



HISCOX LTD REMUNERATION COMMITTEE TERMS OF REFERENCE

1 Purpose

The purpose of the Hiscox Ltd Remuneration Committee (the “Committee”) is to perform the following:

- a) Ensure that the remuneration policy of the Company encourages enhanced performance and in a fair and responsible manner rewards individuals for their contribution to the success of the Company having regard to statutory and regulatory requirements;
- b) Assist the Board¹ to fulfil its responsibility to shareholders to ensure the remuneration policy and practices of the Company meet these requirements.
- c) Monitor compliance with the UK Listing Authority Listing, Prospectus and Disclosure Rules, Bermuda company law and any other applicable rules and regulations as appropriate.

2 Membership

- a) Only independent non-executive directors of the Company are eligible to be appointed to the Committee. No director or senior manager shall be involved in any decisions as to their own remuneration outcome.
- b) The Committee shall comprise at least three members. The quorum for the meetings shall be two directors.
- c) The Chairman and other members of the Committee shall be appointed by the Board, on the recommendation of the Nominations & Governance Committee. The Chairman of the Board should not be a member of the Committee. The Chairman should have served on the Committee for at least 12 months prior to appointment.

3. Constitution and meetings of the Committee

- a. *Chairman* - The Chairman should attend the AGM to answer any shareholder questions on the Committee's activities. The Chairman shall set the agenda for meetings of the Committee. The Chairman may arrange for another member to chair a future meeting if he or she will be absent from that meeting. In the absence of the appointed Secretary² the Chairman of the meeting shall require some other person to perform the role of Secretary for that meeting.
- b. *Power to appoint members* - On the recommendation of the Nominations & Governance Committee, the Board may appoint any eligible person who is willing to be appointed as a member of the Committee.
- c. *Power to remove members* - The Board may remove any member of the Committee.

¹ Means the board of directors of the Company as defined in the bye-laws of the Company

² Means Secretary of the Committee and includes any Assistant or Deputy Secretary or a person appointed by the Committee to perform the duties of the Secretary, who shall not be a member of the Committee

- d. *Frequency and timing of meetings* - The Committee shall meet at least three times each calendar year. Outside of the formal meeting programme, the Chairman and other committee members, where relevant, will maintain a dialogue with key individuals involved in the Company's governance, including the Executive Directors, the Group Chief Executive Officer and Group HR Director.
- e. *Location of meetings* - Meetings shall typically be held in Bermuda or another location subject to the discretion of the Chief Financial Officer. Meetings shall not be held in the UK or the USA.
- f. *Committee Packs*³ - The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- g. *Voting* - Decisions of the Committee shall be made by majority vote. In the case of an equality of votes the Chairman has a second casting vote.
- h. *Notice of meetings* - All members are entitled to receive notice of meetings which shall state the date, time and location of each meeting. Notice may be given in writing, verbally or by any electronic means. All members are entitled to attend and vote at meetings of the Committee. A member at any time may, and the Secretary at the request of a member shall, summon a Committee meeting. A member may waive the requirement that notice be given to him of any Committee meeting, either prospectively or retrospectively.
- i. *Minutes of meetings* - Minutes of meetings of the Committee shall be produced by the Secretary. The minutes shall detail the proceedings and decisions of the meeting setting out the date, time, and place of the meeting, together with a list of those present and in attendance. Minutes of the preceding meeting shall be approved by the Committee at each meeting.
- j. *Meetings held by electronic means* - Any member may participate in a meeting of the Committee by way of telephone, computer or any other electronic means of communication provided that each person participating in the meeting is able to hear and speak. A person participating in this way is deemed to be present in person although their actual location shall be noted in the minutes and is counted in a quorum and entitled to vote. However, no member shall participate in any meeting while located in the UK or USA. The meeting is deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting is located.
- k. *Authority to inspect the minutes of meetings* - The following individuals are entitled to inspect the minutes of meetings:
- all directors of Hiscox Ltd;
 - all members;
 - external Auditors;
 - employees of the Bermuda Monetary Authority;
 - Committee Secretary; and
 - any other person the Chairman may from time to time, permit.
- l. *Attendance at meetings* - Only the members of the Committee have the right to attend Committee meetings. However, the following will be expected to attend Committee meetings on a regular basis:
- Chief Executive Officer

³ Means the meeting agenda, together with such other documents as the Chairman may from time to time determine

- HR Director

The chairman of the Company, the, and any other relevant member of senior management of the Group or any external advisors may attend any meeting of the Committee at the invitation of the Chairman. Executive Directors may not attend any part of a meeting where their remuneration is being discussed.

3 Duties

The Committee shall:

- a) have responsibility for setting and agreeing with the Board the remuneration policy, for the Chairman and Executive Directors of the Company, including pension rights and any compensation payments and addressing the requirements of the UK Corporate Governance Code⁴ as to clarity, simplicity, risk, predictability, proportionality and alignment to culture;
- b) refer to the Board for determination the remuneration of the non-executive directors within the limits of the Bye-Laws of the Company and should reflect the time commitment and responsibilities of the role and such remuneration should not include share options or other performance related options;
- c) recommend and monitor the level and structure of remuneration for and of the internal auditors and members of the Company's senior management group as agreed from time to time, and recommend to the Board a remuneration framework for the Group;
- d) recognise that the objective of the remuneration policy shall be designed to support strategy, promote long-term sustainable success and to attract, retain and motivate executive management of the quality required to run the Company successfully having regards to views of shareholders and other stakeholders, the risk appetite of the Company and alignment to the Company's strategic long terms goals – a significant proportion of remuneration should be structured to link rewards to corporate and individual performance and designed to promote the long term success of the Company;
- e) review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration;
- f) approve the structure of, and determine targets for performance related pay schemes provided by the Company, and approve total annual payments under those schemes;
- g) review and make recommendations on the structure of any share incentive schemes for approval by the Board and Shareholders. For such plans, determine whether awards will be made, the overall amount of such awards, individual awards to Executive Directors and such members of the senior management group as agreed with the Board, and determine performance targets for such awards; Such schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests and recognise that share awards should be released for sale on a phased basis and be subject to a holding period of five years or more;

⁴ Means the Code on Corporate Governance published from time to time by the Financial Reporting Council and as adopted by the UK Listing Authority into the Listing Rules

- h) determine a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;
- i) determine the policy for and scope of pension arrangements for Executive Directors;
- j) ensure that contractual terms on termination and any payments made are appropriate, and while fair to the individual and the Company, will not reward poor performance or failure and retain the duty to mitigate loss - the remuneration policy will enable the use of discretion to override formulaic outcomes and include provisions to enable the Company to recover and/or withhold sums or share awards;
- k) within the terms of the agreed remuneration policy, determine the individual remuneration package of each Executive Director, including bonuses, share incentives and pension payments;
- l) determine the remuneration policy and its ongoing appropriateness and relevance taking into consideration the provisions and recommendations of the UK Corporate Governance Code, Listing Rules, ABI Guidelines on remuneration and share incentive schemes and any other applicable legal and regulatory requirement;
- m) when setting the remuneration of the Executive Directors and the Company's senior management, review and have regard to pay, employment conditions and remuneration trends across the Group especially in determining annual salary increases;
- n) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and be exclusively responsible for establishing the selection criteria, selecting and appointing, and setting terms of reference for any external remuneration consultants and to commission any reports, survey or information which it deems necessary at the reasonable expense of the Company; and
- o) exercise independent judgement when evaluation the advice of external third parties and when receiving view from Executive Directors and senior management.

4 Reporting

- a) The Chairman of the Committee shall make a verbal summary report at each Board meeting immediately following each Committee meeting;
- b) The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed;
- c) The Committee shall, taking into consideration applicable legal and regulatory requirements, produce an annual remuneration report for the Company's annual report and accounts, shall ensure that provisions regarding disclosure of information are set out as required by law, regulation and the UK Corporate Governance Code are fulfilled including a requirement to explain what workforce engagement has taken place, and how executive remuneration aligns with wider company pay policy and ensure a report of the Company's remuneration policy and practices be included in such annual report to be put to Shareholders for approval at the AGM;
- d) If remuneration consultants have been appointed, such annual report should identify them and state whether they have any other connection with the Company or individual directors; and



- e) The Committee shall ensure that the Company, through the Chairman, maintains contact as required with its principal shareholders with respect to remuneration.

5 Other Matters

The Committee shall:

- a) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- c) Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed / non listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate.
- d) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- e) Work and liaise as necessary with all other board Committees.

6 Authorities

Subject to these terms of reference taking precedence, the Committee is authorised by the Board to:

- a) prevent Executive Directors from attending all or part of any meeting;
- b) obtain at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- c) set the remuneration including pension rights and any compensation payments, of the Executive Directors, and if there is a person so appointed; and
- d) seek any information it requires from or call any employee of the Group to a meeting of the Committee as and when required, provided reasonable notice is given to that employee.

7 Amendment of Terms of Reference

These Terms of Reference are subject to Bye-Law 77 of the Company's Bye-Laws and may only be amended by the Board.