

Palace Capital plc

Nomination Committee terms of reference

1. Constitution

- 1.1. The Committee was constituted by the board of directors in accordance with the articles of association of the Company.

2. Role

The role of the Committee is to:

- 2.1. Ensure that there is a formal, rigorous and transparent procedure for appointments to the board.
- 2.2. Lead the process for appointments and make recommendations to the board.
- 2.3. Assist the board in ensuring its composition is regularly reviewed and refreshed, taking into account the length of service of the board as a whole, so that it is effective and able to operate in the best interests of shareholders.
- 2.4. Ensure plans are in place for orderly succession to positions on the board and senior management, including the company secretary.
- 2.5. Oversee the development of a diverse pipeline for succession.
- 2.6. Work and liaise with other board committees, as appropriate, including the remuneration committee in respect of any remuneration package to be offered to any new appointee of the board

3. Duties and Terms of Reference

3.1. Composition of the Board and senior management

The Committee shall carry out the following duties for the Company and advise the board appropriately:

- a) regularly review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the board and its committees, and make recommendations to the board with regard to any changes;
- b) keep under review the leadership needs of the organisation, relating both to the board and senior management, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- c) keep up to date and fully informed about the strategic and commercial issues and priorities and main trends and factors affecting the long-term success and future viability of the Company and the market in which it operates; and
- d) prepare a policy on the promotion of diversity and inclusion on the board and in senior management which promotes the gender balance of those in senior management and their direct reports and consider setting measurable objectives and targets.

3.2. Succession planning

- a) in the course of its work, give full consideration to succession planning for directors and senior management, based on merit and objective criteria and taking into account the challenges and opportunities facing the Company, the skills,

experience, independence, knowledge and diversity needed on the board in the future, the length of service of the board as a whole and the need for its membership to be regularly refreshed;

- b) satisfy itself that plans are in place for orderly succession for appointments to the board and senior management; and
- c) oversee the development of a diverse pipeline for succession, having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

3.3. Appointments to the board

- a) be responsible for identifying and nominating for the board's approval, candidates from diverse backgrounds to fill board vacancies as and when they arise;
- b) consider proposals for the reappointment or promotion of directors and also any proposal for their dismissal, retirement, non-reappointment or any substantial change in their duties or responsibilities or the term of their appointment;
- c) before the board makes any appointment, evaluate the balance of skills, experience, independence, knowledge and diversity on the board, and the future challenges affecting the Company, and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and set the process to identify, sift and interview suitable candidates. In identifying suitable candidates, the Committee shall:
 - i. use such methods as it deems appropriate, including the use of open advertising or the services of external advisers to facilitate the search;
 - ii. consider candidates from diverse backgrounds;
 - iii. consider candidates on merit, against objective criteria and with due regard for promoting the benefits of diversity on the board, including of gender, social and ethnic backgrounds, and cognitive and personal strengths, taking care that appointees have enough time available to devote to the position;
- d) for the appointment of a chair, prepare a job specification, including the time commitment expected;
- e) before appointment, require proposed appointees, including the chair, to disclose other significant commitments to the board indicating the time involved;
- f) 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, involvement outside board meetings and the induction process;
- g) ensure that all directors offer themselves for annual re-election by shareholders having regard to their performance and ability to continue to contribute to the board and the Company's long-term sustainable success, in the light of the knowledge, skills and experience required and the length of service of the board as a whole and its membership being regularly refreshed; and
- h) keep under review the number of external appointments held by each director.

3.4. Induction and training

- a) ensure that all new directors undertake an appropriate induction programme to ensure that they are fully informed about the Company's main areas of business activity, including those involving significant risk, and the strategic priorities and commercial issues affecting the Company and the markets in which it operates as well as their duties and responsibilities as a director; and
- b) consider any training requirements for the board and senior management, both collectively and in respect of individual members.

3.5. Conflicts of interest

- a) before appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest; and
- b) keep under review potential conflicts of interests of directors disclosed to the Company and develop appropriate processes for managing such conflicts if the Committee considers this to be necessary.

3.6. Board evaluation

- a) assist the chairman of the board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the board and its committees, including consideration of balance of skills, experience, independence and knowledge of the Company, its diversity, how the board works together as a unit, and other factors relevant to the board's effectiveness;
- b) review the results of the board performance evaluation process that relate to the composition of the board, its diversity and how effectively the members of the board work together to achieve objectives;
- c) review the results of the performance evaluation of the Committee; and
- d) review annually the time required from non-executive directors, including the chair and senior independent director. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.

3.7. Board recommendations

The Committee shall make recommendations to the board, as appropriate, on the following:

- a) the appointment of any director to executive or other office including the chair of the board, taking into account the need for continuity versus freshness of approach;
- b) suitable candidates for the role of senior independent director;
- c) membership and chairship of the audit and risk and remuneration committees, and any other board committees, as appropriate, in consultation with the chair of those committees;
- d) formulating succession plans for both executive and non-executive directors and in particular for the key roles of chair and chief executive;
- e) 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 and the Company's long-term sustainable success, in the light of the knowledge, skills and experience required and the length of service of the board as a whole and its membership being regularly refreshed;

- f) re-election by shareholders of directors in accordance with the retirement by rotation provisions in the articles of association, having regard to their performance and commitment to the role and their contribution to the Company's long-term sustainable success and
- g) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company, subject to the provisions of the law and their service contract.

4. Membership

- 4.1. The members of the Committee shall be appointed by the board of directors. The members of the Committee should ordinarily be Independent non-executive directors. The board shall appoint the chairman of the Committee who should be either the Executive Chairman of the Company or an Independent non-executive director. The Executive Chairman of the Company shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.
- 4.2. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of three years provided the director still meets the criteria for the membership of the committee.
- 4.3. The Committee shall have at least two members consisting of the Executive Chairman and the Independent Non-Executive Director. Other Directors may exceptionally be members of the Committee.
- 4.4. The company secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. QUORUM

- 5.1. The quorum necessary for the transaction of business at a Committee meeting shall be one member. If there is difficulty in achieving a quorum, directors, who are not members of the Committee and are not conflicted, may be co-opted as members for individual meetings.
- 5.2. A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Voting Arrangements

- 6.1. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 6.2. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal Interest, that member shall not be permitted to vote at the meeting.
- 6.3. Save where he or she has a personal interest, the Committee chair will have a casting vote.

7. Attendance at Meetings

7.1. The Committee will meet at least twice a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as otherwise requested.

7.2. Only members of the Committee have the right to attend Committee meetings but other directors and persons (such as the chief financial officer) and external advisers may be invited to attend all or part of any meeting as and when appropriate.

8. Notice of Meetings

8.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members.

8.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than three working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and other attendees (as appropriate) at the same time.

9. Authority

9.1. The Committee is authorised by the board of directors to examine any activity within its terms of reference and is authorised to have unrestricted access to the company's external auditors and to obtain, at the company's expense, professional advice on any matter within its terms of reference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

10. Reporting

10.1. The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted by the Company Secretary. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be submitted to the board of directors as a formal record of the decisions of the Committee on behalf of the board of directors unless it would be inappropriate to do so.

10.2. The chairman of the Committee shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.3. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

10.4. The Committee shall produce a report to be included in the Company's annual report including any matters required by the Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority describing its work, including:

- i. its activities, the membership of the Committee, number of meetings and attendance over the course of the year;
- ii. the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;

- iii. identifying in the annual report any external search consultancy that has been engaged, together with a statement about any other connection it has with the Company or individual directors;
- iv. how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and its influence on board composition;
- v. identifying in the annual report any external evaluator together with a statement about any other connection it has with the Company or individual directors; and
- vi. a description of the board's policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and the gender balance of those in the senior management and their direct reports.

11. General Matters

- 11.1.** The chair of the Committee should make themselves available at each annual general meeting of the company to answer questions concerning the Committee's work.
- 11.2.** The Committee shall arrange for periodic reviews of its own performance and, at least once a year, 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 of directors for approval.
- 11.3.** The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 11.4.** The Committee shall give due consideration to all laws and regulations as appropriate.