

**CORPORATE GOVERNANCE  
PLAZA CENTERS N.V.**

- **Terms of reference of the Audit, Remuneration and Nomination Committees**
- **Schedule of matters specifically reserved for decision by the full board**
- **Procedure for directors to take independent professional advice**

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## **PART A**

### **Terms of reference of the Audit Committee**

#### **1 Membership**

- 1.1 The board of directors of the company (the "**Board**") has resolved to establish a committee of the Board to be known as the Audit Committee. Establishment of the Audit Committee is a statutory obligations under the laws of the Netherlands.
- 1.2 Membership of the Audit Committee shall consist of at least two members (insofar less than four non-executive directors are in function) or of at least three members (insofar four or more non-executive directors are in function), each being an independent non-executive director. At least one member of the Audit Committee shall have recent and relevant financial/accounting experience gained with listed companies or other large legal entities.
- 1.3 The members of the Audit Committee for the time being shall be appointed by the Board but in consultation with the chairman of the Audit Committee and, if a Nomination Committee shall be in place, on the recommendation of the Nomination Committee. The chairman of the Board or any former executive director of the company is not eligible to be a member of the Audit Committee.
- 1.4 Subject to the normal periodic re-election of directors, a member of the Audit Committee shall serve an initial term of three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent.
- 1.5 Care shall be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

#### **2 Quorum**

- 2.1 A quorum shall always be two members of the Audit Committee, also in case the Audit Committee comprises two members. A duly convened meeting of the Audit 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 Audit Committee. All reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

2.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Audit 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 the members of the Audit Committee and to other attendees as appropriate, at the same time.

### 3 **Chairman**

3.1 The Board shall appoint one of the members of the Audit Committee to be chairman of the Audit Committee. If the chairman of the Audit Committee is not present at a meeting of the Audit Committee, then, in case the Audit Committee comprises three or more members, the remaining members present shall elect one of their number to chair the meeting. In case the Audit Committee comprises two members, the quorum shall not be met and no valid meeting can be held.

3.2 The chairman of the Audit Committee shall be available to answer questions through the chairman of the Board on the report on the Audit Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.

### 4 **Attendance**

4.1 No one other than the chairman of the Audit Committee and its members is entitled to be present at a meeting of the Audit Committee. Attendance at meetings of the Audit Committee by non-members, such as the chairman of the Board, the chief executive and other members of the Board, shall be at the discretion of the Audit Committee, but the finance director and the company's auditor and its internal auditors (if any) will normally be invited to attend meetings of the Audit Committee. The Audit Committee shall each year have at least one meeting, or part of a meeting, with the company's auditor and its internal auditors (if any) without any member of the company's management present to discuss matters relating to the remit of the Audit Committee and any issues arising from the audit.

4.2 The Audit Committee shall designate one of the company's employees to be the secretary of the Audit Committee, which person shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The secretary of the Audit Committee shall prepare minutes of the Audit Committee meetings and shall circulate

them to all members of the Audit Committee and to the chairman and other members of the Board. At the beginning of each meeting, the secretary of the Audit Committee shall ascertain the existence of any conflicts of interest and minute them accordingly.

## **5 Frequency of meetings**

5.1 The Audit Committee shall meet as frequently as the chairman of the Audit Committee, in consultation with the secretary of the Audit Committee, shall require and also at regular intervals to deal with routine matters and, in any event, not less than three times in each financial year. Any member of the Audit Committee, the company's auditor or its internal auditors (if any) may request a meeting if he/she considers that one is necessary or expedient.

5.2 Meetings will be arranged to coincide with key dates within the company's financial reporting and audit cycle where appropriate. A sufficient interval should be allowed between meetings of the Audit Committee and meetings of the Board to allow any work arising from a meeting of the Audit Committee to be carried out and reported to the Board as appropriate.

## **6 Authority**

6.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company, or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Audit Committee including requests to attend meetings of the Audit Committee.

6.2 The Audit Committee is authorised by the Board to obtain any outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

6.3 Although the Audit Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business.

## Responsibilities

The Audit Committee has the responsibilities set out below for the company and also for its major subsidiary undertakings and for the group as a whole as appropriate.

The Audit Committee shall:

- 7.1 satisfy itself that the annual accounts, the preliminary statement of financial results, the interim statement of financial results, announcements relating to the company's financial performance and any other major financial statements issued by the company follow generally accepted accounting principles and give a fair and meaningful account of the affairs of the company, of its subsidiary undertakings and of the group as a whole as appropriate. The Audit Committee should review significant financial reporting judgments contained in these statements and announcements. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature. The requirements of this paragraph should be met whenever practicable (without being inconsistent with any requirement for prompt reporting under the UK Listing Rules of the Financial Services Authority, any listing rules of the Warsaw Stock Exchange and any listing rules of the Tel Aviv Stock Exchange (collectively: the "**Listing Rules**"));
- 7.2 satisfy itself that matters raised by its members or the company's auditor or the company's internal auditors (if any) about any aspect of the accounts or of the company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board and resolved;
- 7.3 review the annual financial statements of the company's pension funds where they are not reviewed by the Board as a whole;
- 7.4 consider and make appropriate recommendations to the Board for the shareholders to consider at the annual general meeting relating to the appointment, reappointment and removal of the company's auditor. The Audit Committee shall oversee the process for selecting a new company auditor. If the company's auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and shall decide whether any action is required;
- 7.5 meet with the company's auditor to discuss and review, before the start of each annual audit, the nature and scope of the audit, the provision of any non-audit services for the company by the same auditor's firm, the annual audit plan (in order

to ensure that it is consistent with the scope of the audit engagement) and the level of the audit fee (in order to ensure that it is appropriate to enable an adequate audit to be conducted). The Audit Committee shall, taking into consideration relevant Dutch professional and regulatory requirements, discuss annually with the company's auditor its qualifications, expertise, resources, independence and objectivity and the effectiveness of the audit process. The Audit Committee shall ensure that key partners within the appointed firm are rotated at appropriate intervals;

- 7.6 satisfy itself that there are no family, employment, investment, financial, business or other relationships between the company's auditor and the company other than in the ordinary course of business. The Audit Committee shall agree with the Board and monitor and implement a policy on the employment of former employees of the company's auditor;
- 7.7 ensure co-ordination where more than one audit firm is involved;
- 7.8 request and review an annual report from the company's auditor on its quality control procedures and review steps taken by the company's auditor to respond to changes in regulatory and other requirements;
- 7.9 recommend to the Board the audit fee and recommend the terms of engagement of the company's auditor. The Audit Committee shall recommend in advance any fees in respect of non-audit services provided by the company's auditor. The Audit Committee shall review and monitor a policy on the engagement of the company's auditor to supply other professional services to the company and its subsidiary undertakings to ensure that the company's auditor continues to be objective and remains independent from the company's management whilst still providing value for money. The Audit Committee shall take into account relevant ethical guidance;
- 7.10 review any representation letter requested by the company's auditor before it is signed by any member of the management of the company;
- 7.11 review the company's auditor's management letter and the response of the company's management to it;
- 7.12 meet with the company's auditor to discuss and review the findings of the audit and shall act as the principal contact for the company's auditor if he discovers irregularities in the content of the company's financial reports. This shall include (but not be limited to) a discussion of:
  - 7.12.1 any major issues which arise during the audit;

- 7.12.2 any accounting and audit judgments;
- 7.12.3 levels of errors identified during the audit; and
- 7.12.4 review the effectiveness of the audit;
- 7.13 review the company's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. The Audit Committee shall monitor that these arrangements allow proportionate and independent investigation of these matters and appropriate follow up action;
- 7.14 review, and challenge where necessary, the actions and judgments of the company's management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
  - 7.14.1 critical accounting policies and practices, any changes in them and the consistency of them on a year-on-year basis both across the company and across the group (as appropriate);
  - 7.14.2 decisions requiring a major element of judgment taking into account the view of the company's auditor;
  - 7.14.3 the extent to which the financial statements are affected by any significant or unusual transactions in the year under review, how they are accounted for where different approaches are possible and how they are disclosed;
  - 7.14.4 the clarity of disclosures and the context in which statements are made;
  - 7.14.5 significant adjustments resulting from the audit;
  - 7.14.6 the going concern assumption;
  - 7.14.7 compliance with accounting standards taking into account the view of the company's auditor;
  - 7.14.8 compliance with applicable stock exchange and other legal and regulatory requirements;
  - 7.14.9 reviewing all material information presented with the financial statements to the extent that it relates to audit and risk management, including the relevant sections of the operating and financial review and

the corporate governance statement prior to endorsement by the Board; and

- 7.14.10 reviewing the policies and process for identifying and assessing business risks and the management of those risks by the company;
- 7.15 discuss problems and reservations arising from the interim and final audits, and any matters the company's auditor may wish to discuss (in the absence of the company's management where necessary);
- 7.16 consider the company's management's response to any major external or internal audit recommendations;
- 7.17 monitor and keep under review the effectiveness of the company's financial reporting and controls and its systems for internal control and risk management (for both financial and non-financial risks). The Audit Committee shall review management's and the internal auditor's reports on the effectiveness of these systems and shall review and approve the statements on internal control and risk management to be included in the company's annual report prior to its endorsement by the Board;
- 7.18 monitor and review the effectiveness of the internal audit function in the context of the company's risk management system, its remit and the annual internal audit plan, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate access to information to enable it to perform effectively and comply with relevant professional standards;
- 7.19 monitor that the internal audit function has appropriate and adequate standing within the company and is free from management or other restrictions;
- 7.20 review promptly all reports on the company from the internal auditor and monitor that the head of internal audit has direct access to the chairman of the Board and to the Audit Committee;
- 7.21 approve the appointment or removal of the head of internal audit;
- 7.22 where no such internal audit function exists, review annually the need for one and make an appropriate recommendation to the Board;
- 7.23 institute special projects or investigations on any matter within the Audit Committee's terms of reference as it sees fit, following consultation with the finance director. The Audit Committee shall be provided with the necessary resources to access information

for these purposes. The Audit Committee shall review any significant findings of internal investigations. Additionally, it shall consider from time to time whether any special remit should be referred to the company's auditor or to any other external body;

- 7.24 make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- 7.25 ensure that it receives appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.26 ensure that it has access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
- 7.27 give due consideration to and compliance with legal and regulatory requirements, the provisions of the UK Corporate Governance Code, the Dutch Corporate Governance Code, the Best Practice for GPW Listed Companies 2016 and the corporate governance rules of the Tel Aviv Stock Exchange as these apply to the company and may be amended from time to time (collectively: the "**Corporate Governance Rules**") and the requirements of the Listing Rules as appropriate;
- 7.28 supervise the company's policy in respect of tax planning;
- 7.29 supervise the company's policy in respect of the applications of information and communication technology (ICT);
- 7.30 supervise the company's policy in respect of the financing of the company; and
- 7.31 consider any other matter specifically referred to the Audit Committee by the Board.

## 8 **Reporting procedures**

- 8.1 The Audit Committee shall report to the Board after each meeting on all matters within its terms of reference. The Audit Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 8.2 A summary of the Audit Committee's duties and work, including the membership of the committee, the number of committee meetings held, attendance over the course of the year and a description of the main activities of the year, including reference to examination of the annual accounts, shall be included each year in the company's annual report.

- 8.3 The Audit Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations of any changes it considers necessary to the Board.
- 8.4 The chairman of the Audit Committee or at least one other member of the Audit Committee shall attend the meeting of the Board at which the accounts are approved.
- 8.5. The Audit Committee shall decide whether and, if so, when the chief executive officer, the chief financial officer, the company's auditor and the internal auditor should attend its meetings.

## **PART B**

### **Terms of reference of the Remuneration Committee**

#### **1 Membership**

- 1.1 If the Board comprises more than four non-executive directors, the Board may resolve to establish a committee of the Board to be known as the Remuneration Committee.
- 1.2 If the Board comprises less than four non-executive directors or if the Board has resolved not to establish the Remuneration Committee, the tasks as referred to in sections 7 and 8 of this Part B shall apply to all non-executive directors jointly.
- 1.3 Membership of the Remuneration Committee shall consist of at least three members, each being an independent non-executive director. A maximum of one member of the Remuneration Committee need not be independent. No more than one member of the remuneration committee shall be an executive director of another Dutch listed company.<sup>1</sup>
- 1.4 The members of the Remuneration Committee for the time being shall be appointed by the Board but in consultation with the chairman of the Remuneration Committee and, insofar a Nomination Committee has been established, on the recommendation of the Nomination Committee.
- 1.5 Subject to the normal periodic re-election of directors, a member of the Remuneration Committee shall serve a term of three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent.
- 1.6 Care shall be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. The chairman of the Remuneration Committee and its members shall be rotated on a regular basis.

#### **2 Quorum**

- 2.1 A quorum shall be two members of the Remuneration Committee. A duly convened meeting of the Remuneration Committee at which a quorum is present shall be competent to exercise all of any of the authorities, powers and discretions vested in

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<sup>1</sup> A "Dutch listed company" is a Dutch law incorporated limited liability company whose registered office is in the Netherlands and whose shares or depositary receipts for shares are officially listed on a stock exchange.

or exercisable by the Remuneration Committee. A member of the Remuneration Committee shall not be counted in the quorum where decisions are to be made or discussions are to take place concerning such member's remuneration. All reasonable efforts shall be made to give notice of meetings of the Remuneration Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

- 2.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Remuneration 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 the members of the Remuneration Committee and to other attendees as appropriate, at the same time.

### 3 **Chairman**

- 3.1 The Board shall appoint one of the members of the Remuneration Committee to be the chairman of the Remuneration Committee. The chairman of the Board shall not be the chairman of the Remuneration Committee or any former executive director of the company. If the chairman of the Remuneration Committee is not present at a meeting of the Remuneration Committee, then the remaining members present shall elect one of their number to chair the meeting.
- 3.2 The chairman of the Remuneration Committee shall be available to answer questions through the chairman of the Board on the report on the Remuneration Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.
- 3.3 The chairman of the Remuneration Committee shall report to the Board to enable it to report to the company's shareholders on remuneration matters as specified in the Listing Rules and the Corporate Governance Rules.

### 4 **Attendance**

- 4.1 No one other than the chairman of the Remuneration Committee and its members is entitled to be present at a meeting of the Remuneration Committee. Attendance at meetings of the Remuneration Committee by non-members, the chairman of the Board, the chief executive and other members of the Board shall be at the discretion of the Remuneration Committee.

- 4.2 The chief executive of the company may be invited to attend meetings of the Remuneration Committee to advise its members and shall be invited to discuss the performance of the other executive directors and to make proposals as necessary.
- 4.3 Professional advisers and other persons with relevant experience, including other executive directors of the company and the head of human resources, may attend all meetings or part of a meeting of the Remuneration Committee by invitation provided that no person shall attend during the Remuneration Committee's deliberations concerning that person's own remuneration. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connections with the company.
- 4.4 The Remuneration Committee shall designate one of the company's employees to be the secretary of the Remuneration Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The secretary of the Remuneration Committee shall prepare minutes of the Remuneration Committee meetings and shall circulate them to all members of the Remuneration Committee and to the chairman and other members of the Board, unless a conflict of interest exists.

## 5 **Frequency of meetings**

The Remuneration Committee shall meet as frequently as the chairman, in consultation with the secretary of the Remuneration Committee, shall require and also at regular intervals to deal with routine matters and, in any event, at least twice in each financial year. Any member of the Remuneration Committee may request a meeting if he/she considers that one is necessary or expedient. Formal meetings, for example, in relation to the formal grant of employee share options may be held by telephone.

## 6 **Authority**

- 6.1 The Remuneration Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Remuneration Committee including requests to attend meetings of the Remuneration Committee.

6.2 The Remuneration Committee is authorised by the Board to obtain such outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

6.3 Although the Remuneration Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business.

## 7 **Purpose**

The purpose of the Remuneration Committee is to:

7.1 propose the remuneration of the executive directors of the company, the chairman of the Board and such other members of the executive management as it is designated to consider;

7.2 demonstrate to the shareholders of the company that the remuneration of the principal executive directors of the company and other senior members of the executive management of the company and its subsidiaries is proposed by a committee of the Board whose members have no personal interest in the outcome of the decisions of the Remuneration Committee and who will have due regard to the interests of shareholders; and

7.3 to the extent that an executive director shall sit upon the Remuneration Committee or may be invited to join meetings of the Remuneration Committee as appropriate he shall absent himself and take no part in any discussions concerning his own remuneration or other benefits or matters within the province of the Remuneration Committee.

## 8 **Responsibilities**

8.1 The Remuneration Committee shall:

8.1.1 propose to the Board the framework or broad policy for the remuneration of the chief executive, the chairman of the Board and such other members of the executive management as it is designated to consider, which framework shall be laid down in a draft proposal submitted to the shareholders for approval and – if applicable – to the Works Council (*ondernemingsraad*) for information purposes. The

Remuneration Committee shall make proposals to the Board to ensure that appropriate incentives are used to enhance the performance of the executive management and to ensure that they are rewarded in a fair and responsible manner for their individual contributions to the success of the company. At a minimum, the committee shall make proposals for setting remuneration for all executive directors, the chairman of the Board and, to maintain and assure his/her independence, the company secretary. The remuneration of non-executive directors shall be a matter for the chairman of the Board and executive members of the Board. No director or manager shall be involved in any decisions as to his/her own remuneration;

- 8.1.2 review the framework or broad policy for remuneration to make proposals to ensure it remains appropriate and relevant;
- 8.1.3 propose the design of and the targets for any performance-related pay schemes operated by the company and propose the total annual payments made under the schemes;
- 8.1.4 review the design of and changes to all share incentive plans for approval by the Board and shareholders. The Remuneration Committee shall propose to the Board whether awards will be made, the overall amount of the awards, the individual awards to members of the executive management and the relevant performance targets;
- 8.1.5 propose to the Board the policy for and scope of pension arrangements for members of the executive management;
- 8.1.6 make proposals to the Board to ensure that contractual terms on termination, and any payments made, are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.1.7 within the terms of the agreed policy and in consultation with the chairman of the Board and/or chief executive as appropriate, propose to the Board the total individual remuneration package of each member of the executive management including, where appropriate, bonuses, incentive payments, redundancy payments, share options or other share awards and pension rights, including the performance criteria for performance and their application, subject always to any rights of the

- shareholders under the prevailing articles of association (*statuten*) of the Company;
- 8.1.8 in proposing such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Corporate Governance Rules and the Listing Rules and associated guidance;
  - 8.1.9 monitor and review annually the remuneration trends across the company and the group;
  - 8.1.10 be aware of and advise on any major changes in employee benefit structures throughout the company or the group;
  - 8.1.11 propose the policy for authorising claims for expenses from the chief executive and the chairman of the Board;
  - 8.1.12 monitor that provisions regarding disclosure of remuneration, including pensions, as set out in the Dutch Civil Code (*Burgerlijk Wetboek*), are fulfilled;
  - 8.1.13 make proposals for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
  - 8.1.14 obtain information about remuneration in other companies that is reliable and up-to-date. The Remuneration Committee shall have full authority to commission any reports or surveys it requires to meet its responsibilities;
  - 8.1.15 make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board; and
  - 8.1.16 consider any other matter specifically referred to the Remuneration Committee by the Board.
- 8.2 The Remuneration Committee shall have authority to approve and authorise the execution of all documents (including service contracts) and do all things as may be necessary or desirable for the purpose of carrying out its responsibilities.
- 8.3 The Remuneration Committee shall not be authorised to appoint or terminate the employment of directors or senior executives or to determine the remuneration of

non-executive directors. It shall not be responsible for making nominations to the Board.

9 **Reporting procedures**

- 9.1 The Remuneration Committee shall report to the Board after each meeting on all matters within its terms of reference. The Remuneration Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 9.2 A summary of the Remuneration Committee's duties and work, including the membership of the committee, the number of committee meetings held and attendance over the course of the year shall be included each year in the company's annual report.
- 9.3 The Remuneration Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations of any changes it considers necessary to the Board.

## **PART C**

### **Terms of reference of the Nomination Committee**

#### **1 Membership**

- 1.1 If the board of directors of the company (the "**Board**") comprises more than four non-executive directors, the Board may resolve to establish a committee of the Board to be known as the Nomination Committee.
- 1.2 If the Board comprises less than four non-executive directors or if the Board has resolved not to establish the Nomination Committee, section 7 of this Part C shall apply to all non-executive directors jointly.
- 1.3 Membership of the Nomination Committee shall consist of at least three members, a majority of whom shall be independent non-executive directors.
- 1.4 The members of the Nomination Committee for the time being shall be appointed by the Board.
- 1.5 Subject to the normal periodic re-election of directors, a member of the Nomination Committee shall serve a term of three years which may be extended by no more than two additional three year periods, so long as the majority of members remain independent.
- 1.6 Care shall be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

#### **2 Quorum**

- 2.1 A quorum shall be two members of the Nomination Committee, both of whom must be independent non-executive directors. A duly convened meeting of the Nomination 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 Nomination Committee. All reasonable efforts shall be made to give notice of meetings of the Nomination Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. No member of the Nomination Committee shall attend or form part of the quorum in relation to any appointment in which he/she has a personal interest.
- 2.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Nomination 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 members of the Nomination Committee and to other attendees as appropriate, at the same time.

### 3 **Chairman**

3.1 The Board shall appoint the chairman of the Board or an independent non-executive director to be the chairman of the Nomination Committee. If the chairman of the Board is appointed chairman of the Nomination Committee, he/she should not chair the Nomination Committee when it is dealing with the appointment of a successor to his/her chairmanship. If the chairman of the Nomination Committee is not present at a meeting of the Nomination Committee, then the remaining members present shall elect one of their number to chair the meeting.

3.2 The chairman of the Nomination Committee shall be available to answer questions through the chairman of the Board on the report on the Nomination Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.

### 4 **Attendance**

4.1 No one other than the chairman of the Nomination Committee and its members is entitled to be present at a meeting of the Nomination Committee. Attendance at meetings of the Nomination Committee by non-members, the chairman of the Board (if not a member), the chief executive and other members of the Board shall be at the discretion of the Nomination Committee.

4.2 Professional advisers and other persons with relevant experience, including the chief executive and other executive directors of the company and the head of human resources, may attend all or part of a meeting of the Nomination Committee by invitation.

4.3 The Nomination Committee shall designate one of the company's employees to be the secretary of the Nomination Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The secretary of the Nomination Committee shall prepare minutes of the Nomination Committee meetings and shall circulate them to all members of the Nomination Committee and to the chairman and other members of the Board, unless a conflict of interest exists.

## 5 **Frequency of meetings**

The Nomination Committee shall meet as frequently as the chairman, in consultation with the company secretary, shall require and also at regular intervals to deal with routine matters and, in any event, not less than twice in each financial year. Any member of the Nomination Committee may request a meeting if he/she considers that one is necessary or expedient.

## 6 **Authority**

6.1 The Nomination Committee is authorised by the Board to investigate any activity within its terms of reference. The Nomination Committee is authorised to seek any information it requires from any employee or director of the company or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Nomination Committee including requests to attend meetings of the Nomination Committee.

6.2 The Nomination Committee is authorised by the Board to obtain such outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

6.3 Although the Nomination Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business.

## 7 **Responsibilities**

7.1 The Nomination Committee shall:

7.1.1 lead the selection process of candidates and propose to the Board any new Board appointments, whether of executive or non-executive directors, including the preparation of selection criteria and appointment procedures;

7.1.2 in nominating directors, give due regard to the contents of the Corporate Governance Rules and the Listing Rules and associated guidance;

- 7.1.3 be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
- 7.1.4 before proposing an appointment, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- 7.1.5 for the appointment of a chairman of the Board, prepare a job specification, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;
- 7.1.6 review annually and articulate the time needed to fulfil the role of chairman of the Board, senior independent director and non-executive director. Performance evaluation shall be used to assess whether each member of the Board is spending enough time to fulfil his/her duties;
- 7.1.7 consider candidates from a wide range of backgrounds. In identifying suitable candidates, the Nomination Committee shall use open advertising or the services of external advisers to facilitate the search and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- 7.1.8 give full consideration to succession planning for the executive management in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are therefore needed in the future;
- 7.1.9 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- 7.1.10 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 7.1.11 keep itself up-to-date and fully informed about strategic issues and commercial changes affecting the company and the group and the market in which they operate;

- 7.1.12 make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
  - 7.1.13 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 of Board meetings;
  - 7.1.14 supervise the policy of the Board on the selection criteria and appointment procedures for senior management;
  - 7.1.15 consider any other matter specifically referred to the Nomination Committee by the Board; and
  - 7.1.16 monitor compliance with the Corporate Governance rules and the Listing Rules as appropriate.
- 7.2 The Nomination Committee shall make recommendations to the Board concerning:
- 7.2.1 suitable candidates for the role of senior independent director;
  - 7.2.2 plans for succession for executive management, executive and non-executive directors and, in particular, the chief executive and the chairman of the Board;
  - 7.2.3 the reappointment of any non-executive director at the conclusion of his/her specified term of office having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
  - 7.2.4 the re-election by shareholders of any director under the retirement by rotation provisions in the company's articles of association having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
  - 7.2.5 membership of the Audit Committee and Remuneration Committee (insofar established), in consultation with the chairmen of those committees;
  - 7.2.6 any matters relating to the continuation in office of any director at any time. The Nomination Committee shall, in particular, make recommendations to the Board concerning matters relating to any

director who has reached the age of 70 or the suspension or termination of service of an executive director as an employee of the company in accordance with the terms of his/her service contract and/or relevant law; and

7.2.7 the appointment of any director to any executive or other office other than to the positions of chairman of the Board or chief executive, the recommendation in respect of which should be considered at a meeting of the Board.

## **8 Reporting procedures**

8.1 The Nomination Committee shall report to the Board after each meeting on all matters within its terms of reference. The Nomination Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.

8.2 A summary of the Nomination Committee's duties and work shall be included each year in the company's annual report, including the process used for appointments and an explanation if external advice or open advertising has not been used, the membership of the committee, the number of committee meetings held and attendance over the course of the year.

8.3 The Nomination Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations of any changes it considers necessary to the Board.

## **PART D**

### **Schedule of matters specifically reserved for decision by the full board**

In general, the full Board should consider all important management and policy matters in relation to the company which should include, amongst other things, setting the company's strategic aims, ensuring that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The Board should also set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met. The Board as a whole is responsible for the management of the company. Without prejudice to that general rule and subject to the rights of the general meeting of shareholders of the Company, the Board has specifically resolved that the following matters should be reserved for decision by it:

#### **Strategy and management**

- 1 Responsibility for the overall management of the group.
- 2 Approval of the group's long term objectives and commercial strategy.
- 3 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 4 Oversight of the group's operations ensuring:
  - competent and prudent management;
  - sound planning;
  - an adequate system of internal control;
  - adequate accounting and other records; and
  - compliance with statutory and regulatory obligations.

- 5 Review of performance in the light of the group's strategy, objectives, business plans and budgets and to ensure that any necessary corrective action is taken.
- 6 The commencement of a material new trade or business or material change in strategic direction of the Company or any subsidiary.
- 7 Extension of the group's activities into new business or geographic areas.
- 8 Any decision to cease to operate all or any material part of the group's business.

### **Structure and capital**

- 9 Changes relating to the group's financial or capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.
- 10 Any changes to the group's corporate structure.
- 11 Changes to the group's management and control structure.
- 12 Offer or grant or agreement to offer or grant any option to subscribe or other right to call for shares in the Company.
- 13 Issue or agreement to issue any stock in the company or any securities convertible into stock of the company.
- 14 Any changes to the company's listing or its status as a N.V.
- 15 The formation of any subsidiaries of the Company.

## **Financial reporting and controls**

- 16 Approval of preliminary announcements of interim and final results.
- 17 Approval of the annual report and accounts including the corporate governance statement and remuneration report.
- 18 Approval of the dividend policy.
- 19 Declaration of the interim dividend and recommendation of the final dividend.
- 20 Approval of any significant changes in accounting policies or practices.
- 21 Approval of treasury policies including foreign currency exposure and the use of financial derivatives.
- 22 Material changes in banking arrangements, including change of bankers, facilities and signatory category limits.

## **Internal controls**

- 23 Ensuring maintenance of a sound system of internal control and risk management including:
  - receiving reports on, and reviewing on a regular basis the effectiveness of, the group's risk management and control processes to support its strategy and objectives;
  - undertaking an annual assessment of these processes; and
  - approving an appropriate statement for inclusion in the annual report.

## **Contracts**

- 24 Giving of any guarantee by the company for the obligations or liabilities of any third party or granting (other than in the ordinary course of business) to any agent, attorney or similar representative, any power of attorney.
- 25 Major capital projects.
- 26 Contracts which are material strategically or by reason of size or duration entered into by the company or any subsidiary in the ordinary course of business.
- 27 Contracts of the company or any subsidiary not in the ordinary course of business.

- 28 Major investments including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover offer.
- 29 Acquisition or disposal of any material subsidiaries or material businesses of the Company or any of its subsidiaries.
- 30 Entering into a contract which could have a material impact on any member of the group.
- 31 Creation or assumption of any significant indebtedness out of the ordinary course of its business by the company or any member of the group.
- 32 The creation of any mortgage, charge (whether fixed or floating), pledge, hypothecation or any other encumbrance of a similar nature over all or over any part of the assets, business or undertaking of the company or any member of the group out of the ordinary course of business.
- 33 Where the matter is or may reasonably be expected to be of public interest or will impact upon the company's reputation (including actual or potential litigation) or as to which there may be doubt over propriety.
- 34 If a proposed transaction or agreement is with related parties.
- 35 Where any material contract is not on an arm's length basis.

### **Communication**

- 36 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 37 Approval of all circulars and prospectuses.
- 38 Approval of press releases concerning matters decided by the Board.
- 39 Approval of all material public documents or announcements.
- 40 Disclosure of directors' interests.

### **Board membership and other appointments**

- 41 Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee.

- 42 Ensuring adequate succession planning, training, development and appraisal for the Board and senior management.
- 43 Appointments to the Board, following recommendations by the Nomination Committee.
- 44 Selection of the chairman of the Board and the chief executive.
- 45 Appointment of the senior independent director.
- 46 Membership and chairmanship of Board committees.
- 47 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the annual general meeting and otherwise as appropriate.
- 48 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, subject to the law and their service contract.
- 49 Appointment or removal of the company secretary.
- 50 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.
- 51 Appointments to the boards of subsidiaries.

### **Remuneration**

- 52 Determining the remuneration policy for the company secretary and other members of the executive management.
- 53 Determining the remuneration of the executive and the non-executive directors, subject to the articles of association and shareholder approval as appropriate.
- 54 The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

### **Delegation of authority**

- 55 The division of responsibilities between the chairman of the Board, the chief executive and other executive directors, which should be in writing.
- 56 Approval of terms of reference of Board committees.
- 57 Receiving reports from Board committees on their activities.
- 58 Delegation of the Board's powers and establishment of managerial authority limits for smaller transactions.

### **Corporate governance matters**

- 59 Undertaking a formal and rigorous review annually of its own performance, that of its committees and of individual directors.
- 60 Determining the independence of directors.
- 61 Considering the balance of interests between shareholders, employees, customers and the community.
- 62 Review of the group's overall corporate governance arrangements.
- 63 Receiving reports on the views of the company's shareholders.

### **Policies**

- 64 Approval of policies, including:
- code of conduct;
  - share dealing code;
  - health and safety policy;
  - environmental policy;
  - communications policy including procedures for the release of price-sensitive information;
  - corporate social responsibility policy; and
  - charitable donations policy.

### **Other**

- 65 The making of political donations.
- 66 Approval of the appointment of the group's principal professional advisers.
- 67 Prosecution, defence or settlement of material litigation or other claims by or against any members of the group.
- 68 Approval of the overall levels of insurance for the group including directors' and officers' liability insurance and indemnification of directors.
- 69 Major changes to the rules of the group's pension scheme or changes of trustees or (when this is subject to the approval of the company) changes in the fund management arrangements.
- 70 The schedule of matters reserved for Board decisions.

Subject to the grant of such Board approval, certain of these matters also require regulatory, shareholders', London Stock Exchange plc or other consent or notification.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the group.

## **PART E**

### **Procedure for directors to take independent professional advice**

#### **1 Introduction**

- 1.1 Occasions may arise when directors have to seek legal or financial advice in furtherance of their duties. Directors are always able to consult the company's advisers and it is not intended to restrict or discourage this in any way. However, the Board has adopted the procedure set out below for circumstances where a director of the company considers it necessary to take independent professional advice in the furtherance of his/her duties, at the company's expense.

Any advice taken will be in his/her capacity as a director, not on behalf of the company or of the entire Board. Advisers should be notified accordingly. Failure to follow these procedures will mean that the director concerned will be responsible for any costs incurred.

The procedure set out below does not cover advice concerning the personal interests of a director including matters relating to his/her service contract or his/her dealings in the company's securities or in relation to disputes with the company; in such cases, the director concerned will be personally responsible for the cost of obtaining such advice.

#### **2 Procedure**

- 2.1 Where a director considers it necessary to take independent professional advice in furtherance of his/her duties, he/she should first consult with the company's advisers through the company secretary to clarify their advice and to identify his/her concerns with them directly unless, in the circumstances, he/she reasonably considers that such consultations would be inappropriate.

#### **2.2 If:**

2.2.1 a director reasonably considers it necessary to take professional advice in furtherance of his/her duties from independent advisers and not from the company's professional advisers; or

2.2.2 following consultations with the company's advisers or where consultation is reasonably considered to be inappropriate as outlined in paragraph 2.1, the director reasonably considers it necessary to take independent professional advice;

the director may take independent professional advice at the company's expense (up to a limit of £10,000 per matter excluding value added tax and disbursements or such higher figure as the Board may determine) after first giving notice in writing to the company secretary with details of the matter on which he/she is proposing to seek advice and the advisers he/she is proposing to consult together with the fee arrangements and an estimate of the costs to be incurred.

2.3 Where either paragraph 2.2.1 or 2.2.2 applies and the expenses of taking independent advice are likely to exceed £10,000 per matter excluding value added tax and disbursements or the higher figure (if any) determined by the Board, the director should discuss his/her concerns with the chairman of the Audit Committee (having first given him/her and the company secretary notice in writing containing the same details as are required for a notice given under paragraph 2.2) and explain why he/she considers it necessary to take independent professional advice. Following discussions with the director, the chairman of the Audit Committee shall either:

2.3.1 authorise in writing the payment by the company of the reasonable fees of such independent advisers as he/she approves (with or without a limit at his/her discretion) for advising the director on those matters raised by that director which the chairman of the Audit Committee considers appropriate; or

2.3.2 set out in writing the reasons why he/she considers that there is no arguable case for the company to pay the cost of obtaining the independent professional advice in question. The director may then require that the matter be considered by the full Audit Committee which shall determine whether or not the director should be authorised to obtain independent professional advice on the matters raised at the company's expense. Any authority given by the Audit Committee should be in the form of an Audit Committee chairman's authority as set out in paragraph 2.3.1.

2.4 In his/her own case, the chairman of the Audit Committee should discuss his/her concerns with the other members of the Audit Committee (having first given them and the company secretary notice in writing containing the same details as are required for a notice given under paragraph 2.2) who shall deal with the matter in accordance with the procedure for an Audit Committee chairman's authority as set out in paragraph 2.3.1 or the first sentence of paragraph 2.3.2.

- 2.5 Where a director considers it necessary to seek independent professional advice, the matter will be included on the agenda for every meeting of the Board until the issue requiring independent advice is resolved.