

## **NOMINATIONS COMMITTEE PROCEDURES**

1. The following guidelines are intended as a procedural framework for the Committee as it addresses the different types of appointment that will need to be made from time to time. In following the procedures, the Committee shall take account of the provisions of the UK Corporate Governance Code in particular that the Board should include a balance of Executive and Non-Executive Directors such that at least half the Board excluding the Chairman should comprise independent Non-Executive Directors, that appointments should be made on merit and against objective criteria, and that non-executive appointees should have sufficient time to devote to the job.

The procedures do not address the issue of unsatisfactory performance by a Director (either Non-Executive or Executive) or what happens in the event of a serious accident or illness. Should this arise the particular case will normally be brought to the Committee by the Chairman, together with the Chief Executive if an Executive Director is involved. In the case of the Chairman, the Deputy Chairman or named Senior Independent Director, will have responsibility for bringing the matter to the Committee; in the absence of a Deputy Chairman or Senior Independent Director, responsibility will lie generally with the Chairmen of the Audit and Remuneration Committees.

2. The various appointments on which the Committee may be expected to make recommendations to the Board are:
  - (a) Non-Executive Directors (NEDs)
    - (i) Initial appointment
    - (ii) Re-appointment at the end of initial term(s);
  - (b) Committee Chairmen;
  - (c) Senior Independent Director/Deputy Chairman;
  - (d) Executive Directors;
  - (e) Chief Executive;
  - (f) Chairman;
  - (g) Company Secretary

### **3. Initial appointment of NEDs**

In most cases it will be apparent some months in advance that a NED vacancy will arise at a certain date. The procedure is as follows:

- (i) Chairman informs the Committee of a potential vacancy six months before it is due to arise;
- (ii) Chairman agrees with the Committee broad specification for replacement NED including qualifications, experience and independence, and having due regard for the benefits of diversity on the Board, including gender.

### 3. Initial appointment of NEDs (cont'd)

- (iii) Chairman appoints head hunters (as appropriate)\* and canvasses suggestions from the Committee and other Board Members;
- (iv) Chairman produces long list followed by a short list to the Committee for comment;
- (v) Chairman and Chief Executive interview short listed candidates and presents candidate or candidates to an informal meeting of the Committee, or a panel of the Committee Members for final selection and recommendation to the Board. Where practical, the candidate(s) should meet with other members of the Board prior to final recommendation by the Committee.

(\*Note: An explanation must be given in the annual report if neither an external search consultancy nor open advertising has been used in the appointment of a NED.)

The above procedure refers to NED vacancies. From time to time however an individual with particular relevant qualifications may become available to join the Board as a NED when no immediate vacancy exists. In order to avoid missing a candidate the Committee should be advised of this possibility by a “recommending Director” (i.e. any Director who wishes to recommend the appointment of a particular individual). Depending on its views the Committee will take matters forward in accordance with sub-paragraph (v) above.

In all cases, in order that the Board can be satisfied that the proposed appointee has sufficient time to devote to the role of NED, before appointment his or her other significant commitments and a broad indication of the time involved will be notified to the Board. Consideration should also be given to any actual or potential conflicts of interest the proposed appointee may have with the Company.

At the time of recommending to the Board an appointment as a NED, the Committee will also make recommendations as to the Committees upon which the NED should serve.

### 4. Reappointment of NEDs

The terms of appointment of NEDs have generally been based on an expected nine year term but with re-appointment every three years. NEDs who serve for more than nine years are not considered to be independent under the UK Corporate Governance Code. The procedures for re-appointment are as follows:

- (i) six months before a re-appointment is due the Chairman will ask the NED who is due for re-appointment if he or she wishes that to be considered;
- (ii) assuming the response is affirmative the Chairman will take soundings from those NEDs who are not affected, from the Chief Executive, and from the other Executive Directors (either directly or via the Chief Executive) to ascertain if there are doubts about re-appointing;
- (iii) assuming the responses are positive the Chairman will make a formal proposal to the Committee who in turn will make a formal proposal to the Board. If, however, the responses are not all positive a special meeting of the Committee will be called (without the NED in question being present) to discuss the matter and to determine the nature of the recommendation to be made to the Board;

#### 4. **Reappointment of NEDs (cont'd)**

- (iv) in the event that re-appointment does not take place for whatever reason the procedure will follow that in paragraph 3 above unless it is decided to reduce the number of NEDs;
- (v) if at any time a NED decides that he or she does not wish to be re-appointed at the next due date, this should be communicated to the Chairman at the earliest possible time.

#### 5. **Audit and Remuneration Committee Chairmen**

- (i) Within three months of it becoming apparent that a Committee Chairmanship is due to become vacant, the Chairman will take soundings from the NEDs, the Chief Executive, and the Executive Directors (either directly or indirectly via the Chief Executive) concerning who should be appointed.
- (ii) Assuming a consensus is reached the Chairman will ascertain that the NED who the consensus favours is willing to take on the role. Thereafter he will make a formal proposal to the Committee who in turn will make a formal recommendation to the Board.
- (iii) In the unlikely event that there is no consensus and assuming two candidates emerge, it will be the responsibility of the Committee (excluding interested parties) to determine which of the two candidates should be recommended to the Board.

#### 6. **Senior Independent Director/Deputy Chairman**

The procedure for the appointment of a SID/Deputy Chairman is the same as that for the appointment of a Committee Chairman as set out in paragraph 5 above.

#### 7. **Executive Directors**

- (i) From time to time it will be necessary to appoint a replacement or possibly an additional Executive Director. The Committee will agree with the Chief Executive a description of the role and the capabilities required.
- (ii) An internal appointment will be based on a recommendation from the Chief Executive to the Committee on which the Chairman would be expected to have clear views. Assuming the candidate is already in a senior management position he or she will almost certainly be known to the Committee and will have been identified through the succession planning process. If not known arrangements will be made to ensure that the Committee meets the candidate.
- (iii) If the appointment is external the Chief Executive will normally lead the search using head hunters. Once a short list has been determined the Chairman will join the interviewing process. This will be followed by the NEDs meeting the candidate or candidates in whatever practical way can be arranged. This is unlikely to involve all Members of the Committee on a one to one basis although some one to one interviews may be desirable. Consideration should also be given to any actual or potential conflict of interest an external candidate may have with the Company.

7. **Executive Directors** (cont'd)

- (iv) A recommendation will then be made to the Committee by the Chief Executive, which may involve choosing between an internal and external candidate. The Committee will then make a recommendation to the Board.

8. **Chief Executive**

- (i) Not less than 12 months before the anticipated retirement of a current Chief Executive the Chairman will discuss with the Committee the issue of succession. The Committee will form a view at that time as to whether:
  - (a) the next Chief Executive is to be appointed from within without consideration of external candidates; or
  - (b) an external search for the next Chief Executive should be put in place either to compete with the internal candidate(s) or because there is no suitable internal candidate;
- (ii) where it is determined that an external search is necessary, the Chairman will agree a broad outline candidate specification with the Committee and will appoint head hunters with whom he will work to establish a short list which may or may not include an internal candidate. The head hunters will also be invited to meet with such members of the Board as they may wish to as part of the search process;
- (iii) having reached the short list stage, as many Members of the Committee as is practical (but not less than two in addition to the Chairman) will interview the candidates to determine which one is the most suitable;
- (iv) the Committee will then hear the views of those of its Members who have conducted the interviews and not less than three nor more than six months prior to the new appointment taking place, will make a recommendation to the Board;
- (v) if only internal candidates are being considered the procedure is obviously much simpler and the Committee will make a formal recommendation to the Board in line with the time scale envisaged in (iv) above;
- (vi) prior to the Committee making its recommendation to the Board the Chairman will agree with the current Chief Executive who should inform each Executive Director of the recommendation that the Committee is proposing to make.

## 9. Chairman

The timing of the appointment of a successor Chairman should normally be evident sometime in advance. The appointment will be made from either the existing NEDs or externally.

- (i) About 18 months before his retirement the Committee will agree a broad specification for the new Chairman including an assessment of the time commitment expected. The outgoing Chairman will start to take soundings from among the Directors as to who is seriously interested in putting their name forward as the successor. Those that indicate a strong interest will take no further part in the selection process until, for whatever reason, they drop out of consideration.
- (ii) The Chairman will then convene a Selection Panel comprising the disinterested Members of the Committee, including importantly the Chief Executive. The Chairman will then invite one of the Members of the Panel (excluding himself and the Chief Executive) to Chair the Panel and lead the selection process.
- (iii) Having taken whatever soundings appear to be appropriate, the Panel will determine not less than 15 months before the current Chairman is due to retire whether or not selection of the successor Chairman should be made exclusively from the internal candidates or whether external competition should be injected. If external candidates are to be considered the Chairman of the Panel, having agreed the specification, will make arrangements with head hunters to produce a short list<sup>1</sup>. The head hunters will also be invited to meet with such members of the Board as they may wish to as part of the search process. The best two or three candidates will be interviewed by as many Panel Members as possible, but so that as a minimum three Panel Members will have carried out interviews.
- (iv) At a time considered appropriate before the retirement of the current Chairman the Panel should determine who the successor is to be and make a recommendation to the Board with announcement following immediately<sup>2</sup>.
- (v) Where practicable, upon the selection of an external successor, such successor should be appointed to the Board, whether as Deputy Chairman or otherwise, in advance of succession to the chairmanship to enable an orderly transfer of responsibility.
- (vi) In order that the Board can be satisfied that the proposed appointee has sufficient time to devote to the role as Chairman, before appointment his or her other significant commitments will be disclosed to the Board. Consideration should also be given to any actual or potential conflicts of interest the proposed appointee may have with the Company.

### Notes

- (1) An explanation must be given in the annual report if neither an external search consultancy nor open advertising has been used in the appointment of a Chairman.

## 10. Company Secretary

The procedure for the appointment of a Company Secretary is substantially the same as that for the appointment of an Executive Director set out in paragraph 7 above.