

## 1. Membership

- 1.1 The committee shall comprise of a committee chairman and at least two other members each of whom shall be appointed by the board, wherever applicable, in prior consultation with the committee chairman.
- 1.2 A majority of, and in any event at least two, members of the committee shall be independent non-executive directors.
- 1.3 The board shall appoint the committee chairman who should be either the chairman of the board or an independent non-executive director. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board. The chairman of the board shall not chair the committee when it is dealing with the matter of succession to the chairmanship.
- 1.4 Appointments to the committee shall be for a period of up to three years which may be extended for two further three-year periods, provided the majority of the committee members remain independent at all times.
- 1.5 The company secretary or their nominee shall act as the secretary of the committee.

## 2. Meetings

- 2.1 The committee shall meet formally at least twice annually and at such other times as the chairman of the committee or the board shall require. Insofar as possible, meetings shall be organised to coincide with board meetings so as to facilitate attendance in person by committee members.
- 2.2 A meeting of the committee may be called by any member of the committee or by the secretary.
- 2.3 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, any other person required to attend and all other non-executive directors, 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.
- 2.4 The quorum necessary for the transaction of business by the committee shall be two members, both of whom must be independent non-executive directors. 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.
- 2.5 Each member of the committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the committee (whether in person or by audio or video conference).
- 2.6 If a matter that is considered by the committee is one where a member of the committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting. Except where the chairman has a personal interest, the committee chairman shall have a casting vote.
- 2.7 The committee chairman may ask any attendees of a committee meeting to leave the meeting to allow discussions of matters relating to them.
- 2.8 Only members of the committee have the right to attend committee meetings, however, the chief executive and the chairman (if not formally appointed to the committee) will normally be in attendance at all meetings by invitation. At the invitation of the committee any other board member or other member of management and any external advisor may also attend.

- 2.9 The secretary shall minute the proceedings and the resolutions of all meetings of the committee, including the names of those present and those in attendance. Draft minutes of committee meetings shall be circulated promptly by the secretary to all members of the committee and, once agreed, to the board, unless there is a conflict of interest or it is otherwise inappropriate to do so.
- 2.10 A resolution in writing and approved by all committee members will be as effective as a resolution passed at a committee meeting.
- 2.11 The chairman of the committee shall attend the annual general meeting and shall answer any shareholder questions on the committee's activities and responsibilities.

### 3. Duties

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

The committee shall:

- 3.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendations to the board with regard to any changes;
- 3.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;
- 3.3 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensure the continued ability of the organisation to compete effectively in the marketplace;
- 3.4 keep up to date and fully informed about strategic issues and commercial changes affecting the company and group and the market in which it operates;
- 3.5 be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- 3.6 before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the committee:
  - 3.6.1 may use open advertising and/or the services of external advisers to facilitate the search;
  - 3.6.2 shall consider candidates from a wide range of backgrounds; and
  - 3.6.3 shall consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender, taking care that appointees have enough time available to devote to the position.
- 3.7 for the appointment of a chairman, prepare a job specification, including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the board before appointment and any changes to the chairman's commitments should be reported to the board as they arise;
- 3.8 ensure that, prior to the appointment of a director, the proposed appointee is required to disclose any other business interests that may result in a conflict of interest and is required to report any future business interests that could result in a conflict of interest;

- 3.9 ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- 3.10 review the results of the board performance evaluation process that relate to the composition of the board;
- 3.11 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- 3.12 work and liaise as necessary with all other board committees;
- 3.13 set measurable objectives for board diversity, prepare a policy on how to promote board and senior-management level diversity and increase diversity on the board and in senior management roles to meet those objectives;
- 3.14 keep under review the number of external directorships held by each director;
- 3.15 ensure that all new directors undertake an appropriate induction programme to ensure that they are fully informed about strategic and commercial issues affecting the group and the markets in which it operates as well as their duties and responsibilities as a director;
- 3.16 consider any training requirements for the board as a whole;
- 3.17 assist the chairman of the board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the board and its committees, including consideration of balance of skills, experience, independence and knowledge of the Company, its diversity, including gender, how the board works together as a unit, and other factors relevant to the board's effectiveness;
- 3.18 ensure that evaluation of the board is externally facilitated at least every three years; and
- 3.19 review the results of the performance evaluation of the committee.

The committee shall also make recommendations to the board concerning:

- 3.21 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chairman and chief executive;
- 3.22 suitable candidates for the role of senior independent director;
- 3.23 membership of the audit and remuneration committees, and any other board committees as appropriate, in consultation with the chairmen of those committees;
- 3.24 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required;
- 3.25 the re-election by shareholders of directors under the annual re-election provisions of the UK Corporate Governance Code or the retirement by rotation provisions in the company's articles of association, having due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the board (particularly in relation to directors being re-elected for term beyond six years);
- 3.26 the chairman of the board, having assessed every three years whether the present incumbent shall continue in post, taking into account the need for continuity versus freshness of approach;
- 3.27 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of any executive director as an employee of the company subject to the provisions of the law and their service contract; and

3.28 the appointment of any director to executive or other office.

#### **4. Reporting responsibilities**

4.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities;

4.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed;

4.3 The committee shall produce a report to be included in the company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the company.

4.4 The report referred to in 4.3 above should also include: (i) the committee's approach to succession planning, (ii) the board evaluation process undertaken and the outcomes and actions taken; (iii) a statement of the board's policy on diversity and inclusion, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives; and (iv) the gender balance of those in the senior management and their direct reports.

4.5 The committee shall make available its terms of reference on the group's website.

#### **5. Other matters**

The committee shall:

5.1 have access to sufficient resources in order to carry out its duties, including access to the Group Secretariat for assistance as required;

5.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and an ongoing basis for all members;

5.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing, Prospectus and Disclosure & Transparency Rules and any other applicable rules, as appropriate; and

5.4 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.

#### **6. Authority**

6.1 The committee is authorised by the board to:

6.1.1 obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference; and

6.1.2. seek any information it requires from any employee or director of the group, and all such employees or directors will be directed to co-operate with any request made by the committee.

**May 2019**