

OPERATING POLICIES AND PROCEDURES

Appointment and Evaluation of Directors Policy and Procedures

1 January 2019

1. Background and Introduction

- 1.1 The directors, employees and committee members of the PIDG Companies should have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively.
- 1.2 The search for directors should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.
- 1.3 The boards of the PIDG Companies should satisfy themselves that plans are in place for orderly succession for appointments to the boards so as to maintain an appropriate balance of skills and experience within each board and to ensure progressive refreshing of the board.
- 1.4 PIDG Ltd.'s approval shall be required for all board appointments before the PIDG Trust gives its approval as shareholder of the PIDG Company, except that the PIDG Owners' approval shall be required for all board appointments of PIDG Ltd.

2. Appointments Committee

- 2.1 The Board of PIDG Ltd shall delegate the appointment of directors of the PIDG companies to an Appointments Committee that shall:
 - a. make plans for the orderly succession for appointments to each Board so as to maintain an appropriate balance as set out in paragraph 1.1 above;
 - b. recommend the extension of any directors' term to the Board of PIDG Ltd; and
 - c. manage the recruitment and evaluation of directors in line with this Appointment and Evaluation of Directors Policy and Procedures.
- 2.2 No more than two directors on any board (assuming a board of at least 5) shall be due to retire in any year.
- 2.3 The Appointments Committee shall have clear terms of reference, explaining its role and the authority delegated to it by the Board of PIDG Ltd.
- 2.4 No member of an Appointments Committee should be a close friend or family member of any candidate, or have any other similar conflict of interest. If such a conflict arises in relation to any recruitment, s/he should step down from the Appointments Committee and be replaced by another Director for that recruitment.

3. Recruitment Procedure

- 3.1 The recruitment procedure must be open, formal, rigorous and transparent:
- a. a candidate specification for each position shall be approved by the Appointments Committee;
 - b. an advertisement should be placed in publication(s) most appropriate to securing candidates who meet the terms of reference. A copy of the advert should be placed on the relevant PIDG Company's website and on www.pidg.org and sent to all PIDG Owners and PIDG Companies for circulating throughout PIDG networks;
 - c. a long-list of candidates will be reviewed by the Appointments Committee to develop a short-list of candidates for interview; and
 - d. the Appointments Committee shall effect the appointment of the approved candidate, obtaining shareholder approval, any references and commissioning any enhanced due diligence on a candidate as the Appointments Committee thinks is required (enhanced due diligence is required on all directors of PIDG Ltd).
- 3.2 The candidate specification for each position must include an accurate assessment of time commitment, recognising the need for availability in the event of crises, particularly in relation to the position of Chair of boards or committees. They should accurately reflect all elements of the role and should state both the essential and desirable criteria in terms of skills, aptitudes, knowledge and experience that are required, all of which should be directly related to the position and applied equally to all applicants. Care should be taken when drawing up the terms of reference to avoid including criteria that may have the effect of indirectly discriminating against certain groups of applicants.
- 3.3 Advertisements should be based on the candidate specification and identify a number of the essential criteria in order to maximise the number of suitably qualified applicants.
- 3.4 Applications shall be by covering letter and curriculum vitae.
- 3.5 Appointments will be based on merit and all applicants should be assessed against the terms of reference and should meet the essential criteria as a minimum. Care must be taken to ensure that appointees have enough time available to devote to the job, that they will be able to freely discuss and make judgements about any matter requiring their attention and that they are able to freely discuss strategy without any conflicts of interest.
- 3.6 The appointment of a politically exposed person should be avoided, unless the political exposure is/was in a low risk jurisdiction.
- 3.7 Interview panels shall be responsible for agreeing a selection method suitable for assessing both the essential and desirable criteria in the terms of reference. Interview questions and the structure of the interview should be consistently applied to all candidates and should be based on the terms of reference.
- 3.8 Interviewers shall take notes recording the salient points of each interview so that they can be used when assessing candidates against the terms of reference and making decisions.

- 3.9 In the event that a candidate requests feedback about their performance in the selection process this should be arranged by the Chair of the interview panel, although s/he may delegate this to another member of the interview panel where appropriate.
- 3.10 Unsuccessful interview candidates should be dealt with courteously and sensitively and should as a minimum receive written notification of the outcome of the selection process.
- 3.11 Where there is disagreement amongst the interview panel as to the successful candidate the majority view shall prevail.
- 3.12 Information sought from referees should be structured around the requirements of the position and the terms of reference should be provided. It should be noted that many organisations have a policy of not providing personal references and therefore references provided may only confirm details of current appointment. Referees should not be contacted without the candidate's consent and the information provided should be treated as confidential and should be used only to verify information collected through the selection process.
- 3.13 All individuals involved in the recruitment process must treat documents relating to all applicants with the utmost confidentiality and in accordance with applicable data protection legislation.
- 3.14 The recruitment procedure may be adjusted where the Appointments Committee considers there are good reasons for why this is appropriate in a particular case.
- 3.15 The executive team of PIDG Ltd shall be responsible for the induction of new directors and to ensure that each director is aware of the Code of Conduct and the PIDG OPPs.

4. Terms and Conditions of Appointment

- 4.1 Successful candidates will be required to enter into a service contract for an initial term of up to 3 years, which may be extended for two further three year terms (or, if the initial period is less than three years, such longer periods as shall bring the total period of service to no more than nine years, but with no period to be longer than five years).
- 4.2 A further one-year extension may be permitted in exceptional circumstances on a "comply or explain basis" taking into account the need to progressively refresh the board.
- 4.3 The service contract shall set out the number of days the director is expected to spend on PIDG business each year.
- 4.4 Current levels of remuneration are set out in the Remuneration Policy and Procedures.

5. Evaluation of Directors

- 5.1 The performance of each director shall be reviewed on an annual basis by the Chair of the Board, who may use such external support as s/he requires to undertake such reviews.
- 5.2 The Chair of the Board of PIDG Ltd. shall be responsible for annual performance evaluations of the Chairs, taking into account the views of the directors. The Chair of PIDG Ltd. may use

such external support as required to undertake such reviews. The annual performance of the Chair of the Board of PIDG Ltd shall be evaluated by another director of PIDG Ltd, using such external support as required to undertake such reviews.

5.3 Before consideration of the renewal of each director's term and at least once every three years, the Board of PIDG Ltd shall commission an independent external evaluation of the director concerned. The Board of PIDG Ltd. shall discuss the findings of the evaluation with the director. The findings of such reviews shall inform the process of reappointment for each director.

5.4 The Board of PIDG Ltd shall be responsible for an annual performance evaluation, and at least once every three years an independent external evaluation, of the board of each other PIDG Company and at least once every three years the PIDG Owners shall commission an independent external evaluation of the Board of PIDG Ltd. The Board of PIDG Ltd. shall discuss the findings of the evaluations with the Chair of the relevant PIDG Company.

6. Lender Nominated Directors

6.1 In order to avoid conflicts of interest, lenders (or other third parties) should be discouraged from requiring the right to appoint directors to the board of any PIDG Company and such appointments should only be made on an exceptional basis.