmly of the view that unrealised gains and losses in such a volatile external environment are not a helpful or fair reflection of management performance. For the wider workforce, the Committee has decided that the fairest course is to pay bonuses on the pre-tax result for 2022 after excluding the impact of unrealised investment losses on bonds in their entirety. As those bonds return to par over the next three years, future bonus pools will be adjusted to remove the impact of any future gains. This smoothing effect of an accounting impact on the maturity profile of our bonds is, we feel, appropriate from a short-term incentive perspective.

For the three Executive Directors, without adjustment they would not receive a bonus in respect of 2022. Given the Group reported its strongest underwriting profit in seven years during what has been a turbulent year, and considering the broader contribution and impact made by Executive Directors, after careful consideration the Committee determined that it would be appropriate to exclude 50% of the unrealised investment losses on bonds ($107.5 million) for 2022, from the bonus calculation. This results in an adjusted pre-tax ROE result of 6.1%.

The Committee is of the view that paying 25% of the maximum bonus opportunity to Executive Directors is a fair outcome and that payment of this level of bonus is aligned with the shareholder experience. The Committee also noted the improvement in share price performance seen during 2022 and the payment of dividends.

As with the wider workforce, future bonus pools will be adjusted over the next three years to remove the unwinding of the unrealised investment losses, so that there is no future benefit.

2022 key objectives and individual achievements by the Executive Directors (audited)

Key objectives	Achievements
Aki Hussain Deliver the 2022 business plan	During 2022, Aki led the business to deliver 3.6% premium growth, a combined ratio of 90.6% and a pre-tax profit of $44.7 million in a year of heightened geopolitical uncertainty, economic unpredictability and natural catastrophe losses. In addition, the Group has reported its strongest underwriting profit since 2015 and a return to the 90%-95% Hiscox Retail combined ratio range a year ahead of target. The Group has made excellent progress against its 2022 business priorities, in particular 'building connected teams with shared values and mindset', where the Group is enjoying its best employee engagement scores in ten years.
Embed the new Group strategy	The strategy Aki set out at the beginning of 2022 is now fully embedded and is designed to maximise both the profitable, cyclical growth and the structural growth opportunities ahead. It is frequently shared and talked about at all levels, and has brought greater clarity to the role of each business unit in realising the Group's ambitions. The strategy has seen the Group shift to a lower volatility profile which is positively reflected in the strong underwriting performance during a turbulent year.
Establish a high-performance leadership team	Aki has established a new Group Executive Committee with a strong combination of institutional knowledge and fresh thinking. During 2022, this included the appointment of a new Group Chief Human Resources Officer and a new UK Chief Executive Officer, the introduction of a new Group Chief Operations and Technology Officer role, and the onboarding of a new Group Chief Financial Officer.
Paul Cooper Balance sheet management	Paul has overseen the continued optimisation of the Group's capital and liquidity position. This included a £250 million debt refinancing transaction which was in excess of three times oversubscribed, demonstrated strong sentiment and market confidence in the Group, and the completion of two legacy portfolio transactions (LPTs) to reduce reserving volatility – with 23% of 2019 reserves and prior years now reinsured.
Optimising the finance function	Paul has introduced a refocused finance function structure, designed to better support the business through growth. It is centred around six core disciplines – financial planning and analysis; financial reporting and controls; actuarial, reserving and capital; investments and treasury; investor relations and tax – and will enhance existing capabilities in areas such as financial control and actuarial.
Joanne Musselle Active portfolio management	Joanne has overseen a continued focus on active portfolio management. This includes the repositioning of the US broker book completed during the year, as well as re-underwriting actions to further reduce under-priced exposure in the property binder portfolio in the London Market. These actions, alongside positive rates across all our segments, has enabled the Group to deliver a strong underwriting profit of $269.5 million, the best result since 2015, and mean that each business unit is favourably positioned for the opportunities ahead.
Underwriting through a complex environment	Joanne has led the Group's underwriting response to geopolitical tensions arising from the Russia/Ukraine conflict and macroeconomic conditions such as supply chain disruption. This included enhanced pricing and inflation monitoring to ensure rate and premium kept pace with inflationary assumptions.
Developing underwriting talent	The 'faculty of underwriting' framework for underwriting-focused technical and behavioural training, developed last year, is now fully embedded under Joanne's leadership. It has successfully implemented a series of programmes, delivering bite-size learning modules online, tailored to each stage of an underwriter's career, and has been well received – with high engagement from our underwriters and external learning awards in the UK and USA.

Bonus buy-out arrangements for Paul Cooper (audited)

Paul Cooper forfeited a full-year 2021 bonus of £355,783 as a result of his resignation from M&G plc. He was compensated with a cash payment of £253,470 in May 2022 and the remaining bonus was delivered in Hiscox shares with three-year cliff vesting, mirroring the structure of his forfeited award. The shares are included in the share buy-out table shown below.

Paul Cooper was not eligible for a bonus from M&G plc for the period of time he worked in 2022 prior to commencing employment with Hiscox on 9 May 2022. The Committee agreed to pay a time pro-rated target bonus for this period based on the M&G incentive structure which equates to £119,318. Payment will be made in March 2023 subject to Hiscox deferral rules and recovery provisions.

Long-term incentive plan (audited)

Share buy-out arrangements for Paul Cooper

In lieu of forfeited long-term incentive plan awards with his previous employer, on 17 May 2022 Paul Cooper was compensated with awards of an equivalent face value and all vesting terms were mirrored. The shares shown below are not subject to performance conditions and no additional holding period applies. Dividend equivalents are payable between the date of grant and the date of vesting in respect of each award. The Hiscox malus and clawback provisions apply. Vesting is subject to continued employment.

Vesting date	Number of shares	Market price at the date of grant* £	Market value at the date of grant £
20 Sept 2022	26,274	9.70	254,858
3 April 2023	86,780	9.70	841,766
1 April 2024	42,945	9.70	416,567
1 April 2025	11,037	9.70	107,059

*The middle market quotation on 17 May 2022, the date of grant, was 9.70.

On 20 September 2022, the first tranche of the buy-out award vested. Paul Cooper received an additional 305 shares equivalent to the dividends payable with a record date between 16 May 2022 and 19 September 2022. The total vested award was 26,579 shares.

Performance Share Plan (PSP) awards where the performance period ends with the 2022 financial year

The Executive Directors were granted nil-cost options under the PSP on 15 May 2020 for the three-year performance period 1 January 2020 to 31 December 2022.

The performance conditions for this award were set at the start of the performance period and are as follows:

	Growth in net asset value plus dividends	Proportion of PSP vesting measured on a per-share basis %
Minimum threshold vesting	RFR + 6% p.a. = 7% p.a.	20
Maximum vesting	RFR + 14% p.a. = 15% p.a.	100
Straight-line vesting between these points		

The risk-free rate (RFR) for the awards granted in 2020 was set at 1%.

Performance outcome

Based on the three-year average growth in net asset value per share plus dividends not meeting the performance threshold of 7% p.a., the awards ending with the 2022 performance year will not vest and all awards will lapse in full.

PSP awards granted during the 2022 financial year

As disclosed in the 2021 Directors' Remuneration Report, PSP awards granted to the Executive Directors in 2022 were set at 250% of salary. Awards are based on a three-year performance period followed by a two-year holding period. 60% of awards are based on stretching growth in net asset value (NAV) plus dividends targets, measured on a per share basis, with 40% based on relative total shareholder return (TSR) against a group of global insurance peers.

Executive Directors were granted nil-cost options under the PSP as shown below. Grants to Aki Hussain and Joanne Musselle were made on 8 April 2022. Paul Cooper's grant was made on 16 May 2022.

	Number of awards granted	Market prices at date of grant* £	Market value at date of grant £
Aki Hussain	190,355	9.846	1,874,235
Paul Cooper	141,646	9.636	1,364,901
Joanne Musselle	133,248	9.846	1,311,960

*The middle market quotation on 8 April 2022, the date of grant for Aki Hussain and Joanne Musselle, was 9.846. Paul Cooper was granted shares on 16 May 2022 when the middle market quotation was 9.636.

The performance condition for these awards, measured over the period 1 January 2022 to 31 December 2024, is as follows:

Growth in NAV plus dividends measured on a per-share basis	Award vesting (% of maximum)*
Less than RFR + 6% p.a.	0%
RFR + 6% p.a.	16%
RFR + 14% p.a.	80%
Equal to or greater than RFR +17% p.a.	100%

*Applies to 60% of awards. Straight-line vesting in between each point.

The risk-free rate (RFR) for the awards granted in 2022 was set at 0%.

Relative TSR	Award vesting (% of maximum)*
Below median	0%
Median	20%
Upper quartile	100%

*Applies to 40% of awards. Straight-line vesting in between each point.

The peer group consists of the following 24 companies: Admiral Group, Alleghany, American Financial Group, Arch Capital, Argo, Axis Capital, Beazley, Conduit, Cincinnati Financial, CNA Financial, Direct Line Insurance Group, Everest Re, Fairfax Financial Holdings, Hanover Insurance, James River Group, Kinsale Capital Group, Lancashire Holdings, Markel, QBE, Renaissance Re, RLI, SCOR, White Mountains Insurance Group, and WR Berkley.

Executive Directors will be required to retain any shares post vest (net of tax charges) for a further two years.

Non Executive Director remuneration (audited)

The table below sets out the remuneration received by the Non Executive Directors for the financial years ending 31 December 2022 and 31 December 2021. As all Directors serve on every Committee, the Ltd fees have been aggregated into one overarching Board fee in 2022.

2022

	Ltd Board fee £	Subsidiary Board fee £	Benefits[1] £	Total Hiscox fees £	Total split Fixed £	Total split Variable £
Robert Childs (Chairman)	295,000	–	13,987	308,987	308,987	–
Donna DeMaio	116,379	39,224	–	155,603	155,603	–
Caroline Foulger[2]	45,634	43,971	–	89,605	89,605	–
Michael Goodwin	107,759	38,793	–	146,552	146,552	–
Thomas Huerlimann	107,759	51,304	–	159,063	159,063	–
Colin Keogh	130,172	106,000	–	236,172	236,172	–
Anne MacDonald	116,379	–	–	116,379	116,379	–
Constantinos Miranthis	116,379	42,241	–	158,620	158,620	–
Lynn Pike	113,793	67,241	–	181,034	181,034	–

2021

	Ltd Board fee £	Ltd Committee fee £	Subsidiary Board fee £	Benefits[1] £	Total Hiscox fees £	Total split Fixed £	Total split Variable £
Robert Childs (Chairman)	295,000	–	–	12,868	307,868	307,868	–
Donna DeMaio[3]	15,580	8,877	–	–	24,457	24,457	–
Caroline Foulger	62,319	42,754	88,681	–	193,754	193,754	–
Michael Goodwin	62,319	28,261	32,609	–	123,189	123,189	–
Thomas Huerlimann	62,319	28,261	50,862	–	141,442	141,442	–
Colin Keogh	74,638	34,783	106,000	–	215,421	215,421	–
Anne MacDonald	62,319	35,507	–	–	97,826	97,826	–
Constantinos Miranthis	62,319	35,507	35,507	–	133,333	133,333	–
Lynn Pike	62,319	33,333	56,522	–	152,174	152,174	–

[1]Benefits include life assurance and healthcare.
[2]Caroline Foulger retired from the Hiscox Ltd Board on 12 May 2022.
[3]Donna DeMaio was appointed as a Non Executive Director in November 2021.

Fees are paid in multiple currencies – 2022 fees were converted using £1: €1.15 and £1: $1.16. 2021 fees were converted using £1: €1.16 and £1: $1.38.

Membership of the Remuneration Committee

The Remuneration Committee members during the year were Caroline Foulger (retired from the Board on 12 May 2022), Michael Goodwin, Thomas Huerlimann, Anne MacDonald, Constantinos Miranthis, Lynn Pike, Donna DeMaio and Colin Keogh (Chairman).

Directors' shareholding and share interests (audited)

To align their interests with those of Hiscox shareholders, senior managers are expected to own a minimum number of Hiscox shares. Executive Directors are required to hold Hiscox shares valued at 200% of salary within five years of becoming an Executive Director. Joanne Musselle and Aki Hussain have met the requirement with holdings of 243% and 212% respectively using the closing share price on 31 December 2022. Paul Cooper was appointed to the Board in 2022 and is beginning to build his shareholding. He currently holds shares equivalent to 62% of salary.

Details of the post-employment shareholding guideline for Executive Directors which applies for a period of two years from stepping down from the Board can be found on page 138.

The interests of Executive and Non Executive Directors are set out below, including shares held by connected persons. There have been no changes in the Director share interests between 31 December 2022 and 8 March 2023.

Directors	31 December 2022 6.5p ordinary shares number of shares beneficial	31 December 2021 6.5p ordinary shares number of shares beneficial
Executive Directors:		
Aki Hussain	145,767	91,786
Paul Cooper[1]	30,045	3,466
Joanne Musselle	117,309	98,449
Non Executive Directors:		
Robert Childs	1,213,162	1,213,162
Donna DeMaio	0	0
Caroline Foulger[2]	29,000	29,000
Michael Goodwin	12,678	12,678
Thomas Huerlimann	16,112	15,927
Colin Keogh	53,980	47,600
Anne MacDonald	41,504	40,251
Constantinos Miranthis	6,832	6,832
Lynn Pike	1,538	1,538

[1]Paul Cooper was appointed to the Board on 12 May 2022.
[2]Caroline Foulger retired from the Board on 12 May 2022, her shareholding is shown as at that date.

Performance Share Plan (PSP) (audited)

Awards in the form of nil-cost options are granted under the PSP as a percentage of salary. All awards are subject to performance conditions, with the exception of Paul Cooper's buy-out. The interests of Executive Directors are set out below:

Name	Number of awards at 1 January 2022	Number of awards granted	Number of awards lapsed	Number of awards exercised	Number of awards at 31 December 2022	Mid-market price at date of grant £	Average market price at date of exercise £	Date from which released
Aki Hussain	36,873	–	–	(36,873)	–	10.46	9.68	08-Apr-19
	63,250	–	(63,250)	–	–	15.46		08-Apr-22
	120,500	–	–	–	120,500	7.00		15-May-23
	144,436	–	–	–	144,436	8.59		08-Apr-24
	–	190,355	–	–	190,355	9.85		08-Apr-25
Paul Cooper	–	26,579*	–	(26,579)	–	9.70	9.36	19-Sep-22
	–	86,780*	–	–	86,780	9.70		03-Apr-23
	–	42,945*	–	–	42,945	9.70		01-Apr-24
	–	11,037*	–	–	11,037	9.70		01-Apr-25
	–	141,646	–	–	141,646	9.70		08-Apr-25
Joanne Musselle	18,000	–	(18,000)	–	–	15.46		08-Apr-22
	120,500	–	–	–	120,500	7.00		15-May-23
	144,436	–	–	–	144,436	8.59		08-Apr-24
	–	133,248	–	–	133,248	9.85		08-Apr-25
Total	647,995	632,590	(81,250)	(63,452)	1,135,883			

*Denotes buy-out award.

Sharesave Schemes (audited)

The interests of Executive Directors under the Sharesave Schemes are set out below.

The scheme offers a three-year savings contract where the exercise price of the options is calculated on an average share price over five days prior to the invitation date, with a 20% discount. Sharesave options are not subject to performance.

Paul Cooper was granted 2,452 options during 2022 with a discount to market value in the option price of £4,500 based on saving £500 per month for 36 months.

	Number of options at 1 January 2022	Number of options granted	Number of options lapsed	Number of options exercised	Number of options at 31 December 2022	Exercise price £	Market price at date of exercise £	Date from which exercisable	Expiry date
Aki Hussain	2,500	–	–	–	2,500	7.20		01-Jun-24	30-Nov-24
Paul Cooper	–	2,452	–	–	2,452	7.34		01-Dec-25	31-May-26
Joanne Musselle	2,380	–	–	–	2,380	7.56		01-Dec-24	31-May-25
Total	4,880	2,452	–	–	7,332				

Payments for loss of office (audited)

No payments were made during the year for loss of office.

Payments to past Directors (audited)

Following stepping down as Group Chief Executive Officer and as an Executive Director of Hiscox Ltd with effect from 31 December 2021, Bronek Masojada has continued providing strategic advice as a Director for key subsidiaries. During 2022, Bronek received a salary of £150,000 and was covered under the health insurance and life assurance schemes. In line with other participants who received performance-related share grants in 2020, with the performance period ending 31 December 2022, Bronek's 156,000 share award will not vest and will lapse in full. Bronek remains subject to the post-employment shareholding requirement until 31 December 2023.

Implementation of remuneration policy for 2023

Salary

Annual salary reviews take effect from April each year. The Committee takes account of a number of factors, primarily the increase applied to other UK-based employees. The Committee applies judgement when using external market data.

For 2023, salaries for Executive Directors will be increased by 5%. This is in line with other UK-based employees where the average increase is 6.1%. Salaries from April 2023 will be as follows:

	2023 £
Aki Hussain	787,500
Paul Cooper	551,250
Joanne Musselle	551,250

Annual bonus

In determining the bonuses to be paid to Executive Directors for 2023, the Committee will base its judgement on the scorecard shown below.

Metric	Weighting	Target
Pre-tax ROE	75%	The Committee believes that ROE represents the best financial measure to assess Executive performance and is linked most closely to our shareholder returns. In line with our focus on lower-volatility returns, we propose to slightly refine the range of ROE outcomes that underpin our targets in 2023. We will also move away from referencing the risk-free rate to absolute ROE, reflecting both broader market practice and the fact that the risk-free rate is forecast to remain volatile. As in prior years, targets are considered commercially sensitive and will be disclosed in the 2023 annual report on remuneration. ROE in excess of 21% is expected to be required for maximum pay out.
Strategic personal objectives	15%	The addition of formal non-financial metrics into the bonus framework reflects the Group's wider strategic objectives and aligns with developing market practice among UK-listed companies. We are broadening our focus to include not just the 'what' but also the 'how' element of our performance and multi-year nature of strategy delivery. Targets are considered commercially sensitive and will be disclosed in the 2023 annual report on remuneration.
Retail claims transactional NPS	5%	Our customers are at the heart of what we do and their experience dealing with us is becoming an increasingly key part of our overall performance, as our business shifts to more of a retail focus. Claims management is also intrinsically linked to our brand value. Claims transactional net promoter score will be measured by an external third party across our retail operations in Europe (by country), the UK and the USA. We will derive a weighted average score every three months based on the number of responses in each market. Bonus vesting will be reduced by 25% if the quarterly score falls below 69 which we have deemed the minimum acceptable level (our current weighted average is 66). Bonus awards will be paid the following year-end based on the number of quarters in which the minimum score was met or exceeded. The Committee believes that regular measurement will focus executive attention on this key leading measure of our performance throughout the annual cycle.
Global employee engagement score	5%	Employee engagement has been proven to be strongly correlated with overall Company performance and we regard it as an important forward-looking, leading measure of our success. We also believe it is largely a function of good leadership. Engagement will be measured through an annual employee engagement survey run by an external third-party provider. Questions will focus on employees' pride working for Hiscox, as well as their level of satisfaction and advocacy for us as an organisation. Performance hurdle of 82% engagement for 20% vesting, with the maximum score of 90% or above for 100% vesting. Straight-line vesting profile between hurdle and max. The average of the last three annual engagement scores is 71%.

Long-term incentive plan: Performance Share Plan (PSP)

The maximum opportunity for the awards to be granted to the Executive Directors in 2023 will remain unchanged from 2022 at 250% of salary. Awards will continue to be based on a three-year performance period followed by a two-year holding period.

Having considered shareholder feedback in this area, the Committee is minded to focus solely on long-term financial performance for awards made in 2023. Our approach may expand in the future to include ESG-related targets and we will ensure that we take account of shareholder views as our thinking evolves. In order to allow for this, our policy will permit up to 30% of LTIP vesting based on non-financial measures but we propose to use only financial measures in 2023.

For 2023, 50% of awards will be based on stretching growth in NAV plus dividends targets, measured on a per-share basis. The Committee considers that growth in NAV continues to be a key metric for the PSP given that our strategy is built around the objective of generating long-term shareholder value and NAV is aligned with shareholder value creation.

50% of awards will be based on relative TSR, aligned to our strategy of generating long-term value for shareholders, benchmarking those returns versus our closest listed peers.

Under the new leadership team at Hiscox, there has been a subtle but marked shift in strategy with an increased focus on building a business which can deliver growing, sustainable and attractive long-term returns. There is a renewed focus on building more balanced portfolios in each business and a heightened recognition of the long-term structural growth opportunities in our retail businesses – especially the retail digital market in the USA. This strategic tilt will have two important consequences – firstly, more consistent earnings growth should, over time, narrow the range of performance outcomes and, secondly, the planned increase in the contribution from retail should, again over time, reduce NAV volatility arising from underwriting.

To reflect the lower volatility we propose to amend the range underpinning LTIP PSP targets in 2023. In setting the targets, we will also move away from referencing the risk-free rate to absolute thresholds for NAV growth, reflecting both broader market practice and the fact that the risk-free rate is forecast to remain volatile.

The targets below represent an expected aggregate increase in shareholder value of between $462 million and $1,356 million over three years.

	Growth in net asset value plus dividends per share	Proportion of PSP vesting %
Minimum threshold vesting	$0.43 p.a.	20
Maximum vesting	$1.28 p.a.	100

Applicable to 50% of awards. Straight-line vesting between threshold and maximum.
These numbers are on an IFRS 4 basis and we will look to convert to IFRS 17.

Relative TSR	Proportion of PSP vesting %
Below median	0
Median	20
Upper quartile	100

Applicable to 50% of awards. Straight-line vesting in between each point.

The peer group consists of the following 23 companies: Admiral Group, American Financial Group, Arch Capital, Argo, Axis Capital, Beazley, Conduit, Cincinnati Financial, CNA Financial, Direct Line Insurance Group, Everest Re, Fairfax Financial Holdings, Hanover Insurance, James River Group, Kinsale Capital Group, Lancashire Holdings, Markel, QBE, Renaissance Re, RLI, SCOR, White Mountains Insurance Group, and WR Berkley.

Non Executive Director fees

The Non Executive Director fees which apply for 2023 are set out below. These remain unchanged from 2022. All Board members sit on each of the Committees (Audit, Remuneration, Risk, Nominations and Governance) so the Committee fees have been aggregated into the basic fee.

	2023 fees
Board Chairman and subsidiary services	£295,000
Non Executive Director basic fee	$125,000
Additional fees for:	
Audit Committee Chair	$10,000
Remuneration Committee Chair	$9,000
Risk Committee Chair	$7,000
Senior Independent Director	$17,000
Employee Liaison	$10,000
Bermuda Committee	$10,000

Other remuneration matters

External Non Executive Directorships

Executive Directors may not accept any external appointment that may give rise to a conflict of interest, and all external appointments require the consent of the Chairman. Aki Hussain held a directorship at VISA Europe Limited during 2022 and received a fee of £131,875. Joanne Musselle was remunerated £40,000 for her directorship at Realty. Paul Cooper was an unremunerated member of the board at the ABI.

External advisors

The Committee received independent advice from Deloitte and Willis Towers Watson during 2022. Willis Towers Watson was appointed by the Committee in June 2022, following a competitive tender process. Willis Towers Watson is a signatory to the Remuneration Consultants Group Code of Conduct and, as such, voluntarily operates under its code of conduct. During the year, the Committee received advice on developments in market practice, corporate governance, institutional investor views, and on the design of the Company's incentive arrangements. Total fees for advice provided to the Committee during the year were £20,650 for Deloitte and £103,734 for Willis Towers Watson, based on a time and materials basis.

The Committee regularly reviews the advice it receives and is satisfied that this has been objective and independent. During the year, Deloitte provided the Company with other tax and consulting services and Willis Towers Watson also provided other consulting services to the Company.

In addition to the external advisors, the Group Chief Executive Officer and Group Chief Human Resources Officer attend the Committee meetings by invitation and provided material assistance to the Remuneration Committee during the year. No Director or Committee member was involved in determining their own remuneration during the year.

Statement of shareholder voting

At the AGM on 12 May 2022, the annual report on remuneration received the votes below from shareholders. While the Directors' remuneration policy was not voted on in the most recent AGM, results from the last policy vote are included below.

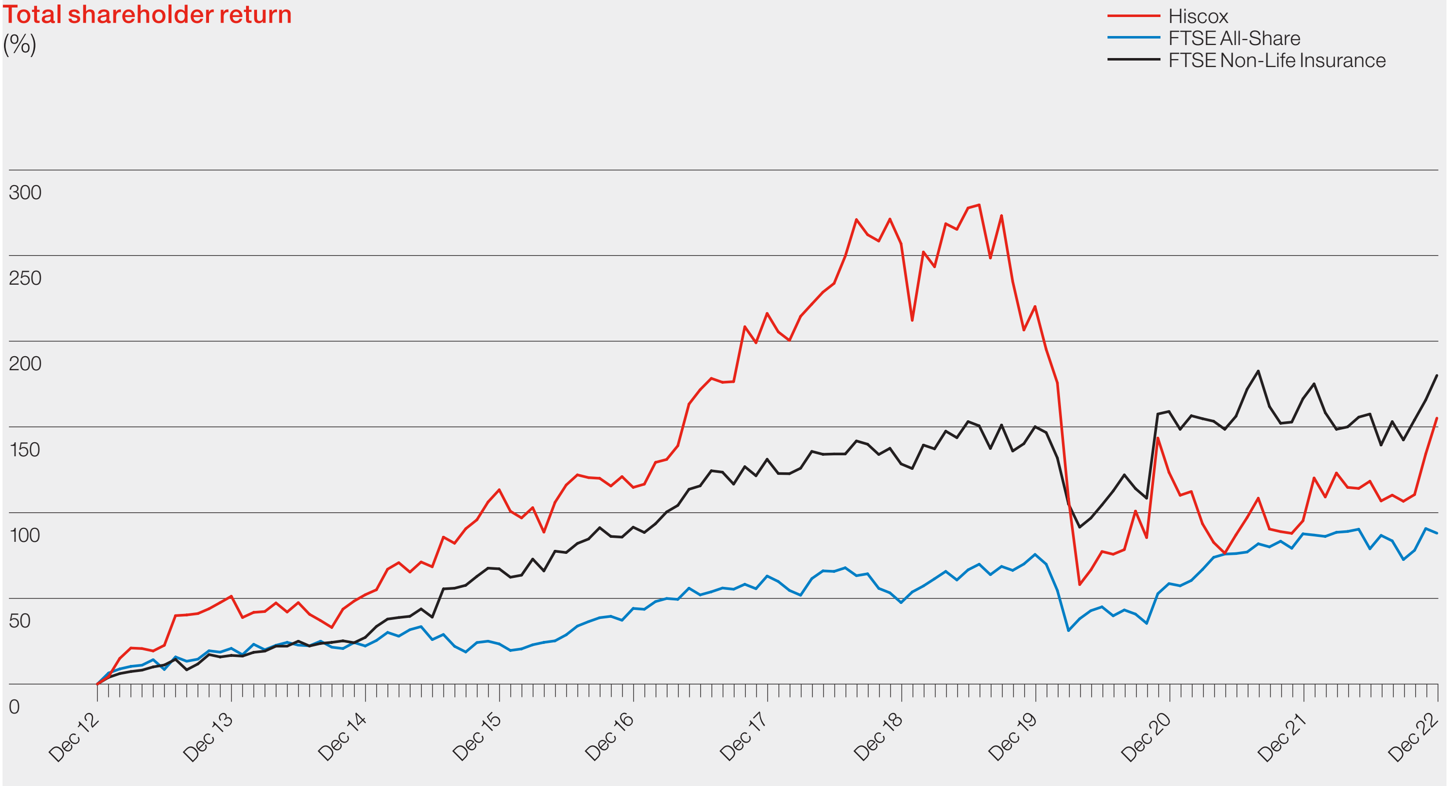
	Annual remuneration report (12 May 2022)	Remuneration policy (14 May 2020)
For	287,494,199	230,333,655
%	97.74%	95.86%
Against	6,656,862	9,949,668
%	2.26%	4.14%
Withheld	88,186	32,597
Total votes	294,239,247	240,315,920

Total shareholder return performance

The graph below shows the total shareholder return of the Group against the FTSE All-Share and FTSE Non-Life Insurance indices. These reference points have been shown to assess performance against the general market and industry peers. Between December 2012 and 2022, Hiscox delivered total shareholder return of 155%.

Total shareholder return

(%)



Chief Executive historic remuneration

The table below shows the single total remuneration figure for the Group Chief Executive Officer for the past ten years. The Group Chief Executive Officer was Bronek Masojada up to and including 2021. From 1 January 2022 the Group Chief Executive Officer is Aki Hussain.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO single figure of remuneration (£)	2,341,737	3,130,535	3,358,894	3,970,466	2,394,428	1,818,086	698,196	717,243	1,332,964	**1,390,959**
Annual bonus as percentage of current max	51	44	39	64	0	9	0	0	30	**25**
PSP vesting as percentage of maximum opportunity	53	100	100	100	85	47	0	0	0	**0**

Prior to 2015, the annual bonus was operated on an uncapped basis. In order to facilitate comparison, a cap has been applied retrospectively.

Comparator data

Remuneration for the wider workforce

When considering the remuneration arrangements for senior management, the Committee takes into account remuneration throughout the wider workforce, which is based on broadly consistent principles. The Remuneration Committee receives information on Group-wide remuneration policies and uses internal and external measures to assess the appropriateness of the remuneration policy and outcomes for Executive Directors. During the year, the Committee reviewed information on market levels of pay in our peer group, bonus pools split by business area, levels of share plan participation and pay ratios between Executives and average employees.

88% of employees responded to the 2022 global employee engagement survey, which included two reward-related questions and we receive further employee feedback via our employee engagement network led by Employee Liaison and Non Executive Director Anne MacDonald. During 2022, the employee network discussed remuneration, including how executive pay aligns with the pay approach for the wider workforce.

Cost of living payments of 1,500 (Sterling, Euro or Dollar) were made in the UK, Europe and Bermuda during 2022 to 38% of the workforce in order to provide targeted financial support to those struggling most with the current increased cost of living.

Group Chief Executive Officer pay ratio

The Group Chief Executive Officer's total remuneration compared with the median (50th percentile) remuneration of the Company's UK employees as at 31 December 2022 is shown below, along with the 25th and 75th percentiles.

We selected calculation method 'Option A' as it is the more robust approach and favoured by investors. This method captures all pay (excluding overtime due to its volatility) and benefits for the financial year to 31 December 2022 and aligns with how the 'single figure' table is calculated (from which there has been no deviation). Part-time employee single figures were annualised to provide more meaningful comparison.

Full year	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	A	31:1	20:1	13:1
2021	A	34:1	20:1	12:1
2020	A	20:1	12:1	8:1
2019	A	19:1	11:1	7:1

The table below shows the salary and total remuneration of each employee at the 2022 quartile positions.

2022	P25 £	P50 £	P75 £
Salary	37,833	56,590	82,325
Total remuneration	44,180	70,449	109,293

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles among the UK employee population. There has been minimal change in the ratios over the last year. The pay ratios remain suppressed as a result of the limited LTIP vesting. The expectation is that the ratios will be higher and more variable as the remuneration of our most senior executives, including the Group Chief Executive Officer, is more highly performance geared than other roles in the business.

The Committee is comfortable that the pay ratio for 2022 aligns to the pay and progression policies for employees, in particular that pay is truly linked to performance and that individuals are appropriately motivated and rewarded according to their knowledge and seniority within the business.

Percentage change in remuneration of the Board Directors

The table below shows the percentage change in remuneration for each Executive and Non Executive Director, between the years 2020 and 2022. Salary and bonus are compared against all employees globally, benefits are compared against all UK-based employees, reflecting the location of the Executive Directors.

	2020 % change			2021 % change			2022 % change		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
All employees[1]	4.3	5.9	(36.1)	1.8	(3.7)	147	5.8	2.6	11.6
Executive Directors:									
Aki Hussain[2]	2.8	(6.9)	N/A	2.2	3.3	N/A	46.8	43.3	21.7
Paul Cooper[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Joanne Musselle	N/A	N/A	N/A	22.1	21.6	N/A	2.2	(6.4)	(4.5)
Non Executive Directors:[4]									
Robert Childs	1.7	(1.7)	–	–	10.4	–	–	8.7	–
Donna DeMaio[5]	N/A	N/A	N/A	N/A	–	–	536.2	–	–
Caroline Foulger[6]	(3.2)	–	–	(1.5)	–	–	(53.8)	–	–
Michael Goodwin	4.2	–	–	(0.7)	–	–	19.0	–	–
Thomas Huerlimann	(2.0)	–	–	(1.4)	–	–	12.5	–	–
Colin Keogh	(2.5)	–	–	32.4	–	–	9.6	–	–
Anne MacDonald	2.2	–	–	(0.7)	–	–	19.0	–	–
Constantinos Miranthis	(5.2)	–	–	5.0	–	–	19.0	–	–
Lynn Pike	(6.3)	–	–	(0.7)	–	–	19.0	–	–

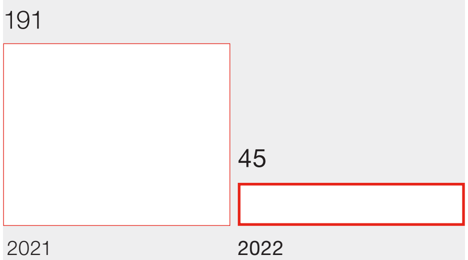
[1]Median employee salary, benefits and bonus have been calculated on a full-time equivalent basis. Salary and benefits are calculated as at 31 December, bonus is that earned during the year ending 31 December.
[2]Aki Hussain was appointed Group Chief Executive Officer in January 2022 and previously held the position of Group Chief Financial Officer.
[3]Paul Cooper was appointed to the Board in May 2022.
[4]Non Executive Director fees are subject to exchange rate fluctuations.
[5]Donna DeMaio was appointed to the Board in November 2021.
[6]Caroline Foulger retired from the Board in May 2022.

Relative importance of the spend on pay

The charts below show the relative movement in profit, shareholder returns and employee remuneration for the 2021 and 2022 financial years. Shareholder return for the year incorporates the distribution made in respect of that year. Employee remuneration includes salary, benefits, bonus, long-term incentives and retirement benefits. Profit is the ultimate driver behind the performance metrics of the bonus and long-term incentive schemes. See profit before tax on the consolidated income statement on page 166.

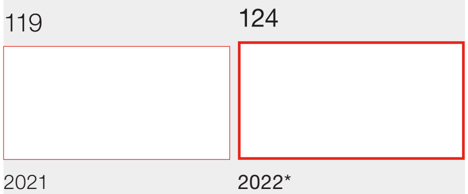
Profit before tax ($m)

-76.4 (% change)



Dividend and return of capital to shareholders ($m)

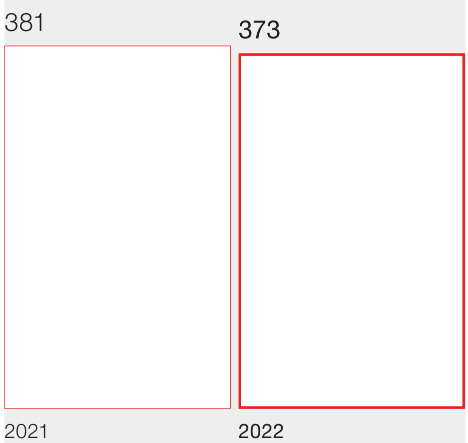
+4.2 (% change)



*Includes a final dividend in respect of the year ended 31 December 2022 of 24.0¢ per share, subject to shareholder approval.

Total employee remuneration ($m)

-2.1 (% change)



How we have addressed the following factors in the UK Corporate Governance Code 2018

Factor	Consideration of how this is addressed for Hiscox
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	— Shareholders' views on the proposed changes to the remuneration policy were sought during 2022 and constructive feedback was received. — In 2022, a range of people-related topics, including remuneration, were discussed by our Employee Engagement Network, facilitated by Committee member Anne MacDonald, who also serves as our Employee Liaison. We also carry out an annual employee engagement survey and are pleased with the positive improvements during the year – resulting in our best employee engagement scores for ten years (see page 3 for further details). — The Committee receives information on broader workforce remuneration policies and practices during the year which informs its decision-making for Executive Director remuneration.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	— The remuneration philosophy is a simple one: to reward performance. Hiscox's remuneration framework is simple, comprising three main elements: — fixed pay (base salary, benefits and pension); — annual bonus; and — performance share awards. — In the proposed policy changes outlined on pages 132 to 143, we are intending to further simplify the approach to bonus deferral.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The remuneration policy incorporates a number of design features to take account of and minimise risk: — the Committee has the ability to apply independent judgement and override formulaic outcomes to ensure that incentive awards are a fair reflection of both the Company's performance and that of the individual over that period; — part of the annual bonus is subject to deferral, and share awards are subject to a post-vesting holding period and post-employment shareholding requirement; — all variable remuneration is subject to malus and clawback provisions.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	— The range of possible values are set out in the performance scenario charts in the remuneration policy on page 143. — Limits and ability to exercise discretion are also set out in the notes to the policy on page 140.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	— Variable incentive pay-outs have a strong link to Company performance. The Committee is satisfied that the remuneration outcomes for 2022, detailed on page 115, are reflective of Company performance over the respective performance periods.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	— The variable incentive schemes, including quantum, time horizons, form of award, performance measures and targets are all designed with the Company's purpose, values and strategy in mind. — The proposed changes to the policy outlined on pages 132 to 143 allow inclusion of strategic non-financial measures. — The pay arrangements for the Executive Directors are aligned with those of the broader workforce and senior team.

Remuneration policy
Hiscox has a forward-looking remuneration policy for its Executive Directors.

The role of the Remuneration Committee is to ensure that the Company's remuneration strategy encourages enhanced performance in a fair and responsible manner and rewards individuals for their contribution to the success of the Company, having regard to statutory and regulatory requirements and the views of shareholders and other stakeholders. The remuneration approach is designed to support the Company's strategic goals and promote long-term sustainable success.

The Company's intended forward-looking remuneration policy for Executive Directors is set out on pages 132 to 143 and will be submitted for a vote at the Annual General Meeting on 11 May 2023.

Changes to the policy
The new remuneration policy has been developed by the Remuneration Committee following a rigorous review process, which took into account the views of Hiscox's major shareholders. The Committee took independent external advice on the regulatory environment, shareholder expectations and market good practice in relation to executive pay among UK-listed companies and listened to the views of Executives.

Potential changes to the policy were debated at Remuneration Committee meetings and a set of proposals were agreed and shared with investors in November 2022. The Committee Chair met with a number of shareholders and received written feedback from others.

Shareholders provided valuable, constructive feedback, particularly regarding the implementation of environment-related performance measures in our long-term incentive plan (LTIP), noting that measures should be fully aligned with the nature and objectives of the Company, as well as being robust and measurable. This feedback resulted in our decision to reserve the space in the new remuneration policy to base up to 30% of LTIP awards in future years on non-financial measures, including an element related to our environmental impact, but to focus solely on financial measures for 2023 LTIP awards as we continue to develop our approach in line with our strategic aims and evolving market practice.

We are proposing the following primary changes to our policy for 2023.
- Reward the delivery of Hiscox's wider strategy by introducing a scorecard approach to the short- and long-term incentives, allowing inclusion of strategic non-financial metrics. The maximum opportunity under these plans will remain unchanged.
- Bonus deferral – in order to align with market practice and make deferral simpler, bonus deferral will be applied at a flat rate of 40% of bonus with amounts deferred into Hiscox shares and released three years following the end of the relevant performance year.
- Post-employment shareholding guidelines – in recognition of the Investment Association's Principles of Remuneration, Executive Directors will be expected to maintain an interest in Hiscox shares for two years after they step down from the Board at the level of the in-employment shareholding guideline (or the actual shareholding on stepping down, if lower).
- Malus and clawback – the circumstances that may trigger use of malus and clawback by the Committee have been extended under the short- and long-term incentive plans.

Future policy table
Executive Director remuneration

Base salary

Purpose and link to strategy	Fixed-pay elements enable the Company to be competitive in the recruitment market when looking to employ individuals of the calibre required by the business.
Operation	Base salary is normally reviewed annually, taking into account a range of factors including inflation rate movements by country, relevant market data and the competitive position of Hiscox salaries by role. Individual salaries are set by taking into account the above information, as well as the individual's experience, performance and skills, increases to salary levels across the wider Group, and overall business performance. By exception, an individual's salary may be amended outside of the annual review process.
Maximum potential value	The salaries for current Executive Directors which apply for 2023 are set out on page 122. Executive Directors' salary increases will normally be in line with overall employee salary increases in the relevant location. Increases above this level may be considered in other circumstances as appropriate (for example, to address market competitiveness, development in the role, or a change in role size, scope or responsibility).
Performance metrics	Individual and business performance are taken into account when setting salary levels.
Application to broader employee population	Process for review of salaries is consistent for all employees.

Future policy table
Executive Director remuneration

Benefits (including retirement benefits)

Purpose and link to strategy	Fixed-pay elements enable the Company to be competitive in the recruitment market when looking to employ individuals of the calibre required by the business.
Operation	**Retirement benefits** These vary by local country practice, but all open Hiscox retirement schemes are based on defined contributions or an equivalent cash allowance. This approach will be generally maintained for any new appointments other than in specific scenarios (for example, where local market practice dictates other terms). For current Executive Directors, a cash allowance of up to 10% of salary is paid in lieu of the standard employer pension contribution, or a combination of pension contributions and cash allowance, totalling 10% of salary. **Other benefits** Benefits are set within agreed principles but reflect normal practice for each country. Hiscox benefits include, but are not limited to: health insurance, life assurance, long-term disability schemes and participation in all-employee share plans such as the sharesave scheme. Executive Directors are included on the directors and officers' indemnity insurance. The Committee may provide reasonable additional benefits based on circumstances (for example, travel allowance and relocation expenses) for new hires and changes in role.
Maximum potential value	Set at an appropriate level by reference to the local market practice and reflecting individual and family circumstances. Pension benefits will be in line with the standard employer contribution taking into account any local requirements.
Performance metrics	None.
Application to broader employee population	Executive Directors' benefits are determined on a basis consistent with all employees.

Future policy table
Executive Director remuneration

Annual bonus

Purpose and link to strategy	To reward for performance against the achievement of financial results over the financial year and key objectives linked to Company strategic priorities. To provide a direct link between reward and performance. To provide competitive compensation packages.
Operation	Performance metrics and targets are set annually. The payment outcome at the end of the performance period is based on an assessment of the level of performance achieved with reference to the performance targets set at the start of the year, including an assessment of risk factors. Amounts are paid in accordance with the bonus deferral mechanism described on page 136. Bonus awards are non-pensionable. Bonus awards are subject to malus and clawback provisions as described in the notes to the policy table on page 140.
Maximum potential value	The maximum bonus opportunity for the Executive Directors will be as follows: — Group Chief Executive Officer and Group Chief Financial Officer – 300% of salary; — Group Chief Underwriting Officer – up to 400% of salary. Where performance is deemed to be below acceptable levels, pay-outs will be nil.
Performance metrics	Performance is assessed against relevant financial and non-financial targets designed to incentivise the achievement of Company strategy. The Committee has the discretion to determine the specific performance conditions attached to each bonus cycle and to set annual targets for these measures with reference to the strategy approved by the Board. The financial measures used will typically include return or profit-based targets. Up to 25% of the bonus can be based on non-financial measures including environmental, social and governance (ESG) related measures. For the measures and weightings to be used in a particular year, please refer to the annual report on remuneration. The discretion available to the Committee in assessing the achievement of the performance targets is as set out in the notes to the policy table on page 140.
Application to broader employee population	The operation of the annual incentive is consistent for the majority of employees across the Group.

Future policy table

Executive Director remuneration

Bonus deferral

Purpose and link to strategy	To align with sound risk management, encourage retention of employees, share ownership and alignment with shareholder interests.
Operation	Executive Directors are required to defer a percentage (currently 40%) of their total annual bonus into Hiscox shares for a period of three years. The release of these shares and the associated accrued dividend shares are generally subject to continued employment but are not subject to any further performance conditions. The remaining 60% will be paid as cash following the end of the financial year. The Remuneration Committee may exercise discretion and agree to early payment of deferred bonuses to Executive Directors on an exceptional basis. Deferred awards are subject to malus and clawback provisions as described in the notes to the policy table on page 140.
Maximum potential value	In accordance with the operation of the annual bonus plus accrued dividend shares.
Performance metrics	In accordance with the operation of the annual bonus.
Application to broader employee population	Bonus deferral is applied in line with regulatory requirements.

Future policy table
Executive Director remuneration

Long-term incentive plan – Performance Share Plan (PSP)

Purpose and link to strategy	To motivate and reward for the delivery of long-term objectives in line with Company strategy. To encourage share ownership and align interests with shareholders. To provide competitive compensation packages.
Operation	Awards are granted under, and governed by, the rules of the PSP as approved by shareholders from time to time. Share awards are made at the discretion of the Remuneration Committee. Awards normally vest after a three-year period subject to the achievement of performance conditions. Dividend equivalents may accrue prior to the vesting date. An additional holding period, which is currently two years, applies. Awards are generally subject to continued employment, however, awards may vest to leavers in certain scenarios. Dividends (or equivalents) may accrue on vested shares prior to release. Awards are subject to malus and clawback provisions as described in the notes to the policy table on page 140.
Maximum potential value	PSP awards are subject to a maximum annual grant of up to 250% of salary in respect of any one financial year plus accrued dividends (or equivalents).
Performance metrics	The performance conditions for awards are set to align with the long-term objectives of the Company. The Committee reviews the targets prior to each grant to ensure that they remain appropriate. The policy provides for a minimum aggregate weighting of 70% for financial metrics and for up to 30% to be based on strategic non-financial performance metrics. For the weightings used in a particular year, please refer to the annual remuneration report. For delivery of threshold performance, up to 20% of the relevant portion of the award can vest. For full vesting, the stretch hurdles need to be met in full. The discretion available to the Committee in assessing the achievement of the performance targets is as set out in the notes to the policy table on page 140. Where the Committee considers it appropriate to do so, under the plan rules the Committee is able to modify performance criteria for outstanding awards on the occurrence of certain events (for example a major disposal).
Application to broader employee population	Participation in the PSP is normally restricted to senior individuals.

Future policy table
Executive Director remuneration

Shareholding guidelines

Purpose and link to strategy	To ensure Executive Directors are aligned with shareholder interests.
Operation	Within five years of becoming an Executive Director, individuals will normally be expected to have acquired an interest in Hiscox shares valued at 200% of salary. Shares owned by the Executive Director (and any connected person) count towards the guidelines as do shares subject to any vested but unexercised PSP awards (net of assumed taxes). Executive Directors are also expected to remain aligned with the interests of shareholders for an extended period after leaving the Company. Executive Directors will typically be expected to retain a shareholding at the level of the in-employment shareholding guideline (or the actual shareholding on stepping down, if lower) for two years after termination unless the Committee determines otherwise in exceptional circumstances.
Maximum potential value	N/A.
Performance metrics	N/A.
Application to broader employee population	Post-employment shareholding guidelines only apply to Executive Directors.

Future policy table

Non Executive Director remuneration

General approach	The total aggregate fees payable are set within the limit specified by the Company's Bye-laws. The fees paid are determined by reference to the skills and experience required by the Company, as well as the time commitment associated with the role. The decision-making process is informed by appropriate market data. Non Executive Directors are not eligible for participation in the Company's incentive plans or pension arrangements. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed to Non Executive Directors (including any tax thereon where these are deemed to be taxable benefits). Non Executive Directors are included on the directors and officers' indemnity insurance. The current fees payable to Non Executive Directors are set out on page 125.
Chairman	The Chairman receives an all-inclusive fee in respect of the role. In addition to his fee the Chairman may be provided with incidental benefits, for example, private healthcare and life assurance (including any tax thereon where these are deemed to be taxable benefits). The remuneration of the Chairman is determined by the Remuneration Committee.
Non Executive Directors	Non Executive Directors receive an annual fee in respect of their Board and Committee appointments together with additional compensation for further duties (for example, chairmanship, subsidiary boards, SID fee and employee liaison fee). The fees for the Non Executive Directors (excluding the Chairman) are determined by the Nominations and Governance Committee.

Notes to the policy table

Performance measures, target setting and assessment

The performance targets for the annual bonus and Performance Share Plan (PSP) awards are closely aligned with the Company's short- and long-term strategic objectives. The intention is to provide a direct link between reward levels and performance.

The Company operates a performance scorecard-based approach for the annual bonus. This ensures that both individual bonus levels and overall spend are commensurate with the performance of the Company across a number of key metrics, some financial and some non-financial. The Committee considers performance metrics and targets prior to the start of each financial year to ensure that these remain suitable and relevant. It is the intention of the Committee that the bonus payments should normally reflect the outcome of the performance measures set, although the Committee has the ability to apply independent judgement to ensure that the outcome is a fair reflection of the performance of the Company and individual over the performance period. When making this judgement, the Committee has scope to consider any such factors as it deems relevant.

PSP performance measures are intended to motivate and reward delivery of long-term Company success. The Committee considers performance metrics and targets prior to the grant of each award to ensure that these remain suitable and relevant. It is the intention of the Committee that the vesting of PSP awards should normally reflect the outcome of the performance measures set, although the Committee has the ability to apply independent judgement to ensure that the outcome is a fair reflection of the performance of the Company and individual over the performance period. When making this judgement, the Committee has scope to consider any such factors as it deems relevant.

Detailed provisions

The Committee reserves the right to use discretion within the remuneration policy to aid in its operation or implementation (for example, for regulatory or administrative purposes), provided that any such change is not to the material advantage of Directors.

The Committee may continue to satisfy remuneration payments and payments for loss of office (including the exercise of any discretions available to the Committee in connection with such payments) where the terms of the payment were: i) agreed before 15 May 2014 when the first approved remuneration policy came into effect; ii) agreed before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or iii) agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, such payments include the Committee satisfying awards of variable remuneration.

Malus and clawback provisions

Bonus deferral applied from 2023 and PSP awards granted from 2023 are subject to malus and clawback provisions as set out below. The Committee may, in its absolute discretion, determine at any time prior to the vesting of an award to reduce, defer, cancel or impose further conditions in the following circumstances:

- a retrospective material restatement of the audited financial results of the Group;
- an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted, or vests;
- actions of gross misconduct or material error, including fraud, by the participant or their team;
- significant reputational or financial damage to the Company as a result of the participant's conduct;
- a failure of adequate risk management and/or controls by the participant or their team, resulting in a material impact to the Group;
- a material corporate failure in the Group;
- a regulatory or law enforcement investigation which results in significant censure.

Annual bonus and PSP awards granted to Executive Directors shall also be subject to clawback provisions for up to two years from the date of payment or vesting in the above circumstances.

The malus and clawback provisions that apply to awards made prior to 2023 are as set out in the relevant remuneration policy as at the date of award.

Recruitment policy

A new hire will ordinarily be remunerated in accordance with the policy described in the table on the previous pages. In order to define the remuneration for an incoming Executive Director, the

Committee will take account of:
- prevailing competitive pay levels for the role;
- experience and skills of the candidate;
- awards (shares or earned bonuses) and other elements which will be forfeited by the candidate;
- transition implications on initial appointment;
- the overall Hiscox approach.

A buy-out payment/award may be necessary in respect of arrangements forfeited on joining the Company. The size and structure of any such buy-out arrangement will take account of relevant factors in respect of the forfeited terms including potential value, time horizons and any performance conditions which apply. The objective of the Committee will be to suitably limit any buy-out to the commercial value forfeited by the individual.

On initial appointment (including interim Director appointments) the maximum level of variable remuneration (excluding any buy-outs) is capped at the maximum level set out in the policy table on pages 133 to 139. Within these limits, and where appropriate, the Committee may tailor the award (for example, time frame, form, performance criteria) based on the commercial circumstances. Shareholders would be informed of the terms for any such arrangements. Ordinarily, it would be expected that the package on recruitment would be consistent with the usual ongoing Hiscox incentive arrangements.

On the appointment of a new Non Executive Chairman or Non Executive Director, the fees will normally be consistent with the policy. Fees to Non Executives will not include share options or other performance-related elements.

Service contracts

It is the Company's policy that Executive Directors should have service contracts with an indefinite term which can be terminated by the Company by giving notice not exceeding 12 months or the Director by giving notice of six months.

The terms set out in the service contracts for the current Executive Directors do not allow for any payments that are not in line with this policy.

Non Executive Directors are appointed for a three-year term, which is renewable, with three months' notice on either side, no contractual termination payments being due and subject to re-election pursuant to the Bye-laws at the Annual General Meeting. The contract for the Chairman is subject to a six-month notice provision on either side.

Policy on payment for loss of office

Subject to the execution of an appropriate general release of claims an Executive Director may receive on termination of employment by the Company:

1. Notice period of up to 12 months

In the normal course of events, an Executive will remain on the payroll but may be placed on gardening leave for the duration of the notice period (or until they leave early by mutual agreement, whichever is sooner). During this period they will be paid as normal, including base pay, pension contributions (or cash allowance as appropriate) and other benefits (for example, healthcare).

In the event of a termination where Hiscox requests that the Executive Director ceases work immediately, a payment in lieu of notice may be made that is equal to fixed pay, pension entitlements and other benefits (benefits may continue to be provided). Payments may be made in instalments and would ordinarily be subject to mitigation should the individual find alternative employment during the unexpired notice period.

2. Bonus payment for the financial year of exit

Bonuses will normally only be paid to Executive Directors who are granted 'good leaver' status in accordance with the bonus plan rules. The bonus amount would normally be pro-rated depending on the proportion of the financial year which has been completed by the time of the termination date and paid in line with the normal bonus scheme timings and performance metrics.

3. Release of any deferred bonuses

All outstanding bonuses deferred from the annual incentive scheme will normally be paid in full at the normal vesting date.

4. Unvested Performance Share Plan awards

Treatment would be in accordance with the plan rules and relevant grant documentation. The intended approach is summarised below.
- Awards will vest in line with the normal plan vesting date (unless the Committee determines otherwise). Awards vest to the extent that the relevant performance targets are considered to have been met.
- The award will normally be pro-rated to reflect the period which has elapsed from the commencement of the award to the date of termination unless the Committee determines otherwise.

If the departing Executive Director does not sign a release of claims, they would normally be entitled to payments defined under point 1 only. In the event that the Executive is dismissed for gross misconduct, they would forfeit all payments.

The Committee may also make a payment in respect of outplacement costs, legal fees and costs of settling any potential claims where appropriate.

5. Change of control
In the event of a change of control, outstanding PSP awards will normally vest early to the extent that the performance condition, as determined by the Committee in its discretion, has been satisfied and, unless the Committee determines otherwise, would be pro-rated to reflect the period which has elapsed from the commencement of the award to the date of the relevant corporate event.

Deferred bonus awards will vest in full. Outstanding awards under all-employee share plans will be treated in accordance with the relevant plan rules.

Consideration of employment conditions elsewhere

We are proud of our reward offering across the Company and apply principles consistent with how we pay our Executive Directors. We ensure employees are paid fairly in line with their responsibilities, experience and the market rate for the role. Employees participate in an annual bonus scheme and senior individuals are eligible for awards under the Performance Share Plan. We also offer a generous benefit package.

Variable remuneration for the most senior employees is more highly performance geared towards the longer term in order to encourage delivery of strong returns across the insurance cycle and create sustainable long-term value for our shareholders.

Hiscox encourages all employees to become shareholders through our sharesave schemes, enabling employees to share in the success of the Company.

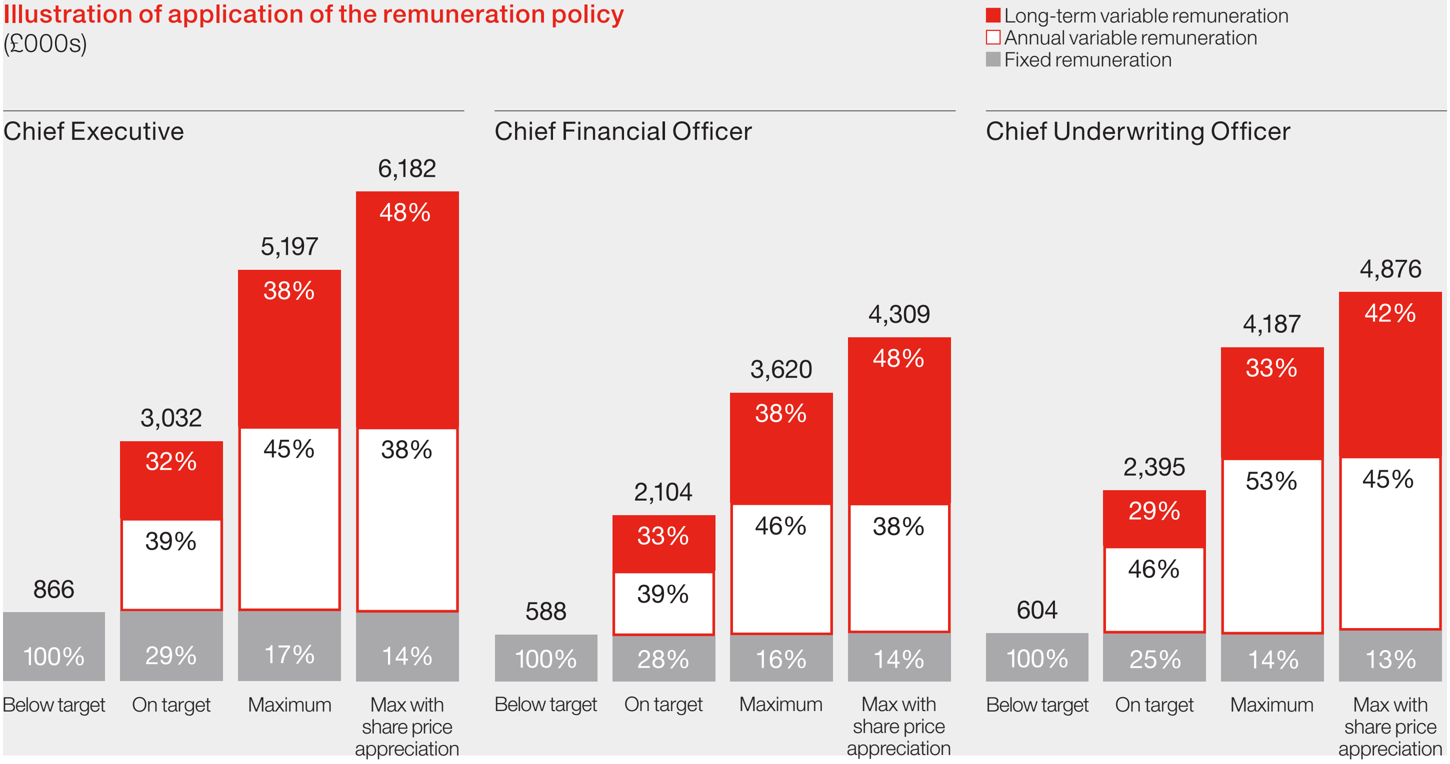
While the Committee did not consult directly with the broader workforce on the remuneration policy for Executive Directors, we have introduced a process by which employee views are gathered on a range of topics and presented to the Board. The Remuneration Committee also receives an update on the broader workforce remuneration policies and practices during the year, which informs the Committee's consideration of the policy for Executive Directors.

Consideration of shareholder views

Hiscox regularly discusses remuneration policy matters with a selection of shareholders. The Remuneration Committee takes into consideration the range of views expressed in making its decisions.

As detailed on page 132, the Committee consulted with major shareholders during 2022 and into 2023, and took shareholder feedback into account when finalising the revised policy.

Illustration of application of the remuneration policy
(£000s)



The charts above have been compiled using the following assumptions.

Fixed remuneration	Fixed reward (base salary, benefits and retirement benefit). — Salary with effect from 1 April 2023. — Benefits as received during 2022, as disclosed in the Executive Director remuneration table on page 112. — Retirement benefit as received during 2022, as disclosed in the Executive Director remuneration table on page 112.
Variable remuneration	Assumptions have been made in respect of the annual incentive and the PSP for the purpose of these illustrations. — Annual incentive: the amounts shown in the scenarios are for illustration only. In practice, the award would be determined based on a range of performance factors and therefore vary depending on the circumstances. The maximum award reflects the incentive caps described at the beginning of this report. — PSP: scenario analysis assumes awards are granted at the maximum level set out in the policy table on page 137. In practice, award levels are determined annually and are not necessarily granted at the plan maximum every year.

Performance scenarios

Below target performance	Fixed reward only.
On target performance	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: assume a bonus equivalent to 50% of the maximum opportunity. — PSP: assume vesting of 50% of the maximum award.
Maximum performance	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: maximum bonus equivalent to 300% of salary for the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. — PSP: vesting of 100% of the maximum award.
Maximum performance with share price appreciation	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: maximum bonus equivalent to 300% of salary for the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. — PSP: vesting of 100% of the maximum award plus assumed share price growth of 50%.