

## **THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND SENIOR INDEPENDENT DIRECTOR: TERMS OF REFERENCE**

(Adopted by the Board on 27 November 2007 and revised 26 November 2015)

### **A. Relationship of the Chairman and the Chief Executive Officer – guiding principles**

1. The two roles should be complementary. The Chairman is responsible for managing the business of the Board whilst the Chief Executive Officer runs the business. The Chairman and the Chief Executive Officer should ensure that each is appropriately informed of the other's current areas of activities. They should be seen to work closely together as a team.
2. Their relationship should be based on mutual respect and trust. It should be frank and open, with problem areas being addressed openly.
3. The Chairman has direct access to senior executives, as he deems necessary.
4. The Chairman and the Chief Executive Officer should agree on their respective roles in setting major tasks and in taking new initiatives.
5. There should be shared vision for the long-term future of the Company.
6. There should be shared views on the fundamental strategy for the Company and for the application of cash flow.
7. There should be a shared approach to public affairs and employee relations.
8. These guiding principles will only be modified by mutual agreement between the Chairman and the Chief Executive Officer and with the prior approval of the Board.

### **B. Terms of reference for the Chairman**

The Chairman is responsible for:

#### 1. General

- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.
- Making certain that the Board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy, and that there are no 'no go' areas which prevent the directors from operating effective oversight in this area
- Consulting the senior independent director on Board matters in accordance with the UK Corporate Governance Code
- Proposing to the Board, in consultation with the Chief Executive Officer, Company Secretary and Committee Chairmen as appropriate:
  - a Schedule of Matters Reserved for the Board for its decision;
  - Terms of Reference for each Board Committee; and
  - other Board policies and procedures

and amendments thereto

- Ensuring, with the advice of the Company Secretary where appropriate, compliance with the Board's approved procedures, including the Schedule of Matters Reserved for the Board for its decision and each Committee's Terms of Reference.

## 2. Meetings

- Chairing Board and general meetings and those of the Nomination Committee
- Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings
- Setting the board agenda, taking into account the issues and concerns of all Board members. The agenda should be forward looking, concentrating on strategic matters, performance, value creation and accountability
- Ensuring there is appropriate delegation of authority from the Board to executive management
- Ensuring that the directors receive accurate, timely and clear information, including that on the:
  - the Group's performance;
  - the issues, challenges and opportunities facing the Group; and
  - matters reserved to it for decision

to enable the Board to make sound decisions, monitor effectively and provide advice to promote the success of the Company

- Managing the Board to allow enough time for discussion of complex or contentious issues. The Chairman should ensure that Directors (particularly non-executive Directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making and that the Board applies sufficient challenge to major proposals

## 3. Directors

- Facilitating the effective contribution of non-executive Directors and encouraging active engagement by all members of the Board, drawing on their skills, experience, knowledge and, where appropriate, independence
- Ensuring constructive relations founded on mutual respect and open communication, both in and outside the boardroom, between the executive and non-executive Directors
- Holding meetings with the non-executive Directors without the executives present
- In the role as chair of the Nomination Committee, initiating change and succession planning in Board appointments to retain and build an effective and complementary Board, and to facilitate the appointment of effective and suitable members and Chairmen of Board Committees
- Proposing, in conjunction with the Nomination Committee, the membership of Board Committees and their Chairmen

## 4. Induction, development and performance evaluation

- Ensuring that new Directors participate in a full, formal and tailored induction programme, facilitated by the Company Secretary

- Ensuring that the development needs of Directors are identified and, with the Company Secretary having a key role, that those needs are met. The Directors should be able to continually update their skills and the knowledge and familiarity with the Company required to fulfil their role on the Board and its Committees
- Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team
- Ensuring the performance of the Board, its Committees and individual Directors is evaluated at least once a year and acting on the results of such evaluation by recognising the strengths and addressing the weaknesses of the Board. Where appropriate, through the Nomination Committee, proposing that new members be appointed to the Board or seeking the resignation of others.

#### 5. Relations with shareholders

- Ensuring effective communication with shareholders by the Group, including the Chief Executive Officer and Chief Financial Officer, by consulting directly with major shareholders from time to time
- Maintaining sufficient contact with major shareholders to understand their issues and concerns, in particular discussing governance, strategy and remuneration with them
- Ensuring that the views of shareholders are communicated to the Board as a whole so that all Directors develop an understanding of their views

#### 6. AGM

- Arranging for the Chairmen of Board Committees to be available to answer questions at the AGM and for all Directors to attend

### **C. Terms of reference for the Chief Executive Officer**

The Chief Executive Officer is accountable and reports to the Board and is responsible for running the Company's business. The Chief Executive Officer is responsible for the following, within the authority limits delegated to him by the Board:

#### 1. Business strategy and management

- Developing group objectives and strategy
- The successful achievement of objectives and execution of strategy following Board approval
- Recommending to the Board an annual budget and financial plan and ensuring the achievement following Board approval
- Optimising as far as reasonably possible the use and adequacy of the Group's resources
- Leading the executive Directors and the executive management team in the day to day running of the Company's business
- Ensuring effective implementation of Board decisions
- Regularly reviewing the operational performance and strategic direction of the Company's business

#### 2. Investment and financing

- Examining all trade investments and major capital expenditure proposed by the Group and

recommending to the Board which are material either by nature or cost

- Identifying and executing acquisitions and disposals and approving major proposals
- Leading geographic diversification initiatives
- Identifying and executing new business opportunities outside the current core activities

3. Risk management and controls

- Managing the Company's risk profile in line with the extent and categories of risk identified as acceptable by the Board
- Ensuring appropriate internal controls are in place

4. Communication

- Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group of which he might not otherwise be aware
- Providing a means for timely and accurate disclosure of information, including an escalation route for issues
- Leading the communication programme with shareholders and ensuring effective communications with shareholders

5. Other

- Promoting, and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance
- Ensuring, in consultation with the Chairman and the Company Secretary as appropriate, that he and the executive team comply with the Board's approved procedures, including the Schedule of Matters Reserved for the Board for its decision and each Committee's Terms of Reference
- Ensuring that the executive team gives appropriate priority to providing reports to the Board which contain accurate, timely and clear information
- Ensuring that he maintains a dialogue with the Chairman on the important and strategic issues facing the Group, and proposing Board agendas to the Chairman which reflect these
- Providing information and advice on succession planning to the Chairman and the Nomination Committee, and other members of the Board, particularly in respect of executive directors
- Setting HR policies, including management development and succession planning for the executive management team and approving the appointment and termination of employment of members of that team
- Formalising the roles and responsibilities of the executive management team
- Keeping the Chairman informed on all important matters

**D. Terms of reference for the senior independent Director**

1. Shareholders

- The senior independent Director will be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial

Officer has failed to resolve or for which such contact is inappropriate

2. Main Duties

- The senior independent Director will act as a sounding board for the Chairman, to discuss confidential issues related to governance, Board performance and the performance of individual Directors and concerns raised by Directors, shareholders or employees.
- The senior independent Director will support the Chairman on all governance issues
- The senior independent Director will chair the Nomination Committee when it is considering succession to the role of Chairman of the Board
- The senior independent Director will meet with the non-executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate
- Be available as an intermediary for confidential discussions with Directors who may have concerns which they believe have not been properly considered by the Board as a whole, or which they feel may not be appropriate to raise in open forum or with the Chairman directly.
- Attend meetings with major shareholders, if requested, to listen to their views to help develop a balanced understanding of their issues and concerns.