
LANCASHIRE HOLDINGS LIMITED
TERMS OF REFERENCE OF THE
REMUNERATION COMMITTEE

Adopted on 28 July 2020
(replacing earlier 4 November 2014 version)

Lancashire Holdings Limited
(the “Company”)

Remuneration Committee

Terms of Reference

On 9 December 2005 the Board of Directors of the Company (the “**Board**”) resolved to establish a Remuneration Committee of the Board (the “**Committee**”). These Terms of Reference were amended, restated and adopted by the Board on 28 July 2020, replacing those previously approved on 4 November 2014. The UK Corporate Governance Code and associated guidance is referred to herein as the “**Code**”.

1. Membership

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment as chair.
- 1.2 Appointments to the Committee are made by the Board, on the recommendation of the Nomination and Corporate Governance Committee and in consultation with the chair of the Remuneration Committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the chair of the Board, if they are a member of the Committee) continue to be independent.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.4 The Board shall appoint the Committee chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The chair of the Board shall not be chair of the Committee.

2. Secretary

- 2.1 The company secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members.

4. Frequency of meetings

- 4.1 The Committee shall meet at least twice a year and otherwise as required.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the company secretary unless exceptionally, it would be inappropriate to do so.

7. Engagement with Shareholders

The Committee chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility

8. Duties

The Committee should carry out the duties detailed below for the parent Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall

- 8.1 Have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Company's chair and executive directors and senior

management, including the company secretary, in accordance with the Principles and Provisions of the Code.

- 8.2 Establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 8.3 Design remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances.
- 8.4 When determining executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 8.5 The remuneration of non-executive directors shall be a matter for the chair and the executive members of the Board within the limits set in the Bye Laws. No director or senior manager shall be involved in any decisions as to their own remuneration outcome.
- 8.6 In determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company. When setting remuneration policy for directors, the Committee shall review and have regard to pay and employment conditions across the Company and the Group, especially when determining salary increases.
- 8.7 Review the ongoing appropriateness and relevance of the remuneration policy; and approve contracts of employment or related contracts and material amendments thereto with senior executives on behalf of the Company.
- 8.8 Within the terms of the agreed policy and in consultation with the chair and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the Company chair and senior managers including bonuses, incentive payments and share options or other share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgment and discretion when determining remuneration awards. Taking account of company and individual performance and wider circumstances. Also within the terms of the agreed policy and in consultation with the Company's chairman and (as appropriate) the chief executive the Committee shall agree personal objectives for

each executive director and the related performance and pay-out metrics for the performance element of the annual bonus. The Committee shall approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.

- 8.9 Have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company including reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. . However the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
- 8.10 Review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors and other senior managers and the performance targets to be used.
- 8.11 Review workforce remuneration and related policies.
- 8.12 Work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.
- 8.13 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.
- 8.14 The Committee shall determine that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.15 The Committee shall oversee any major changes in employee benefits structures throughout the Group.
- 8.16 The Committee shall agree the policy for authorising claims for expenses from the directors.
- 8.17 The Committee shall take into account, including on recruitment or termination, that remuneration to be paid to a director should be in accordance with the shareholder approved policy in place at the time the payment is made or separate shareholder approval would be required.
- 8.18 The Committee shall review annually the shareholdings of the executive directors in the context of share ownership guidelines.
- 8.19 The Committee shall agree the policy or protocol for the agreement of “good leaver” status under the Company’s RSS rules.

9. Reporting responsibilities

- 9.1 The Committee chairman shall report to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.

- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary
- 9.3 The Committee shall provide a description of its work in the annual report in line with the requirements of the Code.
- 9.4 The Committee shall also ensure that provisions as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Company's annual report and put to shareholders for approval at the AGM as necessary.
- 9.5 If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Company or individual directors.

10. Other matters

The Committee shall

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for advice and assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.
- 10.4 Ensure that a periodic evaluation of the Committee's own performance is carried out.
- 10.5 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.

11. Authority

- 11.1 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

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