



AO PLC (the "Company")
TERMS OF REFERENCE FOR THE NOMINATION COMMITTEE

1. CONSTITUTION

1.1 The Committee has been established by resolution of the board of directors of the Company (the "**Board**") and is to be known as the Nomination Committee.

2. MEMBERSHIP

2.1 The Board shall appoint the chairman of the Nomination Committee (the "**Chairman**"). Subject to paragraph 7.5 below, the Chairman shall be the chairman of the Board or an independent non-executive director of the Company. In the absence of the Chairman and an appointed deputy (if any), 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.

2.2 The members of the Nomination Committee shall be appointed by the Board from amongst the directors of the Company, in consultation with the Chairman.

2.3 The Nomination Committee shall consist of at least three members and at least one of the members of the Nomination Committee shall be an independent non-executive director of the Company.

2.4 Appointments to the Nomination Committee shall be for a period of up to three years, which may be extended for two further three-year periods.

2.5 The Board shall regularly review the membership of the Nomination Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals.

3. QUORUM

A quorum shall be two members one of whom must be an independent non-executive director. A duly convened meeting of the Nomination 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 Nomination Committee.

4. ATTENDANCE AT MEETINGS

4.1 No one other than the Chairman, and members, of the Nomination Committee is entitled to be present or vote at a meeting of the Nomination Committee.

4.2 However, other individuals such as the chairman of the Board, chief executive, chief financial officer, members of senior management, head of human resources and external advisers may be invited by the Nomination Committee to attend for all or part of any meeting as and when appropriate.

5. SECRETARY

5.1 The Company Secretary or his or her nominee shall act as the secretary of the Nomination Committee (the "**Secretary**").

5.2 The Secretary shall ensure that the Nomination Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

5.3 The Secretary shall keep a record of:

5.3.1 the membership of, and the dates of any changes to the membership of, the Nomination Committee;

5.3.2 any person who, or firm which provides search consultancy services to or otherwise materially assists the Nomination Committee.

6. **FREQUENCY OF MEETINGS**

Meetings shall normally be held at such times as the Nomination Committee deems appropriate, and in any event shall be held not less than twice a year.

7. **PROCEEDINGS**

7.1 Unless varied by these terms of reference, meetings and proceedings of the Nomination Committee will be governed by the provisions of the Company's Articles of Association regulating the meetings and proceedings of directors.

7.2 Meetings of the Nomination Committee shall be called by the Secretary at the request of any member thereof.

7.3 Unless otherwise agreed or determined by the chairman of the Nomination Committee, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be sent to each member of the Nomination Committee, any other person required to attend and all other non-executive directors not later than 48 hours prior to the date of the meeting.

7.4 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Secretary shall record the proceedings and resolutions of meetings of the Nomination Committee, including the names of those present and in attendance. The Secretary shall circulate the draft minutes of such meetings to all members of the Nomination Committee promptly. Once agreed, the minutes shall be circulated by the Secretary to all members of the Board, unless a conflict of interest exists or the Nomination Committee decides it would be inappropriate to do so.

7.5 The chairman of the Board shall not chair the Nomination Committee when it is dealing with the matter of succession to the chairmanship, in which case the members of the Nomination Committee, other than the chairman of the Board, shall appoint a chairman in accordance with paragraph 2.1.

8. **AUTHORITY**

8.1 The Nomination Committee is authorised by the Board at the expense of the Company to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties, and all employees are directed to co-operate with any requests made by the Nomination Committee.

8.2 The Nomination Committee is authorised by the Board to obtain external legal or other professional advice at the expense of the Company but within any budgeting restraints imposed by the Board and to secure the attendance of third parties with relevant experience and expertise at meetings of the Nomination Committee if it considers this necessary.

8.3 These terms of reference may be amended from time to time by the Board.

9. **DUTIES**

The Nomination Committee shall be responsible for all aspects of the appointment of directors of the Company and the duties of the Nomination Committee shall be:

- 9.1 to regularly review the structure, size and composition of the Board (including the balance of skills, experience, independence and knowledge on the Board) taking into account the Company's current requirements, the results of the Board performance evaluation process that relate to the composition of the Board, and the future development of the Company, and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 9.2 to identify, nominate and recommend for the approval of the Board, candidates to fill board vacancies as and when they arise, including in relation to executive directors their appointment to an executive position with the Company;
- 9.3 to make recommendations to the Board regarding the board's policy on boardroom diversity;
- 9.4 to review, and make recommendations to the Board on, the implementation of the Board's policy on boardroom diversity and to report to the Board on progress made in achieving any objectives set out in the policy;
- 9.5 to consider candidates from a wide range of backgrounds and consider candidates and make recommendations for appointments on merit and against objective criteria and, with due regard for the benefits of diversity on the Board, including gender;
- 9.6 before beginning to search for candidates for a particular appointment, to prepare a written description of the role and capabilities required, and the time commitment expected, for that appointment having evaluated the balance of skills, experience, independence and knowledge already on the Board;
- 9.7 to seek advice from external advisers or use open advertising (or both), if appropriate, in relation to seeking and selecting candidates for any appointments;
- 9.8 to review a candidate's other commitments, disclose any significant commitments to the board prior to appointment, and ensure that, on appointment, a candidate has sufficient time to undertake the role. In particular, if the candidate is to be appointed as a full time executive director of the Company, to ensure he is not a non-executive director of more than one, or the chairman of any, FTSE 100 company;
- 9.9 prior to the appointment of any director, to obtain from the proposed appointee details regarding any other business interests which may result in a conflict of interest and to ensure that consideration is given to whether these need to be approved by the Board prior to appointment;
- 9.10 to satisfy itself with regard to succession planning, that processes and plans are in place for orderly succession for appointments to both the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board and to recommend processes and plans for successions to the extent necessary;
- 9.11 to ensure that the Company maintains a dialogue with shareholders about succession planning, the appointment of directors and the work of the Nomination Committee;
- 9.12 to make recommendations to the Board regarding the membership of the Audit Committee and Remuneration Committee and any other Board committees as appropriate in consultation with the chairmen of those committees;
- 9.13 to make recommendations to the Board regarding suitable candidates for the role of senior independent director;

- 9.14 to keep under review the leadership needs of the Company and the group, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 9.15 to ensure that on appointment, all executive directors receive a formal service contract setting out clearly what is expected of them;
- 9.16 to ensure that on appointment, all non-executive directors receive formal written terms of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings (and make such terms available for inspection);
- 9.17 to liaise with the Remuneration Committee in relation to the remuneration of newly-appointed executive directors (within the scope of the directors' remuneration policy approved by shareholders) and senior management;
- 9.18 to make recommendations to the Board regarding the appointment of any director to executive or other office (except for the positions of chairman and chief executive, which shall be matters for the Board);
- 9.19 to review annually the time needed to fulfil the role of chairman, senior independent director and each non-executive director (taking into account committee memberships) and, with reference to the annual performance evaluation, to review whether all members of the Board have devoted sufficient time to their duties;
- 9.20 to investigate and make recommendations to the Board concerning any matters relating to the continuation in office as a director of any director at any time;
- 9.21 to make recommendations to the Board on the proposal for the re-election by shareholders of any director under the retirement and re-election provisions in the Company's Articles of Association and the UK Corporate Governance Code (the "**Governance Code**") having due regard to their performance (and the results of any formal performance evaluation) 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 six years);
- 9.22 as regards the re-appointment of any non-executive director, to review performance of the non-executive director, at the conclusion of his or her specified term of office taking into account the results of the performance evaluation conducted by the Board, to assist the Board in making the disclosures required under the Governance Code;
- 9.23 to make recommendations to the Board regarding (i) the procedures in place (or to be put in place) for the authorisation of conflict matters falling within section 175 of the Companies Act 2006 ("**the 2006 Act**"), (ii) the authorisation of any conflict matter arising for any director of the Company, and (iii) the terms and conditions which should attach to such authorisation;
- 9.24 to assist in the drafting of the section in the Company's Annual Report relating to the activities of the Nomination Committee in accordance with the Governance Code and to liaise with the Board in relation to the same;
- 9.25 to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 9.26 to ensure that it is in a position to justify all of its actions and proposed courses of action;
- 9.27 in exercising its powers, to take into account the duties of directors under the common law and under Chapter 2 of Part 10 of the 2006 Act including, in particular, section 172 of the 2006 Act, which requires a director to act in a way he considers, in good faith, would be

most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- 9.27.1 the likely consequences of any decision in the long term,
 - 9.27.2 the interests of the company's employees,
 - 9.27.3 the need to foster the company's business relationships with suppliers, customers and others,
 - 9.27.4 the impact of the company's operations on the community and the environment,
 - 9.27.5 the desirability of the company maintaining a reputation for high standards of business conduct, and
 - 9.27.6 the need to act fairly as between members of the company;
- 9.28 to promptly provide the Board with such information as may be necessary or desirable in the opinion of the Board to enable the Board to monitor its conduct in order that each member of the Board may fulfil his duties and responsibilities as a director;
- 9.29 to have regard, in the performance of the duties set out in this clause, to any applicable laws and regulations including, to the Governance Code, the Listing Rules, the Disclosure and Transparency Rules, and any published guidelines or recommendations on corporate performance on environmental, social and governance issues (in particular the guidelines published by the Association of British Insurers and the National Association of Pension Funds) which the Nomination Committee considers relevant or appropriate;
- 9.30 at least once a year to review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- 9.31 to ensure that these terms of reference are made available on the Company's website in accordance with the Governance Code.

10. **REPORTING TO SHAREHOLDERS**

- 10.1 A section of the Annual Report shall describe the work of the Nomination Committee, which shall include:
- 10.1.1 a description of the process used by the Nomination Committee in relation to board appointments;
 - 10.1.2 a description of the board's policy on diversity, including gender diversity, any measurable objectives the Nomination Committee has set for implementing the policy and progress on achieving the objectives;
 - 10.1.3 where neither an external search consultancy nor open advertising has been used in the appointment of the chairman of the Board or a non-executive director, an explanation as to why not; and
 - 10.1.4 where an external search consultancy has been used, the consultancy should be identified in the annual report and a statement made regarding any other connections the consultancy has with the Company; and
 - 10.1.5 where relevant, an explanation of the impact of any changes to the Chairman's significant time commitments outside of the Company.

11. **ANNUAL GENERAL MEETING**

The Chairman shall be available at the Annual General Meeting to answer questions on the Nomination Committee's activities and procedures.