

## **Georgia Capital PLC compliance with the 2016 UK Corporate Governance Code**

Since our listing in May 2018, we have applied the main principles and complied with the Provisions of the 2016 UK Corporate Governance Code, subject to the below exceptions.

### **Combined CEO and Chairman Role**

We acknowledge that our decision to combine the roles of Chairman and CEO in a single person (Irakli Gilauri) is not compliant with provision A.2.1 of the 2016 UK Corporate Governance Code (and provision 9 of the 2018 UK Corporate Governance Code). This matter is regularly reviewed (including with our shareholders as discussed below) by the Nomination Committee and the Board. After careful consideration, the Board continues to believe that the current structure better serves our Company and recommend that it should continue. The basis for this conclusion is summarised below.

As a matter of procedure, the combination of the roles was expressly discussed with the shareholders of the Company's predecessor prior to the demerger, and described in the demerger circular and prospectus that created the Company. The demerger including this structure was approved by 100% of shareholders who voted. There has also been engagement in early 2019 by Non-Executive Directors with shareholders by letters, calls and face-to-face meetings in the United Kingdom, Europe and the USA, in which shareholders again confirmed their support for the structure. We would not want to change our structure against the wishes of our shareholders.

More importantly, we believe that combining the two roles also continues to make sense in our case as a matter of substance:

*Georgia Capital is unusual as a listed company because we manage it first and foremost as a holding company focused on investing in and developing businesses, with the result that we hold and operate a highly diversified group of companies.*

- Our central group management structure is quite small (head office has around 30 employees). It is principally at the level of the central management team at which the board provides challenge, most importantly on investment/divestment decisions through the Investment Committee as discussed below.
- The highly diverse portfolio of businesses, except for the very early stage ones, have an unusually strong measure of operating independence. Two of them are independently listed: we are a 19.9% investor in Bank of Georgia Group PLC which has its own board and is fully independent of us; and we own 57% of Georgia Healthcare Group PLC, which also has a completely separate board composed mainly of Independent Non-Executive Directors, although Irakli Gilauri sits on this board as the sole Non-Executive Director who is not independent. Each of the private portfolio companies also has its own strong CEO who operate their businesses largely on their own, with principal oversight and strategic guidance exercised by Mr Gilauri or another member of the central group management team.
- We believe that the role of a Non-Executive Chairman on top of a CEO in this environment could interfere with the lean group structure. It would also add extra cost.

*The Board is almost entirely independent and is highly experienced.*

- Other than the CEO, our Board is composed solely of independent Non-Executive Directors (six in total). As there is only one Executive Director, and each Non-Executive Director approaches the Company with true independence, the Executive Directors cannot form a block to try and convince enough independent directors to support them. Our decisions at the Board and the decisions of the Investment and Nomination Committees (on which the CEO sits) are typically reached through consensus, but ultimately it is a majority decision: the CEO does not have a veto and is heavily outnumbered.
- The Non-Executive Directors are experienced business people of particular high quality for a FTSE Small Cap and we would invite shareholders to consider their biographies and note the degree of real expertise and experience they bring to the Board. They have a diverse range of backgrounds and nationalities and each brings a fresh view and particular expertise to board discussions. The Senior Independent Director, a former partner at a top US law firm, is highly experienced in the region and is the governance lead for the Board and the Non-Executive Directors. He also chairs the Audit Committee. Previous roles for the other Non-Executive Directors include:
  - career at Goldman Sachs specialising in real estate;
  - investment officer at a major investment fund;
  - career at McKinsey with particular focus on healthcare and valuation;
  - career in banking, investment funds and investor relations; and
  - membership and experience on a number of UK boards and qualified accountant.

*The role of the Investment Committee in our company context is outsized.* The Investment Committee plays the key role for Group in making decisions on portfolio investments and exits, managing all aspects of investment policy and strategy. It scrutinises, challenges and ultimately either approves or disapproves of investment and divestment proposals and initiatives, including significant add-on investment for the existing portfolio companies. It also considers the commercial terms of major transactions (i.e. over £2.5 million). All Board members sit on the Investment Committee, but it is chaired by a Non-Executive Director, not the Chairman/CEO.

*The Group's NAV is set by the Audit Committee.* The Group's key financial and investor communications metric is its net asset value as calculated by the Audit Committee, a committee of all Independent Directors on which the CEO does not sit.

*The Non-Executive Directors exercise key secondary oversight of the private portfolio businesses.*

- Although we think of ourselves as a holding company and delegate day to day management to our portfolio companies and ongoing strategic advice to the Group CEO/Chairman and his central team, the private portfolio companies' CEOs also present directly to the Board to update them and to seek approvals on the most important capital allocation and strategic matters. In that sense, the most important decisions of our private portfolio companies are reserved for the Board.
- The Directors also engage directly with senior management and the workforce in Georgia so that there are further unfiltered channels of access. A number of Non-Executive Directors (including the Chair of the Investment Committee) regularly tour facilities and projects of the portfolio companies and meet with one or more of the portfolio company CEO/ executive management once a quarter which facilitates direct and open access.

Given the structure of the Group explained in the foregoing, the Board continues to believe the current combined Chairman/CEO structure best suits the Group and notes that the recent shareholder engagement exercise shows that its shareholders understand and support this approach.

**COMPLIANCE WITH THE 2016 UK CORPORATE GOVERNANCE CODE**

**PART 1- THE MAIN PRINCIPLES OF THE CODE**

<b>A</b>	<b>LEADERSHIP</b>	<b>COMPLIANCE</b>
1	<b>The role of the board</b> Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	<b>Complies.</b>
2	<b>Division of responsibilities</b> 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.	<b>Complies.</b>
3	<b>The Chairman</b> The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	<b>Complies.</b>
4	<b>Non-executive directors</b> As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	<b>Complies.</b>
<b>B</b>	<b>EFFECTIVENESS</b>	<b>COMPLIANCE</b>
1	<b>Composition of the board</b> 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>Complies.</b>
2	<b>Appointments to the board</b> There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	<b>Complies.</b>

3	<b>Commitment</b> All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	<b>Complies.</b>
4	<b>Development</b> All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	<b>Complies.</b>
5	<b>Information and support</b> The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	<b>Complies.</b>
6	<b>Evaluation</b> The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board did not undertake a formal effectiveness evaluation in 2018 (B.6.1) due to the comparatively short period between the Company's listing and year end 2018 and the significant proportion of Board time devoted to the Group's demerger from BGEO Group PLC, but shall undertake such a review in 2019.
7	<b>Re-election</b> All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	Mostly complies, however the Board did not undertake a formal effectiveness evaluation due to the comparatively short period between the Company's listing and year end 2018 and the significant proportion of Board time devoted to the Group's demerger from BGEO Group PLC so the results of the formal evaluation have not been included in the Notice of AGM (B.7.2), but we shall undertake such a review in 2019.
<b>C</b>	<b>ACCOUNTABILITY</b>	<b>COMPLIANCE</b>
1	<b>Financial and business reporting</b> The board should present a fair, balanced and understandable assessment of the company's position and prospects.	<b>Complies.</b>
2	<b>Risk management and internal control</b> The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	<b>Complies.</b>

<b>3</b>	<b>Audit committee and auditors</b> The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	<b>Complies.</b>
<b>D</b>	<b>REMUNERATION</b>	<b>COMPLIANCE</b>
<b>1</b>	<b>The level and components of remuneration</b> Executive directors' remuneration should be designed to promote the long-term success of the company.	<b>Complies.</b>
<b>2</b>	<b>Procedure</b> 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.	<b>Complies.</b>
<b>E</b>	<b>RELATIONS WITH SHAREHOLDERS</b>	<b>COMPLIANCE</b>
<b>1</b>	<b>Dialogue with shareholders</b> 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.	<b>Complies.</b>
<b>2</b>	<b>Constructive use of the AGM</b> The board should use general meetings to communicate with investors and to encourage their participation.	<b>Complies.</b>

**The UK Corporate  
Governance Code Part 2-  
Code Provisions**

<b>A</b>	<b>DIRECTORS</b>	<b>COMPLIANCE</b>
<b>A.1</b>	<b>The role of the board</b>	

1.1	The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	<b>Complies.</b>
1.2	The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairman and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.	<b>Complies.</b>
1.3	The company should arrange appropriate insurance cover in respect of legal action against its directors.	<b>Complies.</b>
A.2	<b>Division of responsibilities</b>	
2.1	The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.	Does not comply, see explanation above.
A.3	<b>The chairman</b>	

3.1	The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If, exceptionally, a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.	Does not comply, see explanation above.
A	<b>Non-executive directors</b>	
4.1	The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.	<b>Complies.</b>
4.2	The chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate.	<b>Complies.</b>

4.3	Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.	<b>Complies.</b>
<b>B</b>	<b>EFFECTIVENESS</b>	<b>COMPLIANCE</b>
B.1	<b>The composition of the board</b>	



<p>1.1</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• has been an employee of the company or group within the last five years;</li> <li>• 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;</li> <li>• 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;</li> <li>• has close family ties with any of the company's advisers, directors or senior employees;</li> <li>• holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;</li> <li>• represents a significant shareholder; or</li> <li>• has served on the board for more than nine years from the date of their first election.</li> </ul>	<p><b>Complies</b></p>
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1.2	Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.	<b>Complies.</b>
B.2	<b>Appointments to the Board</b>	
2.1	There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	<b>Complies.</b>
2.2	The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.	<b>Complies.</b>

2.3	Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.	<b>Complies.</b>
2.4	A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.	<b>Complies.</b>
B.3	<b>Commitment</b>	
3.1	For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.	<b>Complies.</b>

3.2	The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.	<b>Complies.</b>
3.3	The board should not agree to a full time executive director taking on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.	<b>Complies.</b>
B.4	<b>Development</b>	
4.1	The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.	<b>Complies.</b>
4.2	The chairman should regularly review and agree with each director their training and development needs.	<b>Complies.</b>
B.5	<b>Information and support</b>	
5.1	The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.	<b>Complies.</b>

5.2	All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.	<b>Complies.</b>
B.6	<b>Evaluation</b>	
6.1	The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.	<b>Complies.</b>
6.2	Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.	<b>Complies.</b>
6.3	The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.	<b>Complies.</b>
B.7	<b>Re-election</b>	
7.1	All directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re- election thereafter at intervals of no more than three years. Non-executive directors who have served longer than nine years should be subject to annual re-election. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election.	<b>Complies.</b>

7.2	<p>The board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected.</p> <p>The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.</p>	<b>Complies.</b>
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<b>C</b>	<b>ACCOUNTABILITY</b>	<b>COMPLIANCE</b>
C.1	<b>Financial and business reporting</b>	
1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.	<b>Complies.</b>
1.2	The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.	<b>Complies.</b>
1.3	In the annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.	<b>Complies.</b>
C.2	<b>Risk management and internal control</b>	
2.1	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	<b>Complies</b>

2.2	Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.	<b>Complies</b>
2.3	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	<b>Complies.</b>
C.3	<b>Audit committee and auditors</b>	
3.1	The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non- executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non- executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.	<b>Complies.</b>



3.2	<p>The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> <li>• to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;</li> <li>• to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;</li> <li>• to monitor and review the effectiveness of the company's internal audit function;</li> <li>• to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re- appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;</li> <li>• to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;</li> <li>• to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding</li> </ul>	
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	<p>the provision of non-audit services by the external audit firm, and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;</p> <ul style="list-style-type: none"> <li>to report to the board on how it has discharged its responsibilities.</li> </ul>	
3.3	<p>The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available.</p>	<b>Complies.</b>
3.4	<p>Where requested by the board, the audit committee should provide advice on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p>	<b>Complies.</b>
3.5	<p>The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.</p>	<b>Complies.</b>
3.6	<p>The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p>	<b>Complies.</b>

3.7	<p>The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor. FTSE 350 companies should put the external audit contract out to tender at least every ten years. If the board does not accept the audit committee’s recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.</p>	<b>Complies.</b>
3.8	<p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> <li>• the significant issues that the committee considered in relation to the financial statements and how these issues were addressed;</li> <li>• an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and</li> <li>• if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.</li> </ul>	<b>Complies.</b>
<b>D</b>	<b>REMUNERATION</b>	<b>COMPLIANCE</b>
D.1	<b>The level and components of remuneration</b>	

1.1	<p>In designing schemes of performance-related remuneration for executive directors, the remuneration committee should follow the provisions in Schedule A to this Code.</p> <p>Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.</p>	<b>Complies.</b>
1.2	<p>Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.</p>	<b>Complies.</b>
1.3	<p>Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements. If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding of share options could be relevant to the determination of a non-executive director's independence (as set out in provision B.1.1).</p>	<b>Complies.</b>

1.4	<p>The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. They should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss.</p>	<b>Complies.</b>
1.5	<p>Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.</p>	<b>Complies.</b>
<b>D.2</b>	<b>Procedure</b>	
2.1	<p>The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition, the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p>	<b>Complies</b>

2.2	The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of 'senior management' for this purpose should be determined by the board but should normally include the first layer of management below board level.	<b>Complies.</b>
2.3	The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. Where permitted by the Articles, the board may however delegate this responsibility to a committee, which might include the chief executive.	<b>Complies.</b>
2.4	Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules.	<b>Complies.</b>
<b>E</b>	<b>RELATIONS WITH SHAREHOLDERS</b>	<b>COMPLIANCE</b>
E.1	<b>Dialogue with shareholders</b>	
1.1	The chairman should ensure that the views of shareholders are communicated to the board as a whole. The chairman should discuss governance and strategy with major shareholders. Non-executive directors should be offered the opportunity to attend scheduled meetings with major shareholders and should expect to attend meetings if requested by major shareholders. The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in	<b>Complies.</b>

1.2	The board should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about the company, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of shareholder opinion.	<b>Complies.</b>
E.2	<b>Constructive use of General Meetings</b>	
2.1	At any general meeting, the company should propose a separate resolution on each substantially separate issue, and should, in particular, propose a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.	<b>Complies.</b>
2.2	The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company: <ul style="list-style-type: none"> <li>• the number of shares in respect of which proxy appointments have been validly made;</li> <li>• the number of votes for the resolution;</li> </ul>	<b>Complies.</b>

	<ul style="list-style-type: none"> <li>• the number of votes against the resolution; and</li> <li>• the number of shares in respect of which the vote was directed to be withheld.</li> </ul> <p>When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result.</p>	
2.3	The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend.	<b>Complies.</b>
2.4	The company should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting. For other general meetings this should be at least 14 working days in advance.	<b>Complies.</b>



**The UK Corporate Governance Code Schedule A**

<b>Schedule A</b>	<b>THE DESIGN OF PERFORMANCE-RELATED REMUNERATION FOR EXECUTIVE DIRECTORS</b>	<b>Compliance</b>
1	<p><u>Balance</u></p> <p>The remuneration committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. Remuneration incentives should be compatible with risk policies and systems.</p> <p>Upper limits should be set and disclosed.</p> <p>The remuneration committee should consider whether the directors should be eligible for annual bonuses and/or benefits under long-term incentive schemes.</p>	<b>Complies.</b>

<p>2</p>	<p><u>Share-based remuneration</u></p> <p>Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.</p> <p>Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well- considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.</p> <p>For share-based remuneration the remuneration committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the company, subject to the need to finance any costs of acquisition and associated tax liabilities. In normal circumstances, shares granted or other forms of deferred remuneration should not vest or be paid, and options should not be exercisable, in less than three years. Longer periods may be appropriate. Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.</p>	<p><b>Complies.</b></p>
<p>3</p>	<p><u>Pensions</u></p> <p>In general, only basic salary should be pensionable. The remuneration committee should consider the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.</p>	<p><b>Complies.</b></p>