



The Hanover Insurance Group, Inc. Compensation Committee Charter

I. Statement of Purpose

The Compensation Committee (the "Committee") is a standing committee of the Board of Directors. The purpose of the Committee is to assist the Board of Directors in matters relating to compensation of the Company's Directors, executive officers and such other employees as the Committee may determine (together, "management") and related matters, with a goal of promoting the Company's strategic goals and objectives.

II. Organization

- a. **Charter.** At least annually and in conjunction with the Nominating and Corporate Governance Committee, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board of Directors for approval.
- b. **Members.** The members of the Committee shall be appointed by the Board of Directors and shall meet the independence requirements of applicable law and the listing standards of the New York Stock Exchange, the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, and as otherwise established by the Board. Without limiting the foregoing, in affirmatively determining the independence of any director who will serve on the Committee, the Board of Directors shall consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Committee member, including but not limited to (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and (ii) whether such director is affiliated with the Company. The Committee shall be comprised of at least two members. Committee members may be removed by the Board of Directors. The Board of Directors shall also designate a Committee Chairperson.
- c. **Meetings.** In order to discharge its responsibilities, the Committee shall establish a schedule of meetings, which shall provide for not less than two meetings per calendar year. Additional meetings may be called by a

resolution of the Board of Directors, the Chairperson of the Committee, or by a majority of the members of the Committee.

- d. **Quorum; Action by Committee.** A quorum at any Committee meeting shall consist of a majority of the Committee members. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except as specifically provided herein (or where the Committee consists of only two members, by unanimous vote). Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.
- e. **Agenda, Minutes and Reports.** The Chairperson of the Committee shall be responsible for establishing the agendas for meetings of the Committee. To the extent appropriate and practicable, an agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared and submitted to the Committee for approval. The Committee shall make regular reports to the Board of Directors.
- f. **Performance Evaluation.** In conjunction with the Nominating and Corporate Governance Committee, the Committee shall evaluate its performance on an annual basis.

III. Responsibilities

The Compensation Committee has oversight responsibilities with respect to compensation matters involving directors and executive officers of the Company. It also provides general oversight of the Company's compensation structure, including compensation plans and benefits programs. The following shall be the principal responsibilities of the Committee:

- a. **Director Compensation and Perquisites.** The Committee shall advise the Board of Directors with respect to proposed changes in Board or Committee compensation, as well as any material perquisites. In considering Director compensation and material perquisites, the Committee may take into consideration the relative responsibilities of Directors in serving on the Board and its various Committees and in serving in various capacities such as Chairperson or lead director. The Committee may request that management report to the Committee periodically on the status of the Board's compensation and perquisites in relation to comparable companies. Directors who are Company employees shall not be compensated for their services as Directors.
- b. **Goals and Objectives.** The Committee shall review and to the extent required, approve, the Company's goals and objectives relevant to compensation of the Chief Executive Officer and all other "officers" (as that term is defined in Rule 16a-1(f) as promulgated under the Securities

Exchange Act of 1934, as amended) of the Company (such officers, as designated from time to time by the Board of Directors or the Company are hereinafter referred to as "Executive Officers"), including with respect to short-term compensation and long-term incentives.

- c. **Compensation Levels.** The Committee shall recommend to the independent members of the Board the compensation level (including base salary and cash and equity incentive compensation), material benefits and material terms and conditions of any employment offer or agreement of the Chief Executive Officer. The Committee shall determine the compensation level (including base salary and cash and equity incentive compensation), material benefits and material terms and conditions of any employment offer or agreement for all other Executive Officers of the Company. In recommending or determining incentive compensation, the Committee may in its business judgment consider, among other factors it deems appropriate from time to time, the Company's performance, the Chief Executive Officer's performance as evaluated by the independent members of the Board of Directors, the performance of the other Executive Officers, the incentive compensation goals established for the Chief Executive Officer and other Executive Officers and their and the Company's performance as measured against such goals, other criteria during such periods as the Committee may deem appropriate, the value of similar incentive awards to persons holding comparable positions at comparable or other relevant companies, the current recruiting or retention needs of the Company and the awards given to Executive Officers in prior years.
- d. **Post-Service Arrangements.** The Committee shall evaluate and approve the post-service arrangements (including severance arrangements) and material post-service benefits of the Chief Executive Officer and other Executive Officers. In evaluating such arrangements and benefits the Committee may consider their reasonableness in light of performance and practices at comparable or other relevant companies, any benefits received by the Company in connection with such arrangements and such other factors as it deems appropriate.
- e. **Incentive Compensation and Equity Plans.** The Committee shall establish, or to the extent required or it deems appropriate, recommend to the Board of Directors, Executive Officer incentive compensation plans and equity-based plans and shall administer such plans, including determining any awards (and the material terms thereof) to be granted to Executive Officers under any such plan implemented by the Company. The Committee shall periodically review, and when appropriate, revise, any stock ownership guidelines applicable to Executive Officers. Additionally, the Committee shall periodically review the Company's policies related to the hedging or pledging of Company securities by Executive Officers and directors, and when appropriate, revise such policies.

- f. **Appointment and Monitoring of Named Fiduciaries.** With respect to any funded employee benefit plan established by the Company and covering employees of the Company or its subsidiaries and which is subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, the Committee shall have the authority to appoint and terminate the named fiduciary or named fiduciaries of such plan, unless such fiduciaries are specified in the constituent plan documents or such documents delegate responsibility to another body or entity or subsidiary of the Company.
- g. **Evaluation of Compensation Programs.** The Committee shall review on a periodic basis the overall operation of the Company's compensation and benefits programs. In conducting such review, the Committee may consider such factors as it shall deem appropriate, including compensation programs of companies it may deem to be comparable, in various respects and for various purposes, to the Company. The Committee shall, not less than annually, review management's assessment of the potential risks to the Company created by such programs and policies and whether or not such risks are reasonably likely to have a material adverse effect on the Company. The Committee shall report its findings on the potential risks to the Company created by the Company's compensation policies directly to the Board of Directors.
- h. **Perquisite Policies.** The Committee shall periodically review policies with respect to material Executive Officer perquisites.
- i. **Other Compensation Plans.** The Committee may from time to time review and provide advice with respect to other material compensation or benefit plans of the Company, including stock purchase and stock ownership, material non-qualified, medical, change in control, retirement and other welfare plans.
- j. **Other Risk Oversight Responsibilities.** The Committee shall review other areas of potential risk and the Company's assessment and mitigation efforts with respect to such risks, as requested by the Board from time to time.
- k. **Access to Records, Consultants and Others.** In discharging its responsibilities, the Committee shall have access to any relevant records of the Company. The Committee may, in its sole discretion, and at the Company's expense, retain or obtain the advice of an outside compensation consultant, independent legal counsel or other outside adviser ("Outside Advisors"). The Committee shall be directly responsible for the appointment, level of compensation and oversight of the work of any such Outside Adviser retained by the Committee. The Committee may select Outside Advisers only after taking into consideration factors relevant to that person's independence, including such factors required to be considered under the listing standards of the New York Stock Exchange. The Committee is required to conduct the forgoing

Independence assessment with respect to any such Outside Advisors that provide advice to the Committee.

The Committee may also request that any officer or other employee of the Company, including the Company's senior compensation or human resource executives and the Company's General Counsel, the Company's outside counsel or any other person meet with any members of, or consultants to, the Committee, or provide other assistance to the Committee in the discharge of its duties. The Company shall be responsible for any administrative or other expenses incurred by the Committee in the discharge of its responsibilities hereunder.

- l. Compensation Discussion and Analysis; Annual Compensation Committee Report.** The Committee shall review and discuss with management the Company's disclosures under "Compensation Discussion and Analysis" in the Company's annual proxy statement and shall recommend to the Board whether such Compensation Discussion and Analysis shall be included in the Company's annual proxy statement. In connection with the foregoing, the Committee shall also prepare the report required by Securities and Exchange Commission rules to be included in the Company's annual proxy statement.
- m. Shareholder Votes.** The Committee shall review significant proxy advisory firm reports and all shareholder votes and proposals, in each case as related to the Company's executive compensation matters, and consider whether to make or recommend adjustments to the Company's executive compensation policies and practices as a result of such votes and/or reports.
- n. Individual Meetings.** Not less frequently than annually, the Committee shall meet with the Head of the Human Resource Department (or similar position) without any other member of management being present. In addition, the Committee shall meet in Executive Session at least annually with no one else present other than independent members of the Board of Directors.
- o. Recoupment Policy.** The Committee shall be responsible to establish, and when appropriate revise, policies and procedures to recover payments made to employees by the Company under its compensation plans to the extent required to comply with Section 10D of the Securities Exchange Act of 1934, as amended, or any stock exchange or similar rule adopted under said Section.
- p. Delegation.** The Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee.
- q. Other Delegated Duties.** The Committee shall also carry out such other duties that may be delegated to it by the Board of Directors from time to time.

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests

of the Company, including taking into consideration the factors described in Article 10 of the Certificate of Incorporation of the Company. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee and the accuracy and completeness of any financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

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