

**SPEEDY HIRE PLC**

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**UK CORPORATE GOVERNANCE CODE**

**COMPLIANCE STATEMENT**

**Approved and adopted by the  
Board on 30 March 2011**

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**SPEEDY HIRE PLC**  
**CORPORATE GOVERNANCE**  
**COMPLIANCE STATEMENT**

**CONTENTS**

	<u>Page</u>
<b>Introduction</b>	1
<b>Corporate Governance Code compliance statement</b>	2
<b>Appendix I</b>	
Schedule of Matters Reserved for Decision by the Board	20
<b>Appendix II</b>	
Procedure for Directors Taking Independent Professional Advice	24
<b>Appendix III</b>	
Nominations Committee: Terms of Reference	26
<b>Appendix IV</b>	
Remuneration Committee: Terms of Reference	27
<b>Appendix V</b>	
Audit Committee: Terms of Reference	29
<b>Appendix VI</b>	
Statement of Division of Responsibilities between Chairman and Chief Executive	32
<b>Appendix VII</b>	
Role of the Senior Independent Director	35

**SPEEDY HIRE Plc**

**UK CORPORATE GOVERNANCE CODE - COMPLIANCE STATEMENT**

**(As approved and adopted by the Board on 30 March 2011)**

**INTRODUCTION**

The purpose of this document is to record how the Company complies with Sections A to E (inclusive) of the UK Corporate Governance Code published by the Financial Reporting Council and which is applicable for reporting years beginning on or after 29 June 2010 (the "**Corporate Governance Code**" or "**Code**"). Each of the provisions of the Code are quoted in this document and, against each provision, the Board gives a brief statement of how the Company complies. Those compliance statements also refer to the terms of reference of the Nominations, Remuneration and Audit Committees of the Board and, for convenience, these are included in the Appendices.

This compliance statement has been formally adopted by the Board for the purposes of the Code.

The compliance statement provides the basis upon which the Directors will report on corporate governance matters in the Company's Annual Report and Accounts in accordance with LR 9.8.6R (6).

It also provides the source material for the auditors to undertake their review of the Company's compliance with the relevant provisions of the Code upon which the Auditors are obliged to report in accordance with paragraph LR 9.8.10R (2).

An earlier version of this statement was adopted by the Board on 22 May 2008. In March 2011 a review was undertaken and the compliance statement was revised and updated to reflect changes in the Code, corporate governance best practice and in the size and membership of the Board. This revised and updated statement was adopted by the Board on 30 March 2011.

By Order of the Board

**Suzana Koncarevic**  
Company Secretary

## SPEEDY HIRE Plc

### UK CORPORATE GOVERNANCE CODE - COMPLIANCE STATEMENT

Set out below in italics is the text of each paragraph of the Code and, below each paragraph of the Code, the Board's statement as to compliance by the Company.

#### **A. DIRECTORS**

##### **A.1 The Board**

###### *Main Principle*

*Every company should be headed by an effective board; which is collectively responsible for the long-term success of the company.*

###### *Supporting Principles*

*The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.*

*All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties.*

- A.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.*

The Board normally meets at least ten times per annum for scheduled Board meetings, including an off-site meeting to solely discuss strategy. The Board also meets as required on an *ad hoc* basis to deal with urgent business, including the consideration and approval of transactions; the *ad hoc* meetings include meetings by telephone and video conference.

The Board has approved a schedule of matters reserved for decision by the Board. This schedule is set out in Appendix I. The Board has resolved to include in the annual report a high level statement regarding its operation, the types of decisions it takes and matters delegated to management.

- A.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 chairmen and members of the board committees. It should also set out the number of meetings of the board and its committees and individual attendance by directors.*

The posts of Chairman and Chief Executive are held by Ishbel Macpherson and Steven Corcoran respectively. The Board includes four independent Non-Executive Directors, Peter Atkinson, Michael Averill and James Morley, who together bring a strong and independent non-executive element to the Board. The Senior Independent Director is Michael Averill.

The Remuneration Committee comprises the three Non-Executive Directors and is chaired by Michael Averill.

The Nominations Committee comprises the three Non-Executive Directors together with the Chairman and is chaired by Ishbel Macpherson.

The Audit Committee comprises James Morley, Peter Atkinson and Michael Averill and is chaired by James Morley.

Attendance at meetings of the Board and relevant Committee meetings is disclosed in the annual report.

- A.1.3. *The company should arrange appropriate insurance cover in respect of legal action against its directors.*

Appropriate insurance cover is arranged and maintained via the Company's insurance brokers, Marsh.

## **A.2 Division of Responsibilities**

### *Main Principle*

*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.*

- A.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.*

The posts of Chairman and Chief Executive are held by Ishbel Macpherson and Steven Corcoran respectively. A statement of the division of responsibilities between the Chairman and the Chief Executive is set out at Appendix VI.

## **A.3 The Chairman**

### *Main Principle*

*The Chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.*

### *Supporting Principles*

*The chairman is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The chairman should also promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.*

*The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. The chairman should ensure effective communication with shareholders.*

- A.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.*

The Board considers that the Chairman, Ishbel Macpherson, on appointment as Chairman met and continues to meet the independence criteria set out in B.1.1 below. It is the policy of the Board that the Chief Executive should not go on to become Chairman.

#### **A.4 Non-executive Directors**

##### *Main Principle*

*As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.*

##### *Supporting Principle*

*Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.*

- A.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.*

The senior independent Director is Michael Averill and his availability to shareholders in the event that such concerns arise is noted in the annual report. A description of the role of the Senior Independent Director is set out in Appendix VII.

- A.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.*

The Chairman and other Non-Executive Directors meet regularly – usually at least twice a year. In addition, the Chairman regularly briefs the other Non-Executive Directors on relevant developments regarding the Company as necessary.

The Senior Independent Director, Michael Averill, and the other Non-Executive Directors meet at least annually without the Chairman present to appraise the Chairman's performance as part of the overall annual board appraisal process.

- A.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.*

The minutes of all meetings of the Board and each Committee are taken by the Group Company Secretary. In addition to constituting a record of decisions taken, the minutes reflect questions raised by Directors relating to the Company's businesses and, in particular, issues arising from the monthly reports included in the Board or Committee papers circulated prior to the relevant meeting. Any unresolved concerns are recorded in the minutes.

On resignation concerns (if any) raised by an outgoing Non-Executive Director are circulated by the Chairman to the remaining members of the Board.

## **B. EFFECTIVENESS**

### **B.1 The Composition of the Board**

#### *Main Principle*

*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.*

#### *Supporting Principles*

*The board should be of sufficient size that the requirements of the business can be met and that changes to the board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.*

*The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking.*

*The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.*

*No one other than the committee chairman and members is entitled to be present at a meeting of the nomination, audit or remuneration committee, but others may attend at the invitation of the committee.*

*B.1.1. 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:*

- has been an employee of the company or group within the last five years;*
- 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;*
- 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;*
- has close family ties with any of the company's advisers, directors or senior employees;*
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;*
- represents a significant shareholder; or*
- has served on the board for more than nine years from the date of their first election.*



The Board considers that all of the Non-executive Directors are independent, on the basis of the criterion specified above and generally, are all free from any business or other relationship which could materially interfere with the exercise of their independent judgement and the Board will confirm their independence in the annual report.

- B.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.*

There are, in addition to the Chairman, three independent Non-executive Directors on the Board, out of a total of seven. The respective experience and backgrounds of the Non-executive directors clearly indicate that they are of sufficient calibre and number for their views to carry significant weight in the Board's decisions.

## **B.2 Appointments to the Board**

### *Main Principle*

*There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.*

### *Supporting Principles*

*The search for board candidates 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.*

*The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to 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.*

- 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.*

The Board has established a Nomination Committee. Its terms of reference are set out in Appendix III. The Nomination Committee comprises the three independent Non-Executive Directors together with the Chairman. It is chaired by the Chairman, Ishbel Macpherson. It meets formally as necessary, but at least once a year.

The terms of reference of the Nomination Committee are published on the Company's website.

- 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.*

The principal functions of the Nomination Committee are to consider and review the structure and composition of the Board and membership of Board Committees. It considers candidates for Board nomination both at Plc and Operating level, including job description, re-election to the Board for those candidates retiring by rotation and succession planning.

- 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.*

The letters of appointment of the Non-executive Directors confirm that the appointment in each case is for a specified term and re-appointment is not automatic.

- 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. 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.*

Since 2004, a separate section has been included in the Company's annual report.

### **B.3 Commitment**

#### *Main Principle*

*All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.*

- 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 included in the next annual report.*

A specification for the role of the Chairman including anticipated time commitment is included as part of the written statement of division of responsibilities between Chairman and Chief Executive at Appendix VI. Details of the Chairman's other material commitments are disclosed to the Board in advance and a register of the same maintained by the Group Company Secretary for inclusion in the annual report.

- 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.*

The terms and conditions of appointment of all the Non-Executive Directors, and those of the Chairman, are available for inspection at the Company's registered office during normal business hours.

Each letter of appointment specifies the anticipated level of time commitment including, where relevant, additional responsibilities derived from involvement

with the Audit, Remuneration or Nominations Committees. Details of other material commitments are disclosed to the Board and a register of the same maintained by the Group Company Secretary.

- 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.*

None of the Directors is a Non-Executive Director/Chairman of a FTSE 100 Company.

#### **B.4 Development**

##### *Main Principle*

*All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.*

##### *Supporting Principles*

*The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors' knowledge and capabilities.*

*To function effectively, all directors need appropriate knowledge of the company and access to its operations and staff.*

- 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.*

The Board offers appropriate training to any Director whose appointment to the Board is the first appointment of that Director to the Board of a listed company. The Directors also recognise the importance of ongoing training and education particularly regarding new laws and regulations which relate to or affect the Company. Such training and education will be obtained by the Directors individually through the Company or through other companies of which they are Directors. In addition, an ongoing training programme has been developed in conjunction with Ashridge Business School for members of operating management.

New Non-executive directors are encouraged to visit and, if possible, receive experience of operating companies at all levels.

The Chairman and the Company Secretary meet on a regular basis to discuss corporate governance and other issues including, inter alia, information flows, induction and training programmes for Directors and operational management.

- B.4.2. The chairman should regularly review and agree with each director their training and development needs.*

The chairman annually reviews and agrees with each director any training and development requirements they may have.

## **B.5**      **Information and Support**

### *Main Principle*

*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.*

### *Supporting Principles*

*The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.*

*Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management non-executive directors, as well as facilitating induction and assisting with professional development as required.*

*The company secretary should be responsible for advising the board through the chairman on all governance matters.*

- 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.*

*Procedures are in place to enable directors to take independent professional advice, if necessary, at the Company's expense, in the furtherance of their duties. These are set out at Appendix II.*

- 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.*

*The Board has resolved that all Directors should have access to the advice and services of the Group Company Secretary, who ensures that Board procedures are followed and that applicable rules and regulations are complied with. The removal of the Company Secretary is a matter specifically reserved for decision by the Board.*

## **B.6**      **Evaluation**

### *Main Principle*

*The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.*

### *Supporting Principle*

*The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.*

*Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).*

- 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.*

The Chairman appraises all Board members annually and the annual report contains details of the evaluation.

- B.6.2 Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. A statement should be made available of whether an external facilitator has any other connection with the company.*

From time to time the company has engaged an external adviser to prepare, and review the findings of, board questionnaires. The annual report contains a statement to this effect.

- 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 the executive directors.*

The Non-Executive Directors, led by the senior independent director, Michael Averill, appraise the Chairman having taken into account the views of the Executive Directors. The Board has resolved to set out in the annual report the basis of the appraisal process.

## **B.7 Re-election**

### *Main Principle*

*All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.*

- 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.*

Under the Company's Articles of Association, all Directors are subject to election by shareholders at the first Annual General Meeting following appointment and all Directors are subject to the retirement by rotation provisions of the Articles of Association and those provisions require re-election at intervals of no more than three years.

The Board has resolved that sufficient biographical details of all the Directors, including those subject to election or re-election, will be included in the annual report and on the Company's website. Shareholders will therefore be in a position to take an informed decision on any election or re-election.

- B.7.2. 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. 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.*

The Board has resolved that, in relation to re-elections of Non-Executive Directors, an explanation as to why such persons should be elected shall be

included in the relevant circular together with confirmation by the Chairman as to effective performance and demonstrable commitment to the role.

## **C ACCOUNTABILITY**

### **C.1 Financial and Business Reporting**

#### *Main Principle*

*The board should present a balanced and understandable assessment of the company's position and prospects.*

#### *Supporting Principle*

*The board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.*

- C.1.1. *The directors should explain in the annual report their responsibility for preparing the annual report and accounts and there should be a statement by the auditor about their reporting responsibilities.*

The Board has resolved that the Directors will comply with this Code provision and a statement of responsibility will continue to be included in the Company's Annual Report and Accounts.

- C.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.*

The Board has resolved that it will comply with this Code provision with effect from its reporting year commencing on 1 April 2011.

- C.1.3. *The directors should report in annual and half-yearly financial statements that the business is a going concern, with supporting assumptions or qualifications as necessary.*

The Board has resolved that it will comply with this Code provision with effect from its reporting year commencing on 1 April 2011.

### **C.2 Risk Management and Internal Control**

#### *Main Principle*

*The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.*

- C.2.1. *The board should, at least annually, conduct a review of the effectiveness of the group's system of internal controls and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls and risk management systems.*

The Board, via the Audit Committee, conducts a review, at least annually, of the Group's system of internal controls. Such review, in relation to which the Audit Committee seeks the assistance of KPMG, examines all material controls, including financial, operational and compliance controls and risk management systems.

A formal report is prepared by KPMG and reviewed by the Audit Committee in the presence of KPMG, the Chief Executive, the Group Finance Director and the head of Group's Internal Audit function. The findings and recommendations of the Committee are then reported to the Board for detailed consideration.

The Board has resolved that, on the basis of such process, it will report to shareholders that such review has been carried out annually.

### **C.3 Audit Committee and Auditors**

#### *Main Principle*

*The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.*

- C.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.*

The Board has constituted an Audit Committee. Its terms of reference are set out in Appendix V and those terms of reference are compatible with this Code provision. The members of the Committee are James Morley, Peter Atkinson and Michael Averill and the Committee is chaired by James Morley. The Board is satisfied that James Morley has recent and relevant financial experience.

- C.3.2. *The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:*

- *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;*
- *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;*
- *to monitor and review the effectiveness of the company's internal audit function;*
- *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;*
- *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;*
- *to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding 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.*



The terms of reference of the Audit Committee include, but are not limited to, all of the above matters.

- C.3.3 *The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available. A separate section of the annual report should describe the work of the committee in discharging those responsibilities.*

The terms of reference of the Audit Committee, its role and delegated authority are set out in this document which is available for inspection at the Company's registered office during normal business hours. The terms of reference of the Audit Committee are also published on the Company's website.

The Company's annual report includes a separate section relating to such matters.

- C.3.4 *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.*

A new "whistle-blowing" procedure was adopted during the financial year ended 31 March 2008 following a review with an independent external body and these procedures will continue to be regularly reviewed and monitored.

- C.3.5 *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.*

The effectiveness of the Group's internal audit function is one of the matters reviewed in conjunction with KPMG under C.2.1. above.

- C.3.6 *The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. 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.*

The Audit Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. The Board has resolved to include the statements specified in C.3.6 in the unlikely event that it takes a different position on any such issues from the Audit Committee.

- C.3.7 *The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.*

The annual report includes a statement as to the proportion of non-audit services provided by the external auditors. The policy of the Audit Committee is to ensure auditor objectivity and independence is safeguarded at all times. Specifically, non-audit services, including taxation advice and due diligence in connection with significant acquisitions, are regularly put out to tender to other external accounting firms.

## **D. REMUNERATION**

### **D.1 The Level and Components of Remuneration**

#### *Main Principle*

*Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

#### *Supporting Principles*

*The performance-related elements of executive directors' remuneration should be stretching and designed to promote the long-term success of the company.*

*The remuneration committee should judge where to position their company relative to other companies. But they should use such comparisons with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance.*

*They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.*

#### *Remuneration policy*

- D.1.1. In designing schemes of performance-related remuneration, the remuneration committee should follow the provisions in Schedule A to this Code.*

The performance-related elements of the remuneration of the executive directors form a significant proportion of their total remuneration packages. The performance related elements are the bonus schemes in which the Executive Directors are entitled to participate and the participation by the Executive Directors in the Company's Performance Share Plan and Co-Investment Plan as approved by shareholders in July 2004. The Remuneration Committee, with the assistance of advice from Hewitt New Bridge Street ("**New Bridge Street**"), reviews on a regular basis the Company's remuneration policy including the design of performance-related remuneration schemes.

Those performance-related elements have been designed with a view to aligning the interests of the Executive Directors with those of shareholders and to incentivise performance at the highest level.

- D.1.2. 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.*

The Board has resolved that an appropriate statement be included in the remuneration report should relevant circumstances arise. At the date of approval of this Statement, no Executive Director serves as a Non-Executive Director elsewhere.

- D.1.3. 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).*

Levels of remuneration payable to Non-Executive Directors are regularly benchmarked, with the assistance of external advisors, against companies of a similar size. The levels of remuneration also reflect the time commitment and responsibilities of each role including, where relevant, chairmanship of Board committees.

The Board has resolved that remuneration for Non-Executive Directors should not include share options.

- D.1.4. 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.*

On a regular basis, the Remuneration Committee, with the assistance of the Company Secretary, considers the compensation commitments the Executive Directors' service contracts would entail in the event of early termination. The Committee also from time to time considers the advantages of liquidated damage clauses in service contracts. In any event, the Committee's policy remains that compensation for termination of the service contract of an Executive Director would not be paid in the case of removal for misconduct and that a robust line should be taken as regards departing Directors' obligations to mitigate loss.

- D.1.5. 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.*

The service contracts of all the Executive Directors provide for termination by the Company on one year's notice.

## **D.2 Procedure**

### *Main Principle*

*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*

### *Supporting Principles*

*The remuneration committee should consult the chairman and/or chief executive about their proposals relating to the remuneration of other executive directors. The remuneration committee should also be responsible for appointing any consultants in respect of executive director remuneration. Where executive directors or senior management are involved in advising or supporting the remuneration committee, care should be taken to recognise and avoid conflicts of interest.*

*The chairman of the board should ensure that the company maintains contact as required with its principal shareholders about remuneration.*

- D.2.1. 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, a statement should be made available of whether they have any other connection with the company.*

The Board has constituted a Remuneration Committee. Its terms of reference are set out in Appendix IV and those terms of reference are compatible with this Code provision. The Remuneration Committee consists exclusively of the four Non-Executive Directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Chairman and the Chief Executive regularly attend by invitation but are not present for discussions relating to their own remuneration.

The Remuneration Committee has appointed Hewitt New Bridge Street to advise it in relation to the design of appropriate executive remuneration structures. Hewitt New Bridge Street have no other connection with the Company.

The terms of reference of the Remuneration Committee are published on the Company's website.

- D.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.*

The responsibilities of the Remuneration Committee include setting remuneration policy, ensuring that the remuneration (including pension rights and compensation payments) and terms of service of the Executive Directors, the Chairman, the Company Secretary and the tier of operating management immediately below the Board are appropriate and that they are fairly rewarded for the contribution which they make to the Group's overall performance. It is also responsible for the allocation of shares under the Performance Plan and Co-Investment Plan approved by shareholders and in accordance with agreed performance criteria. In addition, it monitors current best practice in remuneration and related issues.

- D.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.*

The Board has resolved to delegate this responsibility to a committee established for this purpose. The remuneration of Non-executive Directors will be reviewed and determined by a committee comprising the Chief Executive and Group Finance Director. See also the response to D.1.3 above.

- D.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.*

The Board has resolved that all new long-term incentive schemes (as so defined) and significant changes to existing schemes shall be specifically

approved by shareholders. In addition, as part of the Company's commitment to transparency as regards its remuneration policy and continuous dialogue with shareholders, the Chairman of the Remuneration Committee, Michael Averill, holds regular discussions with shareholders to take soundings on the Company's remuneration policy generally and, in particular, the principal key aspects of features of any proposed new incentive schemes.

## **E RELATIONS WITH SHAREHOLDERS**

### **E.1 Dialogue with Shareholders**

#### *Main Principle*

*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.*

#### *Supporting Principles*

*Whilst recognising that most shareholder contact is with the chief executive and finance director, the chairman (and the senior independent director and other directors as appropriate) should maintain sufficient contact with major shareholders to understand their issues and concerns.*

*The board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.*

- E.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 meetings with major shareholders and should expect to attend them 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 order to help develop a balanced understanding of the issues and concerns of major shareholders.*

The Chairman routinely attends brokers' and analysts' presentations in relation to the Company's interim and full year results. The Chairman, with assistance from the Company's brokers, collates feedback from such presentations and reports the findings to the next meeting of the Board.

The Chairman maintains a regular dialogue with major shareholders in relation to inter alia, strategy and corporate governance issues.

Michael Averill, the senior independent director, holds regular meetings with shareholders, and has agreed to attend sufficient meetings with shareholders to enable him to develop appropriate understanding of their concerns.

- E.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 their company, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of shareholder opinion.*

See response at E.1.1 above in relation to collation of feedback from analysts/brokers meetings and meetings with institutional shareholders.

### **E.2 Constructive use of the AGM**

#### *Main Principle*

*The board should use the AGM to communicate with investors and to encourage their participation.*

D.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 should 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 votes for and against the resolution.*

The Company's AGM procedures comply with this Code provision.

D.2.2. *The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, 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:*

- *the number of shares in respect of which proxy appointments have been validly made;*
- *the number of votes for the resolution;*
- *the number of votes against the resolution; and*
- *the number of shares in respect of which the vote was directed to be withheld.*

The Company's normal form of notice of AGM and the Company's AGM procedures comply with this Code provision.

D.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.*

All Committee Chairmen (or their deputies if any of them are unavoidably absent) are available to answer questions at each AGM.

D.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.*

The Company's standard procedure is to arrange for the notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting.

**SCHEDULE OF MATTERS RESERVED FOR DECISION**

**BY THE BOARD**

(Revised and updated in May 2008 and  
adopted by the Board on 22 May 2008)

In this Appendix:

"**Board**" means the Board of the Company;

"**Company**" means Speedy Hire Plc;

"**Director**" means a Director of the Company;

"**Group**" means the Company and its subsidiaries and subsidiary undertakings for the time being;

"**Levels of Authority**" means the document described as such and as approved by the Board from time to time and being the document which describes the authorities for decision-making by Directors and others in the Group; and

"**Listing Rules**" means the Listing Rules of the UK Listing Authority.

The following matters are reserved to the Board for decision:

Audit and Financial Reporting

1. Approval of interim and final financial statements and interim management statements.
2. Approval of the annual report and accounts, including the corporate governance statement and remuneration report.
3. Approval of dividend policy.
4. Declaration of the interim dividend and recommendation of the final dividend and any proposal to offer shares instead of a cash dividend.
5. Approval of any significant change in accounting policies or practices which the Auditors have advised would be a material change.
6. Remuneration of the Auditors and recommendations for appointment, re-appointment or removal of the Auditors.

Finance, Capital Structure and Banking

7. Approval of the appointment or termination of the appointment of bankers, bank facilities, borrowing from banks or financial institutions, and the issue of guarantees, indemnities and letters of comfort to bankers, the extent to which the assets of the Group are pledged as security, treasury policies, the issue of foreign exchange exposures, hedging arrangements, banking facility levels and internal and external banking covenants (other than as required pursuant to facilities previously approved by the Board).



8. Approval of the issue of shares or other securities by subsidiaries (other than to other members of the Group).
9. Approval of the issue of guarantees or indemnities relating to liabilities of subsidiaries.
10. Changes relating to the Company's capital structure (including reduction of capital, share issues (except under employee share plans), share buy backs and the use of treasury shares) or its listing or status as a public limited company.
11. Approval of the appointment or removal of the Company's stockbrokers.

#### Internal Controls

12. Approval of any matters requiring Board approval under the Levels of Authority.
13. Approval of any changes to the Levels of Authority.
14. Approval of the Group's insurance strategy and risk management policies and any material changes thereto.
15. Approval of the terms of any Directors' and officers' liability insurance.
16. Approval of business plans and budgets for the Group.
17. Approval of (and significant changes to) the Group's internal control and risk management systems including receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives, undertaking an annual assessment of those processes and including an appropriate statement for inclusion in the annual report.

#### Stock Exchange/Listing Authority

18. Approval of share issues.
19. Approval of all circulars to shareholders, prospectuses and any financial promotions under the Financial Services and Markets Act 2000.
20. Approval and publication of announcements and press releases concerning matters decided by the Board.
21. Changes to the Model Code for dealings in shares of the Company.

#### Board, Board Committees, Management, Officers and Advisers

22. Appointment (following recommendations by the Nomination Committee) and removal of Directors.
23. Terms of reference or job description of any Director.
24. Appointment or removal of the Company Secretary.
25. Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee.
26. Ensuring adequate succession planning for the Board and senior management, following recommendations from the Nomination Committee.
27. Selection of the Chairman of the Board and the Chief Executive.

28. Appointment of the Senior Independent Director.
29. Determination of procedures to be followed when, exceptionally, decisions are required between Board meetings.
30. Terms of reference, membership and chairmanship of Board Committees.
31. Determination of the Group's policy regarding appointments/removals of Directors and officers of subsidiaries and senior employees.
32. Changes to the Group's management and control structure.
33. Appointment and termination of appointment of any corporate advisers referred to in the Company's Annual Report and Accounts.
34. Determining the independence of Non-executive Directors.

#### Group Strategy and Transactions

35. Approval of the Group's strategic plans
36. Approval of the authorisation procedure for capital and special non-recurring revenue expenditure including the financial limits delegated by the Levels of Authority;
37. Approval of individual capital projects of the Group where the costs exceed the limits or is otherwise outside the criteria delegated by the Levels of Authority;
38. Approval of the acquisition or disposal of land, property or capital assets of the Group where consideration exceeds limits or is otherwise outside the criteria delegated by the Levels of Authority;
39. Approval of the acquisition or disposal by the Group of the whole or part of a business or shares in a company, including the establishment or termination of partnerships, joint venture companies and strategic alliances.
40. Extension of the Group's activities into new business or geographic areas.
41. Any decision to cease to operate all or any material part of the Group's business.

#### Remuneration, Employee benefits and Expenses

42. Approval of policies and framework for executive remuneration including remuneration of Executive Directors and senior employees.
43. Major changes to the other employee benefits applicable to all employees of the Group.
44. The introduction of new share incentive plans, or major changes to existing plans, to be put to shareholders for approval.
45. Approval to any action to eliminate any deficiency in a pension scheme.
46. Approval of major redundancy schemes affecting more than 25 employees.
47. Approval of the appointment of the Chairman of the trustees and of the appointment of any trustees of any pension scheme.
48. Approval of the amount of employer's and employee's contributions to any pension schemes.

### Litigation

49. The prosecution, defence and settlement of litigation which is likely to or would require disclosure in the Company's Annual Report and Accounts or in any event where the liability exceeds £50,000.

### Other policies

50. The determination of standards of conduct and ethics for the Group and associated policies, including the Group's corporate social responsibility policy.
  51. The approval of and changes to the Group's environmental policies.
  52. The approval of and changes to the Group's health and safety policies.
  53. Formulation of policy regarding charitable and political donations.
  54. The location of the Company's registered office.
  55. Approval of the levels of self-insured risk and the level of cover for insured risks.
1. This schedule of matters reserved for decision by the Board.

**SPEEDY HIRE Plc**  
**PROCEDURE FOR DIRECTORS TAKING INDEPENDENT**  
**PROFESSIONAL ADVICE**

(Adopted by the Board on 9 March 2004)<sup>1</sup>

If a Director considers it necessary to take independent professional advice concerning his or her duties or responsibilities as a Director he or she should be entitled to do so at the Company's expense subject to the limitations set out below and subject to complying with the following procedure:

1. In the first instance a Director who requires such professional advice shall be free to contact the Company's advisers and in some circumstances this would be preferable to seeking independent professional advice. However, it is recognised that in certain circumstances a Director may require independent professional advice. The provisions of paragraph 2 below shall apply to professional advice taken from the Company's advisers as it does to taking advice from independent professional advisers.
2. The procedure which a Director must follow (unless the Board otherwise resolves) is as follows:
  - (a) A Director shall give prior notice to the Chairman (with a copy to the Company Secretary) of his or her intention to seek independent professional advice and shall provide the name(s) of any professional advisers he or she proposes to instruct together with a brief summary of the subject matter. In the Chairman's case, he shall give prior notice to the Senior Independent Director (with a copy to the Company Secretary).
  - (b) The Company Secretary shall provide a written acknowledgement of receipt of the notification.
  - (c) The Director should obtain written authorisation to incur fees up to a maximum amount of £5,000 plus VAT. Such authorisation will not be unreasonably withheld. If further advice is required which would incur fees beyond the above amount of £5,000 plus VAT then the Director must seek further written authorisation; such authorisation will, again, not be unreasonably withheld.
  - (d) Where a Director is required to seek authorisation under sub-paragraph (c) above, that authorisation must be given either: by the Chairman (unless the Director seeking the authorisation is the Chairman) or,  
  
at the option of the Director seeking authorisation or in the case of the Chairman, by two other Directors, one of whom shall be a Non-executive Director.
3. Independent professional advice for the purposes of this procedure shall include legal advice, the advice of accountants and advice on regulatory matters. It shall exclude advice concerning the personal interests of the Directors concerned, such as advice:
  - (a) to a Director regarding his or her service contract with the Company or his or her dealings in the Company's securities; or

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<sup>1</sup> Reviewed in May 2008 but no amendments were felt necessary.

- (b) in relation to disputes between a Director and the Company on the terms of employment or appointment or service contract of that Director; or
  - (c) in connection with the exercise of commercial judgement by a Director in the normal course of fulfilling the responsibilities and duties as a Director of the Company or the Group.
- 4. For the avoidance of doubt, the procedure and limitations set out in this Appendix shall not apply to Executive Directors acting in the furtherance of their executive responsibilities and within their delegated powers.
- 5. Any advice obtained under this procedure shall be made available to the other members of the Board, if the Chairman so requests.

**SPEEDY HIRE Plc**

**THE NOMINATIONS COMMITTEE**

**TERMS OF REFERENCE**

(Revised and updated in May 2008 and

adopted by the Board on 22 May 2008)

1. There shall be a Committee of the Board to be known as "The Nominations Committee".
2. The objectives of the Nominations Committee shall be:-
  - a) to ensure that that the Company has a formal and transparent procedure for the appointment of new executive and non-executive directors to the Board;
  - b) to ensure that the Company has in place appropriate succession planning for key individuals; and
  - c) to ensure that the Company reviews the membership and balance of the board, identifying the skills needed and those individuals who might best provide them, in accordance with the UK Corporate Governance Code<sup>2</sup>.
3. The Committee shall comprise the Chairman and all the other Non-Executive Directors. A quorum shall be two members.
4. The Chairman shall be the Chairman of the Committee, save when the Committee is considering succession to the role of Chairman, in which case the Senior Independent Director will chair the Committee.
5. The Company Secretary shall be the Secretary of the Committee and shall keep an appropriate record of its proceedings. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
6. Meetings shall be held not less than once a year.
7. The Committee is authorised to obtain outside independent professional advice relevant to its duties.
8. The Committee will review its own performance annually.
9. The Committee shall be responsible for:-
  - a) making recommendations to the Board on all new appointments to the Board and to senior management;
  - b) reviewing regularly the board structure, size and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary;
  - c) identifying and nominating candidates for the approval of the Board, to fill vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman;

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<sup>2</sup> Formerly the Combined Code on Corporate Governance.

- d) before any appointment is made by the Board, evaluating the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the committee shall:-
  - i) where appropriate in the view of the Committee, use open advertising or the services of external advisers to facilitate the search;
  - ii) consider candidates from a wide range of backgrounds; and
  - iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- e) reviewing the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- f) reviewing annually the time required from non-executive directors, including using performance evaluation to assess whether the non-executive directors are spending enough time to fulfil their duties;
- g) making recommendations to the Board for the appointment and continuation (or not) in service of a non-executive director;
- h) making recommendations to the Board as to the membership of the audit and remuneration committees in consultation with the chairmen of those committees;
- i) making recommendations as to whether directors who are retiring by rotation should be put forward for re-election having given regard to their performance and their ability to continue to contribute to the Board in light of the knowledge, skills and experience required.
- j) making recommendations to the Board concerning suitable candidates for the role of senior independent director; and
- k) making recommendations to the Board concerning 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.

**SPEEDY HIRE Plc**

**REMUNERATION COMMITTEE**

**TERMS OF REFERENCE**

(Revised and updated in May 2008 and

adopted by the Board on 22 May 2008)

- 1 There shall be a Committee of the Board to be known as "The Remuneration Committee".
- 2 The Committee will comprise preferably three or more, but in any event not less than two independent Non-executive Directors, excluding the Chairman (who may attend by invitation). As at the date of adoption of this statement, all the independent Non-executive directors are members of the Committee.
- 3 The Board will nominate one of the members of the Committee to act as Chairman of the Committee's meetings. As at the date of adoption of this statement the Chairman of the Committee is Ishbel Macpherson.
- 4 The Company Secretary shall be the Secretary of the Committee and shall keep appropriate minutes of its proceedings.
- 5 Two members of the Committee shall constitute a quorum.
- 6 Committee meetings shall be held not less than twice a year.
- 7 The Committee shall be authorised to take such external advice as it shall consider appropriate to determine the remuneration, terms of service and incentives of the Executive Directors and Senior Executives of the Group and to commission such external reports or surveys as deems appropriate. Where the Committee is seeking advice from external remuneration consultants or other professional advisers, it shall have sole responsibility for selecting, appointing and setting the terms of reference of any the consultants.
- 8 The Committee shall have no authority in relation to the remuneration of the Non-executive Directors.
- 9 The Committee shall have regard to and shall comply with the Code and the Listing Rules relating to remuneration committees or remuneration of Directors, and shall also have regard to any authoritative best practice guidelines for remuneration committees published from time to time.
- 10 The Committee will review its own performance annually and will seek to ensure that all members of the Committee obtain appropriate training to ensure that they are able to perform their role as Committee members effectively.
- 11 The duties of the Remuneration Committee shall be:
  - (a) to make recommendations to the Board on the Company's framework of executive remuneration and its cost
  - (b) to review and determine on behalf of the Board the remuneration and incentive packages of the Company's Executive Directors and Senior Executives of the



Group to ensure that the Company's Executive Directors and Senior Executives are rewarded in a fair and responsible manner for their individual contributions to the Company's overall performance; the review of remuneration and incentive packages should be both on appointment and on each occasion that changes to those packages are proposed. In determining the remuneration and incentive packages of individual Executive Directors or Senior Executives of the Group the Remuneration Committee should:

- (i) provide the packages needed to attract retain and motivate Executive Directors and Senior Executives of the Group of the quality required but should avoid paying more than is necessary for this purpose;
  - (ii) judge where to position the Company relative to other companies; the Committee should be aware of what comparable companies are paying and should take account of relative performance - but the Committee should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance;
  - (iii) be sensitive to the wider scene, including pay and employment conditions elsewhere in the Group especially when determining annual salary increases;
  - (iv) include performance-related elements of remuneration as a significant proportion of the total remuneration packages and those elements should be designed to align the interests of Executive Directors and Senior Executives of the Group with those of shareholders and to encourage enhanced performance at the highest levels; and
  - (v) in designing schemes of performance related remuneration, follow the provisions in Schedule A to the Code;
- (c) to review and approve from time to time Directors' expenses;
- (d) to be responsible, in each case in accordance with the Listing Rules, the Companies Act 2006 and the Large And Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 for preparing a report for the Board to the Company's shareholders or, if the Board so requires, for reporting to the Company's shareholders, on behalf of the Board, in relation to remuneration policies applicable to Executive Directors, drawing attention to factors specific to the Company;
- (e) to determine the basis on which the employment of the Company's Executive Directors and of the Senior Executives of the Group is terminated; where a service contract does not explicitly provide for compensation commitments or liquidated damages for termination without cause by the Company, the Committee should, within legal constraints, tailor its approach in individual early termination cases to the particular circumstances surrounding the termination; the broad aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect any obligation to mitigate loss on the part of the departing Executive Director or Senior Executive of the Group;
- (f) to design the Company's share option, share incentive schemes and performance related pay schemes and to operate and administer such schemes in accordance with the respective rules thereof; the Committee shall make recommendations to the Board as to any adjustments to the terms of such schemes and as to proposals intended for submission to shareholders in relation to such schemes;

- (g) to determine whether awards made under performance related and share incentive schemes should be made, the overall amount of the awards, the individual awards to Executive Directors and Senior Management of the Group and the performance targets to be used;
- (h) to ensure that no director or manager shall be involved in any decisions as to their own remuneration;
- (i) to review regularly the ongoing appropriateness and effectiveness of all remuneration policies;
- (j) to oversee any material changes in employee benefits throughout the Group;
- (k) to determine the policy of the Group in relation to pension arrangements for the Executive Directors and Senior Management of the Group;

**SPEEDY HIRE Plc**  
**THE AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

(Revised and updated in May 2008 and  
adopted by the Board on 22 May 2008)

1. There shall be a Committee of the Board to be known as "The Audit Committee".
2. The Committee will comprise preferably three or more, but in any event not less than two independent Non-executive Directors, excluding the Chairman. As at the date of adoption of this statement, all the independent Non-executive directors are members of the Committee. The Code requires that at least one member of the Committee should have "recent and relevant financial experience". As at the date of the adoption of this statement, the Committee comprises David Galloway as Chairman<sup>3</sup> (a Chartered Accountant by training), Ishbel Macpherson<sup>4</sup> (who has over twenty years experience in investment banking), Peter Atkinson (Chief Executive of another fully listed company) and Michael Averill (who holds a Master of Business Administration degree).
3. Two members of the Committee shall constitute a quorum.
4. The Chairman of the Committee shall be appointed by the Board and as at the date of adoption of this statement the Chairman of the Committee is Mr David Galloway.
5. The Chief Executive and the Group Finance Director and other Board members and a representative of the Auditor may attend meetings by invitation of the Committee.
6. The Company Secretary shall be the Secretary of the Committee and shall keep appropriate minutes of its proceedings which shall be circulated to all Directors of the Company and, if the Committee so chooses, to the Auditor.
7. Meetings shall be held not less than three times a year, to discuss general audit matters, the interim and full year report and any interim management or other trading statements. The Auditor may request a meeting if they consider that one is necessary.
8. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed by the Board to co-operate with any request made by the Committee.
9. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.

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<sup>3</sup> On 8 May 2009, James Morley succeeded David Galloway as Chairman of the Audit Committee. Mr Galloway tendered his resignation as a director with effect from 31 May 2009.

<sup>4</sup> On 1 January 2011, on her appointment as Chairman of the Company, Ishbel Macpherson stepped down from the Audit Committee.

10. The Committee will review its own performance annually and will seek to ensure that all members of the Committee obtain appropriate training to ensure that they are able to perform their role as Committee members effectively.
11. The duties of the Committee shall be:
  - (a) To consider the appointment of the Auditor, the audit fee and any questions of resignation or dismissal.
  - (b) To discuss with the Auditor before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
  - (c) To keep under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Auditor; to determine and keep under review the Group's policy on the recruitment of former employers of the Auditor; to monitor the rotation of the audit partner appointed by the Auditor and to review the auditor's quality control procedures.
  - (d) Where the Auditor also supplies a substantial volume of non-audit services to the Company, to keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
  - (e) To monitor the integrity of the Company's financial statements generally and to review the half year and annual financial statements before submission to the Board, focusing particularly on:
    - (i) any change in accounting policies and practices;
    - (ii) major judgmental areas;
    - (iii) significant adjustments resulting from the audit;
    - (iv) the going concern assumption;
    - (v) non-compliance with accounting standards;
    - (vi) compliance with Stock Exchange and legal requirements;
    - (vii) compliance with best practice in the area of financial reporting and accounting;
    - (viii) methods used to account for significant or unusual transactions;
    - (ix) the clarity of disclosure in the financial statements generally; and
    - (x) the material information accompanying the financial statements such as any Operating and Financial Review, Business Review and corporate governance report or statement, to the extent relevant to audit and to risk management.
  - (l) To review, consider and approve any interim management statements before release to a regulatory information service.
  - (f) To consider problems and recommendations arising from the interim and final audits and any matters the Auditor may wish to raise (in the absence of management where necessary).

- (g) To monitor the effectiveness of the Group's internal audit function and in particular to:
  - (i) approve the appointment and removal of the internal auditor;
  - (ii) approve the remit of the internal auditor and its resources, freedom to operate and access to information throughout the Group;
  - (iii) review management's response to internal audit reports and recommendations;
  - (iv) meet, at least once each year, with the internal auditor without management or executive directors present; and
  - (v) ensure the internal auditor has direct and unfettered access to the Chairman of the Board and the members of the Audit Committee.
  
- (h) To keep under review the effectiveness of the Group's internal control systems and to review the Company's statement on internal control systems prior to discussion by the Board, and to report to the Board regularly and to make recommendations to the Board regarding the effectiveness of the Group's internal control systems. The Committee's reviews should include:
  - (i) authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by the Group;
  - (ii) response to the significant risks which have been identified by management and others;
  - (iii) monitoring of reports relating to the Group's internal control systems by management;
  - (iv) the maintenance of a control environment directed towards the proper management of risk; and
  - (v) annual reporting procedures.
  
- (i) To review the Auditor's management letter and management's response.
  
- (j) To consider the major findings of any internal investigations and management's response.
  
- (k) To consider periodically an assessment by the Auditor of the quality of accounting and senior finance personnel in the Group.
  
- (l) To review and consider any working capital forecasts required in connection with any circulars to shareholders or related documents prior to approval by the Group Board.
  
- (m) To ensure that adequate arrangements are put in place by which employees of the Group may, in confidence, raise concerns about possible improprieties or wrongdoing in the financial reporting or other activities of the Group; to keep under review the effectiveness of such arrangements and to monitor any concerns which are raised by employees pursuant to such arrangements. In doing this, the Committee shall ensure that the arrangements allow proportionate and independent investigation of concerns raised and any appropriate follow-up action.

- (n) To review and monitor the Group's procedures for detecting fraud.
- (o) To review and monitor the co-ordination and interaction between the Auditor and the internal audit function.
- (p) To review the Group's treasury management policies.
- (o) To consider other topics as defined by the Board from time to time.

**SPEEDY HIRE Plc**

**STATEMENT OF DIVISION OF RESPONSIBILITIES**

**BETWEEN CHAIRMAN AND CHIEF EXECUTIVE**

(Revised and updated in May 2008 and  
and adopted by the Board on 22 May 2008)

**Chairman**

The Chairman is pivotal in creating the conditions for overall board and individual director effectiveness, both inside and outside the boardroom. Specifically, it is the responsibility of the Chairman to:

- run the board and set its agenda. The agenda should take full account of the issues and concerns of all board members. Agendas should be forward looking and concentrate on strategic matters rather than formulaic approvals of proposals which can be the subject of appropriate delegated powers to management;
- ensure that the members of the board receive accurate, timely and clear information, in particular about the company's performance, to enable the board to take sound decisions, monitor effectively and provide advice to promote the success of the company;
- ensure effective communication with shareholders and ensure that the members of the board develop an understanding of the views of the major investors;
- manage the board to ensure that sufficient time is allowed for discussion of complex or continuous issues, where appropriate arranging for informal meetings beforehand to enable thorough preparation for the board discussion. It is particularly important that non-executive directors have sufficient time to consider critical issues and are not faced with unrealistic deadlines for decision-making;
- take the lead in providing a properly constructed induction programme for new directors that is comprehensive, formal and tailored, facilitated by the company secretary;
- take the lead in identifying and meeting the development needs of individual directors, with the company secretary having a key role in facilitating provision. It is the responsibility of the Chairman to address the development needs of the board as a whole with a view to enhancing its overall effectiveness as a team;
- ensure that the performance of individuals and of the board as a whole and its committees is evaluated at least once a year;
- encourage active engagement by all the members of the board;
- ensure effective and appropriate delegation of authority from the board to executive management.

### **The effective Chairman:**

- upholds the highest standards of integrity and probity;
- sets the agenda, style and tone of board discussions to promote effective decision-making and constructive debate;
- promotes effective relationships and open communication, both inside and outside the boardroom, between non-executive directors and executive team;
- builds and effective and complementary board and, in conjunction with the Nominations Committee, initiates change and plans succession in board appointments (other than in relation to the position of Chairman), subject to board and shareholders' approval;
- promotes the highest standards of corporate governance, seeks compliance with the provisions of the Code wherever possible and where this is not possible, in conjunction with the Company Secretary, ensures that adequate disclosure is made in the Company's report and accounts;
- ensures effective implementation of board decisions;
- ensures the long term sustainability of the business and the maintenance of an appropriate balance between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community);
- ensures continual improvement in the quality and calibre of the executive team;
- establishes a close relationship of trust with the chief executive, providing support and advice while respecting executive responsibility; and
- provides coherent leadership of the company, including representing the company and understanding the views of shareholders.

### **Chief Executive**

The role of the chief executive is to lead the executive directors and the wider executive team in developing and implementing the strategy agreed by the board as a whole. Specifically it is the responsibility of the Chief Executive to:

- lead the development, in conjunction with the executive team generally, of the Group's objectives and strategy;
- following agreement as to overall strategy by the board, identify and plan the steps required to implement such strategy and be responsible for their implementation;
- take primary responsibility for setting financial goals and budgets, for agreement and approval by the board, and subsequently to have primary responsibility for their delivery;
- examine all investments and major capital expenditure proposed by members of the Group and recommend to the board those which are, in the overall context of the Group, material either by nature or cost;
- provide effective leadership of the executive team as a whole;
- develop and maintain relationships at appropriate senior levels with key customers, suppliers and other stakeholders;



- be responsible for promoting, and ensure compliance with, the key corporate values agreed by the board and the Group's corporate social responsibility policy;
- take primary responsibility for and manage the Company's relationships with key shareholders and analysts whilst seeking to broaden the Company's shareholder base, with assistance from the chairman, as the external "face" of the Company;
- develop and, where appropriate seek to add to, the skills of the core executive team in line with the Group's overall objectives and business plans; and
- identify and bring to the attention of the board, promising members of management within the business for promotion/further development;
- supervise the appointment and removal of directors and officers of subsidiary companies within the Group;
- identify and supervise the execution of acquisitions, disposals and mergers, expansion of geographic activities and identify and execute new business opportunities outside the Group's current core activities;
- supervise the management of the Group's risk profile in line with the extent and categories of risk identified as acceptable by the board and ensuring appropriate internal controls are in place;
- regularly review the Group's operational performance and organisational structure and recommend any changes as appropriate;
- ensure clear delegation of authorities to the senior executive team;
- ensuring all Group policies are adhered to and conform to the highest standards;
- develop senior teams within subsidiaries and ensure appropriate succession planning; and
- keep the Chairman informed of all important matters relating to the Group.

**SPEEDY HIRE Plc**  
**STATEMENT OF DIVISION OF RESPONSIBILITIES**  
**ROLE OF THE SENIOR INDEPENDENT DIRECTOR ("SID")**

(Adopted by the Board on 22 May 2008)

**1. Shareholders**

1.1 The SID will be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

**2. Chairman**

2.1 The SID will chair the Nominations Committee when it is considering succession to the role of Chairman of the Board.

2.2 The SID will meet with the other independent Non-executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate.