



# Towry

## Corporate Governance Manual

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# Corporate Governance Manual

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## **1. Introduction**

Good corporate governance practice is an important ingredient in creating and sustaining shareholder value and ensuring integrity and ethical, legal and transparent behaviour.

This Corporate Governance Manual, along with the Articles of Association, terms of reference for Board standing committees and the Code of Conduct (set out in the Towry Policies & Procedures Guide), provide the framework for the governance of Towry. This Manual has been approved by the Towry Holdings Limited Board ("the Company") to apply to Towry Holdings Limited and its subsidiary companies ("the Towry business").

Towry Holdings Limited is presently a private company (with a narrow shareholder base that is well represented on the Board). As such, there is no obligation to comply with the UK's Combined Code on Corporate Governance ("the Combined Code"). However, where relevant and appropriate, the provisions of the Combined Code have been adopted in this Corporate Governance Manual.

The practices set out in this document are reviewed regularly by the Towry Holdings Limited Board. They may, from time to time, be amended to ensure that the Towry business continues to act in accordance with appropriate corporate governance best practices.

## **2. Towry Holdings Ltd Board**

### **2.1. Role of the Board**

The Board's role is to ensure that via effective corporate governance the Towry business maximises shareholder value within a framework of prudent controls and a culture of integrity. More specifically, the Board is responsible for:

- overseeing the operations and performance of the business;
- evaluating and approving sound business strategies;
- selecting and evaluating the Chief Executive and other key senior executives;
- ensuring that management maintain an effective system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In carrying out this responsibility, the Board will assess major risk factors and review the policies and controls in place to manage and mitigate risks; and
- assuring that the business is conducted with integrity and on an ethical basis in compliance with applicable laws and regulations.

A formal schedule of matters reserved to the Board is attached at Appendix 3. Matters reserved to the Board include approval of the interim and full year financial statements, significant changes in accounting policies or practices (following recommendation of the Audit Risk & Compliance Committee), the appointment and removal of Board Directors or the Company Secretary, changes to the Company's capital structure or its status as a limited company and the entering or exiting of a major business segment within the Towry business.

### **2.2. Role of the Chairman**

The Chairman of the Board, on appointment, should meet the independence criteria set out in 2.6.5 below. Once appointed, the Chairman is not deemed to be independent because his role brings him too close to the executive team. The roles of Chairman and Chief Executive shall not be exercised by the same individual.

The Chairman's responsibilities include:

- providing appropriate leadership to the Board and ensuring its effectiveness on all aspects of its role;

- ensuring membership of the Board is balanced and appropriate for a private company at its stage of the Company's development;
- facilitating Board discussions to ensure the core issues facing the organisation are addressed and that the Directors receive accurate, timely and clear information;
- maintaining a regular dialogue and mentor relationship with the Chief Executive;
- ensuring the effective contribution of Non-Executive Directors in particular and ensuring that there are constructive relations between Executive and Non-Executive Directors;
- monitoring Board performance; and
- ensuring effective communication with shareholders.

### **2.3. Role of the Chief Executive**

The Chief Executive (CE) is responsible to the Board for the overall management and profit performance of the Towry business. The CE manages the organisation in accordance with the strategy, plans and policies approved by the Board to achieve the agreed goals, and ensures effective risk management and compliance. The CE is also responsible for discharging all responsibilities under his regulatory CF3 role.

The CE is to obtain the prior approval of the Board on the appointment of and, where necessary, removal of any member of the Senior Management Team (the 'Executive Committee') and on succession planning.

### **2.4. Legal Responsibilities of Executive and Non-Executive Directors**

Under English law, Executive and Non-Executive Directors share the same responsibilities and are subject to the same constraints. The statutory general duties of Directors of the Company are:

1. Duty to promote the success of the Company - a director must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, he must have regard to the following factors:
  - the likely consequences of any decision in the long term;
  - the interests of the company's employees;
  - the need to foster the company's business relationships with suppliers, customers and others;
  - the impact of the company's operations on the community and the environment;
  - the desirability of the company maintaining a reputation for high standards of business conduct; and
  - the need to act fairly as between members of the company.
2. Duty to exercise reasonable care, skill and diligence that would be exercised by a reasonably diligent person with: (a) the general knowledge, skill and experience that may be reasonably expected of a person carrying out the functions carried out by the director in relation to the company, and (b) the general knowledge, skill and experience that the director has;
3. Duty to act within powers - a director must act in accordance with the company's constitution and only exercise powers for the purposes for which they were conferred;
4. Duty to exercise independent judgement;
5. Duty to avoid conflicts of interest – a director must avoid a situation in which there is, or may be, a conflict between the interests of the Company and the direct or indirect interests of the director or between the director's duties to the Company and to another person. This duty does not apply if the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or if it has been authorised by the Board of Directors. Furthermore, the duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company (see duty at point 7 on the following page);
6. Duty not to accept benefits from third parties – a director has a duty not to accept a benefit from a third party conferred by reason of his/her being a director or doing (or not doing) anything as a director. This duty does not apply if the benefit cannot reasonably be regarded as likely to

give rise to a conflict of interest. In accordance with the Companies Act 2006, the acceptance of benefits cannot be authorised by the Board but have to be approved by the Company's Members. However, as to whether the giving or receipt of corporate hospitality may be considered to infringe this duty should be considered in the context of Towry's Policies & Procedures Guide and, in particular, the Code of Conduct and Gifts and Entertainment Policy; and

7. Duty to declare an interest in a proposed transaction or arrangement – a director must declare to the other directors any interest, whether direct or indirect, in a proposed transaction or arrangement with the Company. The extent of the interest must also be declared. A director does not need to declare an interest if it cannot reasonably be regarded as likely to give rise to a conflict of interest. A director is not required under this duty to disclose facts of which the other directors should already know or ought reasonably to be presumed to know. If a director becomes aware that some of the information declared is not accurate or complete before the transaction or arrangement has taken place, he or she must ensure that he/she corrects the initial declaration so that it is accurate.

Whilst not part of the list of statutory general duties for directors, a director is required to declare an interest, whether it is direct or indirect, in any existing transaction, contract or arrangement into which the Company has entered. If a director has already declared an interest in the transaction, contract or arrangement, and that information has not changed then he/she will not need to make a further declaration.

In addition to the above, a director is responsible for ensuring that the Towry business complies with all its regulatory requirements, including treating customers fairly.

Towry have a number of subsidiary companies which are regulated by the Financial Services Authority (FSA). Directors are 'approved persons' for these purposes and are required to act in accordance with principles issued by the FSA under the Financial Services and Markets Act 2000, as amended from time to time. In particular, when carrying out their duties, Directors must take account of the FSA principles as follows:

1. act with integrity;
2. act with due skill, care and attention;
3. observe proper standards of market conduct;
4. deal with the FSA and with other regulators in an open and co-operative way and must disclose appropriately any information of which the FSA would reasonably expect notice;
5. take reasonable steps to ensure that the business of the Company is organised so that it can be controlled effectively;
6. exercise due skill, care and diligence in managing the business of the Company; and
7. take reasonable steps to ensure that the business of the Company complies with the relevant requirements and standards of the regulatory system.

## **2.5. Directors' Indemnities and Insurance**

Towry has in place Directors' and Officers' Liability Insurance, which provides coverage (subject to the Companies Act and policy terms and conditions) for Directors and Officers of the Company to be indemnified and kept indemnified against all costs, charges, losses and liabilities incurred by him/her (whether in connection with any negligence, default, breach of duty or breach of trust by him/her or otherwise) in relation to the Company or its affairs. The Directors' and Officers' Policy does not cover any liabilities arising from dishonesty, fraud, wilful breach of duty, non-compliance with any requirement of a regulatory nature or criminal behaviour.

The Company's Insurance Programme also includes coverage for the Towry business for claims arising from losses as a result of Crime, Professional Indemnity or Trustees Liability.

## Board Structure

### Board Composition and Size

The Directors determine the size of the Board, with reference to the Company's Articles of Association, which provides that there is to be a minimum of 3 Directors and a maximum of 10 Directors. The Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption.

The size and composition of the Board has also been determined having regard to applicable regulatory requirements. To ensure that power and information are not concentrated in one or two individuals, there is a presence on the Board of both Executive and Non-Executive Directors. There should be at least 3 Non-Executive Directors of the Board, one of whom has been appointed Chairman.

### Succession Planning

The Board should satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Towry business and the Company.

### Terms of Appointment

In accordance with the Company's Articles of Association, the Board may appoint and remove Executive and Non-Executive Directors ("**the Board Directors**").

The Palamon Shareholders may also appoint Directors ("**the Palamon Directors**") by a memorandum signed by Palamon Shareholders holding a majority in aggregate nominal value of the Shares held by the Palamon Shareholders and may remove any Palamon Directors so appointed by them and may appoint others as Palamon Directors. However, the maximum number of Palamon Directors shall be:

$$\frac{A}{B} \times C$$

where:

- A = the aggregate nominal value of the Ordinary Shares held by the Palamon Shareholders from time to time;
- B = the aggregate of the nominal value of all the Ordinary Shares in issue from time to time; and
- C = the number of Directors,

rounded up to the nearest whole number; provided that, if the above results in the Palamon Directors being entitled to constitute the entirety of the Directors, then the Palamon Directors will be entitled to appoint all but one of the Directors.

Notice or contract periods for Executive Directors have been set at, or reduced to, one year or less. Where longer notice or contract periods have to be offered to new Directors recruited from outside the Company, such periods are to be reduced after the initial period.

On resignation, a Non-Executive Director should provide a written statement to the Chairman, for circulation to the Board, if they have any concerns about the running of the Company.

### Maximum Tenure

The tenure of Non-Executive Directors will be generally no longer than nine years. A Non-Executive Director can continue to hold office after a nine-year term only if they are authorised to do so by the shareholders. A term longer than nine years would only be recommended by the Board in extraordinary circumstances.

## Criteria for Independence

The Combined Code sets out circumstances which may appear relevant to the Board's determination of whether a Non-Executive Director is independent<sup>1</sup>. The Board should have regard to this and should also take into account the following behaviours when considering the independence of Non-Executive Directors:

- provides objective challenge to management;
- is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the organisation;
- questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- is willing to stand up to defend their beliefs and viewpoints in order to support the ultimate good of the organisation; and
- has a good understanding of the organisation's businesses and affairs to enable them to properly evaluate information and responses provided by management.

## Removal of Directors from the Board

The Articles of Association provide for a Director's automatic removal, inter-alia, if he is or has been suffering from mental health, becomes bankrupt, or is prohibited by law from being a Director or ceases to be a Director by virtue of the Companies Act or is removed pursuant to the Company's Articles of Association.

## Directors' Conflicts / Interests

All Directors must take decisions and act in what they consider to be the interests of the Company. Directors should always be alert to any potential or actual conflicts of interest (direct and indirect) that may arise. This should be continuously considered by individual Directors, given the rapidly changing nature of the Company's businesses.

### 2.7.1 Directors must:

- (as per paragraph 2.4) avoid a situation in which he or she has or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. This includes both a conflict of interest and a conflict of duties and applies in particular to the exploitation of any property, information or opportunity ('situational conflict');
- comply with the Companies Act provisions and the Company's Articles of Association about disclosing the situational conflict to the full Board, with those Directors who are independent of the conflict authorising it and the Director being ignored for the purposes of the quorum and not voting on any Board resolution to authorise the matter.

2.7.2 As per paragraph 2.4, Directors are also required to declare any interest, whether direct or indirect, in a proposed transaction or arrangement with the Company ('transactional conflict') and declare the extent of such interest. A Director must declare his/her interest to the other Directors before the Company enters into the transaction or arrangement. A Director does not need to declare an interest if the Directors already know about, or ought reasonably to have known about, a transaction or arrangement. A Director who is in any way, directly or indirectly interested in a transaction or arrangement that has already been entered into by the Company must declare the nature and extent of his/her interest to the other Directors as soon as is reasonably practicable, unless the interest has already been declared. For proposed and existing transactions, contracts and arrangements declarations must be notified to the Board at the next

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<sup>1</sup> As at October 2008, Palamon hold 2 NED positions on the Board and an entirely independent NED i.e. not a Palamon representative has been appointed as a Director and Chairman of the Board.

Board Meeting or by a written declaration. If a declaration proves to be or becomes inaccurate or incomplete, the Director must make a further declaration.

2.7.3 For the situations referred to in paragraph 2.7.2: -

- a Director does not need to declare an interest to the other Directors if it cannot reasonably be regarded as likely to give rise to a conflict of interest; and
- in accordance with the Company's Articles of Association, provided a Director has declared to the Board the nature and extent of any direct or indirect interest, as appropriate, a Director may vote and be counted in the quorum in relation to any resolution of the Board concerning a matter in which he/she has a direct or indirect interest, including, without limitation, any transaction, contract or arrangement in which he/she has an interest.

In accordance with the Company's Articles of Association, a Director is not under a duty to the Company in respect of any information he obtains or has obtained otherwise than as a Director of the Company and in respect of which he owes a duty of confidentiality to another person. In particular, he will not be in breach of his general duties if he/she fails to disclose any such information to the Board and does not use or apply such information in performing his duties as a Director of the Company.

The Company Secretary maintains a register of conflict and interest disclosures that records all conflicts/interests for each Director and any benefits offered and received beyond that which is permitted in Towry's Gifts and Entertainment Policy (as set out in Towry's Policies & Procedures Guide). As referred to in paragraph 2.4 any benefits from third parties, not covered by the policy, will need to be approved by the Company's Members as the Companies Act 2006 does not permit authorisation by the Board of Directors. Clarification on what benefits are permitted in Towry's Gifts and Entertainment Policy may be sought from the Company Secretary.

### **Board Effectiveness Review**

The Board conduct an annual effectiveness review in order to evaluate the performance of the Board, Board Committees and individual Directors.

The performance evaluation process differs from year to year, but normally takes the form of a detailed questionnaire, supplemented, where necessary, by individual interviews with Directors. The initial results are reported to and discussed by the Board and a detailed action plan discussed and agreed.

### **Board Meetings and Attendance**

The Board usually meet four times a year and all Directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so.

The Board collectively is responsible for setting its own agenda. In practice, the Company Secretary circulates an annual calendar of Board business and all Directors have the opportunity to propose further items via the Company Secretary. The Company Secretary finalises the agenda for each meeting with the Chief Executive and Chairman.

The overall programme of meetings for each calendar year are agreed by the Board each Autumn and circulated in advance.

Papers relevant to the agenda of each Board and Board Committee meeting are sent to Board and Committee members, as appropriate, approximately one week in advance of the meeting. All papers and matters discussed at meetings of the Board and its Committees are strictly confidential and papers should be returned to the Company Secretary at the end of a meeting, unless alternative arrangements are agreed.

### **Annual Strategy Meeting**

Generally, a meeting devoted to Strategy is held each year, when the Board review the Company's long-term strategic plans and agree the Company's strategic aims.

### **Annual General Meeting**

In the event of an annual general meeting being called (in accordance with the Companies Act 2006), all Directors are expected to attend this meeting and to make themselves available during and after the meeting to answer any questions from shareholders.

### **Board Committees and their Terms of Reference**

Under the Company's Articles of Association, the Board may, where appropriate, delegate any of its powers to a Committee consisting of one or more Directors. The Board has established Committees in order to share detailed work and consider certain issues and functions in detail. Each Committee, however, may only act in accordance with the powers and responsibilities delegated to it by the Board. In this regard the extent to which the Committee is empowered to make decisions should be carefully defined.

Each Committee is under an obligation to report back on its work and advise the Board accordingly. The Chairman of each Committee is required to report any matters of substance to the next Board meeting. A copy of all Committee minutes are provided to Board Directors. Committees should be provided with sufficient resources to undertake their duties.

There are two standing Committees of the Board, namely:

- the Audit, Risk & Compliance Committee; and
- the Remuneration Committee.

Specific responsibilities have been delegated to each Board Committee and each has its own terms of reference, copies of which are attached at Appendix 4. Other committees may be constituted from time to time, as required. The Company does not currently have a Nomination Committee and, as such, matters such as the structure and composition of the Board and the appointment of new Directors to the Board are dealt with by the Board.

#### **Role of Board Committees and Delegation to Board Committees**

##### Audit Risk & Compliance Committee ("ARCC")

The main role and responsibilities of the ARCC are set out in the written terms of reference attached at Appendix 4 and include:

- the relationship with the external auditors;
- the reliability and appropriateness of disclosure of the financial statements and external related financial communication; and
- the maintenance of an effective framework of business risk management, including compliance and internal controls.

The membership of the ARCC consists of at least three Directors who are financially literate. At least one member of the ARCC should have recent and relevant financial experience.

The ARCC should review arrangements by which employees of the Towry business may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The ARCC's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The ARCC should monitor and review the effectiveness of the internal audit activities.

The ARCC should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors.

#### Remuneration Committee

The main role and responsibilities of the Remuneration Committee ("BRC") are set out in the written terms of reference attached at Appendix 4 and include responsibility for overseeing Towry's philosophy, principles and key policies for the remuneration of all staff, including determining and agreeing with the Board the total remuneration packages of the Chief Executive, Chairman, Non-Executive Directors and Senior Management Team. It is also responsible for approving the total annual payments to be made to the Chief Executive and Senior Management Team under any performance related pay schemes and for determining the level of any compensation payments.

Where the Chief Executive or Senior Management are involved in advising or supporting the BRC, care should be taken to recognise and avoid a conflict of interest.

#### **Other Delegations of Authority**

The Board approves Delegations of Authority to the Chief Executive and to individuals below Chief Executive level. These Delegations are in written form and are maintained by the Company Secretary and reviewed as appropriate from time to time. The existing Delegations of Authority are attached at Appendix 5. Further delegations below 'Level 3' of Appendix 5 are for the Chief Executive to decide.

#### **Internal Controls**

Despite the delegation to the ARCC as referred to in 2.12.1 above, the Board shall, at least annually, conduct a review of the effectiveness of Towry's system of internal controls and report to shareholders that they have done so. The review should cover all material controls, including financial, operational controls and risk management systems.

After due enquiry, the CE and the Finance Director should advise the Board in writing whether:

- (i) the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (ii) Towry's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### **Compliance Framework**

The Board is responsible for ensuring that adequate measures are undertaken to manage compliance. As referred to in 2.12.1 above, specific responsibility for overseeing compliance has been delegated to the ARCC. To ensure proper compliance, a systematic approach to compliance management has been implemented across the Company, covering a broad range of legal requirements, duties and responsibilities. The results are reported quarterly to the ARCC.

#### **Information and Professional Development**

It is the responsibility of the Chairman to ensure that the Board receives adequate information on a timely basis about the Company's businesses and operations at appropriate intervals and in an appropriate manner to enable it to carry out its responsibilities. Executive management have an obligation to provide such information but Board Directors should seek clarification and

amplification where necessary. All Directors should receive a tailored induction on joining the Board and should regularly update and refresh their skills and knowledge. The induction, which is arranged by the Chief Executive, should include meetings with senior management and other key persons, as appropriate, to assist Directors in building a detailed understanding of how the Company works and the key issues it faces. Directors should also be encouraged to make site visits to see the Company's operations first hand.

### **The Company Secretary**

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors and other Directors, as well as facilitating induction and assisting with professional development as required.

All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole to determine.

### **Access to Information**

Directors are encouraged to access via the Chief Executive members of the Senior Management Team at any time to request relevant information in accordance with protocols adopted by the Board from time to time.

### **Independent Advice**

Independent professional advice is available, on request, to all Directors at Towry's expense. Towry will meet the costs of independent professional advice where such advice is necessary to enable obligations imposed on an individual through membership of the Board, to be properly fulfilled. However, before seeking such advice, the Director should follow the following procedure:

- prior reference to the Chairman, or in his absence, to the Chairman of the ARCC; and
- reference to the Company Secretary who will inform the Director(s) of the existence of relevant advice already in the hands of the Company, where appropriate.

### **Corporate Governance of Subsidiary Companies**

The Directors of the Company fulfil their responsibility for guiding and monitoring subsidiary companies of the Company in the following ways:

- the Directors of the Company approve Towry's Strategy, operating plans, and policies etc., which are cascaded down through business units and key operating subsidiaries as appropriate;
- the Board is kept informed of the issues affecting the key operating subsidiaries through Monthly Performance Reports;
- subsidiary company board and committee minutes are available to Directors of the Board, upon request;
- the Board Committees review and monitor policies, practices and systems in a range of areas which have relevance across the Company's business; and
- Board Directors may be appointed as Directors of operating subsidiaries, as appropriate.

**Principles of Corporate Governance (as set out in the Combined Code on Corporate Governance)**

- A.1** Every company should be headed by an effective board, which is collectively responsible for the success of the company.
- A.2** There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.
- A.3** The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking.
- A.4** There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.
- A.5** The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.
- A.6** The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- A.7** All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board.
- B.1** Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.
- B.2** There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.
- C.1** The board should present a balanced and understandable assessment of the company's position and prospects.
- C.2** The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.
- C.3** The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.
- D.1** There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.
- D.2** The board should use the AGM to communicate with investors and to encourage their participation.
- E.1** Institutional shareholders should enter into a dialogue with companies based on the mutual understanding of objectives.
- E.2** When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional shareholders should give due weight to all relevant factors drawn to their attention.
- E.3** Institutional shareholders have a responsibility to make considered use of their votes.

## **SCHEDULE OF MATTERS RESERVED FOR APPROVAL OF THE BOARD OF Towry Holdings Limited**

References to 'the Company' shall mean Towry Holdings Limited.

References to 'the Board' shall mean the full Board of Directors of the Company.

Matters to be determined by the Audit Risk & Compliance Committee or the Remuneration Committee are shown in those Committee's Terms of Reference set out at Appendix 4 of the Corporate Governance Manual.

### **Companies Act Requirements**

1. Approval of the annual report, any half-yearly report and interim management statements.
2. Approval of any interim dividends and recommendation of any final dividend to shareholders.
3. Approval of any significant changes in accounting policies or practices, following recommendation of the Audit Risk & Compliance Committee (ARCC).
4. Appointment or removal of the company secretary.
5. Recommendations to shareholders for the appointment (of new auditors) or the removal of the existing auditors (following direction of the Audit Risk & Compliance Committee).
6. Resolutions and corresponding documentation to be put forward to shareholders at a General Meeting or by written resolution.

### **Board Membership and Other Appointments**

7. Board Director appointments and removals and any special terms and conditions attached to the appointment.
8. Terms of reference of the Chairman, Chief Executive and other Executive Directors.
9. Terms of reference, membership and chairmanship of any Board committees.
10. The incorporation of any new subsidiary company and the appointment to the board of that subsidiary company.

### **Management**

11. Determining and monitoring the Company's long term objectives and commercial strategy and annual business performance, including budget and any material deviation from the Company's business plan (*this is achieved by presentation of the Strategic Plan to the board*).
12. Approval of the annual operating and capital expenditure budgets.
13. Subject to consultation with shareholders, changes relating to the Company's capital structure or its status as a limited company.
14. Non-Executive Director appointments to Boards of subsidiaries.
15. Terms and conditions of appointment of Non-Executive Directors (to be approved by the Chairman and Executive Directors).
16. Extension of Towry's activities into new business areas and any decision to cease to operate all or any material part of the Towry business.
17. Financial Assessment of liquidity, hedging, capital market and other Treasury-related issues.
18. Approval of financial matters in accordance with Delegations of Authority, set out at Appendix 6 of the Corporate Governance Manual.

### **Miscellaneous**

19. Review of the Company's overall corporate governance arrangements.
20. Annual review of the effectiveness of Towry's system of internal controls and risk management processes.
21. Major changes to the rules of the Company Pension Scheme.
22. Approval of the Company's principal brokers and bankers.
23. Approval of the overall levels of insurance for the Towry business, including Directors' and Officers' Liability Insurance and indemnification of Directors.
24. Granting powers of attorney on behalf of the Company.
25. Changing the accounting reference date or registered office of the Company.
26. Subject to the appropriate authority from the shareholders, the allotment of unissued shares in the capital of the Company.
27. Approval of the notice convening, and any documents relating to, any general meeting of the Company.
28. This schedule of matters reserved for Board decisions.

*This document will be subject to annual review (unless required earlier) and approval by the Board.*

**TERMS OF REFERENCE OF COMMITTEES  
AUDIT RISK & COMPLIANCE COMMITTEE****1. Committee Purpose**

1.1 The Audit Risk & Compliance Committee ("ARCC") is a Committee of the Towry Holdings Limited Board ("the Board") which will assist Towry to discharge its corporate governance responsibilities in relation to:

- the relationship with the external auditors;
- the reliability and appropriateness of disclosures in the financial statements and external financial communications; and
- the maintenance of an effective framework of business risk management including compliance, internal controls and the assurance provided by the internal audit function.

**2. Duties and Scope***External Auditors*

2.1 The ARCC will recommend to the Board the appointment of new auditors, the termination of appointment of existing auditor for the company and any subsidiary companies, noting that the appointment of new auditors, or removal of existing auditors will be put to shareholders for approval as required by legislation (in accordance with the Companies Act 2006, an auditor will be deemed to be reappointed for the following year, unless steps are taken to end his appointment, or to appoint a different auditor).

2.2 The ARCC will oversee the relationship with the external auditor including (but not limited to):-

- 2.2.1 approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
- 2.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit and is to be satisfied with the effectiveness of the audit processes including the degree of the interaction with management and in particular, Internal Audit, Risk Management and Compliance functions across the Towry business;
- 2.2.3 assessing, annually, their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services; and
- 2.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and Towry (other than in the course of business).

2.3 The ARCC will 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 ARCC will meet with the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.

2.4 The ARCC will review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.

2.5 The ARCC will review the findings of the audit with the external auditor. This will include but not be limited to:-

- 2.5.1 a discussion of any major issues which arose during the audit;
- 2.5.2 any accounting and audit judgements; and
- 2.5.3 levels of errors identified during the audit.

2.6 The ARCC will review the effectiveness of the audit:-

- 2.6.1 review any representation letter(s) requested by the external auditor before they are signed by management;
- 2.6.2 review the management letter and management's response to the auditor's findings and recommendations;
- 2.6.3 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any ethical guidance on the matter. Any

proposed costs for non-audit services above £100,000 in any year will be referred to the Chairman of the ARCC for approval.

#### *Financial Statements*

- 2.7 The ARCC will monitor the integrity of the financial statements of the company, including its annual and any half yearly reports and interim management statements, reviewing significant financial reporting issues and judgements which they contain.
- 2.8 The ARCC will review and approve the accounting, tax and actuarial policies and principles applied throughout Towry and be satisfied with their appropriateness.
- 2.9 The ARCC is to be satisfied that there are processes in place to produce financial information that is accurate and reliable, and compliant with all relevant regulations and legislation.
- 2.10 The ARCC is to be satisfied that management, jointly with the external auditors and, if necessary, legal, have adequately reviewed any litigation, claim or other contingency, write-offs, provisions, and changes in accounting policy and methodology which could have a material impact upon Towry's financial statements.
- 2.11 The ARCC will recommend the adoption by the Board of the relevant financial reports and statements.

#### *Risk Management / Internal Controls*

- 2.12 The ARCC is to be satisfied that there is an effective risk management framework in place across the Towry business, including, but not limited to:
- management of operational events that could prevent the business from achieving its objectives or realising opportunities;
  - compliance with legal and regulatory obligations; and
  - accuracy of financial records and reporting.
- 2.13 The ARCC is to be satisfied that the business is effectively monitoring and acting upon its business risks (including compliance and internal controls) to ensure:
- the effective and efficient operation of all significant business processes;
  - current and emerging key risks are identified and effectively managed; and
  - significant breaches of legal compliance and internal control matters are being reported and acted upon (through the controlled entities' management line, Committees of controlled entities and ultimately to the ARCC).
- 2.14 The ARCC is to be satisfied with the management of key operational risks facing the business including the effectiveness of internal controls and will monitor the implementation of key recommendations and management action plans.
- 2.15 The ARCC will review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

#### *Internal Audit*

- 2.16 The ARCC will:
- review the activities of Internal Audit and the effectiveness of the Internal Audit function in the context of Towry's overall risk management system;
  - review the annual Internal Audit plan, budget and resourcing; and
  - review significant findings of Internal Audit and the management action plans.
- 2.17 The ARCC will meet with Internal Audit at least once a year, without management being present, to discuss Internal Audit's remit and any issues arising from the internal audits carried out and recommend changes for Board discussion and approval.

### **3. Composition and Chair**

- 3.1 The ARCC will be composed of at least one Non-Executive Director.
- 3.2 Appointments, rotations and resignations will be decided by the Board.
- 3.3 The Chairman of the ARCC shall be a Non-Executive Director and shall be appointed by the Board.
- 3.4 The Individual / Individuals holding FSA Controlled Functions CF3 (Chief Executive), CF10 (compliance oversight) or CF11 (money laundering reporting) shall be Members of the Committee.
- 3.5 The Company Secretary will provide secretarial services to the ARCC.
- 3.6 The Finance Director will provide executive support to the ARCC.
- 3.7 The external auditors will be invited to attend meetings of the ARCC on a regular basis.

### **4. Committee Procedures**

- 4.1 The ARCC shall meet on a quarterly basis, or more frequently if required, and will be convened and conducted on the same principles as those that apply to the Board.
- 4.2 Quorum - a meeting of the ARCC shall be taken to be convened if at least two Members are present.
- 4.3 A meeting may be held by the ARCC Members communicating with each other by any technological means by which they are able simultaneously to hear each other and participate in discussion. The minutes of the meeting shall record the method by which the meeting was conducted.
- 4.4 The ARCC may deal with matters requiring a decision by way of Written Resolution. Such resolutions will be deemed to have been passed when all Members at that time in the UK have signed the Written Resolution.
- 4.5 The ARCC may invite members of management or others to attend meetings from time to time.
- 4.6 The ARCC will review its terms of reference and review its effectiveness annually.
- 4.7 The ARCC will report to the Board on its activities.

**TERMS OF REFERENCE OF COMMITTEES  
REMUNERATION COMMITTEE**

**1. Committee Purpose**

1.1 The Remuneration Committee ("BRC") is a Committee of the Towry Holdings Limited Board ("the Board") and is responsible for overseeing Towry's philosophy, principles and key policies for the remuneration of all staff, including determining and agreeing with the Board the total remuneration packages of the Chief Executive, Chairman, Non-Executive Directors and Senior Management Team. It is also responsible for approving the total annual payments to be made to the Chief Executive and Senior Management Team under any performance related pay schemes and for determining the level of any compensation payments.

**2. Duties and Scope**

2.1 The BRC will determine and agree with the Board the broad policy for the remuneration of the Chief Executive, Chairman, Non Executive Directors, and the Senior Management Team. No Director or Manager shall be involved in any decisions regarding their own remuneration.

2.2 In determining policy, the BRC will take into account all factors it deems necessary. The objective of such policy shall be to ensure that members of the Senior Management Team are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner and in line with market practice at the relevant time, rewarded for their individual contributions to the success of the Towry business

2.3 The BRC shall review Towry's philosophy, principles and key policies for the remuneration of all staff including: i) positioning of salary levels against the relevant job markets and overall weighted annual salary increases; ii) any changes proposed to benefits structure and practices; iii) review and approval of equity incentive schemes and any subsequent changes thereto as well as approving all proposed awards arising; and iv) approval of any other one off or recurring incentive /remuneration policy.

2.4 The BRC will approve targets for any performance related pay schemes operated for the Chief Executive and the Senior Management Team and will approve the total annual payments to be made under such schemes.

2.5 The BRC will ensure that contractual terms on termination of the Chief Executive, Chairman and Senior Management Team, and any payments made, are fair to the individual and the Towry business, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

2.6 Within the terms of agreed policies, and in consultation with the Chief Executive, as appropriate, the BRC will review and approve the individual remuneration package of each member of the Senior Management Team, including bonuses, incentive payments and share options and other awards, as well as the package of any employee with a base salary in excess of £100,000 per annum.

2.7 The BRC will review and note annually the remuneration trends across the Towry business and in its marketplace.

2.8 The BRC will be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultant who advise the Committee. The BRC shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations.

### **3. Composition and Chair**

- 3.1 Members of the Committee shall be appointed by the Board. The Committee shall generally be made up of three members who shall be Non-Executive Directors of the Board.
- 3.2 Only members of the BRC have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Head of Human Resources and external advisers may be invited to attend all or part of any meeting, as appropriate.
- 3.3 The Board shall appoint the Committee Chairman, who shall be a Non-Executive Board Director. In the absence of the Chairman, the Committee Members present shall elect one of themselves to chair the meeting.
- 3.4 The Company Secretary will provide secretarial services to the BRC, as required by the Chairman of the Committee.

### **4. Committee Procedures**

- 4.1 The BRC shall meet at least once a year and at such other times as the Chairman of the Committee shall require.
- 4.2 Quorum - a meeting of the BRC shall be taken to be convened if at least two Members are present.
- 4.3 A meeting may be held by the BRC Members communicating with each other by any technological means by which they are able simultaneously to hear each other and participate in discussion. The minutes of the meeting shall record the method by which the meeting was conducted.
- 4.4 The BRC may deal with matters requiring a decision by way of Written Resolution. Such resolutions will be deemed to have been passed when all Members at that time in the UK have signed the Written Resolution.
- 4.5 The BRC will review its terms of reference and review its effectiveness annually.
- 4.6 The BRC Chairman will report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The minutes of all meetings shall be circulated promptly to all Members of the Committee and, once agreed, to all Members of the Board, unless the Committee considers an issue of confidentiality in relation to an individual arises.

### **5. Authority**

- 5.1 In connection with its duties, the BRC is authorised by the Board, at Towry's expense but within any budgetary restraints, to appoint remuneration consultants and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

**Towry Holdings Limited Board Approved Chief Executive Delegations of Authority**

## CE's Delegations

### Executive Summary

1. The Delegations of Authority set out in this document are based on the Chief Executive's (CE) authority from the Towry Holdings Limited Board ("the Board"). The delegations cover three levels: the CE's delegations (level one), the delegations of the Board Executive Directors (level two), and the delegations of the Heads of Business Units (level three). A list of persons to whom these three levels of delegations apply appears at Appendix A. For ease of reference, the Towry Holdings Limited Board delegations are listed in this document. Note that at level 3 there are specific delegations to relevant specialists (e.g. Head of Marketing and PR). Delegations may be given to executives other than those specified in Appendix A or the body of this document, but these must be approved by the CE or Finance Director (FD).
2. Authority can be sub-delegated to direct reports to the extent that this expedites decision making, provided that associated risks are appropriately managed and only up to amounts/ authorities that the person sub-delegating has delegations/authority for. The person to whom the original authority is delegated is responsible and **fully accountable** for any sub-delegations they make and they should ensure that sub-delegations are properly documented.
3. These delegations are subject to the Towry Holdings Limited Board and Committee Terms of Reference and to individual Employment Contracts. Any amendments to these documents could impact on these delegations.
4. The delegations of authority are subject to the corporate accountabilities and responsibilities implicit in the individual legal entities that are involved in the business activities of Towry. Legal accountability will rest with the regulated entities which make the decisions. The Company Secretary can advise further on these responsibilities.
5. The authorities delegated by the CE in this document are the maximum amounts. Authority delegated can be less, but not more, than that detailed in this document.
6. All queries and comments relating to this document should be addressed to the FD.
7. The philosophy to be followed in setting delegations to subordinates is that they have sufficient authority to operate effectively, but further approval will be required for more substantial sums, projects, escalation of issues or where governance requires.
8. These delegations apply until further notice.

## **CE's Delegations**

### **Contents**

1. General Delegations of Authority
2. Financial Delegations
3. Accounting Delegations
4. Treasury Delegations
5. Regulator Contact Delegations

## **CE's Delegations**

### **1. GENERAL DELEGATIONS OF AUTHORITY**

- Approval and implementation of actions and initiatives required to deliver the Strategic and Operating Plans as approved by the Towry Holdings Limited Board.
- However, all actions must comply with corporate policies and standards as advised from time to time.
- In addition, all functions should be performed as prescribed by legislation or professional standards, or as properly directed.
- The CE will carry out all functions as prescribed by legislation or professional standards, or as directed by the Towry Holdings Limited Board, relevant to the role of Chief Executive of Towry.
- Please Note: Unless otherwise stated, any reference to CE/FD in this document means the Chief Executive and the Finance Director of Towry.

## CE's Delegations

### 2. FINANCIAL DELEGATIONS

	Towry Holdings Limited Board	CE (Level 1 delegation)	Executive Directors of the Towry Holdings Ltd Board and Finance Director (Level 2 delegation)	BU Heads (Level 3 delegation)
<p><b>2.1 Project expenditure in budget (which includes any outsourcing contracts)</b></p> <ul style="list-style-type: none"> <li>• Approve business case for project expenditure</li> <li>• To proceed, sufficient funds must be available in the relevant, approved Operating Plan OR additional funds must have been authorised.</li> <li>• A business case must be prepared for all projects above £250,000 in value. These plans must be notified to the Towry Holdings Limited Board.</li> <li>• Mergers, acquisitions and divestments are covered by 2.6 below.</li> </ul>	Over £5m	Limit of £5m per project	Limit of £1m per project	Limit of £500,000 per project.
<p><b>2.2 Project expenditure <u>out of</u> budget</b></p> <ul style="list-style-type: none"> <li>• All unbudgeted projects are subject to business case approval by the Executive Committee (and projects over £250,000 are subject to Towry Holdings Limited Board approval)</li> <li>• The FD is to be advised of all qualifying business cases (i.e. those signed off by the CE) prior to seeking Executive Committee and Board approval.</li> </ul>	Over £250,000 per project	Limit of £250,000 per project (in conjunction with the Executive Committee)	No delegation	No delegation
<p><b>2.3 Operating expenditure <u>within</u> the approved Operating Plan</b></p>	N/A	Unlimited	Limit of £1m per invoice	Limit of £100,000 per invoice.

**CE's Delegations**

	<b>Towry Holdings Limited Board</b>	<b>CE (Level 1 delegation)</b>	<b>Executive Directors of the Towry Holdings Ltd Board and Finance Director (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<b>2.4 Operating expenditure <u>outside</u> the approved Operating Plan</b>	Over £250,000 per item; no cumulative limit per annum.	Limit of £250,000 per item, subject to a cumulative maximum of £500,000 per annum (in conjunction with the Executive Committee)	No delegation	No delegation
<b>2.5 Other Payments</b>				
<ul style="list-style-type: none"> <li>Approval of payments of shareholder taxes in accordance with approved Operating Plan.</li> </ul>	Unlimited	Unlimited	Unlimited	FD may delegate to named Finance staff
<ul style="list-style-type: none"> <li>Approval of payments outside approved Operating Plan and standing orders, e.g. payments in dispute, negotiated settlements or discretionary in nature.</li> </ul>	Over £250,000 per item; no cumulative limit per annum.	Limit of £250,000 per item, subject to a cumulative maximum of £500,000 per annum (in conjunction with Executive Committee)	No delegation	No delegation
<b>2.6 Mergers, acquisitions, divestments, joint ventures and strategic alliances, including business assets and IP (e.g. licences, patents, etc.)</b>				
<ul style="list-style-type: none"> <li>CE to provide recommendation to Board with respect to prospective corporate activity</li> </ul>	Unlimited	No delegation	No delegation	No delegation

**User notes:**

In addition to Towry Holdings Limited Board approval, approval may be required from subsidiary boards, a joint venture board or an acquisition vehicle board before proceeding with a particular course of action. Contact the Company Secretary to discuss the particular requirements of the project.

**CE's Delegations**

**3. ACCOUNTING DELEGATIONS**

	<b>Towry Holdings Limited Board</b>	<b>CE (Level 1 delegation)</b>	<b>Executive Directors of the Towry Holdings Ltd Board and Finance Director (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<b>3.1 Write-off of shareholder assets (either directly to the profit and loss account or against a provision) that is within the approved Operating Plan</b>	N/A	Unlimited	FD limit of £5 million per write off. Other delegates limit of £1 million per write off.	Limit of £500,000 per write-off.
<b>3.2 Write off of shareholder assets (either directly to the profit and loss account or against a provision) not within the approved Operating Plan</b>	Over £250,000 per item; no cumulative limit per annum.	Limit of £250,000 per item, subject to a cumulative maximum of £500,000 per annum (in conjunction with the Executive Committee)	FD limit of £100,000 per write off. Other delegates: no delegation.	No delegation

The setting up and utilisation of all shareholder provisions must be advised to the FD, and reported to the Executive Committee and Board in the Towry Monthly Performance Report.

**CE's Delegations**

**4. TREASURY DELEGATIONS**

	<b>Towry Holdings Limited Board</b>	<b>CE (Level 1 delegation)</b>	<b>Executive Directors of the Towry Holdings Ltd Board and Finance Director (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<b>4.1 Approve a new debt programme (corporate or operational) or changes to existing debt programmes and related documentation</b>	Unlimited	No delegation	No delegation	No delegation
<b>4.2 Approve a debt raising within an authorised debt programme</b>	Over £50 million	Up to £50 million with approval of FD. Towry Holdings Limited Board notification required	No delegation	No delegation
<b>4.3 Issue new ordinary capital / authorise an equity raising</b>	Unlimited	No delegation	No delegation	No delegation
<b>4.4 Approval of investment mix of shareholder capital different to the approved Operating Plan</b>	Over £25 million	Up to £25 million. Towry Holdings Limited Board notification required.	No delegation	No delegation
<b>4.5 Manage investment of shareholder capital within the approved Operating Plan</b>	N/A	Unlimited in conjunction with FD	No delegation	No delegation
<b>4.6 Manage banking relationships (including appointments, new accounts, retirements, closed accounts)</b>	N/A	Unlimited	FD: unlimited Other delegates: no delegation	FD may delegate to named Finance Staff.
<b>4.7 Giving guarantees/warranties outside of items covered in 2.6 above.</b>	Over £25m	Up to £25m	FD up to £10m	No delegations
<b>4.8 Securitisation and financial reinsurance</b>	Unlimited	No delegations	No delegations	No delegations

**CE's Delegations**

**5. REGULATORY CONTACT DELEGATIONS**

	<b>Towry Holdings Limited Board</b>	<b>CE (Level 1 delegation)</b>	<b>Executive Directors of the Towry Holdings Ltd Board and Finance Director (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<b>5.1 Comment to/contact with principal regulators:</b> <ul style="list-style-type: none"> <li>Financial Services Authority (FSA)</li> <li>UK Competition Commission</li> </ul>	N/A	Unlimited	FD and Head of Risk & Compliance. No other delegation without approval of CE.	No delegation from Level 2 without approval from CE or FD.
<b>5.2 Contact with UK tax authorities impacting on the Towry business's proprietary tax liabilities.</b>	N/A	Unlimited	FD and Head of HR unlimited  Other delegates: no delegation without approval of CE.	The FD may delegate to named finance staff. No other delegations.
<b>5.3 Comment to/contact with parliamentary committees and government</b>	N/A	Unlimited	FD: unlimited  Other delegates: no delegation without approval of CE.	Delegated to Head of Strategic Marketing. No other delegations.

**User note:**  
 If any employee receives a request for comment from an external analyst or the media in relation to any matter concerning Towry they must advise that person that they are not authorised to speak on behalf of Towry and must refer the enquiry to the Head of Strategic Marketing.

## CE's Delegations

### Appendix A – List of persons covered by CE Delegations

#### Level One:

- CE, Towry

#### Level Two:

- Executive Directors of the Towry Holdings Limited Board and Finance Director

#### Level Three:

- Head of Risk & Compliance
- Head of HR
- Head of Strategic Marketing
- Head of Private Client
- Head of Corporate Client
- Head of Operations & IT