



**CHAUCER HOLDINGS PLC**  
**REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE**

Adopted by the CHP Board on 18<sup>th</sup> February 2011

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**1. REMIT**

- 1.1. The CHP Board has established the Committee to develop, monitor and manage the Group remuneration policy and to determine the remuneration of Persons Discharging Managerial Responsibility (**PDMRs**).
- 1.2. The Committee shall act as set out in these Terms of Reference.

**2. MEMBERSHIP**

- 2.1. The Committee shall consist of at least two members.
- 2.2. All Committee members shall be independent non-executive CHP directors. The CHP Board chairman may also be a member if he/she was deemed independent on appointment as a director.
- 2.3. Members of the Committee shall be appointed by the CHP Board on the recommendation of the Nomination Committee. Appointments shall be made which are appropriate based on the roles and responsibilities of the individual members and the duties of the Committee under these Terms of Reference.
- 2.4. The Committee chairman shall be appointed by the CHP Board from among the members of the Committee. In the absence of the Committee chairman, the members present shall elect one of themselves to chair the meeting. The CHP Board chairman shall not be eligible to act as Committee chairman.
- 2.5. Members of the Committee shall avoid a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or possibly conflicts, with the interests of the Group. Where a conflict is unavoidable and the conflict relates to a matter which is, or could be, considered by the Committee, the conflict shall be referred to the CHP Board to determine how the conflict will be addressed; pending such determination, the member shall absent him/herself from any meeting while the matter subject to the conflict is considered.

**3. ATTENDANCE AT MEETINGS**

- 3.1. Only Committee members shall have the right to be present at Committee meetings.
- 3.2. Other individuals, including external advisers, may be invited:
  - 3.2.1. by the Committee chairman, to attend for all or part of a specific meeting as and when appropriate, and
  - 3.2.2. by the Committee, to regularly attend meetingsbut the Committee may choose to meet without such person(s) being present for all or part of any meeting.

- 3.3. The Company Secretary or his/her nominee shall act as the Committee secretary.

#### **4. QUORUM**

- 4.1. The quorum necessary for the transaction of business shall be two.
- 4.2. Any Committee member may participate in a Committee meeting by means of conference telephone or similar communications equipment. All persons participating in the meeting in this manner shall be deemed to be present at the meeting and the meeting shall be deemed to take place at the location where the most Committee members are assembled or, if there is no such location, where the chairman of the meeting is located.
- 4.3. A resolution in writing signed by all the Committee members shall be as effective for all purposes as a resolution of those members passed at a meeting duly convened and held. The resolution may consist of several documents each signed by one or more of the members and may be in the form of e-mail.

#### **5. FREQUENCY AND NOTICE**

- 5.1. The Committee shall meet not less than twice each year.
- 5.2. Committee meetings shall be convened by the Committee secretary at the request of any Committee member or when the Committee secretary considers it necessary in order for the Committee to carry out its duties under these Terms of Reference.
- 5.3. Unless otherwise agreed by the Committee chairman in respect of a specific meeting, notice of each Committee meeting confirming the venue, time and date, together with an agenda and information on the items to be discussed, shall be distributed to each Committee member no fewer than five working days before the date of the meeting.
- 5.4. The notice, agenda and papers considered at each Committee meeting shall be sent electronically by the Committee secretary to cosec@chaucerplc.com within two working days of the meeting taking place; Company Secretariat shall retain this copy of the meeting documentation in a central database.

#### **6. DELEGATED AUTHORITIES**

- 6.1. The delegated authorities of the Committee are set out in the Schedule of Delegated Authorities attached to these Terms of Reference.
- 6.2. Any matter in excess of any limit placed on the delegated authorities shall be referred to the CHP Board for consideration; the Committee may, but need not, make a recommendation to the CHP Board on such matter when referring it.
- 6.3. Other than changes to the type, duty and limit of the delegated authorities (being matters reserved for approval by the CHP Board) and without compromising the needs of the business or its duties as set out in these Terms of Reference, the Committee may amend the other elements in the Schedule of Delegated Authorities. Where such an amendment is made, details of the amendment shall be:
  - 6.3.1. reported to the CHP Board by the Committee chairman; and
  - 6.3.2. sent electronically by the Committee secretary to

cosec@chaucerplc.com within two working days of the amendment being agreed; Company Secretariat shall amend the Schedule of Delegated Authorities held on a central database.

- 6.4. In addition to its delegated authorities, the CHP Board may instruct the Committee to undertake ad-hoc tasks which the Committee will perform in accordance with those instructions.

## **7. MINUTES**

- 7.1. The Committee secretary shall minute the proceedings and resolutions of each Committee meeting; the minutes shall include a record of the names of those present and in attendance.
- 7.2. Draft minutes of each Committee meeting shall be circulated by the Committee secretary to all Committee members as soon as practicable after the meeting but in any event before the next meeting.
- 7.3. At each Committee meeting, the minutes of the previous Committee meeting shall be considered and approved; they shall then be signed by the chairman of the meeting at which the minutes are approved.
- 7.4. The signed minutes of each Committee meeting shall be sent electronically by the Committee secretary to cosec@chaucerplc.com within two working days of the minutes being signed; Company Secretariat shall retain this copy of the minutes in a central database.

## **8. REPORTING RESPONSIBILITIES**

- 8.1. The Committee chairman shall provide to the CHP Board:
- 8.1.1. a general report of the material proceedings of the Committee since the previous CHP Board meeting;
  - 8.1.2. the information required to be provided to the CHP Board under these Terms of Reference; and
  - 8.1.3. details of any matters requiring consideration and/or approval by the CHP Board, including, if appropriate, any recommendation to the CHP Board agreed by the Committee.
  - 8.1.4. The Committee shall prepare a report on its roles and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in CHP's annual report to shareholders.
- 8.2. The Committee chairman shall attend the annual general meeting of CHP shareholders and be prepared to respond to any shareholder question on the activities of the Committee.

## **9. POWERS**

- 9.1. The Committee is authorised to seek any information it requires from any Group employee or other committee in order to perform its duties under these Terms of Reference.
- 9.2. The Committee is authorised to obtain, at CHP's reasonable expense, outside legal or other professional advice on any matter within these Terms of Reference.
- 9.3. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and

discretions vested in or exercisable by the Committee under these Terms of Reference.

- 9.4. The Committee may delegate the final decision on any matter it has considered under these Terms of Reference.
- 9.5. The Committee may authorise any CHP director or the CHP Company Secretary to execute and deliver any agreement, document, or instrument and to do any act or thing for or in connection with any transaction, arrangement or other matter entered into under these Terms of Reference, including, but not limited to, a power of attorney or other document under which the execution and delivery of any agreement, document or instrument constituting or evidencing any of the transactions, arrangements or other matters referred to above will be effected.
- 9.6. Any Committee member or the CHP Company Secretary shall have the power to authenticate any decision of the Committee and to confirm that the decision has been made in accordance with these Terms of Reference.

## **10. EVALUATION**

- 10.1. At least once a year, the Committee shall undertake an evaluation to ensure that the Committee and each Committee member are operating effectively and that any inadequacies and/or issues are identified and addressed.
- 10.2. Following the evaluation, the Committee chairman shall prepare a report comprising:
  - 10.2.1. a summary of the results of the evaluation;
  - 10.2.2. a summary of the actions agreed by the Committee to address any inadequacies and/or issues; and
  - 10.2.3. if appropriate, any recommendation to alter these Terms of Reference and/or membership of the Committee (both being matters reserved for approval by the CHP Board).
- 10.3. The report shall be sent electronically by the Committee chairman to cosec@chaucerplc.com; Company Secretariat shall:
  - 10.3.1. retain a copy in a central database; and
  - 10.3.2. circulate copies to the CHP Board for consideration.

**REMUNERATION COMMITTEE**  
**SCHEDULE OF DELEGATED AUTHORITIES**

Version 1.0 dated 18<sup>th</sup> February 2011

RM	Type*	Duty	Limit	Frequency	Timing	Input		Output	
<b>Policies</b>									
1.	Approve	Changes to framework and broad policy of remuneration for partners	-	Ad hoc	-	Remuneration policy	CEO	Changes communicated to partners	CEO
2.	Approve	Appropriateness and relevance of the remuneration operational policy	-	Annually	August	Remuneration operational policy	CEO	Confirmed fit for purpose	
<b>Rewards</b>									
3.	Approve	Remuneration package of the PDMRs	-	Annually	November	Recommended base salaries from 1 January	CEO	Authorised to process changes	HR
4.	Approve	Total group bonus payment and allocation to PDMRs	-	Annually	March	Recommended schedule of all partner bonus award	CFO	Authorised to make payments	HR
								Authorised to issue deferred bonus certificates	Company Secretariat
5.	Approve	Awards under discretionary share incentive arrangements	-	Annually	March	Recommended awards proposed	CEO	Authorised to issue awards	Company Secretariat
6.	Approve	Performance target for performance related incentives	-	Annually	March	Recommended target proposed	CFO	Performance target(s) communicated	Participants

RM	Type*	Duty	Limit	Frequency	Timing	Input		Output	
7.	Approve	Vesting of awards under any LTIP arrangement	-	Annually	March	Calculation of actual performance against performance target and recommended level of vesting	CFO, supported by external verification	Authorised to arrange vesting of shares based on the approved percentage	Company Secretariat
8.	Approve	Vesting of any dividend share award under any LTIP arrangement	-	Annually	March	Calculation of dividend share award	CFO	Authorised to issue dividend shares	Company Secretariat
9.	Approve	New, or changes to existing, pension arrangements affecting PDMRs	-	Ad hoc	-	Recommendation	Executive Director(s) not conflicted by the change	If it affects only PDMRs, authorised to put arrangements in place	Company Secretariat
							Company Secretary		
10.	Approve	Termination payments for Executive Directors to ensure failure is not rewarded	-	Ad hoc	-	Contractual and discretionary entitlements	Company Secretary	Authorised to make payment	HR
11.	Monitor	Remuneration trends across the Group	-	Ad hoc	-	Report	HR	Increases in Director and partner salaries confirmed as not significantly at variance to other employees	
12.	Monitor	Remuneration compared to competitor companies	-	Annually	November	ILV comparison schedule	HR	Chaucer salaries confirmed as not significantly at variance to competitors	
<b>General employee benefits</b>									
13.	Recommend	New, or changes to existing, share incentive arrangements requiring shareholder approval	-	Ad hoc	-	Recommendation	Executive Directors	Recommendation	CHP Board

RM	Type*	Duty	Limit	Frequency	Timing	Input		Output	
14.	Approve	New, or changes to existing, share incentive arrangements	Shareholder approval required	Ad hoc	-	Recommendation	Executive Directors	Authority to put in place / amend rules	Company Secretariat
								If required, approval sought for the changes	HMRC
<b>Disclosure</b>									
15.	Recommend	Disclosures relating to the Committee's roles and responsibilities and the actions it has taken to discharge those responsibilities in the Company's annual report to shareholders	-	Annually	March	Draft disclosure	Company Secretariat	Recommendation to include disclosure in the annual report	CHP Board
<b>Evaluation</b>									
16.	Advice	Evaluation of the effectiveness of the Committee and of its members	-	Annually	September	Appraisal summary	Company Secretariat	Evaluation report	CHP Board

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- \* Advice – advice and reports for consideration by the Board  
Approve – review, challenge and approve up to the limit  
Monitor – review and challenge  
Recommend – review, challenge and recommend to the Board for approval