

**TERMS OF REFERENCE OF THE NOMINATION & REMUNERATION COMMITTEE**

**1. ESTABLISHMENT AND PURPOSE**

The board established a committee of the board to be known as the Nomination and Remuneration Committee (the "**Committee**") at its meeting on 31 October 2016. The principal function of the Committee is to review annually the performance of the Board and its committees, make recommendations as to any changes in remuneration, and to identify any gaps in the skills and experience of the Board and its committees that may be addressed by training, or additional board members, and to identify potential new directors as required.

**2. MEMBERSHIP**

- 2.1 The Committee shall comprise at least three directors. The members of the Nominations & Remuneration Committee for the time being shall be David Warr, John Falla and Nigel Ward with Paul Craig in attendance if available.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other directors and third parties may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 2.3 Appointments to the Committee are made by the board and shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director still meets the criteria for membership of the Committee.
- 2.4 The board shall appoint the Committee chairman who should be either the chairman of the board or an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board. The chairman of the board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

**3. SECRETARY**

The company secretary or his or her nominee shall act as the secretary of the Committee.

**4. QUORUM**

The quorum necessary for the transaction of business shall be the Chairman and two non-executive Directors.

**5. FREQUENCY OF MEETINGS**

The Committee shall meet at least once a year and otherwise as required.

**6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman or any member of the Committee.

## HADRIAN'S WALL SECURED INVESTMENTS LIMITED

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- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### 7. MINUTES OF MEETINGS

- 7.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the board unless in the opinion of the Committee chairman it would be inappropriate to do so.

### 8. ANNUAL GENERAL MEETING

The Committee chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

### 9. DUTIES

The Committee should carry out the duties below

The Committee shall:

- 9.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendations to the board with regard to any changes;
- 9.2 give full consideration to succession planning taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;
- 9.3 keep under review the leadership needs of the board, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 9.4 be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- 9.5 before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity on the board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
- 9.5.1 consider the use of open advertising or the services of external advisers to facilitate the search;
- 9.5.2 consider candidates from a wide range of backgrounds; and

## HADRIAN'S WALL SECURED INVESTMENTS LIMITED

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- 9.5.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender, taking care that appointees have enough time available to devote to the position.
- 9.6 for the appointment of a chairman or non-executive director to the board, the Committee should prepare a job specification, including the time commitment expected. A proposed candidate's other significant commitments should be disclosed to the board before appointment and any changes to those commitments should be reported to the board as they arise;
- 9.7 the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;
- 9.8 ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside board meetings;
- 9.9 review the results of the annual board performance evaluation process that relate to the composition of the board;
- 9.10 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- 9.11 work and liaise as necessary with all other board Committees; and
- 9.12 monitor remuneration trends.

The Committee shall also make recommendations to the board concerning:

- 9.13 formulating plans for succession for non-executive directors and in particular for the key role of chairman;
- 9.14 suitable candidates for the role of senior independent director, if deemed necessary;
- 9.15 membership of the Audit & Risk Committee, and any other board Committees as appropriate, in consultation with the chairman of those Committees;
- 9.16 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of knowledge, skills and experience required;
- 9.17 the re-election by shareholders of directors under the annual re-election provisions of the Code or the retirement by rotation provisions in the company's articles of incorporation and the AIC Code of Corporate Governance, having due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the board (particularly in relation to directors being re-elected for a term beyond nine years);

## HADRIAN'S WALL SECURED INVESTMENTS LIMITED

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- 9.18 any matters relating to the continuation in office of any director at any time;
- 9.19 the appointment of any director to executive or other office;
- 9.20 determine and agree with the board the framework or broad policy for the remuneration of the Chairman and non-executive directors;
- 9.21 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee; and to obtain reliable and up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations.

### **10. REPORTING RESPONSIBILITIES**

- 10.1 the Committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 the Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 the Committee shall produce a report to be included in the company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.
- 10.4 the report referred to in 9.3 above should include a statement 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.

### **11. REVIEW**

The Committee shall, at least annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### **12. OTHER MATTERS**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 12.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and

## HADRIAN'S WALL SECURED INVESTMENTS LIMITED

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- 12.4 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

### **13. AUTHORITY**

- 13.1 The Committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 13.2 In connection with its duties, the Committee is authorised by the board to obtain, at the Company's expense, any outside legal or professional advice.

Approved by the Committee on 23 January 2017

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