



# Towry

## Corporate Governance Framework

Revised 31<sup>st</sup> May 2011

# Corporate Governance Framework

## Table of Contents

1	Introduction	3
2	Towry Holdings Ltd Board	3
2.1	Role and Responsibilities of the Board	3
2.2	Role and Responsibilities of the Chairman	4
2.3	Role and Responsibilities of the Chief Executive	4
2.4	Legal Responsibilities of Executive and Non-Executive Directors	5
2.5	Directors Indemnities and Insurance	5
2.6	Board Structure	6
2.6.1	Board Composition and Size	6
2.6.2	Succession Planning	6
2.6.3	Terms of Appointment	6
2.6.4	Maximum Tenure	7
2.6.6	Criteria for Independence	7
2.6.7	Removal of Directors from the Board	7
2.7	Directors' Conflicts / Interests	7
2.8	Other Appointments / External Directorships	8
2.9	Board Effectiveness Review	9
2.10	Board Meetings and Attendance	9
2.11	Strategy	9
2.12	Annual General Meeting	9
2.13	Board Committees and their Terms of Reference	9
2.13.1	Role of Board Committees and Delegation to Board Committees	10
2.14	Other Delegations of Authority	11
2.15	Internal Controls and Risk Management	11
2.16	Information and Professional Development	11
2.17	The Company Secretary	11
2.18	Access to Information	12
2.19	Independent Advice	12
2.20	Corporate Governance of Subsidiary Companies	12
	Appendix 1 – ARTICLES OF ASSOCIATION (attached separately)	
	Appendix 2 – PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE (“UK Code”)	
	Appendix 3 – INDEPENDENCE CRITERIA SET OUT IN UK CODE	
	Appendix 4 - SCHEDULE OF MATTERS RESERVED FOR APPROVAL OF THE BOARD	
	Appendix 5 – TERMS OF REFERENCE OF COMMITTEES	
	Appendix 6 – DELEGATIONS OF AUTHORITY	

## **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 Framework has been approved by the Towry Holdings Limited Board ("the Company") to apply to Towry Holdings Limited and its subsidiary companies ("the Towry group"). This Framework, along with the Company's Articles of Association, terms of reference for Board Committees and the Code of Conduct (set out in the Towry Policies & Procedures Guide), set out the corporate governance standards for the Towry group.

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 Corporate Governance Code ("the UK Code"). However, where relevant and appropriate, the provisions of the UK Code have been adopted in this Corporate Governance Framework.

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

## **2. Towry Holdings Limited Board**

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

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Company. The Board's role is to promote entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should, therefore, approve the strategic objectives and policies of the Towry group to deliver long term value, providing overall strategic direction within a framework of rewards, incentives and controls. Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Towry group for the benefit of the shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of Towry group employees;
- the need to foster business relationships with suppliers, customers and others;
- the impact of the Towry group's operations on the community and environment;
- the desirability of the Towry group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

The Board is also responsible for 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 addition, the Board is also responsible for ensuring the appropriateness of Towry's risk appetite and that management maintain an effective risk management and oversight process at the highest level throughout the Towry group.

The Board will also make decisions on all matters of significance to the Towry group because of their strategic, financial or reputational implications or consequences.

A formal schedule of matters reserved to the Board is attached at Appendix 4. Matters reserved to the Board include approval of the Towry group's Strategy, approval of the interim and full year financial statements, significant changes in accounting policies or practices (following recommendation of the Audit Committee), the appointment and removal of Board Directors or the Company Secretary, changes to Towry group's capital structure or its status as a limited company and major acquisitions, mergers and disposals.

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

The Chairman should demonstrate the highest standards of integrity and probity. The Chairman of the Board, on appointment, should meet the independence criteria set out in 2.7.5 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:

- demonstrating leadership of the Board and ensuring its effectiveness on all aspects of its role;
- in order to ensure membership of the Board is balanced and appropriate for a private company at its stage of the Company's development, regularly considering succession planning and composition of the Board;
- facilitating Board discussions and encouraging active engagement and appropriate challenge by Board Directors, particularly on matters relating to risk and strategy and that time is allocated at Board meetings to the right issues;
- with the assistance of the Company Secretary, setting the Board agenda and ensuring time is allocated appropriately whilst ensuring the business of the meeting is completed and allowing appropriate discussion on individual items;
- ensuring that the Directors receive accurate, timely and clear information, to enable the Board to take sound decisions to promote the success of the Company;
- maintaining a close relationship of trust with the Chief Executive, and providing support and advice to the Chief Executive, where appropriate;
- ensuring the effective contribution of Non-Executive Directors in particular and ensuring that there are constructive relations between Executive and Non-Executive Directors;
- reviewing, with the Board, the general progress and long-term development of the Towry group;
- promoting the highest standards of corporate governance and ensuring governance matters are conducted in accordance with best practice and that there is a clear structure for the effective running of the Board and its committees;
- ensuring the Board is able to discharge its duties and comply with the requirements of the statutory / regulatory bodies that affect the functioning and responsibilities of the Board;
- making certain that the Board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy;
- leading the ongoing monitoring and annual evaluation of Board effectiveness and individual Director performance and acting on the results of the annual evaluations; and
- ensuring effective communication with shareholders and ensure all shareholder interests are taken into account where possible and appropriate.

The Chairman of each Board Committee fulfils an important leadership role similar to that of the Chairman of the Board, particularly in creating conditions for overall Committee and individual director effectiveness.

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

The Chief Executive (CE) is responsible to the Board for the overall management and profit performance of the Towry group. The CE manages the organisation in accordance with the strategy, plans and policies approved by the Board to achieve timely and effective implementation, within an effective framework of internal control and, risk management. The CE is also responsible for (i) leading the Towry group to promote the Towry brand, values, culture and behaviours; and (ii) ensuring the Towry group complies with all relevant legislation and regulation.

The CE is responsible for ensuring that appropriate standards of governance are applied throughout all parts of the Towry group and for making sure the Board is

made aware, when appropriate, of the views of employees on issues of relevance to the Towry group.

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 for key roles within the Towry group.

#### **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 Companies Act 2006 introduced the statutory codification of directors' duties, which include:

1. to only act within the powers of authority given and to act in accordance with the Company's constitution;
2. to act in good faith and honestly and also in the Company's best interests and to promote the success of the Company for all its members, whilst having regard to the likely consequences of any decision in the long term, the interests of employees, the need to further relationships with suppliers and customers, the impact on the community and the environment, and the need to act fairly between members of the Company;
3. to exercise independent judgement when carrying out their duties;
4. to exercise reasonable care, skill and diligence in carrying out their duties; and
5. to avoid a conflict of interest between their personal interests and their duties to the Company.

Whilst not part of the codified list of 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 group complies with all its regulatory requirements, including treating customers fairly.

Towry has 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 Section 64 of 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 for 'Approved Persons' 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 group for claims arising from losses as a result of Crime, Professional Indemnity or Trustees Liability.

## **2.6. Board Structure**

### **2.6.1. 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 and mix of skills, experience, knowledge and independence is appropriate for the requirements of the Company and that changes to the Board's composition can be managed without undue disruption. In reviewing Board composition, the Board will consider the benefits of diversity, including gender.

The size and composition of the Board has also been determined having regard to applicable regulatory requirements. Towry has a balance between Executive and Non-Executive Directors, with the aim of having a majority of Non-Executive Directors. In addition, when considering appointments to the Audit Committee, the Board will consider the requirements of the UK Code with regard to the appointment of a Non-Executive Director with the required financial expertise.

### **2.6.2. 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 and mix of skills and experience within the Towry group and the Company. The Corporate Governance and Nominations Committee will review and make recommendations to the Board, at least once a year, on proposals for Board succession over the longer term.

### **2.6.3 Terms of Appointment**

In accordance with the Company's existing 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.

#### **2.6.4. 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. In any event, any Non-Executive Director serving for a term beyond six years will be subject to rigorous review.

#### **2.6.5. Criteria for Independence**

The UK Code sets out circumstances which may appear relevant to the Board's determination of whether a Non-Executive Director is independent<sup>1</sup>. These are set out in Appendix 3. 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.

#### **2.6.6. 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. In the event of any Director ceasing to be an FSA 'Approved Person' for any reason, that Director will also cease to be a Director and shall be removed as a Director pursuant to the Company's Articles of Association.

The Board reserves the right to reconsider appointments of Non-Executive Directors and to terminate appointments should there be any material change to the Director's personal circumstances that the Board believes may affect their appointment as a Director of the Company.

### **2.7. 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 business.

#### **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

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<sup>1</sup> As at May 2011, Palamon hold 2 NED positions on the Board and three entirely independent NEDs i.e. not Palamon representatives have been appointed as Directors of the Board, one of which is also Chairman of the Board.

- 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 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). 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.

## **2.8 Other Appointments / External Directorships**

An appointment as a Director of any company outside of the Towry group is subject to prior approval of the Board, taking into account the process required to authorise any conflict or potential conflict situation that may arise in respect of the appointment. Directors should, in the first instance, discuss any possible commitment with the Chairman or the Chief Executive. The Corporate Governance and Nominations Committee will review on an annual basis the time commitments of Directors which are advised to the Company during the course of the year.

All Directors should ensure they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Executive Directors should normally hold no more than one other significant external appointment or directorship.

## **2.9. Board Effectiveness Review**

The Board will conduct an annual effectiveness review (to be developed by the Corporate Governance and Nominations Committee) 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 Board will discuss and agree a detailed action plan, although the Corporate Governance and Nominations Committee will, in association with the Chairman of the Board, review the performance of the Board and will make recommendations to the Board, as necessary.

## **2.10. Board Meetings and Attendance**

The Board normally meets five times a year (or more frequently, if required, as the Chairman of the Board deems necessary) and all Directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so. The Chairman will also periodically hold meetings with the Non-Executive Directors without the Executive Directors being present.

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 the Chairman.

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

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.

## **2.11. Strategy**

The Board will annually review the Company's long-term strategic plans and agree the Company's strategic aims.

## **2.12. 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. Shareholders have a right to have their questions answered at a general meeting subject to the provisions of the Companies Act 2006.

## **2.13. 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 an individual Director or to a Committee consisting of one or more Directors. The Board has established Committees in order to share detailed work and to 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. Committee Members will be appointed by the Board and the Board, upon the recommendation of the Corporate Governance and Nominations Committee, will review the composition of each Committee annually. Appointments to any Board Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, subject to Board approval. Committee Members are expected to attend each Committee meeting, unless there are exceptional circumstances that prevent them from doing so.

Each Committee is under an obligation to report back on its work and advise the Board accordingly. The Chair of each Committee is required to report any matters of substance to the next Board meeting. Copies of all Committee minutes are provided to Board Directors (if a Committee considers an issue of confidentiality in relation to an individual, then the relevant minute may be redacted before circulation). Committees should be provided with sufficient resources to undertake their duties.

There are four Committees of the Board, namely:

- the Audit Committee;
- the Risk Committee;
- the Remuneration Committee; and
- the Corporate Governance and Nominations 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 5. Whilst the Board has made use of Committees to assist in its consideration of audit, risk, remuneration, corporate governance and Board Director nominations, the Board retains responsibility for all of these areas.

Other committees may be constituted from time to time, as required.

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

#### Audit Committee

The main role and responsibilities of the Audit Committee are set out in the written terms of reference attached at Appendix 5a. The principle purpose of the Committee is to exercise oversight on behalf of the Board of:

- the integrity of the Company's financial statements, including the accounting and financial reporting process of the Company's financial statements;
- the framework of internal controls and financial risk management; and
- the effectiveness of the Company's Internal Audit functions and external auditors.

#### Risk Committee

The main role and responsibilities of the Risk Committee are set out in the written terms of reference attached at Appendix 5b. The principle purpose of the Committee is to exercise risk oversight on behalf of the Board and, in particular:

- to consider and recommend to the Board, for its approval, the Towry group's Risk Appetite;
- to monitor and assess the key risks identified by the Towry group;
- to review, on behalf of the Board, the Towry group's Risk Profile and ensure it is within the Risk Appetite;
- to review the appropriateness and effectiveness of the Towry group's risk management framework of governance, systems and controls; and
- to specifically monitor compliance, relevant regulatory issues, the conduct of the Towry group business and the maintenance of a prudent culture.

#### Remuneration Committee

The main role and responsibilities of the Remuneration Committee are set out in the written terms of reference attached at Appendix 5c. The principle purpose of the Committee is to:

- set the over-arching principles and parameters of remuneration policy across the Towry group; and
- consider and approve the remuneration arrangements of the Board Chairman, Chief Executive, the Executive Directors, certain senior executives and those discharging key functions.

No Director or Manager will be involved in any decisions regarding their own remuneration.

#### Corporate Governance and Nominations Committee

The main role and responsibilities of the Corporate Governance and Nominations Committee are set out in the written terms of reference attached at Appendix 5d. The principle purpose of the Committee is to:

- oversee the annual evaluation of Board and Committee effectiveness;
- take a leadership role in shaping the Towry group's corporate governance arrangements and recommend to the Board any changes to the Corporate Governance Framework; and
- identify individuals qualified to become Board Directors and make recommendations to the Board to select Board Director nominees.

#### **2.14. 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 6. Further delegations below 'Level 3' of Appendix 6 are for the Chief Executive to decide.

#### **2.15. Internal Controls and Risk Management**

Despite the delegation to the Audit Committee and Risk Committee as referred to in 2.13.1 above, the Board shall, at least annually, conduct a review of the effectiveness of Towry's risk management framework and internal control system and report to shareholders that it has done so. The review should cover all material controls, including financial, operational and compliance controls.

#### **2.16. 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 business and operations at appropriate intervals and in an appropriate manner to enable it to carry out its responsibilities. The Chairman, Chief Executive and Company Secretary work together to ensure the Directors receive all such information but Board Directors should seek clarification and amplification, where necessary.

All Directors should receive a comprehensive, formal and 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 Directors, 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 especially areas involving significant risk. Directors should also be encouraged to make site visits to see the Company's operations first hand.

#### **2.17. The Company Secretary**

The Company Secretary plays a leading role in the governance of the Towry group by supporting the Chairman and helping the Board and its Committees to function effectively. 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.

The Company Secretary is responsible for advising the Board, through the Chairman and Corporate Governance and Nominations Committee, on all corporate governance matters and provides dedicated support to the Board, in particular the Non-Executive Directors, and is a point of reference and support for all Directors. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole to determine.

#### **2.18. 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.

#### **2.19. Independent Advice**

Independent professional advice is available, on request, to all Directors at the Company's expense. The Company 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 Audit Committee; 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.

#### **2.20. 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 the Towry group'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, if considered appropriate.

### Principles of Corporate Governance (as set out in the UK Corporate Governance Code)

- 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 chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.
- A.4** As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.
- B.1** The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.
- B.2** There should be a formal and transparent procedure for the appointment of new directors to the board.
- B.3** All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.
- B.4** All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.
- B.5** The board should be provided in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.
- B.6** The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- B.7** All directors should be submitted to re-election at regular intervals, subject to continued satisfactory performance.
- C.1** The board should present a balanced and understandable assessment of the company's position and prospects.
- C.2** The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.
- C.3** The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.
- D.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.
- D.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.
- E.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.
- E.2** The board should use the AGM to communicate with investors and to encourage their participation.

**Independence Criteria Set Out in UK Code**

## Code Provisions

B.1.1 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- 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 election.

**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 Committee, Risk Committee, Remuneration Committee or Corporate Governance and Nominations Committee are shown in those Committee's Terms of Reference set out at Appendix 5 of the Corporate Governance Framework.

**Strategy & Management**

1. Approval of the Company's long term objectives and commercial strategy and annual business performance in the light of these objectives / strategy and any material deviation from the Company's business plan (*this is achieved by presentation of the Strategic Plan to the Board*).
2. Approval of the annual operating and capital expenditure budgets and any major changes to them.
3. Approval of the Towry group's Risk Appetite.
4. Approval of the Towry group's Liquidity Risk Appetite.

**Structure and Capital**

5. Subject to consultation with shareholders, approval of changes relating to the Company's capital structure or its status as a limited company.
6. Approval of major changes to the Towry group corporate structure.
7. Approval of changes to the Towry group's management and control structure.

**Financial Reporting and Controls**

8. Approval of the annual report, any half-yearly report and interim management statements.
9. Approval of any interim dividends and recommendation of any final dividend to shareholders.
10. Approval of any significant changes in accounting policies or practices, following recommendation of the Audit Committee.
11. Approval of financial matters in accordance with the Delegations of Authority, set out at Appendix 6 of the Corporate Governance Framework.

**Internal Controls**

12. Ensure the maintenance of a sound system of internal control and risk management and undertake an annual review of the effectiveness of the Towry group's system of internal control and risk management processes.

**Transactions**

13. Approval of major capital projects, investments, acquisitions, mergers or disposals.
14. Approval of contracts which are material strategically or by reason of size, entered into by the Company and/or any subsidiary company.

**Communication**

15. Approval of resolutions and corresponding documentation to be put forward to shareholders at a General Meeting or by written resolution.

**Board Membership and Other Appointments**

16. Approval of changes to the structure, size and composition of the Board, including appointments and removals, following recommendation of the Corporate Governance and Nominations Committee.
17. Succession planning for the Board and Senior Management (the former following recommendation of the Corporate Governance and Nominations Committee).
18. Selection of and terms of reference of the Chairman, Senior Independent Director and Chief Executive.
19. Approval of and any changes to the terms of reference, membership and chairmanship of any Board committees, following recommendation of the Corporate Governance and Nominations Committee.
20. Terms and conditions of appointment and remuneration of Non-Executive Directors (to be approved by the Chairman and Executive Directors).

21. Appointment or removal of the Company Secretary.
22. Recommendations to shareholders for the appointment or the removal of auditors (following the recommendation of the Audit Committee).
23. The incorporation of any new subsidiary company (the Corporate Governance and Nominations Committee will recommend Director appointments to any new subsidiary company).

#### **Corporate Governance Matters**

24. The undertaking annually of a formal and rigorous review of its own performance and that of its Committees and individual Directors (the Corporate Governance and Nominations Committee will develop the process and recommend this to the Board for approval).
25. Determining the independence of Directors.
26. The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.
27. Approval of the Company's overall corporate governance arrangements, following recommendation of the Corporate Governance and Nominations Committee.

#### **Other**

28. Authorisation of Directors' conflicts or possible conflicts of interest.
29. Major changes to the rules of the Company Pension Scheme.
30. Approval of the Company's principal brokers, bankers and professional advisers.
31. Approval of the overall levels of insurance for the Towry group, including Directors' and Officers' Liability Insurance and indemnification of Directors.
32. Granting powers of attorney on behalf of the Company.
33. Changing the accounting reference date or registered office of the Company.
34. Approval of allotment of shares in the capital of the Company.
35. Approval of the notice convening, and any documents relating to, any general meeting of the Company.
36. This schedule of matters reserved for Board decisions.

**TERMS OF REFERENCE OF COMMITTEES  
AUDIT COMMITTEE**

**1. Appointment**

- 1.1 The Audit Committee is appointed by the Towry Holdings Limited Board (“the Board”) from whom it derives its authority and to whom it reports on a regular basis.

**2. Authority**

- 2.1 The Committee is concerned with the business of the whole of the Towry group and its authority extends to all relevant matters within its terms of reference relating to the Company and its subsidiaries. The Committee is authorised by the Board to investigate any matters within its responsibilities and to seek any information that it requires in connection with its purpose and duties from any Executive Director, officer or employee of the Towry group; all employees are directed to co-operate promptly with any such request made by the Committee. Any employee may be called to be questioned by the Committee, if required.
- 2.2 Within its terms of reference, the Committee shall have the authority to engage independent counsel and other professional advisers at the expense of the Towry group (within any budgetary constraints imposed by the Board) and to invite them to attend meetings.

**3. Committee Purpose**

- 3.1 The principle purpose of the Committee is to exercise oversight on behalf of the Board of:
- the integrity of the Company’s financial statements, including the accounting and financial reporting process of the Company’s financial statements;
  - the framework of internal controls and financial risk management; and
  - the effectiveness of the Company’s internal audit functions and external auditors.

**4. Membership**

- 4.1 The Committee shall consist of at least three independent Non-Executive Directors of the Company, appointed by the Board, one of whom will be the Chair of the Risk Committee (assuming that the Chair of the Risk Committee is not also the Chair of the Audit Committee). The Board considers annually the independence of its Non-Executive Directors and the definition of independence to be applied. The Chairman of the Board shall not be a Member of the Committee.
- 4.2 At least one Member of the Committee shall have recent, relevant financial experience. The Board will consider annually whether the Committee has access to appropriate and sufficient financial expertise within its membership or in an advisory capacity.

**5. Chair of Committee**

- 5.1 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director and a Member of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining Members present shall elect one of themselves to chair the meeting.

**6. Attendance at Meetings**

- 6.1 Only Members of the Committee have the automatic right to attend Committee meetings. However, other individuals such as the Chairman of the Board, other Board Directors, the Finance Director, the Head of Risk & Compliance and Head of Internal Audit may be invited to attend all or part of a meeting by the Committee Chair. Other employees or officers of the Towry group may be invited by the Committee Chair to attend all or part of any Committee meeting, where appropriate, at the Chair of the Committee’s discretion. Attendees may collectively or individually be requested to

withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

- 6.2 The external auditors may be invited to attend all or part of any meetings of the Committee at the invitation of the Committee Chair. It is generally expected that this invitation will be extended.

## **7. Frequency of Meetings**

- 7.1 The Committee will normally meet four times per year, or more frequently if required, as the Chair of the Committee deems necessary, in order to fulfil the Committee's obligations and duties.
- 7.2 The Board Chairman, any Member of the Committee, the Chief Executive, the Finance Director, the Head of Risk & Compliance, the Head of Internal Audit and the external auditors may each request the Chair of the Committee to convene a meeting at any time if any of the above considers that a meeting is necessary.
- 7.3 A meeting may be held by the 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.
- 7.4 The Committee 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.
- 7.5 The Committee will meet at least annually with each of the following:
- the External Auditors
  - Finance Director
  - Head of Risk & Compliance
  - Head of Internal Audit
- without the Executive Directors or other employees of the Company being present.

## **8. Secretary**

- 8.1 The Company Secretary or his or her nominee will act as secretary to the Committee. The Committee will be supported by the Company Secretary.

## **9. Quorum**

- 9.1 The quorum of the Committee shall be two, comprising the Chair of the Committee and one Non-Executive Director. The quorum should include a Member with recent and relevant financial experience. In the event of difficulty in relation to the achievement of a quorum, independent Non-Executive Directors who are not Members of the Committee may be co-opted as Members for individual meetings.

## **10. Duties and Scope**

- 10.1 The Committee will carry out the duties below for the Company, major subsidiary undertakings and the Towry group as a whole, as appropriate:

### *Financial Reporting*

- 10.2 The Committee will review and monitor the integrity of the statutory accounts, published financial statements and associated circulars to shareholders of the Company, including its annual and any half yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 10.3 In particular, the Committee will review and challenge where necessary:
- the consistency of, and any changes to, accounting principles, policies and practices both on a year on year basis and across the Company/Towry group;
  - the methods used to account for significant or unusual transactions when different approaches are possible;

- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- the clarity, transparency and accuracy of disclosure in the Company's financial reports and the context in which the statements are made; and
- all material information presented with the financial statements, such as the business review / operating and financial review and the corporate governance statement (insofar as it relates to audit management and internal control).

10.4 The Committee will keep under review the appropriateness of the accounting policies of the Towry group and will consider changes to these.

#### *Internal Controls*

10.5 The Committee will oversee the internal controls of the Towry group; in particular, the Committee will:

- review the appropriateness and completeness of the system of internal control and review the manner in which management ensures and monitors the effectiveness of internal control systems;
- review the statements on internal control systems to be included in the Company's Annual Report, prior to endorsement by the Board and the external auditors (taking input from the Risk Committee);
- discuss periodically with the Chief Executive, Finance Director, Head of Internal Audit and External Auditors (i) all significant deficiencies and material weaknesses in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, (ii) any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, and (iii) any fraud involving management or other employees who have a significant role in the Company's internal controls;
- review and discuss with management, management's annual report on internal controls and the Finance Director's periodic report and recommendations on financial risk;
- keep under review the Company's arrangements for its employees to raise, in confidence, any concerns about possible wrongdoings in financial reporting or other matters ("whistleblowing") and to monitor and review any such concerns raised and monitor the proportionate and independent investigation of such matters and appropriate follow up; and
- review the Towry group's procedures for detecting fraud.

#### *Internal Audit*

10.6 The Committee will oversee the internal audit function and, in particular, it will:

- monitor and review the effectiveness of the Towry group's Internal Audit function in the context of the Towry group's overall risk management system;
- approve the appointment, remuneration, or dismissal of the Head of Internal Audit (subject to consultation with and the agreement of the Chair of the Risk Committee); such Head to have a reporting line into the Committee Chair and a right of access to the Chairman of the Board. The Committee will consider the reasons for resignation, should this occur;
- 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 and other restrictions;
- review and approve the annual Internal Audit Plan at an annual joint meeting with the Risk Committee and monitor the Plan's timely execution;
- review reports addressed to the Committee from the Head of Internal Audit;
- review and monitor management's timeliness and responsiveness to the findings and recommendations of the Head of Internal Audit; and

- will meet with the Head of Internal Audit at least once a year, without management being present, to discuss Internal Audit's remit, adequacy of resourcing, any issues arising from the internal audits carried out and any other more general concerns about systems, procedures and controls.
- 10.7 The Head of Internal Audit shall have the right of access at any time to the Chair of the Committee and will have a formal reporting line to the Chair of the Committee (who, in turn, will consult the Chair of the Risk Committee) in respect of Internal Audit's remit, scope of work, recommendations, resourcing.

*External Audit*

- 10.8 The Committee will 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 and removal of the Company's external auditors.
- 10.9 The Committee shall oversee the selection process for any new auditor and, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 10.10 The Committee will oversee the relationship with the external auditors including (but not limited to):
- recommendations to the Board on the fees for audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing, annually, their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors as a whole, including the provision of any non-audit services;
  - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business);
  - agreeing with the Board a policy on the employment of former employees of the Company's Auditor, then monitoring the implementation of this policy;
  - monitoring the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - 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 auditors on their own internal quality procedures; and
  - seeking to ensure co-ordination with the activities of the Internal Audit function.
- 10.11 The Committee will meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee will meet separately with the external auditors, without management being present, on a periodic basis to discuss any matter that the Committee or the external auditors believe may warrant Committee attention.
- 10.12 The Committee will review and approve the annual audit plan and ensure that it is consistent with the nature and scope of the audit engagement.
- 10.13 The Committee will review the findings of the audit with the external auditors. This will include but not be limited to:
- a discussion of any major issues which arose during the audit;
  - any material accounting and audit judgements;
  - levels of material errors identified during the audit; and
  - the effectiveness of the audit.

10.14 The Committee will also:

- review any representation letter(s) requested by the external auditors before they are signed by management;
- review the external auditor's management letter and management's response to the Auditor's findings and recommendations;
- develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any ethical guidance on the matter. Any proposal for non-audit services above a material amount (to be specified by the Committee from time to time) will be referred to the Chair of the Committee for approval; and
- annually evaluate the performance and independence of the external auditors.

10.15 The Committee will investigate any assertions of improper influence on the external auditors by any officers or directors of the Company or any person acting under their direction.

#### *Legal, Compliance and Regulatory*

10.16 The Committee will review arrangements established by management for compliance with regulatory financial reporting and best practice requirements, including the requirements and recommendations of relevant regulatory or supervisory bodies.

10.17 The Committee will review (jointly with the Risk Committee, where relevant and appropriate) compliance practices and procedures for enabling the Directors of the Company and the Company itself to discharge their regulatory responsibilities.

10.18 The Committee will keep under review the rules, regulations and requirements of the UK Listing Authority and will advise the Board of key changes and any actions required.

10.19 The Committee will review (jointly with the Risk Committee, where relevant and appropriate) the relationship and material communications with Towry's regulators, including annual compliance statements, and the results of the periodic ARROW risk assessment undertaken by the Financial Services Authority and the resulting Risk Mitigation Plan, plus any other regulatory interventions, and the appropriateness and timely response by Towry Management.

### **11. Reporting to the Board**

11.1 Minutes will be circulated to all Board Directors and such attendees as the Chair of the Committee decides is appropriate, by the Secretary to the Committee.

11.2 Following meetings or the passing of written resolutions, the Chair of the Committee will report on these to the next meeting of the Board of the Company.

### **12. Reporting to Shareholders**

12.1 The Members of the Committee will be listed in the Annual Report of the Company.

12.2 A description of the Committee's activities during the year and how it has discharged its responsibilities (including the number of Committee meetings held, attendance etc.) shall also be disclosed in the Annual Report.

12.3 The Committee shall review and approve the statements in the Annual Report concerning internal controls and any other statements that relate to the duties of the Committee.

12.4 The Chair of the Committee or, if unavailable, a deputy chosen from the membership, shall attend to answer questions from shareholders at the Annual General Meeting of the Company which relates to any matter within the remit of the Committee.

### **13. Terms of Reference and Committee Effectiveness**

- 13.1 The Committee will review its terms of reference and Committee effectiveness annually and recommend any changes it considers necessary to the Board for approval.

**TERMS OF REFERENCE OF COMMITTEES  
RISK COMMITTEE**

**1. Appointment**

- 1.1 The Risk Committee is appointed by the Towry Holdings Limited Board (“the Board”) from whom it derives its authority and to whom it reports on a regular basis.

**2. Authority**

- 2.1 The Committee is concerned with the business of the whole of the Towry group and its authority extends to all relevant matters within its terms of reference relating to the Company and its subsidiaries. The Committee is authorised by the Board to investigate any matters within its responsibilities and to seek any information that it requires in connection with its purpose and duties from any Executive Director, officer or employee of the Towry group; all employees are directed to co-operate promptly with any such request made by the Committee. Any employee may be called to be questioned by the Committee, if required.
- 2.2 Within its terms of reference, the Committee shall have the authority to engage independent counsel and other professional advisers at the expense of the Towry group (within any budgetary constraints imposed by the Board) and to invite them to attend meetings.

**3. Committee Purpose**

- 3.1 The principle purpose of the Committee is to exercise risk oversight on behalf of the Board and, in particular:
- to consider and recommend to the Board, for its approval, the Towry group’s Risk Appetite;
  - to monitor and assess the key risks identified by the Towry group;
  - to review on behalf of the Board, the Towry group’s Risk Profile and ensure it is within the Risk Appetite;
  - to review the appropriateness and effectiveness of the Towry group’s risk management framework of governance, systems and controls; and
  - to specifically monitor compliance, relevant regulatory issues, the conduct of the business and the maintenance of a prudent culture.

**4. Membership**

- 4.1 The Committee shall consist of at least three Non-Executive Directors of the Company, appointed by the Board, one of whom will be the Chair of the Audit Committee (assuming that the Chair of the Audit Committee is not also the Chair of the Risk Committee). The Chairman of the Board may be a Member of the Committee.
- 4.2 At least one Member of the Committee shall have relevant risk and compliance experience. The Board will consider annually whether the Committee has access to appropriate and sufficient risk and compliance expertise within its membership or in an advisory capacity.

**5. Chair of the Committee**

- 5.1 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director and a Member of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining Members present shall elect one of themselves to chair the meeting.

## **6. Attendance at Meetings**

- 6.1 Only Members of the Committee have the automatic right to attend Committee meetings. However, other individuals such as the Chairman of the Board (if not a Committee Member), other Directors, the Head of Risk & Compliance and Head of Internal Audit may be invited to attend all or part of a meeting by the Committee Chair. It is generally expected that the Finance Director and the Head of Risk & Compliance will have standing invitations. Other employees or officers of the Towry group may be invited by the Committee Chair to attend all or part of any Committee meeting, where appropriate, at the Chair of the Committee's discretion. Attendees may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee. The Committee Chair shall decide, with the Chief Executive, whether the Chief Executive should be present at meetings<sup>2</sup>.
- 6.2 The external auditors may be invited to attend all or part of any meetings of the Committee at the invitation of the Committee Chair. It is generally expected that this invitation will be extended.

## **7. Frequency of Meetings**

- 7.1 The Committee will normally meet four times per year, or more frequently, if required as the Chair of the Committee deems necessary, in order to fulfil the Committee's obligations and duties.
- 7.2 The Board Chairman, any Member of the Committee, the Chief Executive, the Finance Director, the Head of Risk & Compliance, the Head of Internal Audit and the external auditors may each request the Chair of the Committee to convene a meeting at any time if any of the above considers that a meeting is necessary.
- 7.3 A meeting may be held by the 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.
- 7.4 The Committee 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.
- 7.5 The Committee will meet at least annually with each of the following:
- The External Auditors
  - Head of Risk & Compliance
  - Head of Internal Audit
  - Finance Director
- without the Executive Directors or other employees of the Company being present.

## **8. Secretary**

- 8.1 The Company Secretary or his or her nominee will act as secretary to the Committee. The Committee will be supported by the Company Secretary.

## **9. Quorum**

- 9.1 The quorum of the Committee shall be two, comprising the Chair of the Committee and one Non-Executive Director. The quorum should include a Member with recent and relevant risk and compliance experience. In the event of difficulty in relation to the achievement of a quorum, independent Non-Executive Directors who are not Members of the Committee may be co-opted as Members for individual meetings.

## **10. Duties and Scope**

- 10.1 The Committee will carry out the duties below for the Company, major subsidiary undertakings and the Towry group as a whole, as appropriate:

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<sup>2</sup> This is in accordance with Paragraph 6.15 of the Walker review.

### *Risk Appetite*

- 10.2 The Committee will regularly review the Towry group's overall risk appetite (i.e. the amount and type of risk the Towry group is willing to take in pursuit of its strategic goals and objectives, taking account of the Towry group's capacity to sustain losses and continue to meet the Towry group's obligations across the range of stresses that could arise) and make recommendations to the Board, which retains ultimate responsibility for risk.
- 10.3 In reviewing the risk appetite, the Committee will consider:
- the effectiveness of Risk Identification including the outputs from the processes followed;
  - the Towry group's risk capacity including its financial resources and constraints (capital and reserves, 'headroom' over regulatory capital requirements and forecasts, lines of standby credit, level of retained earnings, and earnings volatility, debt covenants) management capacity (i.e. level of stretch, skill and experience) and any relevant operational systems capacity and constraints; the level and nature of insurance cover shall be a relevant consideration but not a substitute for prudential management; and
  - the Towry group's risk profile, including its risk exposures and limits, stress testing and reverse stress testing.
- 10.4 The Committee will review the adherence of the Towry group's Strategy to its Risk Appetite, the consistency of principal risk policies with the Risk Appetite and the consistency of the Risk Profile with the Risk Appetite. As necessary, corrective action will be identified.

### *Risk Identification*

- 10.5 The Committee shall ensure that Towry senior management has in place appropriate procedures to identify all the key risks, including project related risks and emerging risks facing the Company and a process to evaluate and mitigate the potential losses that could arise. The Committee shall review, challenge and monitor the risks identified and ensure the Risk Register reflects this process.
- 10.6 The Committee will provide oversight of the processes undertaken by management to evaluate, quantify and mitigate the material key risks to the Towry group including, but not limited to, any market risk, credit risk, operational risk, liquidity risk, reputational risk and regulatory risk. In carrying out this role, the Committee will take account of the relevant work of the Audit Committee.

### *Risk Profile*

- 10.7 The Committee will monitor the Towry group's risk profile and its consistency with the risk appetite, including reviewing reports on any key performance indicators and trend analysis on:
- risk exposures and limits and breaches thereof;
  - any risk concentrations and correlations;
  - liquidity and capital measures, actual and forecast;
  - risk losses; and
  - periodic stress testing.

### *Risk Management Framework*

- 10.8 The Committee will review Towry Management's proposals for the group Risk Management Framework and will make recommendations to the Board as to its adoption by the Towry group or otherwise. The Committee will also review reports from Towry Management as to the implementation of the Towry group Risk Management Framework at such intervals as the Committee shall determine, but not less frequently than once a year.
- 10.9 The Committee will review the effectiveness of risk reporting and the adequacy and quality of the risk management function. More generally, the Committee will monitor the completeness and effectiveness of the risk management framework.

### *Internal Audit*

- 10.10 The Committee will hold an annual joint meeting with the Audit Committee to review and approve the annual Internal Audit plan.
- 10.11 The Committee will review reports appropriately addressed to the Committee from the Head of Internal Audit (Internal Audit reports will be addressed to the Chairman of the Audit Committee).
- 10.12 The Committee will review and monitor management's responsiveness to the findings and recommendations of the Head of Internal Audit that relate to reports addressed to the Committee.

### *Compliance and Regulatory*

- 10.13 The Committee will review compliance practices and procedures for enabling the Directors of the Company and the Company itself to discharge their regulatory responsibilities.
- 10.14 The Committee will review the relationship and material communications with Towry group's regulators, including annual compliance statements.
- 10.15 The Committee will review significant breaches, or potential breaches, of regulation and the steps taken to ensure that the root causes of regulatory control failures are being addressed.
- 10.16 The Committee will ensure that the Towry group has satisfactory controls in place to ensure its customers are treated fairly and given suitable advice.
- 10.17 The Committee will investigate and address any reports of evidence of material violation of securities laws or breaches of fiduciary duties.
- 10.18 The Committee will review the adequacy and quality of the Towry group's Risk and Compliance Function, including the systems for compliance monitoring and the outcome thereof.
- 10.19 The Committee will review the systems for monitoring complaints and claims and assess the number, nature, trend and financial consequences of complaints and claims. The Committee will assess Towry Management's responsive to addressing the root causes of key complaints.
- 10.20 The Committee will review material or prospective legal actions, including staff disputes and whether any lessons learned about them are being appropriately applied.

### *Other Duties*

- 10.21 In relation to proposed strategic transactions, including material acquisitions, to ensure that risk aspects of the transaction and implication for the Towry group's risk appetite and tolerance is an integral part of the due diligence and reviewed by the Committee, where appropriate.
- 10.22 To work with the Remuneration Committee to ensure that risk factors are properly considered in setting the overall remuneration policy for the Towry group and, in particular, the incentive structures for the Executive Directors, Senior Management and other key professionals, as appropriate.
- 10.23 The Committee will assess the Towry group procedures for business continuity planning and disaster recovery and will report to the Board, as appropriate.
- 10.24 The Committee shall consider the implications of changes proposed to regulations and legislation that are material to the Towry group's risk appetite, risk management framework and conduct of business.

- 10.25 The Committee will consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.
- 10.26 The Committee shall approve the appointment, remuneration, or dismissal of the Head of Risk and Compliance; such Head to have a reporting line into the Committee Chair and a right of access to the Chairman of the Board. The Committee shall also consider the reasons for resignation of the Head, should this occur.
- 10.27 The Committee shall review and challenge the ICAAP prepared by Towry Management in order to ensure it can be presented to the Board for final review and challenge. In particular, the Committee's oversight shall include ensuring:
- that all relevant risk to the Towry group, and particularly the regulated subsidiaries, have been identified in the ICAAP;
  - that the risks have been appropriately quantified along with the risk mitigants and the potential benefit of insurance policies in place; and
  - that appropriate stress tests have been undertaken.
- 10.28 The Committee will monitor the effective use of the ICAAP and the level of capital resources available in relation to regulatory requirements.
- 10.29 The Committee will review the reports of the Money Laundering Officer and the anti-money laundering procedures and controls in place.
- 10.30 The Committee will review CASS Compliance by the Towry group and will receive the External Auditors' opinion provided to the FSA on the Towry group's CASS Compliance.

## **11. Reporting to the Board**

- 11.1 Minutes will be circulated to all Board Directors and such attendees as the Chair of the Committee decides is appropriate, by the Secretary to the Committee.
- 11.2 Following meetings or the passing of written resolutions, the Chair of the Committee will report on these to the next meeting of the Board of the Company.

## **12. Reporting to Shareholders**

- 12.1 The Members of the Committee will be listed in the Annual Report of the Company.
- 12.2 A description of the Committee's activities during the year and how it has discharged its responsibilities (including the number of Committee meetings held, attendance etc.) shall also be disclosed in the Annual Report.
- 12.3 The Committee shall review and approve the statements in the Annual Report concerning internal controls, in conjunction with the Audit Committee, and any other statements that relate to risk management, including Pillar 3 disclosures.
- 12.4 The Chair of the Committee or, if unavailable, a deputy chosen from the membership, shall attend to answer questions from shareholders at the Annual General Meeting of the Company which relates to any matter within the remit of the Committee.

## **13. Terms of Reference and Committee Effectiveness**

- 13.1 The Committee will review its terms of reference and Committee effectiveness annually and recommend any changes it considers necessary to the Board for approval.

**TERMS OF REFERENCE OF COMMITTEES  
REMUNERATION COMMITTEE****1. Appointment**

1.1 The Remuneration Committee is appointed by the Towry Holdings Limited Board ("the Board") from whom it derives its authority and to which it reports on a regular basis.

**2. Authority**

2.1 The Committee is concerned with the business of the whole of the Towry group and its authority extends to all relevant matters within its terms of reference relating to the Company and its subsidiaries. The Committee is authorised by the Board to investigate any matters within its responsibilities and to seek any information that it requires in connection with its purpose and duties from any Executive Director, officer or employee of the Towry group; all employees are directed to co-operate promptly with any such request made by the Committee. Any employee may be called to be questioned by the Committee, if required. The Committee does not have any authority with respect to the remuneration of the Non-Executive Directors which is determined by the Board of the Company.

2.2 The Committee will obtain reliable and up-to-date information about remuneration in other companies. Within its terms of reference, the Committee shall have the authority to engage remuneration consultants and other professional advisers and to commission or purchase any reports, surveys or information, which it deems necessary, at the expense of the Towry group (within any budgetary constraints imposed by the Board) and to invite any consultants or advisers to attend meetings.

**3. Committee Purpose**

3.1 The principle purpose of the Committee is to:

- set the over-arching principles and parameters of remuneration policy across the Towry group; and
- consider and approve the remuneration arrangements of the Board Chairman, Chief Executive, the Executive Directors, certain senior executives and those discharging key functions.

**4. Membership**

4.1 The Committee shall consist of at least three independent Non-Executive Directors of the Company, appointed by the Board. The Board considers annually the independence of its Non-Executive Directors and the definition of independence to be applied. The Board Chairman may serve as a Member of the Committee, if he/she was considered independent on appointment as Chairman.

**5. Chair of Committee**

5.1 The Board shall appoint the Committee Chair, who shall be an independent Non-Executive Director and a Member of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining Members present shall elect one of themselves to chair the meeting. In accordance with the UK Corporate Governance Code, the Chairman of the Board shall not be Chair of the Committee.

**6. Attendance at Meetings**

6.1 Only Members of the Committee have the automatic right to attend Committee meetings. However, other individuals such as the Chairman of the Board (if not a Committee Member), other Non-Executive Board Directors, the Finance Director, Chief Executive, the Head of Employee Proposition and external advisers may be invited to attend all or part of a meeting by the Committee Chair. It is generally expected that the Chief Executive, Finance Director and Head of Employee Proposition will have standing invitations. Other employees or officers of the Towry

group may be invited by the Committee Chair to attend all or part of any Committee meeting, where appropriate, at the Chair of the Committee's discretion. Attendees may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

## **7. Frequency of Meetings**

- 7.1 The Committee will normally meet two times per year or more frequently if required, as the Chair of the Committee deems necessary, in order to fulfil the Committee's obligations and duties.
- 7.2 The Board Chairman, the Chief Executive, the Finance Director and the Head of Employee Proposition may each request the Chair of the Committee to convene a meeting at any time if any of the above considers that a meeting is necessary.
- 7.3 A meeting may be held by the 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.
- 7.4 The Committee 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.

## **8. Secretary**

- 8.1 The Company Secretary or his or her nominee shall act as the Secretary to the Committee. The Committee will be supported by the Company Secretary.

## **9. Support**

- 9.1 The Committee will be supported by the Head of Employee Proposition, who shall have independent access to the Chair of the Committee.

## **10. Quorum**

- 10.1 The quorum of the Committee shall be two, comprising the Chair of the Committee and one Non-Executive Director. In the event of difficulty in relation to achievement of a quorum, independent Non-Executive Directors who are not Members of the Committee may be co-opted as members for individual meetings.

## **11. Duties and Scope**

- 11.1 The Committee will determine and agree with the Board the framework or policy for the remuneration of the Board Chairman, Chief Executive, the Executive Directors, Senior Management Team and those considered to hold key positions in the Towry group or carrying out Significant Influence Functions within the Towry group (as defined by the FSA) or individuals whose activities have or could have a material impact on the risk profile of the Towry group, including bonuses, incentive payments, share options and other awards, pension rights and any compensation payments, as well as the package of any employee with a base salary in excess of £150,000 per annum. No Director or Manager shall be involved in any decisions regarding their own remuneration.
- 11.2 In determining such policy, the Committee will take into account all factors it deems necessary, including relevant legal and regulatory requirements and associated guidance, as well as the risk and risk management implications of its decisions. The objective of such policy shall be to ensure that the Executive Management of the Company are provided with appropriate incentives to encourage enhanced performance and that they are rewarded for their individual contributions to the success of the Towry group, in a fair and responsible manner and in line with market practice at the relevant time.
- 11.3 The Committee will review the ongoing appropriateness and relevance of the remuneration policy.

- 11.4 The Committee will be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultant or professional adviser who advises the Committee.
- 11.5 The Committee will approve the design of, and determine targets for, any performance related pay schemes operated by the Company and will approve the total annual payments made under such schemes.
- 11.6 The Committee will review the design of all share incentive plans for approval by the Board. For any such plans, the Committee will determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to be made to Executive Directors and other designated senior executives and the performance targets to be used.
- 11.7 The Committee will 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.
- 11.8 The Committee will oversee any major changes in employee benefits structures throughout the Company or Towry group.
- 11.9 The Committee will agree the policy for authorising claims for expenses from the Directors of the Company.
- 11.10 In discharging its responsibilities under these terms of reference, the Committee will work with the Risk Committee to ensure that risk factors are properly considered in setting the overall remuneration for the Towry group and, in particular, the incentive structures for the Executive Directors, Senior Management and other key professionals, as appropriate. In the event of any difference of view, these will be decided by the Board Chairman and Non-Executive Directors of the Board.

## **12. Reporting to the Board**

- 12.1 Minutes will be circulated to all Board Directors and such attendees as the Chair of the Committee decides is appropriate, by the Secretary to the Committee; if the Committee considers an issue of confidentiality in relation to an individual arises, then the relevant minute may be redacted before circulation.
- 12.2 Following meetings or the passing of written resolutions, the Chair of the Committee will report on these to the next meeting of the Board of the Company.

## **13. Reporting to Shareholders**

- 13.1 The Members of the Committee will be listed in the Annual Report of the Company.
- 13.2 A description of the Committee's activities during the year and how it has discharged its responsibilities (including the number of Committee meetings held, attendance etc.) shall also be disclosed in the Annual Report.
- 13.3 The Committee shall review and approve the Remuneration Report which will be included in the Annual Report of the Company.
- 13.4 The Chair of the Committee, or, if unavailable, a deputy chosen from the membership, will be prepared to answer questions from shareholders at the Annual General Meeting of the Company which relates to any matter within the remit of the Committee.

## **14. Terms of Reference and Committee Effectiveness**

- 14.1 The Committee will review its constitution and terms of reference and review its effectiveness annually and recommend any changes it considers necessary to the Board for approval.

**TERMS OF REFERENCE OF COMMITTEES  
CORPORATE GOVERNANCE and NOMINATIONS COMMITTEE**

**1. Appointment**

1.1 The Corporate Governance and Nominations Committee is appointed by the Towry Holdings Limited Board ("the Board") from whom it derives its authority and to which it reports on a regular basis.

**2. Authority**

2.1 The Committee is concerned with the business of the whole of the Towry group and its authority extends to all relevant matters within its terms of reference relating to the Company and its subsidiaries. The Committee is authorised by the Board to investigate any matters within its responsibilities and to seek any information that it requires in connection with its purpose and duties from any Executive Director, officer or employee of the Towry group; all employees are directed to co-operate promptly with any such request made by the Committee. Any employee may be called to be questioned by the Committee, if required.

2.2 Within its terms of reference, the Committee shall have the authority to engage independent advisers and to commission or purchase any reports, surveys or information, which it deems necessary, at the expense of the Towry group (within any budgetary constraints imposed by the Board) and to invite any advisers to attend meetings.

**3. Committee Purpose**

3.1 The principle purpose of the Committee is to:

- oversee the annual evaluation of Board and Committee effectiveness;
- take a leadership role in shaping the Towry group's corporate governance arrangements and recommend to the Board any changes to the Corporate Governance Framework; and
- identify individuals qualified to become Board Directors and make recommendations to the Board to select Board Director nominees.

**4. Membership**

4.1 The Committee shall consist of at least three Directors of the Company, appointed by the Board, the majority of which shall be Non-Executive Directors of the Company.

**5. Chair of Committee**

5.1 The Board shall appoint the Committee Chair, who shall be either the Chairman of the Board or an independent Non-Executive Director and a Member of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining Members present shall elect one of themselves to chair the meeting. A Non-Executive Director will chair meetings of the Committee when it meets to discuss the Chairman of the Board's succession or performance.

**6. Attendance at Meetings**

6.1 Only Members of the Committee have the automatic right to attend Committee meetings. However, other individuals such as the Chairman of the Board (if not a Committee Member), other Non-Executive Board Directors, the Chief Executive (if not a Committee Member), the Finance Director, the Head of Employee Proposition and external advisers may be invited to attend all or part of a meeting by the Committee Chair. It is generally expected that the Chief Executive (if not a Committee Member) will have a standing invitation. Other employees or officers of the Towry group may be invited by the Committee Chair to attend all or part of any Committee meeting, where appropriate, at the Chair of the Committee's discretion. Attendees may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

## **7. Frequency of Meetings**

- 7.1 The Committee will meet at least once per year or more frequently if required, as the Chair of the Committee deems necessary, in order to fulfil the Committee's obligations and duties.
- 7.2 The Board Chairman (if not the Chair of the Committee) and the Chief Executive may each request the Chair of the Committee to convene a meeting at any time if any of the above considers that a meeting is necessary.
- 7.3 A meeting may be held by the 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.
- 7.4 The Committee 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.

## **8. Secretary**

- 8.1 The Company Secretary or his or her nominee shall act as the Secretary to the Committee. The Committee will be supported by the Company Secretary, who may at any time consult the Chair of the Committee independently.

## **9. Quorum**

- 9.1 The quorum of the Committee shall be two, comprising at least one Non-Executive Director. In the event of difficulty in relation to achievement of a quorum, Non-Executive Directors who are not Members of the Committee may be co-opted as members for individual meetings.

## **10. Duties and Scope**

- 10.1 The Committee will oversee and periodically review the structure, composition and function of the Board and Board Committees. The Committee shall:
  - review, on an annual basis:
    - a) the total number of Board Directors;
    - b) the balance of the number of Executive and Non-Executive Board Directors;
    - c) the balance of the number of independent Non-Executive Directors;
    - d) the length of service of Board Directors;
    - e) the skill mix and industry experience of Board Directors;
    - f) responsibilities of specific Board Directors;
    - g) the scope and mix of outside experience brought to the Board; and
    - h) the independence and other time commitments of Directors and consider any changes to Directors outside interests which are advised to the Company during the course of the year.
  - review and make recommendations to the Board, at least once a year, on proposals for Board succession over the longer term, in order to maintain an appropriate balance of skills and experience and to ensure progressive refreshing of the Board.
  - make recommendations to the Board concerning:
    - a) the re-election by shareholders of Directors retiring by rotation;
    - b) renewal of terms of office of Non-Executive Directors after 6 years, based on a review of the Non-Executive Director's performance; and
    - c) any matters relating to the continuation in office of any Board Director at any time.
  - recommend to the Board, the Board Committee structure adopted by the Company and annually review that structure, making such proposals as it may consider necessary or desirable to the Board as to the creation of additional Board Committees and/or the elimination of, or changes to, existing Board Committees.

- annually review the nature and scope of each Board Committee, proposing any changes it may consider necessary or desirable to the Board.
  - assess the suitability for membership of each Board Committee and recommend to the Board, in conjunction with the respective committee chairs, where appropriate, Director nominations for each Board Committee, such recommendations to include an annual review of all Board Committee memberships together with any changes which the Committee (acting in conjunction with the respective committee chairs, where appropriate) may consider necessary or desirable during the course of the year.
  - in addition to each Board Committee's annual evaluation, review on behalf of the Board (in conjunction with the respective committee chairs, where appropriate) the terms of reference of other Board Committees and make recommendations to the relevant committees and to the Board concerning these terms of reference.
  - from time to time consider and, if appropriate given the composition of the Board, recommend an independent director to serve as the Board's Senior Independent Director.
- 10.2 To develop and recommend to the Board for its approval an annual evaluation process for the Board, its committees and Board Directors. The Committee shall oversee these annual evaluations. In association with the Chairman of the Board, review the performance of the Board and make recommendations to the Board, as necessary. The Committee will review the results of the Board performance evaluation process that relates to the composition of the Board.
- 10.3 To annually review and recommend to the Board, for its approval, any changes to the Corporate Governance Framework. The Committee will monitor the Towry group's compliance with such Framework and with applicable legal, regulatory and listing requirements and recommend to the Board such changes or additional action as it deems necessary.
- 10.4 To advise the Board, as necessary, on any additional codes, policies and procedures relating to governance matters, in light of changing business, legislative, regulatory, legal or other conditions.
- 10.5 To oversee recommendations to the Board regarding succession plans of the Chief Executive (succession planning for other Senior Management positions will continue to be monitored by the Board).
- 10.6 To review any written communications and proposals from shareholders concerning the Company's Annual General Meeting and governance process, in accordance with established procedures and make recommendations to the Board, as necessary.
- 10.7 To lead the search for individuals qualified to become Board Directors, to the extent necessary to fill vacancies on the Board, or as otherwise required by the Board. The Committee shall recommend that the Board select Director nominees (Directors appointed by the Board must stand for re-election by shareholders at the next Annual General Meeting following appointment), based on criteria developed by the Committee including the individual's personal and professional integrity, mature judgment, career history and specialisation, relevant technical skills, ability to allocate sufficient time to director duties, experience and ability related to risk assessment and risk management and the diversity (including gender) and present needs of the Board. The Committee shall periodically assess minimum qualifications for director nominees and develop a process for evaluating director nominees.
- 10.8 To conduct all necessary and appropriate inquiries into the background and qualifications of each possible director nominee. The Committee, acting by majority vote, shall have sole authority to retain and terminate any search firm employed to identify director nominees and any other retention terms. The Committee, acting by majority vote, shall also have sole authority to obtain advice and assistance from internal or external legal, accounting, or other advisors.

- 10.9 To review whether there is a satisfactory induction for new Board Directors with respect to their Board and Board Committee responsibilities and ensure that an appropriate ongoing training programme is in place for existing Board Directors and Board Committee Members, in line with market practice.
- 10.10 To delegate any of its responsibilities to sub-committees as the Committee may deem appropriate in its sole discretion.

**11. Reporting to the Board**

- 11.1 Minutes will be circulated to all Board Directors and such attendees as the Chair of the Committee decides is appropriate, by the Secretary to the Committee; if the Committee considers an issue of confidentiality in relation to an individual arises, then the relevant minute may be redacted before circulation.
- 11.2 Following meetings or the passing of written resolutions, the Chair of the Committee will report on these to the next meeting of the Board of the Company.

**12. Reporting to Shareholders**

- 12.1 The Members of the Committee will be listed in the Annual Report of the Company.
- 12.2 A description of the Committee's activities during the year and how it has discharged its responsibilities (including the number of Committee meetings held, attendance etc.) shall also be disclosed in the Annual Report.
- 12.3 The Chair of the Committee, or, if unavailable, a deputy chosen from the membership, will be prepared to answer questions from shareholders at the Annual General Meeting of the Company which relates to any matter within the remit of the Committee.

**13. Terms of Reference and Committee Effectiveness**

The Committee will review its constitution and terms of reference and review its effectiveness annually and recommend any changes it considers necessary to the Board for approval.

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

## 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 the Towry group. 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**

	<b>Towry Holdings Limited Board</b>	<b>CE (Level 1 delegation)</b>	<b>Executive Directors of the Towry Holdings Ltd Board incl. Finance Director (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<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 £1m per project	Limit of £1m 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 incl. 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 £1m per item; no cumulative limit per annum.	Limit of £1m per item, subject to a cumulative maximum of £2m 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 incl. 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

	Towry Holdings Limited Board	CE (Level 1 delegation)	Executive Directors of the Towry Holdings Ltd Board incl. Finance Director (Level 2 delegation)	BU Heads (Level 3 delegation)
<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 others (as indicated) (Level 2 delegation)</b>	<b>BU Heads (Level 3 delegation)</b>
<p><b>5.1 Comment to/contact with principal regulators:</b></p> <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.
<p><b>5.2 Contact with UK tax authorities impacting on the Towry group's proprietary tax liabilities.</b></p>	N/A	Unlimited	FD and Head of Employee Proposition unlimited  Other delegates: no delegation without approval of CE.	The FD may delegate to named finance staff. No other delegations.
<p><b>5.3 Comment to/contact with parliamentary committees and government</b></p>	N/A	Unlimited	FD: unlimited  Other delegates: no delegation without approval of CE.	Delegated to Head of Client Proposition. 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 Client Proposition.

## 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 (i.e. Finance Director)

#### Level Three:

- Head of Risk & Compliance
- Head of Employee Proposition
- Head of Client Proposition
- Head of Wealth Advice
- Chief Operating Officer