

ADMIRAL GROUP PLC

REMUNERATION COMMITTEE APPROVED TERMS OF REFERENCE

Approved: [15/12/10]

In these Terms of Reference the following terms shall have the following meanings:

the “**Board**” means the board of directors of the Company

the “**Committee**” means the Remuneration Committee

the “**Group**” means the Company and its subsidiaries

“**Senior Managers**” means managers that report to any one of the executive directors

1. Membership

- 1.1 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 Committee. It shall comprise at least three members, all of whom shall be independent non-executive Directors. The Chairman of the Board may also serve on the Committee if he or she was considered independent upon appointment as Board Chairman.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, the Head of Human Resources, the Share Plan Manager and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Chair of the Committee on the recommendation of the Nomination Committee. In the absence of the Chair of the Committee 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. The Chairman of the Board shall not be Chairman of the Committee.
- 1.5 The Company Secretary or his or her nominee shall act as secretary to the Committee.

Quorum

- 2.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee shall 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.

3 Authority and Frequency of Meetings

3.1 The Committee is authorised by the Board to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties. All employees are directed to co-operate with any requests made by the Committee.

3.2

3.3 The Committee is authorised by the Board to obtain outside professional advice and to secure the attendance of outsiders with relevant experience and expertise whenever necessary. The Committee should be exclusively responsible for selecting, appointing and briefing any remuneration consultants who advise them.

3.4 The Committee shall meet not less than twice a year and at such other times as the Chair of the Committee shall require.

4 Notice of Meetings

4.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of any of its members.

4.2 Unless otherwise agreed, each member should be provided with notice of the meeting confirming the time, date and venue for the meeting along with the meeting agenda, no later than 3 working days before the date of the meeting. Any relevant papers should be sent to the Committee members, and any other attendees where appropriate, at the same time.

5 Minutes of Meetings

5.1 The Secretary to the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

5.2 Draft minutes of each meeting should be circulated to each member of the Committee and, once approved, to all members of the Board unless it would be inappropriate to do so.

6 Annual General Meeting

6.1 The Chair of the Remuneration Committee should attend the AGM to respond to any questions that shareholders may raise regarding the Committee's activities.

7 Duties

The Remuneration Committee shall:

7.1 determine and agree with the Board the framework or broad policy that determines all elements of the remuneration of the Company's Chief Executive, Chair, executive directors, the Company Secretary and any other senior managers that the Board

designates the Committee to consider. The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the executive directors. No director or manager shall be involved in any decisions as to their own remuneration.

- 7.2 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. 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 and are, in a fair and responsible manner, rewarded with their individual contributions to the success of the company.
- 7.3 Within the terms of the agreed policy and in consultation with the Chairman of the Board and/or Chief Executive, as appropriate, determine the total individual remuneration package of the Chairman of the Board, executive directors, company secretary and other designated senior executives including basic salary, bonuses, incentive payments and share options or other share awards. The object of remuneration policy should be to ensure that members of the executive management, are provided with appropriate incentives that maximise the performance of the Company and are compatible with the Company's risk policies and systems.
- 7.4 Recommend the remuneration and terms of employment of prospective executive directors of the Company and the terms of service of existing directors.
- 7.5 Approve the design of, and determine the targets for any performance-related pay schemes operated by the Company to ensure that such performance-related schemes are relevant, stretching and designed to promote the long-term success of the Company. Consider the eligibility of directors for annual bonuses and benefits and approve the total annual payments made under these schemes.
- 7.6 Review annually any Executive Share Option Scheme or other Long Term Incentive Plan (LTIPs) operated, by or to be established by, the Company. Each year it must be determined whether awards should be made, to whom they should be made, the overall amount that should be awarded, the time of the award and the objective performance criteria that are to be used. Ensure that shareholders are specifically invited to approve all new Share Schemes and any changes to the rules to existing schemes as appropriate.
- 7.7 Determine the policy for, and scope of, the pension arrangements for each executive and other designated senior management
- 7.8 Ensure that the contractual terms on termination and the payments made are fair to both the individual and the company, ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised. Any package should be within those legal requirements, provisions and recommendations of the Combined Code and the UK Listing Authority's Listing Rules.
- 7.9 Obtain reliable, up-to-date information about remuneration in other companies. To help fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary constraints imposed by the Board.

- 7.10 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 7.11 Where remuneration consultants are appointed a statement should be made available which details any other involvements that they have with the company on other capacities.
- 7.12 Review the annual trends in remuneration across the company, overseeing any major changes in the benefit structure.
- 7.13 Agree the policy for authorising expense claims from the directors.
- 7.14 Ensure that full details of remuneration packages and structures, including those required by law, the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code, are disclosed.
- 7.15 The Remuneration Committee shall have regard in the performance of their duties set out herein, to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds), which the Remuneration Committee considers relevant or appropriate.

8 Reporting Procedures

- 8.2 The Committee Chair should report to the Board after each meeting on all matters that have been discussed which are within its duties and responsibilities.
- 8.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area that is within its remit where action or improvement is needed..
- 8.4 The Committee should produce a report of the company's remuneration policy and practices to be included in the company's Annual Report and ensure that it is put to the shareholders for approval each year at the AGM.

9 Committee Performance

- 9.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 9.2 The Committee shall 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 The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 9.4 The Committee shall review, at least annually, its own performance, constitution and terms of reference in order to ensure that it continues to operate at maximum

effectiveness. Any changes that it considers necessary should be put before the Board for approval.

Signed: John Sussens

Chair