

**Terms of Reference for the
Nomination Committee
(the “committee”)**

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1. Background

- 1.1 The board has resolved to establish a nomination committee.

2. The Committee's Duties

- 2.1 To lead the process for board appointments and make recommendations to the board.
- 2.2 To review regularly the structure, size and composition of the board (including its skills, knowledge, independence, experience and diversity) and make recommendations to the board about any changes.
- 2.3 To consider plans and make recommendations to the board for orderly succession for appointments to the board and to senior management, to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board, taking into account the challenges and opportunities facing the company and its group.
- 2.4 To keep the executive and non-executive leadership needs of the company and its group under review, with a view to ensuring it continues to compete effectively in the marketplace.
- 2.5 When the board wishes to appoint a chairman, to prepare a job specification, including an assessment of the expected time commitment, recognising the need for availability in the event of crises.
- 2.6 To be responsible for identifying and nominating candidates for appointment to the board for the board's approval, subject to any rights that the Henderson Funds may have to identify and nominate candidates for appointment as non-executive directors pursuant to a relationship agreement between the company and the Henderson Funds (the "**relationship agreement**").
- 2.7 When the board wishes to appoint a director, to evaluate the balance of skills, knowledge, experience, independence and diversity on the board, and prepare a description of the role, required capabilities and expected time commitment. When identifying suitable candidates the committee should:
- a. use open advertising or the services of external advisers to facilitate the search;
 - b. consider candidates from a wide range of backgrounds; and
 - c. 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.

- 2.8 To require existing directors and proposed appointees to the board to disclose any conflict, or possible conflict, with the interests of the company.
- 2.9 To ensure that non-executive directors receive a formal letter of appointment on appointment to the board, setting out clearly the company's expectations for time commitment, committee service and involvement outside board meetings.
- 2.10 To review the results of the board performance evaluation process as they relate to the composition of the board.
- 2.11 To review each year the time non-executive directors are expected to spend on the company's affairs and whether each non executive director is devoting enough time to his or her duties.
- 2.12 To make recommendations to the board about candidates for the role of senior independent director.
- 2.13 To make recommendations to the board about candidates for membership of the audit and remuneration committees of the board and any other board committees as appropriate, in consultation with the chairman of the relevant committee.
- 2.14 To make recommendations to the board about whether to reappoint a director at the end of his or her term of office, subject to any rights that the Henderson Funds may have in relation to any non-executive director that it has appointed to be recommended for re-election pursuant to the relationship agreement.
- 2.15 To make recommendations to the board about the re election of directors who are to be put forward for retirement by rotation.
- 2.16 To make recommendations to the board about any matters relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company.

3. Procedures For Appointing Directors

Non executive directors

- 3.1 When the company decides to appoint a non-executive director, the committee chairman will submit a short-list of candidates to members of the committee and the chief executive officer (and other directors if appropriate), for their comments and to enable them to suggest other candidates.
- 3.2 The committee may also engage a reputable firm of search consultants to recommend candidates.
- 3.3 The committee will then review the short list of candidates and make any appropriate changes.
- 3.4 The committee chairman, one other committee member and the chief executive officer will meet short listed candidates selected by the committee. If the chairman

wishes to proceed with the selection process, the candidate(s) will then be invited to meet the committee.

- 3.5 The committee will decide whether to recommend a candidate to the board for appointment.
- 3.6 The Henderson Funds has the right to appoint two non-executive directors pursuant to the relationship agreement. When Henderson notifies the committee that it has decided to appoint a non-executive director in accordance with any right it has to do so, the committee will consult with Henderson and will consider the identity, qualifications and suitability of any individual proposed to be so appointed as a non-executive director.

Executive directors

- 3.7 When the company decides to appoint an executive director, the committee chairman and the chief executive officer will submit a short list of one or more candidates to the committee.
- 3.8 The committee, the chairman of the board or the chief executive officer may also engage a reputable firm of search consultants to recommend candidates.
- 3.9 Some or all of the committee's members will meet the candidate(s) selected for interview.
- 3.10 The committee's assessments will be reviewed with the chairman of the board and the chief executive officer, following which a candidate may be recommended to the board for appointment.

4. Composition¹

- 4.1 The committee must have at least three members. Members of the committee are appointed by the board. A majority of the members of the committee must be independent non-executive directors. If the board decides that a member of the committee is no longer independent and as a result a majority of the members of the committee are not independent non-executive directors, that member will cease to be a member of the committee.
- 4.2 The board appoints the chairman of the committee, who must be either the chairman of the board or an independent non-executive director. The chairman of the board must not chair the committee when it is dealing with the appointment of a successor to the chairman. In the absence of the committee chairman and/or an appointed deputy, the remaining members present may elect one of the independent non-executive directors to chair the meeting.

¹ **Note to JL:** Lord Davies's "Women on Boards Review Annual Progress Report 2014" recommends that FTSE 350 companies should ensure at least one woman non-executive director sits on their nomination committee.

- 4.3 Only members of the committee have the right to attend committee meetings, but the committee may invite others to attend all or part of any meeting if it thinks it is appropriate or necessary.
- 4.4 Appointments to the committee are for a period of up to three years, extendable for two further three-year periods, provided that the majority of the committee members remain independent.

5. Quorum

- 5.1 The quorum necessary for the transaction of business is two members, both of whom must be independent non-executive directors.
- 5.2 A duly convened meeting of the committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

6. Meeting Administration

- 6.1 The committee must meet as often as it deems necessary but in any case at least twice a year, at such times and places determined by the committee chairman. Additional meetings may be called by the committee chairman. The committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the chairman.
- 6.2 Meetings of the committee are called by the secretary of the committee at the request of the committee chairman.
- 6.3 Unless otherwise agreed by all committee members, notice of each meeting confirming the venue, time and date (and dial-in details if required) of the meeting must be sent, with an agenda of the items to be discussed and any supporting papers, to each member of the committee, any other person required to attend the meeting and all other non-executive directors as soon as practicable, and in any event no later than five working days before the date of the meeting.

7. Secretary

- 7.1 The company secretary or such person as the company secretary nominates acts as the secretary of the committee.
- 7.2 The secretary must ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 7.3 The secretary must minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

- 7.4 The secretary must ascertain, at the beginning of each meeting, whether any conflicts of interest exist and, if so, minute them accordingly.
- 7.5 Draft minutes of committee meetings must be sent promptly to all members of the committee. Once approved, minutes must be sent to all members of the board, unless the chairman of the committee thinks it is inappropriate to do so.

8. Self-evaluation

- 8.1 The committee must review its own performance, composition and terms of reference at least once a year and recommend to the board any changes it considers necessary or desirable.

9. Reporting Responsibilities

- 9.1 After each committee meeting, the chairman must report formally to the board on the committee's proceedings.
- 9.2 The committee may make such recommendations to the board it deems appropriate on any area within its remit where action or improvement is desirable.
- 9.3 The committee chairman must attend the company's annual general meeting and respond to any shareholder questions on matters within the committee's area of responsibility, as directed by the chairman of the annual general meeting.
- 9.4 The committee must compile a report to shareholders on its activities and the process used to make appointments to be included in the company's annual report. The report should also:
 - a. if external advertising or advice has not been used, give reasons for this;
 - b. identify any external search agency used by the company, and state whether it has any connection with the company; and
 - c. describe the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

10. Other Matters

- 10.1 The committee must:
 - a. have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required on all committee matters;
 - b. be given appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members;

- c. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- d. oversee any investigation of activities which are within its terms of reference; and
- e. work and liaise as necessary with all other board committees.

11. Authority

11.1 The board authorises the committee to:

- a. undertake any activity within its terms of reference;
- b. seek any information from any group employee or contractor that it requires to perform its duties;
- c. obtain external legal or other professional advice on any matter within its terms of reference at the company's expense, and to invite persons giving such advice to attend committee meetings;
- d. call any group employee or contractor to be questioned at a committee meeting, as and when required;
- e. delegate any of its powers to one or more members or to the secretary.