

Beazley plc

Remuneration Committee

Terms of Reference

Approved by board resolution dated 23 September 2022

1. Membership

- 1.1. The committee shall comprise at least three members, all of whom shall be independent non-executive directors.
- 1.2. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee and in consultation with the chair of the remuneration committee.
- 1.3. The chair should have served on a remuneration committee for at least 12 months prior to appointment.
- 1.4. The board shall appoint the committee chair and determine the period for which they shall hold office. In the absence of the committee chair and/or 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.
- 1.5. Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the chair and members of the committee should be rotated on a regular basis.
- 1.6. Only members of the committee have the right to attend committee meetings. However, the chief executive and other subject matter experts may be invited to the meeting and have the right to address any meeting of the committee; others may be called upon or shall be able to speak, by prior arrangement, with the chair of the committee.

2. Secretary

The company secretary or their nominee shall act as the secretary of the committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members present in person, by telephone or by other virtual means. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers, discretions and independent judgement vested in or exercisable by the committee.

4. Meetings

The committee shall meet not less than three times a year and at such other times as the chair of the committee shall require.

5. Notice of Meetings

- 5.1. Meetings of the committee shall be summoned by the secretary of the committee at the request of any member thereof.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the committee and any other person required to attend, no fewer than five working days prior to the date of the meeting. The agenda and supporting papers shall be sent to committee members and to other attendees as appropriate in advance of the meeting.

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. Minutes of committee meetings shall be circulated to members of the committee and made available to members of the board as appropriate.

7. Annual General Meeting

The chair of the committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the committee's activities.

8. Duties

The committee shall:

- 8.1. Recommend to the board and where appropriate, approve the framework or broad policy for the remuneration of the chair of the company, the chief executive, the executive directors, the direct reports to the chief executive, senior management, the company secretary and such other members of the executive management as it is designated to consider, taking into account workforce remuneration and related policies, and the alignment of incentives and rewards with culture, when setting the level of executive director remuneration. The remuneration of non-executive directors shall be a matter for the executive members of the board. No director or manager shall be involved in any decisions as to his or her own remuneration.
- 8.2. In recommending or approving the remuneration policy, take into account all factors which it deems necessary, including remuneration trends across the company and group. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance, whilst also promoting sound and effective risk management, and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. It shall also liaise with the nomination committee to ensure that the remuneration of newly appointed executives is within the company's overall policy.
- 8.3. When determining executive director remuneration policy and practices, consideration should be given to:
 - 8.3.1 Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
 - 8.3.2 Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand;

- 8.3.3 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;
 - 8.3.4 Predictability: the range of possible value of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
 - 8.3.5 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; and
 - 8.3.6 Alignment to culture: incentive schemes should drive behaviours consistent with company purpose, values and strategy.
- 8.4. Recommend to the board and where appropriate, approve the company and group's remuneration policy for all employees, in line with the group's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the group as a whole.
 - 8.5. Recommend to the board and where appropriate, approve and oversee the implementation of, the policy for the remuneration of key functions and other categories of staff whose professional activities have a material impact on the company and group's risk profile.
 - 8.6. Review the design of all share incentive plans for approval by the board, and where relevant, shareholders.
 - 8.7. Review the ongoing appropriateness and relevance of the remuneration policies and practices which should be designed to support strategy and promote long-term sustainable success.
 - 8.8. Recommend and where appropriate approve targets for any performance related pay schemes operated by the company and asking the board, when appropriate, to seek shareholder approval for any long-term incentive arrangements.
 - 8.9. Within the terms of the agreed policy, recommend and where appropriate approve the total individual remuneration package of each executive director and employee set out in clause 8.1 including, where appropriate, bonuses, incentive payments and share options.
 - 8.10. Consider the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for each executive director and employee set out in clause 8.1.
 - 8.11. In recommending such packages and arrangements, give due regard to the comments and recommendations of the UK Corporate Governance Code as well as the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules relevant Solvency II, EIOPA and PRA guidelines on remuneration and other applicable Rules and guidance, as appropriate.
 - 8.12. Ensure that contractual terms on termination of any executive director or employee set out in clause 8.1, 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.
 - 8.13. Obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the committee shall have full authority to appoint remuneration consultants and to help commission or purchase any reports or surveys which it deems necessary, within any budgetary constraints imposed by the board.

- 8.14. Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 8.15. Be aware of and oversee any major changes in employee benefit structures throughout the company or group.
- 8.16. Develop and oversee a formal policy for post-employment shareholding requirements.

9. Other matters

The committee shall:

- 9.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required.
- 9.2. 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.
- 9.3. Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, relevant Solvency II, EIOPA and PRA guidelines on remuneration and any other applicable Rules, as appropriate.
- 9.4. 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.

The chair shall:

- 9.5. Engage with shareholders to understand their views on significant remuneration matters.

10. Reporting Responsibilities

- 10.1. The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The committee shall produce a directors' remuneration report to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.
- 10.4. The committee shall produce a report of the company's remuneration policy and practices to be made available to shareholders and put to shareholders for approval at the Annual General Meeting every three years.
- 10.5. The committee shall provide a description of the work of the committee in the annual report to include the following:
 - 10.5.1 an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
 - 10.5.2 reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;

- 10.5.3 a description, with examples, of how the remuneration committee has addressed the factors in section 8.3;
- 10.5.4 whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
- 10.5.5 what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- 10.5.6 how engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
- 10.5.7 to what extent discretion had been applied to remuneration outcomes and the reasons why.

11. Authority

- 11.1 The committee is authorised by the board to seek any information it requires from any employee of the company in order to perform its duties.
- 11.2 In connection with its duties the committee is authorised by the board to select, set the terms of reference and appoint remuneration consultants, and set their terms of reference, at the company's expense.
- 11.3 Although the committee can seek the advice and assistance of any of the company's executives, it needs to ensure that this role is clearly separated from their role within the business.
- 11.4 The committee may carry out some of its duties on behalf of Beazley group companies if requested.