Изображение выглядит как логотип

Автоматически созданное описание

# MHP SE IS A CYPRUS SOCIETAS EUROPEA (EUROPEAN PUBLIC LIMITED LIABILITY COMPANY), WHOSE SHARES IN THE FORM OF GLOBAL DEPOSITARY RECEIPTS (“GDRS”) ARE LISTED AND ADMITTED TO TRADING ON THE LONDON STOCK EXCHANGE.

MHP complies with the Companies Law of Cyprus, CAP 113 and voluntarily applies the provisions of the UK Corporate Governance Code to the fullest extent practical.

The main aspects of the Company’s corporate governance policy are described in this Corporate Governance Charter approved by the Board of Directors (the “Board”) on 23 March 2021.

# Corporate Governance Charter

1. OBJECTIVES

MHP SE (the “Company”) is a Cyprus Societas Europea (European public limited liability company), whose shares in the form of global depositary receipts (“GDRs”) are listed and admitted to trading on the Main Market of the London Stock Exchange.

In drawing up this Corporate Governance Charter (the “Charter”), the Company confirms its commitment to compliance with the Companies Law of Cyprus, CAP 113 and voluntary compliance to the fullest extent practical with the provisions of the UK Corporate Governance Code 2018 (the “Code”), which is reproduced in [Annex A](#_bookmark2) to this Charter. The Company upholds and will practice the highest standards of ethics and integrity in its relationships with its shareholders, directors, personnel, the business community and other third parties, including government and regulatory agencies. This Charter describes the main aspects of the Company’s corporate governance policy.

# COMPANY STRUCTURE AND SUMMARY ORGANISATION CHART

#### Description and core activities of the Company

The Company is a Societas Europea having its registered office at 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus registered with the Cyprus Registrar of Companies, initially incorporated in Luxembourg pursuant to a notarial deed of 30 May 2006, published in the Mémorial C, Recueil des Sociétés et Associations, number 1497 of 4 August 2006. On 27 December 2017, the Company was re-domiciled to Cyprus in the form of a private company limited by shares. The Company was formed to serve as the ultimate holding company of PJSC “MHP” and its subsidiaries. Hereinafter, the Company and its subsidiaries are referred to as “MHP”, “MHP Group” or the “Group”.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (mainly meat processing as well as cattle and milk production).The Group’s poultry and related operations integrate all functions related to the production of chicken, including breeding, hatching, fodder manufacturing (production of vegetable oils as by-products), raising and processing chickens as well as marketing and selling (both in Ukraine and for exports) of poultry products. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of sausages and convenience food, cattle and milk production.

The Group’s operational facilities, which are amongst the most technologically advanced in Ukraine, are located in 14 different regions of Ukraine.

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#### Summary Organisation Chart

The chart below provides a summary organisation structure of the Group as at 28 December 2023



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GENERAL MEETING OF SHAREHOLDERS

#### General Meeting

General meetings of shareholders shall represent the entire body of shareholders of the Company. They shall have the broadest powers to order, carry out or ratify all acts relating to the operations of the Company.

General meetings of shareholders shall meet upon call by the Board. Shareholders representing one tenth of the paid up share capital may, in compliance with Companies Law of Cyprus, Cap 113, as amended, request the Board to call a general meeting of shareholders.

#### 3.2 Annual General Meeting

The Annual General Meeting shall be held in accordance with Cypriot law at the registered office of the Company or at such other place as specified in the notice of the meeting, on the eighteenth day in the month of June at twelve noon. If such a day is a Saturday, a Sunday or a public holiday, the general meeting of shareholders shall be held the following business day at the same time.

#### 2.4 Extraordinary General Meeting

The Board may convene an Extraordinary General Meeting. Shareholders representing one tenth of the Company’s paid up share capital may also ask the Board to convene an Extraordinary General Meeting.

An Extraordinary General Meeting is held on the date and at the venue indicated in the notice convening the meeting.

# THE BOARD OF DIRECTORS OF THE COMPANY

#### Powers of and matters reserved for the Board

The Board is the ultimate decision-making body, except for the powers reserved to the Shareholders’ Meeting by law, or as specified in the Articles of Association or the Code.

In the interests of efficient running of the Company, it is necessary for the Board to delegate certain of its responsibilities to others, such as to an executive or other committee or committees, whether formed from among its own members or not, or to one or more directors, managers or other agents who may act individually or jointly as a committee of the Board, or the officers and senior managers of the Company. It is, however, important for the Board to be clear about those matters which are required to be, or in the interest of the Company should be, decided by the Board as a whole.

Powers of and matters reserved for the Board are as follows:

##### Strategy and Management

1. Responsibility for the overall leadership of the Group and setting the Group’s values and standards.
2. Approval of the Group’s long-term objectives and commercial and investment strategy.
3. Approval of the annual operating and capital expenditure budgets of the Group and any material changes to them.
4. Oversight of the Group’s operations ensuring:
   1. competent and prudent management;
   2. sound planning;
   3. maintenance of sound management and internal control;
   4. maintenance of adequate accounting and other records; and
   5. compliance with statutory and regulatory obligations.
5. Review of performance in the light of the Group’s strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
6. Extension of the Group’s activities into new business or geographic areas.
7. Any decision to cease to operate all or any material part of the Group’s business.

##### Structure and Capital

1. Approval of changes relating to the Group’s capital structure including reductions of capital, share issues (except under employee share plans) and share buy- backs (including the use of treasury shares).

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1. Approval of major changes to the Group’s corporate structure including, but not limited to, acquisitions and disposals of shares which are material relative to the size of the Group (taking into account initial and deferred consideration).
2. Approval of changes to the Group’s management and control structure.
3. Any changes to the company’s listing or its status as a plc.

##### Takeovers

1. Any decision regarding a takeover offer by the Company for another company which is subject to the City Code on Takeovers and Mergers.
2. The response to any approach regarding a takeover offer for the Company.

##### Financial Reporting and Controls

1. Approval of the annual report and accounts, including the strategic report, the directors’ report, the corporate governance statement and the directors’ remuneration report.
2. Approval of quarterly and half-yearly reports, interim management statements and any preliminary announcement of interim or final results.
3. Approval of the dividend policy.
4. Declaration of any interim dividend and recommendation of any final dividend.
5. Approval of any significant changes in accounting policies or practices (following recommendations by the Audit & Risk Committee ).
6. Approval of treasury policies (including foreign currency exposure and the use of financial derivatives).
7. Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances).

##### Internal Controls

Ensuring maintenance of a sound system of internal control and risk management including:

* + - 1. approving the company/group’s risk appetite statements;
      2. receiving reports on, and maintaining oversight of the effectiveness of the Group’s risk management and internal control processes to support its strategy and objectives;
      3. approving procedures for the detection of fraud and the prevention of bribery and corruption;
      4. undertaking an annual assessment of these processes; and
      5. procuring the approval of an appropriate statement from the Audit & Risk Committee for inclusion in the annual report.

##### Contracts

Approval of:

1. any major capital project;
2. contracts which are material strategically or by reason of size entered into by the Company or, in the case of a subsidiary, recommendations for approval in the ordinary course of business, for example bank borrowings above EUR 25 million and acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) above EUR 25 million;
3. contracts of the Company or any subsidiary not in the ordinary course of business, for example loans and repayments above EUR 25 million; foreign currency transactions above EUR 25 million; major acquisitions or disposals above EUR 25 million;
4. grant or receipt of loans or other credit by the company or any subsidiary not in the ordinary course of business where the value exceeds EUR 25 million; and
5. major investments or divestments, including the acquisition or disposal of interests of more than 3% in the voting shares of any company or making of any takeover offer.

##### Communication

1. Convening general meetings of the Company and ensuring a satisfactory dialogue with shareholders.
2. Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
3. Approval of all circulars, prospectuses, listing particulars and recommendations in respect of any matters or notices which may be submitted to the holders of the Company’s securities in accordance with statutory requirements or requirements of the Financial Conduct Authority or London Stock Exchange or the Company’s articles of association (save that approval of routine documents such as periodic circulars about scrip dividend procedures or exercise of conversion rights may be delegated to a committee).
4. Approval of press releases concerning matters decided by the Board.

##### Board Membership and Other Appointments

1. Changes to the structure, size and composition of the Board, following recommendations from the Nominations and Remuneration Committee.
2. Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board.
3. Appointments to or removals from the Board, following recommendations by the Nominations and Remuneration Committee.
4. Selection of the Chairman of the Board, whether Executive or Non-executive, (the “Chairman”), the Chief Executive Officer (the “CEO”), the Chief Financial Officer (the “CFO”), the Chief Operating Officer (the “COO”) and senior management.
5. Appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for shareholders and the other directors when necessary.
6. Determining membership and chairmanship of Board Committees following recommendations from the Nominations and Remuneration Committee.
7. Making decisions about 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 AGM and otherwise as appropriate.
8. Making decisions about 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 the terms of any service contract.
9. Appointment or removal of the Company Secretary.
10. Making recommendations to shareholders about appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit & Risk Committee

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##### Remuneration

1. Determining the remuneration policy for the directors, Company Secretary and other senior executives, following recommendations from the Nominations and Remuneration Committee.
2. Determining the remuneration of the non-executive directors, subject to the Articles of Association and shareholder approval as appropriate.
3. Recommendation of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

##### Delegation of Authority

1. Establishing and determining the division of responsibilities between the Chairman, the Chief Executive Officer and other executive directors, which should be clearly established, set out in writing and agreed by the Board.
2. Approval of the delegated levels of authority, including the CEO’s authority limits (which must be in writing).
3. Establishing the Nominations and Remuneration Committee, the Audit & Risk Committee and the International Government and Public Affairs Committee (the “Committees”) and approval of their terms of reference, and approving material changes thereto.
4. Receiving reports from Committees on their activities.

##### Corporate Governance Matters

1. Undertaking a formal and rigorous review annually of the Board’s own performance, that of its committees and individual directors, and the division of responsibilities.
2. Determining the independence of non-executive directors in light of their character, experience, judgement and relationships.
3. Considering the balance of interests between shareholders, employees, customers and the community.
4. Reviewing the Group’s overall corporate governance arrangements.
5. Receiving reports on the views of the Company’s shareholders and ensuring that they are communicated to the board as a whole.
6. Considering whether to authorise (and, if so decided, authorising) directors’ conflicts of interest for the purposes of Section 175 of the Companies Act 2006 (having regard to the Articles of Association and any recommendations which may be made for this purpose by the appropriate committee of the Board, including with respect to the terms and conditions upon which any such authorisation should be given).

##### Policies

Approval and review of Group policies, including:

* + - 1. this Charter;
      2. Share Dealing Code;
      3. Code of Ethics;
      4. Code of Business Partner Conduct;
      5. Conflict of Interest Management policy;
      6. Anti-Money Laundering and Combating Terrorist Financing Policy;
      7. Gifts and Business Hospitality policy;
      8. Health and Safety policy;
      9. Sustainable Environmental policy;
      10. Corporate Social Responsibility policy;
      11. Corporate Philanthropy & Charity policy;
      12. Anti-Bribery and Corruption policy;
      13. Related Party Transaction policy;
      14. Land Use policy ;
      15. Animal Welfare policy;
      16. Whistleblowing policy; and
      17. Human Resources policy.

##### Other

1. The making of any political donations.
2. Approval of the appointment or removal of the Group’s principal professional advisers.
3. Prosecution, defence or settlement of litigation or an alternative dispute resolution mechanism material to the interests of the Group.
4. Approval of the overall levels of insurance for the Group including directors’ & officers’ liability insurance and indemnification of directors.
5. Major changes to the rules of the Group’s pension schemes, or changes of trustees or (when this is subject to the approval of the Company) changes in the fund management arrangements.
6. Any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.
7. This Charter of powers of and matters reserved for the Board.

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 from its committees, the senior management of the Group and the Group’s professional advisers on any matter which it considers significant to the Group.

#### Composition of the Board

The Company shall be managed by the Board composed of at least three members, their number being determined by the general meeting of shareholders. Directors need not be shareholders of the Company or holders of other securities issued by the Company.

The Board shall be composed of executive and non-executive directors. At least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. Independence is assessed taking into consideration the relevant provisions of the Code [(Annex A](#_bookmark2)).

If an Independent Director were to resign, he should explain his reasons in a letter to the Chairman of the Board (or to the Board).

The directors shall be elected annually by the general meeting of shareholders provided, however, that any director may be removed by a resolution taken by the general meeting of shareholders in accordance with the provisions of the Companies Law of Cyprus, Cap 113. The directors shall be eligible for reappointment. On appointment to the Board and to Committees, all new directors will receive a comprehensive induction. The induction procedure is laid out in [Annex B.](#_bookmark4) It will be monitored by the Chairman of the Board and organised by the Company Secretary (as defined in sections [4.10](#_bookmark0)[-4.11)](#_bookmark1). The induction will assist directors in building a detailed understanding of how the Group works and the key issues it faces. Directors will also have the opportunity to make site visits to see the Group’s operations first hand.

In the event of a vacancy in the office of a director because of death, resignation or otherwise, the remaining directors elected by the general meeting of shareholders may elect a director to fill such vacancy until the next general meeting of shareholders.

The composition of the Board will be balanced considering the respective skills, experience, background, knowledge and diversity of each of the Board members and will aim to promote diversity of gender and social and ethnic backgrounds. Adequacy of size and composition will be regularly assessed by the Board upon the initiative of the Chairman of the Board and upon recommendation of the Nominations and Remuneration Committee.

#### The functioning of the Board

The Board shall meet upon call by the Chairman of the Board or any two directors, at the place indicated in the notice of meeting, the person(s) convening the meeting setting the agenda. Notice of any meeting of the Board shall be given in writing or by email to all directors at least ten calendar days in advance of the hour set for such meeting, except in circumstances of emergency where forty-eight hours prior notice shall suffice which shall duly set out the reason for the urgency. This notice may be waived, either prospectively or retrospectively, by the consent in writing or by e-mail of each Director. Separate notice shall not be required for meetings held at times and places described in a schedule previously adopted by resolution of the Board. Board meetings take place at least four times a year.

Any director may act at any meeting of the Board by appointing in writing or by telegram, telefax, or e-mail another director as his proxy. The Director may not represent more than one of his colleagues.

The Board may deliberate or act validly only if at least a majority of directors is present or represented at a meeting of the Board. If a quorum is not obtained within half an hour of the time set for the meeting the directors present may adjourn the meeting to a later time and venue. Notices of the adjourned meeting shall be given to the Board by the Company Secretary, if any, failing which by any Director.

Decisions shall be taken by a majority vote of the Directors present or represented at such meeting. In the event that in any meeting the number of votes for and against a resolution shall be equal, the Chairman of the Board shall not have a casting vote. In case of a tie, the proposed decision is considered as rejected.

Any director may participate in a meeting of the Board by conference call or similar means of communication whereby all persons participating in the meeting can hear each other, and participating in a meeting by such means shall constitute presence in person at such meeting.

Notwithstanding the foregoing, a resolution of the Board may also be passed by unanimous consent in writing which may consist of one or several documents containing the resolutions and signed by each and every Director. The date of such a resolution shall be the date of the last signature.

The Company Secretary, who is appointed by the Board on the recommendation of the Nominations & Remuneration Committee, drafts minutes of each meeting reflecting the issues which were discussed, the decisions which were taken and, if any, the reservations which were voiced by dissenting directors. The minutes will be approved by the Chairman of the Board and subsequently by the Board during its next meeting. The minutes of any meeting of the Board shall be signed by the Chairman of the Board or, in his absence, by the Chairman pro tempore who presided at such meeting. Copies or extracts of such minutes which may be produced in judicial proceedings or otherwise shall be signed by the Chairman of the Board, or by the Company Secretary, or by two Directors.

#### Conflicts of Interest

In case of an actual or perceived conflict of interest or potential conflict of interest of a director, he must inform the Board of any conflict or potential conflict and may not take part in the vote but will be counted for the purpose of the quorum. A director having a conflict on any item on the agenda must declare this conflict to the Chairman of the Board before the meeting starts.

Any director having a conflict due to a personal interest in a transaction submitted for approval to the Board conflicting with that of the Company shall be obliged to inform the Board thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in the business of the meeting, but will be counted in the quorum. At the following general meeting of shareholders a special report shall be made on any transactions in which any of the directors may have a personal interest conflicting with that of the Company and will be disclosed to the shareholders of the Company.

Directors are required to notify the Chairman of the Board in advance of any potential conflicts through other directorships or shareholdings. If a conflict or potential conflict situation may arise, directors must disclose such potential conflict of interest to the Board. The Board will assess whether, in its opinion, a conflict of interest may arise and as a result whether the relevant director may participate in the voting of the transaction.

#### Delegation of powers

The Board may generally or from time to time delegate the power to conduct the daily management of the Company, as well as the representation of the Company in relation to such management, to an executive or other committee or committees whether formed from among its own members or not, or to one or more directors, managers or other agents who may act individually or jointly. The delegation to a member of the Board is subject to the prior authorisation of the general meeting of shareholders. The Board shall determine the scope of the powers, the conditions for withdrawal and the remuneration attached to these delegations of authority including the authority to sub-delegate.

In accordance with the above provisions, the Board shall delegate its day to day management, as well as the representation of the Company towards third parties in relation with such management, to the CEO.

The Board may create from time to time one or several Committees composed of Board members and/or external persons and to which it may delegate powers and roles as appropriate.

The Board may also confer special powers upon one or more attorneys or agents of its choice.

#### Evaluation of the Board, its Committees and the Chairman

The Board will undertake a formal annual evaluation of its own performance and that of its committees and individual directors (taking into account Provisions 12 and 13 of the UK Corporate Governance Code, Annex A) in order to assess whether: (i) the Board operates efficiently, (ii) important issues are debated and prepared properly, and (iii) each director makes a constructive contribution to the decision making, (iv) efficiency of the Chairman, (v) performance of management and individual executive directors against agreed performance objectives. Such evaluation will be done by the Nominations and Remuneration Committee at the initiative of the Chairman of the Board and, if required, with the assistance of external advisors.

This performance evaluation will normally take the form of a detailed questionnaire supplemented by individual interviews with each of the directors. If deemed necessary by the Board, evaluations may be carried out by an external facilitator. The results of the evaluation will be reported to the Board. An action plan to improve both the Board and individual performance or to suggest modifications will be discussed and agreed by the Nominations and Remuneration Committee, Senior Independent Director and endorsed by the Board.

#### Access to Management

Non-executive directors shall not intervene directly in the operations of the Company other than in exceptional circumstances and on a “needs only” basis. Non-executive directors ordinarily shall not give instructions to, or interfere with, the activities of Company management and employees.

By exception to this principle, members of the Audit & Risk Committee shall at all times have full and free access to the CFO and any other officers or employees to whom they may require access in order to carry out their responsibilities. However, it is expected that either the CEO, the CFO or the director responsible for the relevant business or the Company Secretary generally would be informed in advance of such contact.

#### The remuneration of directors

The Nominations and Remuneration Committee recommends the level of remuneration for directors, including the Chairman of the Board and the CEO, subject to submission to the Board and, subsequently, to the general meeting of shareholders when it approves the annual accounts. However, no director participates in any decision relating to his own remuneration.

The Nominations and Remuneration Committee benchmarks directors’ compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board and its various committees. Changes to these fees will be submitted to shareholders as part of the Annual Report.

The Company is prohibited from making loans to directors, whether for the purpose of exercising options or for any other purpose (except for routine advances for business-related expenses in accordance with the company’s rules for reimbursement of expenses).

The Nominations and Remuneration Committee from time to time sets and revises, subject to approval by the Board, the rules and level of compensation for directors carrying out a special mandate or sitting on one or more of the Committees and the rules for reimbursement of directors’ business-related out-of-pocket expenses.

Remuneration for directors will be disclosed to Shareholders in the Annual Report in accordance with applicable laws and stock exchange rules.

Independent directors of the Board are not eligible to participate in any supplementary pension and early retirement schemes.

#### Division of responsibilities between the Chairman, CEO and Senior Independent Director, the Board and the Committees

The Code states at Provision 9 the roles of Chairman and CEO should not be exercised by the same individual and that a CEO should not become chair of the same company. The Code states at Provision 14 that the responsibilities of the Chairman, CEO, Senior Independent Director, Board and Committees should be clear, set out in writing, agreed by the Board and made publicly available.

In addition, Code Provision 12 states that the Board should appoint one of the independent non-executive directors to be the Senior Independent Director (the “**SID**”); the primary responsibilities of the SID are set out on page 14 of this document.

Statement of Division of Responsibilities between the Chairman and the CEO

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| **1. Appointment** | | | |
| **Chairman** | | **CEO** | |
| 1.1 | The Board elects the Chairman of the Board from amongst its members meeting the criteria for an independent director. For the appointment of the Chairman of the Board, the Nominations and Remuneration Committee will prepare a job specification, including an assessment of the time commitment expected, recognizing the need for availability in the event of crises. The CEO will not be the Chairman of the Board.  The Board may designate the Chairman as an Executive Chairman for his or her term of office if and to the extent the duties performed by him or her render it necessary or desirable for the individual to have an executive function within the Company.  If the Board designates an Executive Chairman, such Executive Chairman shall not act as chairman of any Committee. | 1.1 | The Board appoints and removes the CEO. In case of dismissal of the CEO, the CEO may remain a director of the Company for as long as the CEO also holds a mandate of director of the Company. |
| **2. Reporting Lines** | | | |
| **Chairman** | | **CEO** | |

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| 2.1 | The Chairman reports to the Board of the Company. | 2.1 | The CEO reports to the Chairman (acting on behalf of the Board) and to the Board directly. |
| 2.2 | The Chairman is not responsible for executive matters regarding the Group's business, save for the duties performed as Executive Chairman. Other than the CEO and the Company Secretary, no executive has a direct reporting line to the Chairman, other than through the Board. | 2.2 | The CEO is responsible for all executive management matters affecting the Company. All members of executive management report, either directly or indirectly, to him/her. |
| **3. Key Responsibilities** | | | |
| **Chairman** | | **CEO** | |
| 3.1 | The Chairman's principal responsibility is leading the Board, and ensuring its overall effectiveness in directing the Group. | 3.1 | The CEO's principal responsibility is running the Group's business. |
| 3.2 | The Chairman is responsible for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. | 3.2 | The CEO is responsible for proposing, developing and supervising the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board. |
| 3.3 | The Chairman is the guardian of the Board's decision-making processes. | 3.3 | The CEO is responsible, with the executive team, for implementing the decisions of the Board and its Committees. |
| **4. Other Key Responsibilities** | | | |
| **Chairman** | | **CEO** | |
| 4.1 | Running the Board and setting its agenda. | 4.1 | Providing input to the Board's agenda, both from himself and the executive team. |
| 4.2 | Ensuring that Board agendas take full account of the important issues facing the Group and the concerns of all Board members. There should be an emphasis on strategic, rather than routine, issues. | 4.2 | Ensuring that a dialogue is maintained with the Chairman on the important and strategic issues facing the Group, and proposing Board agendas to the Chairman which reflect these. |
| 4.3 | Ensuring that the Board receives accurate, timely and clear information on:   1. the Group's performance; 2. the issues, challenges and 3. opportunities facing the Group; and 4. matters reserved to it for decision. | 4.3 | Ensuring that the executive team gives appropriate priority to providing reports to the Board which contain accurate, timely and clear information. |

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| 4.4 | Directing the Company Secretary to ensure good information flows with the Board and its Committees and between senior management and Non-Executive Directors | 4.4 | 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 to the Board for its decision and each Committee's Terms of Reference. |
| 4.5 | Arranging informal meetings of the Directors, including meetings of the Non-Executive Director(s) at which the Executive Directors are not present, as required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues.  If the Board has designated an Executive Chairman, such meetings shall be arranged by the Senior Independent Director | 4.5 | Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group of which he might not otherwise be aware. |
| 4.6 | Proposing to the Board, in consultation with the CEO, Company Secretary and Committee Chairmen as appropriate:   1. a Schedule of Matters Reserved to the Board for its decision; 2. Terms of Reference for each Committee; and 3. Other Board policies and procedures. | 4.6 | Providing input to the Chairman and Company Secretary on appropriate changes to the Schedule of Matters Reserved to the Board and Committee Terms of Reference. |
| 4.7 | Ensuring that there is effective communication by the Group with its shareholders, including by the CEO, CFO, COO and other executive management, and ensuring that members of the Board develop an understanding of the views of the major investors in the Group. The Chairman should discuss governance and the Group’s performance against the strategy with major shareholders. The Chairman should ensure that the Board as a whole has a clear understanding of the view of shareholders. | 4.7 | Leading the communication programme with shareholders. |
| 4.8 | Taking the lead in providing full, formal and tailored induction programmes for new Directors (including, where appropriate, meeting major shareholders), facilitated by the Company Secretary. | 4.8 | Commenting on induction programmes for new Directors and ensuring that appropriate management time is made available for the process. |
| 4.9 | Taking the lead in ensuring that Directors continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Committees. Regularly review and agree with each Director their training and development needs. | 4.9 | Ensuring that the development needs of the Executive Directors, and other senior management reporting to him, are identified and met. |

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| 4.10 | Ensuring that the performance of the Board as a whole, its Committees, and individual Directors is formally and rigorously evaluated at least once a year and act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors. | 4.10 | Ensuring that performance reviews are carried out at least once a year for each of the Executive Directors. Providing input to the wider Board evaluation process. |
| 4.11 | Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level. | 4.11 | Promoting, and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance. |
| 4.12 | Ensuring that the Chairmen of Committees are available to answer shareholder questions at the AGM and that all Directors attend such meetings. | 4.12 | Recommending to the Board the annual budget and a three-year annual financial plan, and supervising their achievement following Board approval. |
| 4.13 | Providing support, advice and a sounding board for the CEO while respecting executive responsibility. | 4.13 | Identifying and executing new business opportunities outside the current core activities, in line with strategic plans. |
| 4.14 | Performing such other duties and exercising such other powers as from time to time may be assigned to him or her by the Board. | 4.14 | Performing such other duties and exercising such other powers as from time to time may be assigned to him or her by the Board. |
| 4.15 | If designated as an Executive Chairman, undertaking such strategic projects and executive management functions as specified in his or her terms of appointment as Executive Chairman. |  | |
| **5. Status of this Statement** | | | |
| 5.1 | Any amendment to this statement is a matter reserved to the Board. | | |
| 5.2 | This statement is to be annexed to the CEO's job description. In the event of any conflict between this statement and the CEO's job description, insofar as they may relate to his role as Group CEO, this statement shall take precedence. | | |

# SENIOR INDEPENDENT DIRECTOR

In accordance with the provisions of the Code, the Board has designated an independent non-executive director as the Senior Independent Director. The Senior Independent Director is available to shareholders if they have any concerns that they cannot resolve through the normal channels of contact or if such contact is inappropriate.

The primary responsibilities of the Senior Independent Director of the Company are:

* To provide a sounding board for the Chairman and to serve as an intermediary for the other Directors and the shareholders where necessary;
* To be available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or CFO has failed to resolve, or for which such contact would be inappropriate;
* To act as chairman of the Nominations and Remuneration Committee when it is considering succession to the role of the Chairman of the Board; and
* To meet with the other Non-Executive Directors at least once a year to appraise the Chairman’s performance and on such other occasions as are deemed appropriate.

# COMPANY SECRETARY

The Company Secretary shall ensure that Board procedures are complied with and that the Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. The Company Secretary shall assist the Chairman of the Board in the logistics associated with the affairs of the Board (information, agenda, etc.). Both the appointment and removal of the Company Secretary should be a matter for the Board as a whole.

The Company Secretary provides dedicated support for the Board, in particular the Non-Executive Directors and is a point of reference and support for all Directors. The Company Secretary will consult regularly with directors to ensure that they receive any necessary information and will work with the Chairman, CEO and management to ensure the presentation of high-quality supporting information to the Board and its Committees. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly.

The Company Secretary is responsible for advising the Board on all governance matters and, along with the Chairman of the Board, will regularly review the Board and Company’s governance processes with a view to ensuring they are fit for purpose and recommend or develop initiatives to strengthen the governance of the Company.

# COMMITTEES AND THEIR TERMS OF REFERENCE

The Board is assisted by three Committees: the Audit & Risk Committee , the Nominations and Remuneration Committee and the International Government and Public Affairs Committee (together the “Committees”). The Committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. The Board may also set up other committees if required.

However, all members of the Board have the same responsibility for all decisions made, irrespective of whether the issue in question has been reviewed by such a committee or not. Their existence does not limit the responsibility of the Board as a whole. The Committees meet to prepare matters for consideration by the Board. By exception to this principle, the Nominations and Remuneration Committee may make decisions on compensation of individual directors.

The terms of reference of each Committee are laid down by the Board. Each Committee can only validly meet and take decisions if a quorum is present or represented by proxies. All decisions by the Committee require a simple majority of votes cast. In case of a tie, the Chairman of the Committee has a casting vote. The Committees should perform their tasks within the framework of the terms of reference that they have been given and ensure that they report regularly on their activity and on the results of their work to the Board.

Each Committee regularly evaluates its own composition, organisation and effectiveness as a collective body and makes recommendations to the Board for any necessary adjustments in its terms of reference and, where necessary, for appropriate steps to improve its performance. Each Committee may also seek expert assistance in obtaining the necessary information for the proper fulfilment of its duties. The Company should provide each Committee with the resources it needs for this purpose.

#### Audit & Risk Committee

The Audit & Risk Committee shall assist the Board in its responsibility for oversight of, among other things, (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the Company’s risk management systems and controls, (iv) the appointment and removal of the external auditor and (v) the role and performance of the Company’s internal audit function.

The main role and responsibilities of the Audit & Risk Committee include:

* monitoring the integrity of the financial statements of the Company and any formal announcements relating to the company’s financial performance, and reviewing significant financial reporting judgements contained in them;
* providing advice (where requested by the Board) on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy;
* reviewing the Company’s internal financial controls and internal control and risk management systems;
* monitoring and reviewing the effectiveness of the Company’s internal audit function;
* making recommendations to the Board, about the appointment, reappointment and removal of the external auditor; when appropriate, conducting a tender process for the selection of the external auditor; and approving the remuneration and terms of engagement of the external auditor;
* reviewing and monitoring the external auditor’s independence and objectivity;
* reviewing the effectiveness of the external audit process, taking into consideration relevant UK and Cypriot professional and regulatory requirements;
* developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and
* reporting to the board on how it has discharged its responsibilities. The Audit & Risk Committee Terms of Reference are enclosed as Annex C hereto.

#### Nominations and Remuneration Committee

The Nominations and Remuneration Committee is responsible for, among other things, all matters relating to the remuneration and benefits paid to executive members of the Board, including the CEO, regardless of whether such remuneration or benefits is paid by the Company or by any other entity within the Group. The Nominations and Remuneration Committee is also responsible for, among other things, (i) reviewing the composition of the Board and (ii) making recommendations on appointments to the Board; and (iii) assisting the Board with decisions on the remuneration and management of employees.

The main role and responsibilities of the Nominations and Remuneration Committee include:

* ensuring that the Company has exceptional people who occupy appropriate positions and who have incentives to achieve and are compensated for exceptional performance;
* recommending to the Board the appointments or renewals of Directors, which are to be submitted for the approval of the Shareholders’ Meeting;
* maintaining and ensuring continuous improvement of the Company’s remuneration policy, which will be based on meritocracy with a view to aligning the interests of its employees with the interests of shareholders;
* reviewing the Company’s needs for employees and ensuring the existence of management depth for expansion and succession;
* submitting for approval to the Board the remuneration packages, including, but not limited to, salary and long-term incentives, of the CEO and of the executive management (upon the recommendation of the CEO);
* discussing and reviewing the Company’s culture, quality of the employees and training needs of the Directors and employees;
* ensuring that the Company nurtures a culture of ownership, simplicity, efficiency, high ethical standards and the permanent quest to improve results;
* ensuring that individual goals are established to align the interests of all employees with the Company’s goals and objectives set by the Board.

The Terms of Reference of the Nominations and Remuneration Committee are enclosed as Annex E hereto.

#### International Government and Public Affairs Committee

The International Government and Public Affairs Committee is responsible for, among other things, setting the strategy and goals for the Company’s state and government relations and public affairs efforts.

The main roles and responsibilities of the International Government and Public Affairs Committee are:

* reflecting the changing business and political environment in which the Company operates and, in particular, the increasing importance of its external and internal audiences including host governments, customers, suppliers, employees, sectorial associations, neighbours and communities;
* developing the Company’s approach to international government relations and public affairs and enhancing MHP’s related reporting and communications with a focus on message clarity and timeliness;
* working with MHP’s stakeholders, its in-house teams and advisers to achieve the Company’s long-term objectives and support MHP in further domestic and international success;
* preparing and anticipating the reaction of the Company for any potentially necessary ‘Crisis Management’ related to political or operational issues (such as avian influenza outbreaks);
* designing processes for answering swiftly and properly corporate communications to mitigate or defuse crises originated by threats from the market, competitors or political issues to the company reputation and results; and
* determining the short, medium and long term objectives in relation to key areas that require lobbying and identifying the key targets of the lobbying policy.

The Terms of Reference of the International Government and Public Affairs Committee are enclosed as Annex F hereto.

# INTERNAL CONTROL AND RISK MANAGEMENT

#### Internal control

The Company’s control systems are designed to manage, rather than eliminate, various risks to the Company and therefore are only able to provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is ultimately responsible for the Company’s governance, risk management and internal control environment and processes and formally reviews their effectiveness at least annually. Risk management is a central part of regular Board review and assessment. There is a continuous process for identifying, evaluating and managing the significant risks the Company faces and the Board regularly monitors exposure to key business risks.

The annual budget and the business plan, upon which the budget is based, is reviewed and approved by the Board. Major commercial and financial risks are assessed as part of the business planning process. There is a comprehensive system of reporting, with monthly performance reports presented to the Board.

Executive management is responsible for the implementation and maintenance of the internal control systems, which are subject to periodic review, and is also responsible for reviewing and monitoring the financial and business risks, including risks associated with information technology, human resource management and regulatory compliance. The executive management meets regularly to review business performance, identify risks and opportunities, assess financial and other implications and agree corrective actions as necessary.

#### Internal audit

The internal audit function analyses the risks threatening the Company’s objectives and assesses the efficiency and robustness of the internal controls put in place to manage those risks. The results of the work by internal audit are submitted to the Audit & Risk Committee so that the latter can validate their adequacy in relation to the global risk profile desired by the Company, and if necessary direct management to increase the effectiveness of controls. Internal audit supports the Board of Directors in their oversight role.

The principles governing the internal audit function are set out in the internal audit terms of reference, which are enclosed as [Annex](#_bookmark10) [D](#_bookmark10) hereto.

#### Independent auditors

In accordance with the Articles of Association of the Company, the audit of the Company’s financial situation and annual financial statements is entrusted to one or more independent auditor(s). The independent auditor(s) are appointed and dismissed by the general meeting of shareholders.

The Company has rules and processes in place to assure independence of the auditors:

* The independent auditors are prohibited from undertaking any engagements which may affect their independence;
* The Company’s Board sets limits on the size of any non-audit services provided by the independent auditors (non-audit fees limitation);
* The Audit & Risk Committee approves in advance provision of any material non-audit services by the independent auditor; and
* The Audit & Risk Committee investigates, on an annual basis, whether any services provided are incompatible with independence of the auditors.

Information on the fees payable to the independent auditor is included each year in the Company’s Annual Report.

# COMPANY’S SHAREHOLDERS AND ITS SHARES

#### Share capital

The Company has an issued share capital of two hundred and twenty-one million, five hundred and forty thousand euros (EUR 221,540,000) divided into one hundred and ten million, seven hundred and seventy thousand (110,770,000) shares with a nominal value of two euros (EUR 2) each.

The share capital of the Company may at any time be increased or reduced by a resolution of a general meeting of shareholders adopted in accordance with the Articles of Association of the Company and the Companies Law of Cyprus, Cap 113.

#### Share ownership

Yuriy Kosyuk, the Company’s Chief Executive Officer, owns 100% of the shares in WTI Trading Limited (“WTI”), which in turn directly owns a total of 59.8% of the total outstanding share capital of the Company (comprising 41,319,511 shares and 22,552,667 of the Company’s global depositary receipts listed on the London Stock Exchange (“GDRs”), representing 38.7% and 21.1%, respectively, of the outstanding share capital of the Company).

As of 01 January 2020, 91,300, 484 shares out of 110,770,000 issued shares of the Company were owned by BNY (Nominees) Limited, which represents holders of the GDRs.

Any other shareholdings of 3% or more of the Company’s equity are reported in the Company’s annual report

#### Form of shares

The shares of the Company are in registered form. A register of registered members will be kept at the registered office, where it will be available for inspection by any shareholder. This register will contain all the information required by article 105 of the Cyprus Companies Law, Cap 113, as amended. Ownership of registered shares will be established by inscription in the said register. Certificates representing these shares are issued and signed in accordance with the articles of association of the Company.

In accordance with the provisions of the Cyprus Companies Law, Cap 113, where two or more persons hold one or more shares in a company jointly, they shall be treated as a single member.

Where the shares are in registered form and are recorded in the register of shareholders in the name of or on behalf of a securities settlement system or the operator of such system and recorded as book-entry interests in the accounts of a professional depositary or any sub-depositary (any depositary and any sub-depositary being referred to hereinafter as a “Depositary”), the Company - subject to having received from the Depositary a certificate in proper form - will permit the depositor of such book-entry interests to exercise the rights attaching to the shares corresponding to the book-entry interests of the relevant depositor, including admission to and voting at general meetings, and shall consider those depositors to be the holders for purposes described in this paragraph. The Board may determine the formal requirements with which such certificates must comply.

#### The Relationship Agreement

On 9 May 2008 the predecessor of the Company entered into an agreement with WTI, the Company’s majority shareholder, and Mr. Yuriy Kosyuk, WTI’s sole beneficial shareholder (the “Relationship Agreement”). The Relationship Agreement provides that each of WTI and Mr. Yuriy Kosyuk (together, the “Majority Shareholders”) will, for as long as they continue to hold, directly or indirectly, at least 30% of the shares carrying voting rights in the MHP, at all times:

1. refrain from exercising their voting rights, directly or indirectly, to elect any director of the Company if the election of such a person would have the result that the number of the members of the Board who are not independent of the Majority Shareholders will exceed the number of the members of the Board who are independent of the Majority Shareholders by more than one person unless such election is approved at a general meeting of the Company’s shareholders;
2. subject to any duty of confidentiality owed to third parties, promptly provide to the Company any information in their possession or control which the Company reasonably requests in order to assess and meet its obligations under the Listing Rules and the laws of Cyprus;
3. keep confidential and not use for their own benefit any confidential information relating to the Company or the Group to which they have been given access by reason of their interest in the share capital of the Company or any role as director of the Company;
4. exercise any of their voting rights so as to procure, insofar as they are able to do so by the exercise of voting rights attaching to the Shares, that:
   1. the Company and its subsidiaries are capable at all times of carrying on its business independently of the Majority Shareholders;
   2. all transactions, agreements or arrangements entered into between a Majority Shareholder or any of their affiliates and the Company (or any subsidiary of the Company) are, and will be made, on an arm’s length basis and on normal commercial terms (and that any transactions, agreements or arrangements (or series thereof) with a value of more than U.S.$5 million are approved by the Independent Directors); and
   3. no variations are made to the Company’s articles of association that would be contrary to the Company’s independence from the Majority Shareholders.

In addition, each Majority Shareholder has agreed that it shall not, from the date of the Relationship Agreement and until the date on which the Majority Shareholders (together with related parties) cease to hold, directly or indirectly, at least 50% of the shares carrying voting rights in the Company (the “Restricted Period”):

1. carry on, set up, be employed, engaged or interested in an agricultural or food production business in Ukraine which is or is about to be in competition with any business of the Company or any of its subsidiaries provided that, in the case of Mr. Yuriy Kosyuk, his involvement in such a business is not considered by a majority of the independent directors to restrict, affect or otherwise interfere with the performance of his duties and obligations to the Company;
2. directly or indirectly engage in any activity which a majority of the independent directors reasonably consider may be, or become, harmful to the interests of the Company or any of its subsidiaries, or, in the case of Mr. Yuriy Kosyuk, which might reasonably be considered to interfere with the performance of his duties and obligations under his employment agreement.

The Restricted Period shall be extended to the date falling three months after the date on which the Majority Shareholders (together with related parties) cease to hold, directly or indirectly, at least 30% of the shares covering voting rights in the Company provided that the approval of the Antimonopoly Committee of Ukraine (or a decision of the Antimonopoly Committee of Ukraine that no such approval is necessary) is obtained. Each Majority Shareholder has further agreed that if he/it becomes aware of any potential investment opportunity in the agricultural industry in Ukraine, then he/it will disclose such opportunity to the Board immediately in writing.

The Company may then investigate such investment opportunity, and each Majority Shareholder has agreed:

1. not to make or pursue such investment opportunity;
2. not to prevent or hinder any decision to be taken by the Board on whether or not to proceed with such investment opportunity; and
3. to fully co-operate with and assist the Company in any investigations it undertakes into such investment opportunity.

If the Company decides not to proceed with such investment opportunity, the Majority Shareholders have agreed not to pursue that investment opportunity without the written consent of a majority of the Independent Directors. The Majority Shareholders have also undertaken that they will not sell, transfer, dispose of or otherwise deal with any right or interest in the Shares for so long as the Relationship Agreement is in effect except where:

1. such sale, transfer, disposal or dealing would not result in the transferee (together with its affiliates) holding directly or indirectly 25% or more of the Shares; or
2. the relevant Majority Shareholder first procures that the transferee executes a deed of adherence undertaking to be bound by the terms of the Relationship Agreement.

Additionally, each Majority Shareholder has acknowledged that information provided to them directly or through the Company may be unpublished, price sensitive information, and has undertaken to comply with any applicable laws, rules and regulations in relation to their dealings in the GDRs and Shares.

#### Information channels

During the year, the Company regularly publishes information through presentations and press releases on its business, financial results and Group news. The Company issues financial results quarterly, half-yearly and annually followed by conference calls with the top management of the Company. All this information is available as from the time of publication on the Company’s websites [(www.mhp.com.cy,](http://www.mhp.com.cy/) [www.mhp.ua)](http://www.mhp.ua/). It can also be obtained by e-mail on request. Contact details are disclosed on the Company’s website in the “Contact” section.

The Company’s annual reports (both financial and non-financial) are available in English on its website.

The Company has a well-developed communications programme with local and international media. Information about the Company and its enterprises is monitored daily by Human Resources and Communication and Investor Relations Departments.

The Company’s websites confirm its important role as a channel of information about the Group for individual shareholders, institutional investors and journalists. These websites provide stakeholders with immediate access to all the information concerning the life of the Group, its activities, news and prices for the Company’s securities.

#### Takeover Regulation and Conduct

From 1 January 2021, as a result of the end of the transitional period following the United Kingdom’s exit from the European Union, the Takeover Panel will no longer exercise shared jurisdiction over transactions involving the Company which would otherwise be subject to the Takeover Code, including takeover bids, merger transactions, or schemes of arrangement resulting in a change or consolidation of control over the Company. In addition, from 1 January 2021, the London Stock Exchange (where the Company’s Global Depositary Receipts are admitted to trading) will no longer be a regulated market as defined in Directive 2014/65/EU of the

European Parliament and of the Council on markets in financial instruments; as a result, the legislation in Cyprus regulating takeovers, including those requiring mandatory takeover offers in certain situations, will no longer be applicable to the Company.

Without prejudice to the obligations of the Company under the Market Abuse (Amendment) (EU Exit) Regulations 2019 (“UK MAR”), if the Board receives an approach for a transaction which would be subject to the Takeover Code were the Takeover Panel to have jurisdiction, the Board will endeavour to comply, to the extent practicable, with the obligations of companies which are the subject of transactions subject to the Takeover Code.

# ANNEX A. The UK Corporate Governance Code (July 2018)

### Board Leadership and Company Purpose

##### Principles

* 1. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
  2. The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
  3. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
  4. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
  5. The board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

##### Provisions

* + 1. The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company’s business model and how its governance contributes to the delivery of its strategy.
    2. The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company’s purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board’s activities and any action taken. In addition, it should include an explanation of the company’s approach to investing in and rewarding its workforce.
    3. In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.
    4. When 20% or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder

meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed. 1 The board should understand the views of the company’s other key stakeholders and describe in

the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.2 The board should keep engagement mechanisms under

review so that they remain effective.

For engagement with the workforce,3 one or a combination of the following methods should be used:

* + - * a director appointed from the workforce;
      * a formal workforce advisory panel;

1 Details of significant votes against and related company updates are available on the Public Register maintained by The Investment Association – [www.](http://www/) theinvestmentassociation.org/publicregister.html

2 The Copanies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they have had regard to various matters in performing their duty to promote the success of the company in section 172 of the Companies Act 2006. The Financial Reporting Council’s Guidance on the Strategic Report supports reporting on the legislative requirement.

3 See the Guidance on Board Effectiveness Section 1 for a description of ‘workforce’ in this context.

* + - * a designated non-executive director.

If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.

* + 1. There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.
    2. The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement.
    3. Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.

### Division of Responsibilities

##### Principles

1. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
2. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
3. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

##### Provisions

1. The chair should be independent on appointment when assessed against the circumstances set out in Provision

10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.

1. The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director’s independence include, but are not limited to, whether a director:
   * is or has been an employee of the company or group within the last five years;
   * has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
   * has received or receives additional remuneration from the company apart from a director’s fee, participates in the company’s share option or a performance-related pay scheme, or is a member of the company’s pension scheme;
   * has close family ties with any of the company’s advisers, directors or senior employees;
   * holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
   * represents a significant shareholder; or
   * has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non- executive director is independent, a clear explanation should be provided.

1. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.
2. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair’s performance, and on other occasions as necessary.
3. Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.
4. The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.
5. When making new appointments, the board should take into account other demands on directors’ time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.
6. All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board.

### Composition, success and evaluation

##### Principles

1. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management.4 Both appointments and succession plans should be based on merit and objective criteria5 and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
2. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.
3. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

##### Provisions

1. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.
2. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company’s long-term sustainable success.
3. The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.
4. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.
5. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.
6. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.
7. The annual report should describe the work of the nomination committee, including:
   * the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
   * how the board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;
   * the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and
   * the gender balance of those in the senior management6 and their direct reports.

### Audit, risk and internal control

##### Principles

1. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.7
2. The board should present a fair, balanced and understandable assessment of the company’s position and prospects.
3. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

##### Provisions

1. The board should establish an Audit & Risk Committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two.8 The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.
2. The main roles and responsibilities of the Audit & Risk Committee should include:
   * monitoring the integrity of the financial statements of the company and any formal announcements relating to the company’s financial performance, and reviewing significant financial reporting judgements contained in them;
   * providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company’s position and performance, business model and strategy;
   * reviewing the company’s internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;
   * monitoring and reviewing the effectiveness of the company’s internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the board;
   * conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
   * reviewing and monitoring the external auditor’s independence and objectivity;

6 See footnote 4.

7 The board’s responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public records and reports to regulators, as well as to information required to be presented by statutory instruments.

8 A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

* + reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
  + developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and
  + reporting to the board on how it has discharged its responsibilities.

1. The annual report should describe the work of the Audit & Risk Committee , including:
   * the significant issues that the Audit & Risk Committee considered relating to the financial statements, and how these issues were addressed;
   * an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
   * in the case of a board not accepting the Audit & Risk Committee ’s recommendation on the external auditor appointment, reappointment or removal, a statement from the Audit & Risk Committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);
   * where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and
   * an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.
2. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company’s position, performance, business model and strategy.
3. The board should carry out a robust assessment of the company’s emerging and principal risks.9 The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.
4. The board should monitor the company’s risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.
5. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.
6. Taking account of the company’s current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

9 Principal risks should include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the company’s business model, future performance, solvency or liquidity and reputation. In deciding which risks are principal risks companies should consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur.

### Remuneration

##### Principles

1. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.
2. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management10 remuneration should be established. No director should be involved in deciding their own remuneration outcome.
3. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

##### Provisions

1. The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two.11 In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.
2. The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management.12 It should review workforce13 remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.
3. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.
4. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.14
5. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
6. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.
7. Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

10 See footnote 4.

1. Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors’ terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors’ obligations to mitigate loss.
2. When determining executive director remuneration policy and practices, the remuneration committee should address the following:
   * clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
   * simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
   * risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
   * predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
   * proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
   * alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.
3. There should be a description of the work of the remuneration committee in the annual report, including:
   * an explanation of the strategic rationale for executive directors’ remuneration policies, structures and any performance metrics;
   * reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
   * a description, with examples, of how the remuneration committee has addressed the factors in Provision 40;
   * whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
   * what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
   * what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
   * to what extent discretion has been applied to remuneration outcomes and the reasons why.

11 See footnote 8.

12 See footnote 4.

13 See the Guidance on Board Effectiveness Section 5 for a description of ‘workforce’ in this context.

14 See footnote 4.

### Schedule A: The design of performance-related remuneration for executive directors

**Balance**

The remuneration committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed.

The remuneration committee should consider whether the directors should be eligible for annual bonuses and/or benefits under long-term incentive schemes.

**Share-based remuneration**

Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.

Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well-considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.

For share-based remuneration the remuneration committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the company, subject to the need to finance any costs of acquisition and associated tax liabilities. In normal circumstances, shares granted or other forms of deferred remuneration should not vest or be paid, and options should not be exercisable, in less than five years. Longer periods may be appropriate. Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.

**Pensions**

In general, only basic salary should be pensionable. The remuneration committee should consider the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement. This should be carefully considered when compared with workforce arrangements.

### Schedule B: Disclosure of corporate governance arrangements

Corporate governance disclosure requirements are set out in three places:

* FCA Disclosure and Transparency Rules (“DTR”) sub-chapters 7.1 and 7.2, which set out certain mandatory disclosures; and
* The UK Corporate Governance Code (“the Code”) – in addition to providing an explanation where they choose not to comply with a provision, companies must disclose specified information in order to comply with certain provisions.

These requirements are summarised below, with the full text contained in the relevant chapters of the FCA Handbook.

The DTR sub-chapters 7.1 and 7.2 apply to issuers whose securities are admitted to trading on a regulated market (this includes all issuers with a Premium or Standard listing). The Code applies to the Company on voluntary basis irrespective of the Company’s GDRs being listed on Standard listing segment of the London Stock Exchange.

There is some overlap between the mandatory disclosures required under the DTR and those expected under the Code. Areas of overlap are summarised in the [Appendix](#_bookmark3) to this Schedule. In respect of disclosures relating to the Audit & Risk Committee and the composition and operation of the board and its committees, compliance with the relevant provisions of the Code will result in compliance with the relevant Rules.

**Disclosure and Transparency Rules**

DTR sub-chapter 7.1 concerns Audit & Risk Committee s or bodies carrying out equivalent functions.

DTR 7.1.1 R, 7.1.1A R, 7.2.1A R and 7.1.3 R set out requirements relating to the composition and functions of the committee or equivalent body:

* DTR 7.1.1 R states that an issuer must have a body or bodies responsible for performing the functions set out in DTR 7.1.3 R.
* DTR 7.1.1A R requires that a majority of the members of the relevant body must be independent, at least one member must have competence in accounting or auditing, or both, and that members of the relevant body as a whole must have competence relevant to the sector in which the issuer is operating.
* DTR 7.1.2 G states that the requirements for independence and competence in accounting and/or auditing may be satisfied by the same members or by different members of the relevant body.
* DTR 7.1.2A R states that the chairman of the relevant body must be:

1. independent; and
2. appointed by the members of the relevant body or by the administrative or supervisory body of the issuer.

* DTR 7.1.3 R states that an issuer must ensure that, as a minimum, the relevant body must:

1. monitor the financial reporting process and submit recommendations or proposal to ensure its integrity;
2. monitor the effectiveness of the issuer’s internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the issuer, without breaching its independence;
3. monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority under article 26(6) of the Audit Regulation;
4. review and monitor the independence of the statutory auditor in accordance with paragraphs 2(3), 2(4), 3 to 8 and 10 to 12 of Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/649) and article 6 of the Audit Regulation, and in particular the appropriateness of the provision of non-audit services to the issuer in accordance with article 5 of the Audit Regulation;
5. inform the administrative or supervisory body of the issuer of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the relevant body was in that process;
6. except when article 16(8) of the Audit Regulation is applied, be responsible for the procedure for the selection of statutory auditor(s) and recommend the statutory auditor(s) to be appointed in accordance with article 16 of the Audit Regulation.

DTR 7.1.5 R sets out what disclosure is required. Specifically:

* DTR 7.1.5 R states that the issuer must make a statement available to the public disclosing which body carries out the functions required by DTR 7.1.3 R and how it is composed.
* DTR 7.1.6 G states that this can be included in the corporate governance statement required under sub- chapter DTR 7.2 (see below).
* DTR 7.1.7 G states that compliance with the relevant provisions of the Code (as set out in the [Appendix](#_bookmark3) to this Schedule) will result in compliance with DTR 7.1.1 R to 7.1.5 R.

Sub-chapter 7.2 concerns corporate governance statements. Issuers are required to produce a corporate governance statement that must be either included in the directors’ report (DTR 7.2.1 R); or set out in a separate report published together with the annual report; or set out in a document on the issuer’s website, in which case there must be a cross- reference in the directors’ report (DTR 7.2.9 R).

DTR 7.2.2 R requires that the corporate governance statement must contain a reference to the corporate governance code to which the company is subject (for companies with a Premium listing this is the Code). DTR 7.2.3 R requires that, where that it departs from that code, the company must explain which parts of the code it departs from and the reasons for doing so. DTR 7.2.4 G states that compliance with LR 9.8.6 R (6) (the “comply or explain” rule in relation to the Code) will also satisfy these requirements.

DTR 7.2.5 R, DTR 7.2.6 R, DTR 7.2.7 R, DTR 7.2.8A R and DTR 7.2.10 R set out certain information that must be disclosed in the corporate governance statement:

* DTR 7.2.5 R states that the corporate governance statement must contain a description of the main features of the company’s internal control and risk management systems in relation to the financial reporting process. DTR 7.2.10 R states that an issuer which is required to prepare a group directors’ report within the meaning of Section 415(2) of the Companies Act 2006 must include in that report a description of the main features of the group’s internal control and risk management systems in relation to the financial reporting process for the undertakings included in the consolidation, taken as a whole.
* DTR 7.2.6 R states that the corporate governance statement must contain the information required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where the issuer is subject to the requirements of that paragraph.
* DTR 7.2.7 R states that the corporate governance statement must contain a description of the composition and operation of the issuer’s administrative, management and supervisory bodies and their committees. DTR 7.2.8 G states that compliance with the relevant provisions of the Code (as set out in the [Appendix](#_bookmark3) to this Schedule) will satisfy these requirements.
* DTR 7.2.8A R states that:

1. The corporate governance statement must contain a description of: (a) the diversity policy applied to the issuer’s administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds; (b) the objectives of the diversity policy in (a); (c) how the diversity policy in (a) has been implemented; and (d) the results in the reporting period.
2. If no diversity policy is applied by the issuer, the corporate governance statement must contain an explanation as to why this is the case.

DTR 7.2.8B G states that DTR 7.2.8A R does not apply to an issuer which qualifies as a small or medium company under DTR 1B.1.7 R. DTR 1B.1.7 R states that DTR 7.2.8A R does not apply to an issuer which:

(1) qualifies as a small company under sections 382 to 383 of the Companies Act 2006; or (2) qualifies as a medium company under sections 465 to 466 of the Companies Act 2006.

**The UK Corporate Governance Code 2018**

The Code includes specific requirements for disclosure which must be provided in order to comply. These are summarised below.

The annual report should include:

* a description by the board of how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company’s business model and how its governance contributes to the delivery of its strategy (Provision 1);
* an explanation of the board’s activities and any action taken in respect of where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company’s purpose, values and strategy. In addition, it should include an explanation of the company’s approach to investing in and rewarding its workforce (Provision 2);
* when 20% or more of votes have been cast against the board recommendation for a resolution, a summary of the update on views received from shareholders and actions taken that is published no later than six months after the shareholder meeting (Provision 4);
* a description of how the company’s other key stakeholders interests and the matters set out in s.172 of the Companies Act 2006 have been considered in board discussions and decision-making (Provision 5);
* each non-executive director the board considers to be independent, with reasons where necessary (Provision 10);
* the number of meetings of the board and those committees and individual attendance by directors (Provision 14);
* the board’s reasons for permitting significant additional external appointments for a director (Provision 15);
* identification of the external search consultancy engaged for the appointment of the chair and non- executive directors if one is used, alongside a statement about any other connection it has with the company or individual directors (Provision 20);
* the identity of the external evaluator for the performance evaluation of the board, its committees the chair and its directors, and a statement about any other connection it has with the company or individual directors (Provision 21);
* a description of the work of nomination committee, including the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline; how the board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and the gender balance of those in the senior management and their direct reports (Provision 23);
* a description of the work of the Audit & Risk Committee , including the significant issues that the Audit & Risk Committee considered relating to the financial statements, and how these issues were addressed; an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; in the case of a board not accepting the Audit & Risk Committee ’s recommendation on the external auditor appointment, reappointment or removal, a statement from the Audit & Risk Committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services (Provision 26);
* an explanation from the directors of their responsibility for preparing the accounts and a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable

and provides the information necessary for shareholders to assess the company’s position and performance, business model and strategy (Provision 27);

* the board’s confirmation that it has completed the assessment of the company’s emerging and principal risks, including a description of its principal risk, what procedures are in place to identify the emerging risks, and an explanation of how these are being managed or mitigated (Provision 28);
* the board’s report on the monitoring and effectiveness of the company’s risk management and internal control systems (Provision 29);
* taking account of the company’s current position and principal risk, how the board has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary (Provision 31);
* where a remuneration consultant is appointed, the consultant should be identified and a statement about any other connection it has with the company or individual directors included (Provision 35); and
* a description of the work of the remuneration committee, including an explanation of the strategic rationale for executive directors’ remuneration policies, structures and any performance metrics; reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps; a description, with examples, of how the remuneration committee has addressed the factors in Provision 40; whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary; what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes; what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and to what extent discretion has been applied to remuneration outcomes and the reasons why (Provision 41).

The following information should be made available (which may be met by placing the information on a website that is maintained by or on behalf of the company):

* the reasons for the chair and chief executive roles being exercised by the same individual (Provision 9); and
* the responsibilities of the chair, chief executive, senior independent director, board and committees (Provisions 14).

The board should set out to shareholders in the papers accompanying a resolution to elect or re-elect directors:

* the specific reasons why their contribution is, and continues to be, important to the company’s long- term sustainable success (Provision 18).

The board should set out to shareholders in the papers recommending appointment or reappointment of an external auditor:

* if the board does not accept the Audit & Risk Committee ’s recommendation, a statement from the Audit & Risk Committee explaining its recommendation and the reasons why the board has taken a different position (Provision 26).

**Additional guidance**

The FRC publishes guidance on the strategic report, risk management, internal control, business and financial reporting and Audit & Risk Committee s, which relate to Section 4 of the Code. These guidance notes are available on the FRC website.

Appendix

Overlap between the Disclosure and Transparency Rules and the UK Corporate Governance Code

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| **Disclosure and Transparency Rules** | **UK Corporate Governance Code** |
| **DTR 7.1.1 R, 7.1.1A R and 7.2.1A R** | **Provision 24**: sets out the recommended composition of the Audit & Risk Committee . |

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| --- | --- |
| **Disclosure and Transparency Rules** | **UK Corporate Governance Code** |
| Sets out minimum requirements on composition of the Audit & Risk Committee or equivalent body. |  |
| **DTR 7.1.3 R**  Sets out minimum functions of the Audit & Risk Committee or equivalent body. | **Provision 25**: sets out the recommended minimum terms of reference for the Audit & Risk Committee . |
| **DTR 7.1.5 R**  The composition and function of the Audit & Risk Committee or equivalent body/ bodies must be disclosed in the annual report.  *DTR 7.1.7 G states that compliance with Code Provisions 14, 24, 25 and 26 will result in compliance with DTR 7.1.1 R to DTR 7.1.3 R and with DTR 7.1.5 R except as regards disclosing how the body carries out the functions requirement by DTR 7.1.3 R is composed.* | This requirement overlaps with a number of different Code provisions:  **Provision 14**: the responsibilities of the Audit & Risk Committee should be made available.  **Provision 24**: sets out the recommended composition of the Audit & Risk Committee .  **Provision 25**: sets out the recommended minimum terms of reference for the Audit & Risk Committee .  **Provision 26**: the annual report should describe the work of the Audit & Risk Committee . |
| **DTR 7.2.5 R**  The corporate governance statement must contain a description of the main features of the issuer’s internal control and risk management systems in relation to the financial reporting process.  *While this requirement differs from the requirement in the Code, it is envisaged that both could be met by a single internal control statement.* | **Provision 28**: the board should carry out a robust assessment of the company’s emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. Principal risks should include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the company’s business model, future performance, solvency or liquidity and reputation. In deciding which risks are principal risks companies should consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur.  **Provision 29**: the board should monitor the company’s risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. |
| **DTR 7.2.7 R**  The corporate governance statement must composition and operation of the contain a description of the issuer’s administrative, management and supervisory bodies and their committees.  *DTR 7.2.8 G states that compliance with Code Provisions 14, 20, 23, 26, 35 and 41 will result in compliance with DTR*  *7.2.7 R.* | This requirement overlaps with a number of different Code provisions:  **Provision 14**: the responsibilities of the Audit & Risk Committee should be made available.  **Provision 20**: open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.  **Provision 23**: the annual report should describe the work of the nomination committee. |

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| **Disclosure and Transparency Rules** | **UK Corporate Governance Code** |
|  | **Provision 26**: the annual report should describe the work of the Audit & Risk Committee .  **Provision 35**: where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.  **Provision 41**: the annual report should describe the work of the remuneration committee.  *Note: in order to comply with DTR 7.2.7 R this information will need to be included in the corporate governance statement*. |
| **DTR 7.2.8A R**  The corporate governance statement must contain a description of (a) the diversity policy applied to the issuer’s administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds; (b) the objectives of the diversity policy in (a); (c) how the diversity policy in (a) has been implemented; and (d) the results in the reporting period.  If no diversity policy is applied by the issuer, the corporate governance statement must contain an explanation as to why this is the case.  *DTR 7.2.8B G states that DTR 7.2.8A R does not apply to an issuer which qualifies as a small or medium company under DTR 1B.1.7 R. DTR 1B.1.7 R states that DTR 7.2.8A R does not apply to an issuer which: (1) qualifies as a small company under sections 382 to 383 of the Companies Act 2006; or (2) qualifies as a medium company under sections 465 to 466 of the Companies Act 2006* | **Provision 23**: The annual report should describe the work of the nomination committee, including the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives. |

ANNEX B. New Board Members Induction Procedure

It is the Chairman of the Board’s responsibility to make sure that a new director is given all relevant information about the Company as well as access to its people.

The induction procedure for new Board members should be considered under four headings:

1. Communication of written information about the Company
2. Familiarisation with the Company and its senior managers
3. Meeting Board colleagues
4. Understanding the Company’s main external relationships

##### Communication of written information

Upon appointment to the Board, the Company Secretary is to provide the new director with following written materials:

* + Annual reports covering the last three years
  + Materials describing the Company’s products
  + Minutes of the previous year’s Board Meetings
  + The Company’s statutes and structure
  + Terms of reference of the Committees
  + The Corporate Governance Charter
  + CV’s of Directors
  + Key performance indicators

##### Familiarisation with the Company and its senior managers

As soon as possible after his/her nomination, the Company Secretary will, in coordination with the Chairman, organise a visit of the new director to the Headquarters of the Company and its main production sites. During this visit, a meeting should be organised with the CEO, the CFO, Company Secretary and with other available members of the senior management.

##### Meeting Board colleagues

The Chairman will make sure that the new director is given the opportunity to communicate informally with his colleagues outside the strict context of Board meetings.

##### Understanding the Company’s main external relationships

To the extent the information required has not been obtained in the written materials or during interviews with senior Management, the Company Secretary and the CFO will be required to brief the new director on the following topics:

* + Company advisors and auditors
  + Major customers
  + Major suppliers
  + Regulatory constraints
  + Major shareholders
  + Shareholder relations policy

## ANNEX C. Audit & Risk Committee (“the Committee”) Terms of Reference

##### Purpose

* 1. The purpose of the Committee is to monitor the integrity of the Company’s financial statements, to review its accounting policies and procedures, to keep under review its internal financial controls, systems for managing financial and operational business risks and compliance with statutory requirements, to appoint and monitor the internal auditor, to appoint and monitor the external auditors and to consider any matters raised by them.

##### Membership

* 1. The Committee shall be appointed by the Board, on the recommendation of the Nomination and Remuneration Committee in consultation with the Chairman of Committee. The Committee shall comprise at least three directors, each of which shall be an independent non-executive director.
  2. The Board shall appoint the Committee Chairman, who shall be an independent non-executive director (but not the Chairman of the Company) with recent and relevant financial experience, and determine the period for which he or she shall hold office.
  3. If a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another independent non-executive director of the Company to serve as an alternate member.
  4. Only members of the Committee have the right to attend Committee meetings. The Chief Executive, Chief Financial Officer, Financial Controller, Head of Internal Audit, Head of Risk and other Directors may be invited by the Committee Chairman to attend meetings of the Committee as observers.
  5. The external auditors will be invited to attend meetings of the Committee on a regular basis and the internal auditor may also be invited to attend.
  6. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

##### Secretary

* 1. The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

##### Quorum

* 1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

##### Meetings and Resolutions

* 1. The Committee shall meet prior to publication of the quarterly and full year results of the Company and at such other times (to coincide with Board meetings or otherwise) as the Chairman of the Committee shall require.
  2. In exceptional circumstances, the Committee Chairman may decide to hold meetings by video-conference or teleconference.
  3. The Committee shall reach decisions by a simple majority of those voting. If the number of votes for and against a certain proposal are equal, the Committee Chairman shall have a casting vote.
  4. Any resolution evidenced in writing or by electronic or voice recognition means by such members of the Committee as would have been necessary to pass such resolution had all members of the Committee been present at a meeting to consider such resolution shall be valid and effective as if it had been passed at a meeting of the Committee duly convened and held.

##### Notice of Meetings

* 1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Committee Chairman or any of its members or at the request of any officer of the Company or external or internal auditors if they consider it necessary.
  2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend no fewer than 5 working days prior to the date of the meeting.

##### Minutes of Meetings

* 1. The Secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee.
  2. The Secretary of the Committee should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist with a particular member of the Committee on any particular issue, then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.
  3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following the approval of the Committee, to all other members of the Board and external auditors.
  4. The Committee Chairman shall keep the Board advised as appropriate of matters resolved, recommended or reviewed by the Committee.

##### Annual General Meeting

* 1. The Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee’s activities.

##### Authority

* 1. The Committee is authorised:
     1. to seek any information it requires from any employee of the Company in order to perform its duties;
     2. to call any employee to be present at a meeting of the Committee as and when required;
     3. to obtain, at the Company’s expense, outside legal, financial or other professional advice on any matters within its terms of reference; and
     4. to have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.
  2. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. If a decision is made to engage such advisers, the Committee shall have the sole authority to retain and terminate them and to approve their fees and other retention terms.

##### Duties

* 1. Financial Reporting
     1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual, half-yearly and quarterly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The 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.
     2. In particular, the Committee shall review and challenge where necessary:
        1. the consistency, quality and appropriateness of, and any changes to, accounting policies both on a year- on-year basis and across the Company/Group;
        2. the methods used to account for significant or unusual transactions where different approaches are possible;
        3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
        4. the clarity and completeness of disclosure in the Company’s financial reports, including the review of any correspondence between the Company and the external auditors;
        5. all material information presented with the financial statements, such as the strategic review and the corporate governance statement (insofar as it relates to the audit and risk management); and
        6. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer-term viability statement (including an assessment of the prospects of the company looking forward over an appropriate and justified period).
     3. The Committee shall review the annual financial statements of any pension funds where not reviewed by the Board as a whole.
     4. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
  2. Narrative reporting
     1. The Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.
  3. On-going viability
     1. The Committee should provide advice to the Board on how, taking into account the Company’s position and principal risks, the Company’s prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period, drawing attention to any qualifications or assumptions as necessary.
  4. Internal Controls and Risk Management Systems The Committee shall:
     1. keep under review the effectiveness of the Company’s internal financial controls and internal control and risk management systems; and
     2. review and approve the statements to be included in the annual report concerning internal controls and risk management.
     3. act as a sounding board for the head of risk management on any risk matters and receive periodic reports on the Company’s risk management activities including:
        1. consideration of the Company's risk appetite;
        2. review of the Company’s key processes for identifying and assessing business risks, the management of these risks and an assessment of their robustness, appropriateness and effectiveness;
        3. review of risk management plans;
        4. review of any significant risk management judgements made; and
        5. annual review of the Company’s insurance programmes.
  5. Compliance, Whistleblowing and Fraud The Committee shall:
     1. review the adequacy and security of the Company’s arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
     2. review the Company’s procedures for detecting fraud;
     3. review the Company’s systems and controls for ethical behaviour and the prevention of bribery (in accordance with legal, regulatory or other relevant guidance) and receive reports on non-compliance;
     4. review regular reports from the Internal Auditor and the adequacy and effectiveness of the Company’s anti-money laundering systems and controls; and
     5. review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company’s compliance function.
  6. Internal Audit

The Committee shall:

* + 1. approve the appointment and removal of the head of the internal audit function;
    2. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
    3. ensure the internal audit function has direct access to the Committee Chairman and members of the Committee, and is accountable to the Committee;
    4. review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;
    5. receive a report on the results of the internal auditor’s work on a periodic basis;
    6. review reports addressed to the Committee from the internal auditor;
    7. review and monitor management’s responsiveness to the findings and recommendations of the internal auditor;
    8. meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out; and
    9. monitor and review the effectiveness of the Company’s internal audit function, in the context of the company’s overall risk management system.
  1. External Audit

The Committee shall:

* + 1. consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment or removal of the Company’s external auditor;
    2. ensure that, at least once every ten years, the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
    3. if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
    4. oversee the relationship with the external auditor including (but not limited to):
       1. recommendations on their remuneration, taking into account whether the level of fees is appropriate to enable an adequate audit to be conducted;
       2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
       3. assessing annually their independence and objectivity taking into account relevant UK/EU/Cyprus professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services and the relationship between fees for audit and non-audit services;
       4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor’s independence and objectivity;
       5. agreeing with the Board a policy on the employment of former employees of the Company’s auditor, then monitoring the implementation of this policy;
       6. monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
       7. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
       8. seeking to ensure co-ordination with the activities of the internal audit function; and
       9. evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
    5. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor’s remit and any issues arising from the audit;
    6. review and approve the annual audit plan at the start of the audit cycle and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
    7. review the findings of the audit with the external auditor. This review shall include, but not be limited to, the following:
       1. a discussion of any major issues which arose during the audit;
       2. any accounting and audit judgements;
       3. levels of errors identified during the audit; and
       4. the effectiveness of the audit;
    8. review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on the Committee’s knowledge, the information provided is complete and appropriate;
    9. review the management letter and management’s response to the auditor’s findings and recommendations; and
    10. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
  1. The Committee shall carry out the duties in [10.1](#_bookmark5) to [10.7](#_bookmark6) above for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.
  2. Conflicts of interest

The Committee shall:

* + 1. in respect of each director, review any interests the director may have which conflict or may conflict with the interests of the Company;
    2. consider whether any such conflict should be authorised and, if so, authorise such conflict upon such terms and conditions as the Committee considers appropriate. In the case of any such conflict which the Committee considers to be material, the Committee shall make recommendations to the Board as to whether such conflict should be authorised and, if so, as to the terms and conditions on which any such authorisation should be given by the Board; and
    3. review on a bi-annual basis any authorisation given by the Board or Committee in order to determine whether the authorisation given should stand on the terms and conditions on which it has been given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant Director notice of the proposed revocation).

##### Reporting Responsibilities

* 1. The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:

1. the significant issues that it considered in relation to the financial statements (required under paragraph [10.1)](#_bookmark5) and how these were addressed;
2. its assessment of the effectiveness of the external audit process (required under paragraph [10.7.4(](#_bookmark7)vii) and its recommendation on the appointment or reappointment of the external auditor; and
3. any other issues on which the Board has requested the Committee’s opinion.
   1. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
   2. The Committee shall compile a report on its activities to be included in the Company’s annual report. The report should include;
4. details of the membership of the Committee, number of meetings held and attendance over the course of the year;
5. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor;
6. an explanation of how the Committee has addressed the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or re-appointment of the external auditor;
7. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and
8. all other information requirements set out in the UK Corporate Governance Code.
   1. In compiling the reports referred to in [11.1](#_bookmark8) and [11.3,](#_bookmark9) the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board’s assessment of whether the Company is a going concern and the longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

##### Other Matters

The Committee shall:

* 1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
  2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
  3. assist the Board in overseeing compliance with all legal and regulatory requirements and give due consideration to the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority’s Listing, Prospectus, Disclosure and Transparency and Corporate Governance Rules and any other applicable rules, as appropriate;
  4. be responsible for co-ordination of the internal and external auditors;
  5. oversee any investigation of activities which are within its terms of reference and resolve any disputes that may arise between the external auditors and the Company;
  6. at least annually should review its own performance and terms of reference to ensure it is operating at maximum effectiveness; the Board should also review the Committee’s effectiveness annually;
  7. work and liaise as necessary with all other Committees; and
  8. make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

##### Complaints Procedures

* 1. The Committee shall ensure that appropriate procedures are established, and shall evaluate the effectiveness of such procedures, for the receipt, retention, and treatment of complaints received by the Company relating to accounting, internal accounting controls, or auditing matters of the Company.
  2. The Committee shall also establish procedures to ensure that submissions by Company employees arising from the Company’s whistleblowing policy, including those relating to questionable accounting or auditing matters utilised by the Company are treated confidentially and anonymously and are reported to the Committee. It shall ensure that any issues relating to business ethics are reported to it.

## ANNEX D. Internal Audit Terms of Reference

The Internal Audit Terms of Reference (the “Terms of Reference”) define the internal audit activity’s purpose, authority and responsibility. These Terms of Reference establish the internal audit activity’s status within the Company and its subsidiaries (collectively referred to herein as the “Company”), authorise access to records, personnel, and physical properties relevant to the performance of the internal audit function’s duties, and define the scope of the internal audit activities.

The Company’s Board of Directors (the “Board”) assigns audit oversight to an Audit & Risk Committee of at least 3 independent directors. The Audit & Risk Committee ’s role and responsibilities are defined in the Audit & Risk Committee ’s terms of reference.

##### Definition of internal audit

* 1. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Company’s operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
  2. While Internal Audit primarily provides independent and objective assurance to management and, via the Audit & Risk Committee , to the Board, it may also provide consulting services at the request of the Board, subject to the availability of skills and resources. The nature of consulting services to be provided comprises the range of services provided to assist management in meeting the Company’s objectives. The nature and scope of work may include, but are not limited to: facilitation; process design; training; advisory services; project reviews; and fraud- and irregularity-related work.
  3. The functions performed by Internal Audit are referred to as internal auditing and internal auditing activities as contextually appropriate.

##### Definition of control environment

* 1. The risk management and control environment reflects the attitude of and actions taken by the Board, management and other parties within the Company to identify, assess and manage risk and to provide reasonable assurance that the established business objectives and goals will be achieved within an agreed risk profile. This comprises the Company’s policies, procedures and operations in place to:
     1. ensure that the Company’s programs, plans and objectives are achieved;
     2. identify, assess and manage the risks to achieving the Company’s objectives;
     3. facilitate policy and decision making;
     4. ensure economical, effective and efficient use of resources;
     5. ensure compliance with established ethical standards, policies, procedures, laws and regulations;
     6. ensure that significant legislative or regulatory issues impacting the Company are recognised and addressed properly;
     7. safeguard the Company’s assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
     8. ensure the integrity, reliability and timeliness of financial, managerial and operating information, accounts and data, including internal and external reporting and accountability processes.
  2. The control environment includes the following elements:
     1. Integrity and ethical values;
     2. Board’s tolerance of risk;
     3. Management’s philosophy and operating style;
     4. Organisation structure;
     5. Delegation of authority and responsibility;
     6. Human resources policies and practices; and
     7. Competence of personnel.

##### Scope of work and responsibilities

* 1. The scope of Internal Audit includes all of the Company’s operations, resources, services and responsibilities in relation to other bodies, and no department or business unit of the Company is exempt from audit and review.
  2. Internal Audit responsibilities include but are not limited to:
     1. examining and evaluating the adequacy of the Company’s risk management and governance processes;
     2. appraising the reliability, accuracy and timeliness of information provided to stakeholders;
     3. establishing the effect and extent of compliance with statutory and regulatory requirements, standards, policies and procedures;
     4. determining the extent to which the Company’s assets are properly accounted for and safeguarded;
     5. appraising the economy, efficiency and effectiveness with which resources are employed;
     6. coordinating with the work of external auditors for audit planning and assisting the external auditors as required;
     7. reviewing the Company’s procedures for the prevention of bribery;
     8. considering and recommending to the Audit & Risk Committee approval of the remit of the risk management function, including ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit & Risk Committee shall also ensure the function has adequate independence and is free from management or other restrictions;
     9. review the adequacy and security of the Company’s arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
     10. working in partnership with other bodies to secure robust internal controls that protect the Company’s interests; and
     11. evaluating specific operations at the request of the Board, Audit & Risk Committee or management and working with the Head of Security to investigate any instances of fraud, irregularity or corruption.

##### Independence and accountability

* 1. Internal Audit shall be independent of the activities subject to internal auditing.
  2. The Head of Internal Audit reports functionally to the Audit & Risk Committee and administratively to the CFO.
  3. The Head of Internal Audit shall have open and direct access to the Audit & Risk Committee , the Board and management.
  4. The Head of Internal Audit will communicate and interact directly with the Audit & Risk Committee , including in private sessions with the Audit & Risk Committee members without management present.
  5. All decisions regarding the performance evaluating, appointment, or removal of the Head of Internal Audit shall be approved by the Audit & Risk Committee .
  6. Internal Audit is authorised to have unrestricted access to all company activities, records, property and personnel. Any restriction to these accesses imposed by any employee or management of the Company, which prevents Internal Audit from performing its duties, will be reported immediately to the Chief Executive Officer, Chief Financial Officer or directly to the Audit & Risk Committee , based on circumstances as determined by the Head of Internal Audit.
  7. The Head of Internal Audit has the authority and responsibility for the documentation and communication of specific policies and procedures to guide the internal auditing activities.
  8. Internal auditors shall not assume any ownership of systems under audit and shall not be given any responsibility for any aspects of work subject to audit.
  9. Internal auditors shall exhibit the highest level of professional objectivity in gathering evaluating and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgment.
  10. The Board is ultimately responsible for establishing and monitoring the risk tolerance of the Company. The establishment and monitoring of risk management and control processes will be the responsibility of the Audit & Risk Committee , acting on behalf of the Board.
  11. Management is responsible for the Company’s internal control structure, and is also responsible for adopting one or more internal control framework(s) to serve as the basis for designing, monitoring, and evaluating its internal control structure.
  12. Accountability for responding to the advice and recommendations of Internal Audit lies with management, which either accepts and implements the advice or formally rejects it. Audit advice and recommendations shall be given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.
  13. Internal Audit shall not serve as a substitute for management control. It is recognised that repetitive audits, audits required by management, and audits that take on more of a monitoring function rather than an assessment may not be commensurate with objectivity. The Head of Internal Audit shall disclose to the Audit & Risk Committee any and all requested, proposed, and performed activities that are deemed as not taking the form of an objective internal audit activity, for their acceptance or rejection.
  14. The Head of Internal Audit will confirm to the Audit & Risk Committee , at least annually, the organisational independence of the internal audit activity.

##### Reporting

* 1. On at least an annual basis, or more frequently if the need arises, the Head of Internal Audit requests approval of the following matters from the Audit & Risk Committee :
     1. Terms of reference for Internal Audit;
     2. Internal Audit Strategy;
     3. Internal Audit’s annual plan; and
     4. Internal Audit resources.
  2. In addition, the Head of Internal Audit will report at least annually to the Audit & Risk Committee on:
     1. the annual report of the Head of Internal Audit including results of quality assurance and performance management processes;
     2. the adequacy of management’s response to advice and recommendations; and
     3. arrangements made for cooperation with external auditors.
  3. On at least a semi-annual basis the Head of Internal Audit provides directly to the Audit & Risk Committee summary reports in respect of:
     1. progress against the approved Audit Strategy;
     2. projects undertaken during the period; and
     3. implementation of recommendations.

##### Risk assessment and planning

* 1. Internal Audit uses a risk model to logically identify key risks within the Company, and presents the risk model to the Audit & Risk Committee and the Board to receive input and feedback. As part of the process, Internal Audit will receive direction and input from the Audit & Risk Committee and the Board as to the risks deemed most important to the Company taking account of both the probability of occurrence and the magnitude of the risk if it should occur.
  2. Internal Audit develops an annual audit plan based on the risk assessment, and presents the audit plan to the Audit & Risk Committee for their review, input, and approval. The audit plan is continuously risk-based, and not coverage-based, and optimal audit plans continuously evolve in response to shifting perceptions and outcomes of risk.

##### Reporting accountabilities and follow-up

* 1. A written report shall be prepared for every internal audit assignment. The report shall be agreed with the Head of Internal Audit before it is issued to the responsible management.
  2. Management shall be asked to provide written responses to issues in a diligent and timely manner, generally within 14 days, although this period can be extended by agreement. The written responses must describe actions planned in relation to each recommendation. If the recommendation is not accepted by the manager, a full written justification must be provided. The Head of Internal Audit shall be responsible for assessing whether the manager’s response is adequate.
  3. The Head of Internal Audit shall provide the Audit & Risk Committee with a copy of the summary from any audit report together with details of any High and Medium priority recommendations, identification of the person responsible for implementation of each recommendation, and any disagreements with management that remain unresolved.
  4. Progress on implementation of all agreed High and Medium priority recommendations shall be reported to the Audit & Risk Committee until action is completed.
  5. Internal Audit shall have procedures in place to ensure that reported conclusions and opinions are supported with adequate, competent, and sufficient internal audit work.
  6. The Audit & Risk Committee shall approve the conceptual framework pertaining to follow-up audit procedures. Internal Audit shall have procedures in place to track, monitor, and evaluate the status of internal control issues with a tracking mechanism and with consideration to the risk of each issue and the cost and benefit of various audit procedure alternatives.

##### Competence

* 1. Internal Audit shall be appropriately staffed in terms of number, grades, qualification levels and experience, having regard to its core objectives. The Audit & Risk Committee shall determine the minimum amount of relevant training required for the Internal Audit staff, and shall exercise its authority to require personnel changes at any level in the Internal Audit function.
  2. Internal Audit resources may be supplemented from time to time by outsourcing as necessary or desirable to ensure adequate resources and expertise are available to meet the audit plan. The Head of Internal Audit has authority to contract such external resources within the approved annual budget; any commitment in excess of the annual budget must be approved in advance by the Audit & Risk Committee .
  3. Internal Audit shall have documented procedures in place that deliver appropriate supervision, coaching, performance appraisals, and training to the Internal Audit staff.
  4. The Head of Internal Audit shall continuously and annually review the general level of compliance with the function’s policies and procedures and annually present the results of these reviews to the Audit & Risk Committee

. The reviews shall take the form of a condensed internal self-assessment and shall be based on key attributes determined by the Audit & Risk Committee .

* 1. At least annually, the Head of Internal Audit shall communicate to management and the Audit & Risk Committee on the internal audit activity quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

##### Fraud

* 1. Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud.
  2. Internal Audit shall be competent to assess the risk of fraud for the purposes of continuous audit planning and project planning and scoping and shall be alert in their work to risks and exposures that could allow fraudulent actions.
  3. Management is responsible for all investigations of suspected fraud, but may request Internal Audit and/or the Head of Security to undertake or assist in such investigations. Management shall report to the Audit & Risk Committee any and all instances of fraud reasonably believed to have occurred and of a significance expected to be greater than *de minimis*. Management shall provide regular updates to Internal Audit for all suspected and actual incidences of fraud, whether or not investigations are conducted.

##### Confidentiality

* 1. Internal Audit staff shall be aware of the strict confidentiality of audit work. Information arising from audit work shall under no circumstances be discussed openly or with persons not directly involved in the audit.
  2. Internal Audit shall hold data and information obtained during the course of its audit activities with due care and the appropriate level of confidentiality. The Head of Internal Audit shall have authority to grant, limit, and restrict access to work papers and records.
  3. Confidential information obtained in the course of internal auditing shall not be used to effect personal gain.

##### Standards of audit practice

* 1. The Internal Audit activity is governed by the Code of Ethics (the “**Code**”) and the International Standards for the Professional Practice of Internal Auditing (the “**Standards**”) as promulgated by the Institute of Internal Auditors (“**IIA**”). While these Terms of Reference are not intended to fully reiterate the Code and the Standards, it is intended to be consistent with the IIA Standards and should be interpreted in a manner consistent with those standards. IIA Code and Standards not directly incorporated into these Terms of Reference shall nonetheless be fully and appropriately applicable to the Company’s Internal Audit. The Company’s Internal Audit also considers guidance from industry practices and other relevant sources as deemed appropriate and reasonable in relation to the Company’s needs.

## ANNEX E. Nominations and Remuneration Committee Terms of Reference

The Nominations and Remuneration Committee is a Committee of the Board from which it derives its authority and to which it regularly reports.

The principal purposes of the Committee are to:

* + 1. ensure the company has exceptional people who occupy appropriate positions and who have incentives to achieve and are compensated for exceptional performance;
    2. set the over-arching principles and parameters of Remuneration Policy across the Company; and
    3. review the Company’s needs for employees and ensure the existence of management depth for expansion and succession, including overseeing the development of a diverse pipeline for succession.

##### Membership

* 1. The Committee will comprise at least three independent non-executive directors of the Company. The Chairman of the Company may also serve as a member.
  2. A majority of the members of the committee shall be independent non-executive directors.
  3. When deciding on the Nominations and Remuneration Committee’s composition, the Board takes into consideration the needs and qualifications required for the optimal functioning of the Nominations and Remuneration Committee.

##### Chairman

* 1. The Board designates a non-executive director amongst the members of the Nominations and Remuneration Committee to chair it. The Chairman of the Board can only be a member if they were independent on appointment and cannot chair the Committee. The Chairman will not be authorised to chair the Nominations and Remuneration Committee when dealing with the designation of his or her successor.
  2. Before appointment, the Chairman of the Committee must have served on the Nominations and Remuneration Committee for at least 12 months.
  3. The Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee’s activities.

##### Quorum

* 1. The quorum necessary for the transaction of business shall be at least two non-executive members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
  2. Decisions of the Nominations and Remuneration Committee are taken by a majority vote and, in the event of equality of votes, the Chairman of the Committee has a casting vote.

##### Meetings

* 1. Meetings will be held at least two times a year.
  2. The Chairman of the Committee and the Chairman of the Company or the CEO may each convene meetings of the Committee at any time to consider any matters falling within these terms of reference.

##### Notice of meetings

* 1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman of the Committee.
  2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors not less than five working days prior to the date of the meeting. Supporting papers shall be sent to members of the Committee, and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Chairman of the Committee.

##### Secretary

* 1. The Company Secretary shall act as Secretary to the Committee and attend all meetings. The Secretary to the Committee should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of issues.

##### Support

* 1. The Committee will be supported by the Human Resources Director, who shall have independent access to the Chairman of the Committee, as well as by the CFO when needed.

##### Minutes of meetings

* 1. The Secretary shall prepare minutes of the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
  2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

##### Disclosure:

* 1. The members of the Committee will be listed in the Company’s annual report.
  2. A summary of remuneration practices will be included in the Company’s Annual Report.

##### Responsibilities of the Committee

* 1. Nominations:
     1. The Committee shall:
        1. regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board (with particular regard to the balance of executive and non-executive directors, including independent non-executive directors) and make recommendations to the Board with regard to any changes;
        2. give full consideration to succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
        3. satisfy itself that plans are in place for orderly succession for appointments to the Board and senior management;
        4. assist the Chairman of the Board with the implementation of an annual evaluation process to assess the overall and individual performance of the Board and its committees, including consideration of the balance of skills, knowledge, independence, experience and diversity, how the Board works together as a unit and other factors relevant to the Board’s effectiveness;
        5. review the results of the annual evaluation process that relate to the composition of the Board and its committees;
        6. be responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise;
        7. as part of the process for nominating candidates for appointment, obtain details of and review any interests the candidate may have which conflict or may conflict with the interests of the Company. The proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest. The Committee shall consider whether, despite any such conflict or potential conflict, there are nevertheless grounds for recommending the candidate for appointment and for the Board to authorise the relevant conflict. The Committee shall, as part of any proposal to the board for appointment of the relevant candidate, explain these grounds and make recommendations as to the terms and conditions on which any authorisation of the conflict should be given by the Board. The Committee should ensure that the proposed appointee be required to report any future interests that could result in a conflict of interest;
        8. before recommending an appointment, evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
           1. use such methods as it deems appropriate, including the use of open advertising or the services of external advisers to facilitate the search;
           2. consider candidates from a wide range of backgrounds; and
           3. consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the board including gender and social and ethnic backgrounds, while ensuring that appointees have enough time available to devote to the position;
        9. for the appointment of a Chairman, prepare a job specification, including the time commitment expected. A proposed Chairman’s other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman’s commitments should be reported to the Board as they arise;
        10. keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the company to compete effectively in the marketplace;
        11. keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
        12. review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
        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 Board meetings;
        14. ensure the Company has exceptional managers to occupy appropriate positions.
        15. monitor training needs and programmes to improve employee effectiveness
        16. develop a culture of ownership, simplicity, efficiency, high ethical standards and the permanent quest to improve results
        17. make available its terms of reference, explaining clearly its role and the authority delegated to it by the Board; and
        18. work and liaise as necessary with all other Committees.
     2. The Committee shall also make recommendations to the Board concerning:
        1. formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive;
        2. suitable candidates for the role of SID;
        3. membership of the Audit and Nomination and Remuneration Committees, and any other committees as appropriate, in consultation with the chairmen of those committees;
        4. the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
        5. the annual re-election of directors by shareholders, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected after having served for more than six years);
        6. 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, subject to the provisions of the law and their service contract; and
        7. the appointment of any director to executive or other office.
     3. The Committee shall carry out the duties in [10.1.1](#_bookmark11) and [10.1.2](#_bookmark12) above for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.
  2. Remuneration:
     1. The Committee shall:
        1. have responsibility for setting the remuneration policy for all executive directors and the Company’s Chairman, including pension rights and any compensation payments. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration;
        2. recommend and monitor the level and structure of remuneration for senior management to ensure that they are compensated for exceptional performance;
        3. in determining such policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the company’s long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
        4. when setting remuneration policy for directors, review and have regard to remuneration trends across the Company or Group, especially when determining annual salary increases;
        5. when setting remuneration policy for executive directors:
           1. review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
           2. ensure that remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce;
           3. ensure that remuneration structures avoid complexity and their rationale and operation should be easy to understand;
           4. ensure that remuneration arrangements avoid reputational and other risks from excessive rewards, and that behavioural risks that can arise from target-based incentive plans are identified and mitigated;
           5. ensure that the range of possible values of rewards to individual directors and any other limits or discretions are identified and explained at the time of approving the policy;
           6. ensure that the links between individual awards, the delivery of strategy and the long-term performance of the company are clear, and that outcomes should not reward poor performance; and
           7. ensure that incentive schemes drive behaviours consistent with Company purpose, values and strategy;
        6. review the ongoing appropriateness and relevance of the remuneration policy;
        7. oversee the maintenance and continuous improvement of the Company’s remuneration policy with a view to aligning the interests of employees with the interests of shareholders;
        8. make sure individual goals are established to align the interests of all employees with the Company’s goals and objectives as set by the Board;
        9. review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, Company Secretary and other designated senior executives and the performance targets to be used;
        10. approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions of the UK Corporate Governance Code);
        11. determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
        12. 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;
        13. within the terms of the agreed policy and in consultation with the Chairman of the Board and/or CEO as appropriate, determine the total individual remuneration package of the Chairman, each executive director, Company Secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards;
        14. oversee any major changes in employee benefits structures throughout the Company or Group;
        15. agree the policy for authorising claims for expenses from the directors;
        16. obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
        17. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee. Where any such consultants are appointed, the Committee shall make available a statement of whether the relevant consultant has any other connection with the Company; and
        18. work and liaise as necessary with all other Committees.
     2. The Committee shall carry out the duties in [10.2.1](#_bookmark13) above for the parent Company, major subsidiary undertakings and the Group as a whole, as appropriate.

##### Reporting responsibilities

* 1. The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
  2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
  3. The Committee shall prepare a report for shareholders to be included in the Company’s annual report, which shall include:

1. a statement of the Board’s policy on diversity, including gender and social and ethnic backgrounds, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives;
2. a statement from the Committee Chairman providing a summary of the Company’s remuneration policy and the annual report on remuneration; and
3. a report of the Company’s remuneration policy and practices to be put to shareholders for approval at each annual general meeting.
   1. If the Committee has appointed remuneration consultants, the annual report of the Company’s remuneration policy should identify such consultants and state whether they have any other connection with the Company.

##### Other matters

* 1. The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
3. give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes, including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate;
4. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
5. make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

##### Authority

* 1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company (including the Company’s executives) in order to perform its duties.
  2. The Committee is authorised by the Board to obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference.

## ANNEX F. Sustainability and International Affairs Committee Terms of Reference

The **Sustainability and** **International Affairs Committee** (hereinafter referred to as “the Committee”) is a Committee of the Board from which it derives its authority and to which it regularly reports.

The principal purposes and delegated authority of the Committee are:

1. The purpose of the Sustainability and International Affairs Committee (“the Committee”) is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities in relation to sustainability and international affairs matters pertaining to MHP SE (“MHP” or “the Company”). In particular, the Committee will address strategy, policy, governance, management systems, performance and performance measurement, target setting, reporting and communications relating to sustainability and international affairs matters.
2. The Board has delegated the authority set out in these Terms of Reference to the Committee. The Committee may sub-delegate any of its powers and authority as it sees fit including instructing employees and professional advisors or creating sub-committees to review and report to it on specific issues.
3. The members of the Committee (the “members”) must, in fulfilling their responsibilities set out in these Terms of Reference, comply with their duties under the relevant laws, regulations and best practice guidelines in a manner which is most likely to promote the success of MHP for the benefit of all its shareholders, whilst also having regard to the interests of its stakeholders.
4. The Committee will keep the Board appropriately advised on matters resolved, recommended, decided, or reviewed by the Committee.

##### Membership and Chair

* 1. Membership will comprise the Chair of the Board of MHP and at least two other Non-Executive Directors of MHP.
  2. The Chair of the Committee (the “Chair”) must be an independent Non-Executive Director and a majority of the members of the Committee must be independent.
  3. The Board shall appoint the Chair and will take into consideration the needs, experience and qualifications required for the optimal functioning of the Committee when making this appointment.
  4. Appointments to the Committee shall be annually and will be subject to directors meeting the criteria for membership including independence.

1. **Quorum and Attendees**
   1. The quorum for the Committee shall be two Committee members.
   2. In the absence of the Chair, the other Committee member, who is an INED of the Board, will chair meetings.
   3. Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chief Executive Officer, the Chief Financial Officer, other Directors, employees, and external advisors may be invited to attend for all or part of any meeting, as and when deemed appropriate.

##### Secretary

* 1. The Company Secretary or their nominee shall act as Secretary to the Committee
  2. The Secretary will ensure that the Committee receives information and documentation in a timely manner to enable full and proper consideration to be given to Company matters
  3. The Committee should have access to the services of the Company secretariat on all Committee matters.

##### Minutes of meetings

* 1. The Committee will meet at least quarterly and on other occasions when the Chair sees fit.
  2. The Chair may request the convening of a meeting of the Committee at any time to consider any matter falling under these Terms of Reference.
  3. Members may attend a Committee meeting in person, via video-conference or telephone-conference.
  4. Meetings will be convened by the Secretary at the request of the Committee Chair.
  5. The meeting notice including time, date, venue, agenda and supporting documentation will be forwarded to each Committee member not less than five working days prior to the meeting date. Where appropriate, meeting material can be shared at shorter notice with the Chair’s approval.
  6. The minutes of each meeting will be prepared by the Secretary and circulated to all members and attendees as appropriate.

##### Objectives of the Committee and Self- Assessment

* 1. The Committee shall:
     1. Conduct an annual self-assessment exercise of its performance, membership and effectiveness and make appropriate recommendations to the Board for approval
     2. Review will include an examination of the Committee’s skill set and knowledge and the potential requirement for Committee training

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##### Resources and Training

1. The Committee shall be provided with appropriate and timely training both in the form of an induction programme for new members and on an on-going basis for all members.
2. The Committee may obtain directly and at MHP’s expense any outside independent professional advice on matters within its Terms of Reference and it shall be responsible for the selection criteria, appointing, setting Terms of Reference for and compensation of such advisors.

##### Reporting

* 1. The Committee will regularly report to the Board on the matters discussed and the minutes will be circulated to other members of the Board except where a conflict of interest exists or where, in the opinion of the Chair, it would not be appropriate to do so.
  2. The Committee will report to the Board on its work in discharging its duties and responsibilities during the year and the outcomes of its performance evaluation. The Committee will provide a summary report on these matters.
  3. The Chair of the Committee will attend the Annual General Meeting of MHP to answer questions on the Committee’s activities.
  4. The Committee will make recommendations, review, and monitor the inclusion of sustainability and international affairs information in the integrated report and other information produced for investors and other stakeholders.

1. **Duties and Responsibilities**

In carrying out their responsibilities, Committee members must act in accordance with MHP’s Corporate Governance Code and the relevant laws and regulations which relate to MHP’s activities

1. **Sustainability**

MHP’s approach to sustainability is outlined within its annual report, is aligned with the United Nations Sustainable Development Goals, and is managed applying six growth pillars: Stakeholder Engagement; Our People and Their Wellbeing; Our Role in Society and Our Licence to Operate; Responsible Food Production; Business Conduct; The Planet.

1. **The responsibilities of the Committee will be to:**
2. Approve a sustainability strategy which is aligned with MHP’s overall strategy and which supports MHP’s overall aims, objectives and goals;
3. Support the Board in continuing to develop MHP’s sustainability approach in the short, medium- and long-term and provide input to the Board and other Board Committees on sustainability matters where appropriate;
4. Review and monitor MHP’s sustainability policy framework and management systems and the maintenance of the appropriate certifications and accreditations;
5. Review, manage and challenge initiatives supporting MHP’s net-zero commitments for Scope 1 and 2 emissions highlighting areas of concern to the Board;
6. Monitor MHP’s sustainability key performance indicators (“KPIs”) and targets and recommend the reporting systems required to collect the required data;
7. Review the progress of MHP’s sustainability performance as measured by the KPIs;
8. Monitor external developments on sustainability-related issues which may impact MHP’s approach (such as planned regulatory developments) and affect MHP’s commitment to be a responsible corporate citizen;
9. Monitor external appraisals of MHP’s sustainability performance that are conducted by external third parties and stakeholders;
10. Review and approve MHP’s funding of community projects and charity partnerships;
11. Oversee the reporting, dialogue, and communication of MHP’s sustainability activities with key Company stakeholders; and
12. Ensure that the feedback received from stakeholders is applied robustly in the development of MHP’s sustainability strategy and approach.
13. **International Affairs**

International affairs encompass MHP’s relationships with key international stakeholders including governments, regulators, industry organisations, peer group companies, capital providers, suppliers and customers.

The responsibilities of the Committee will be to:

1. Set an international affairs strategy which is aligned with MHP’s overall strategy and which supports MHP’s overall aims, objectives and goals;
2. Support the Board in continuing to develop MHP’s international affairs approach in the short-, medium- and long-term and provide input to the Board and other Board Committees on international affairs matters where appropriate;
3. Support MHP’s management team in its relationships and consultations with key industry stakeholders and apply this dialogue to shape and recommend to the Board the Company’s annual international affairs priorities;
4. Monitor external international affairs developments which may impact MHP’s business (such as Ukraine’s relationship with the EU) and provide advice and direction to the Board; and
5. Assist and support the Board and senior management team in shaping MHP’s public relations, lobbying and advocacy activities at an international level.