

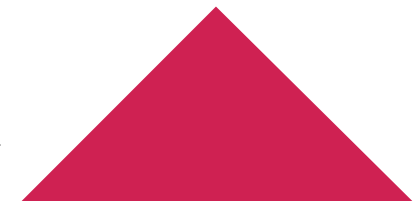
Tullis Russell Governance

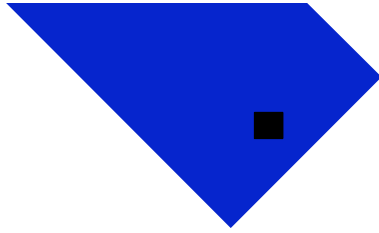
Fred Bowden – Chairman

**Eileen Jarrett – Chair of Employee
Ownership Board**



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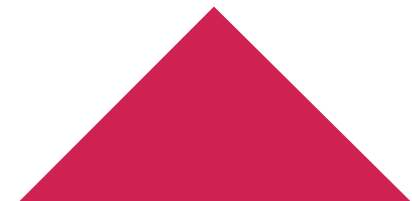


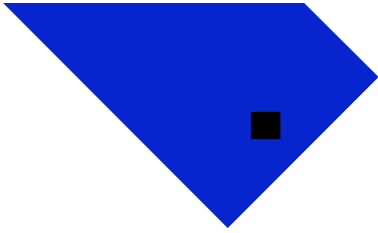
Agenda

- **Structure of Tullis Russell**
- **Changing Role of the Share Council**
- **Changes to the Constitution**
- **Mechanics of the Employee Ownership Board**
- **Decision making matrix**

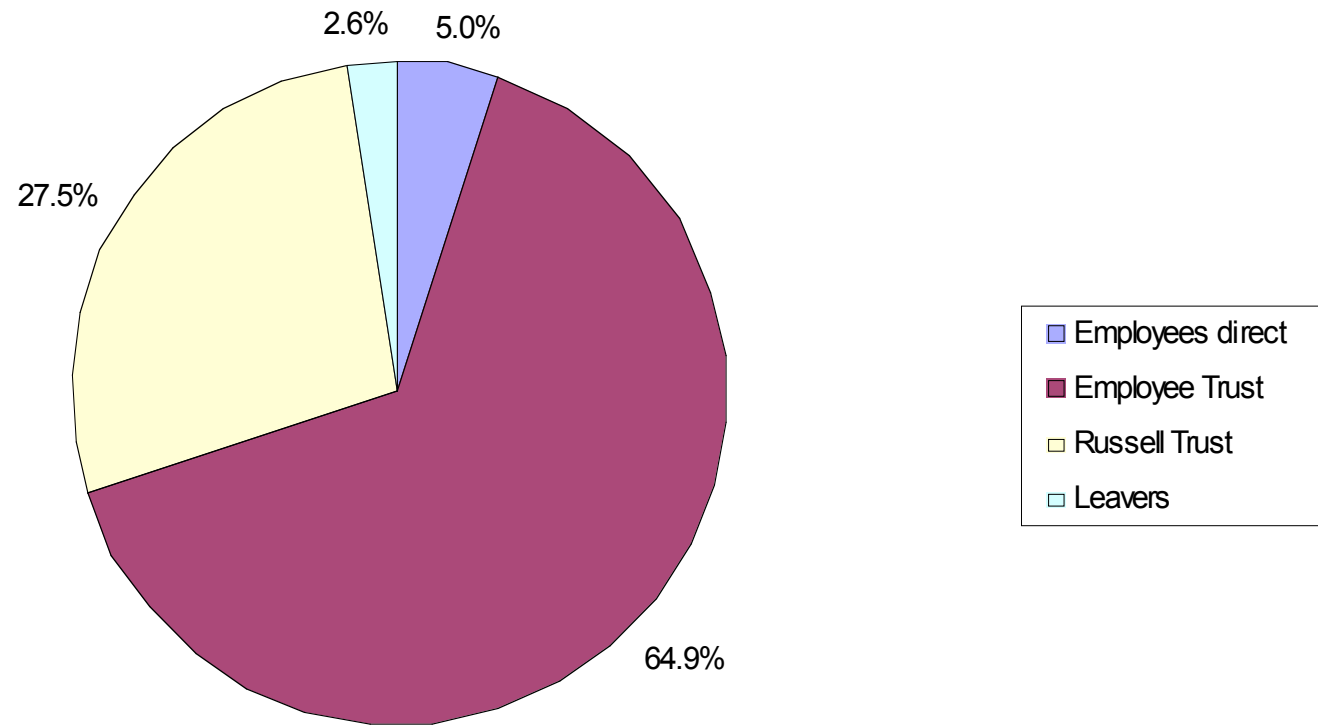


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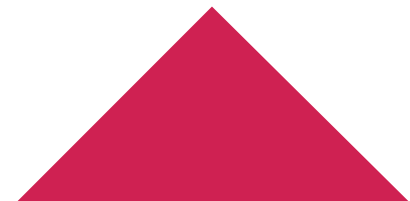




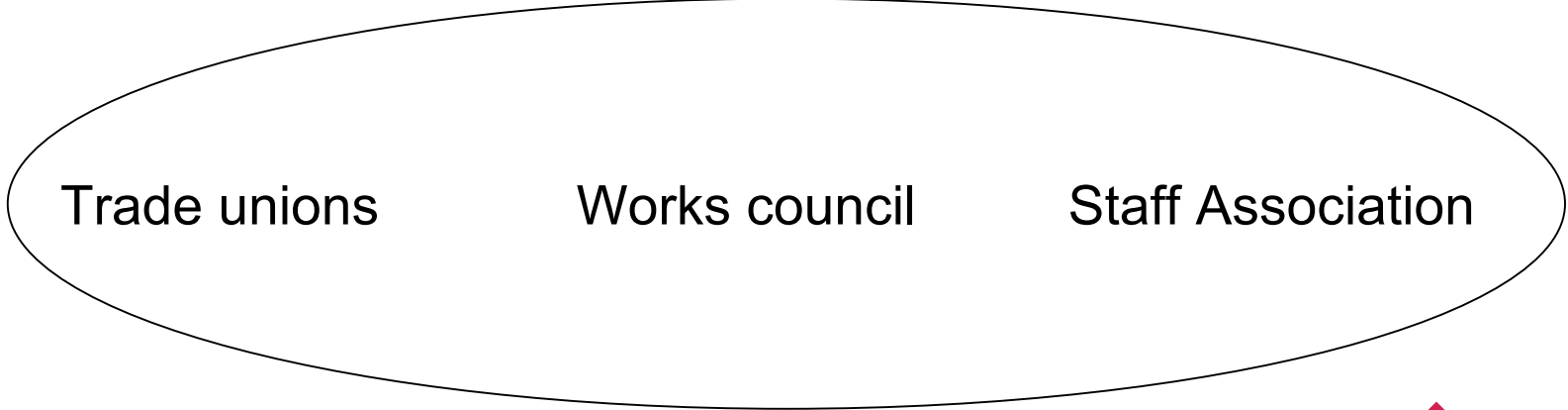
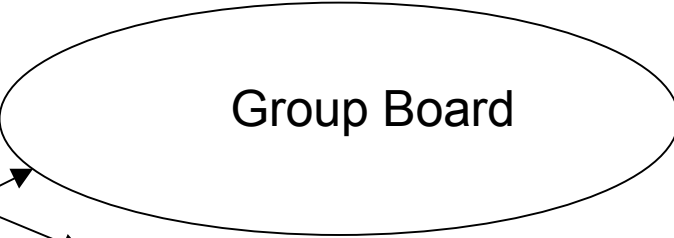
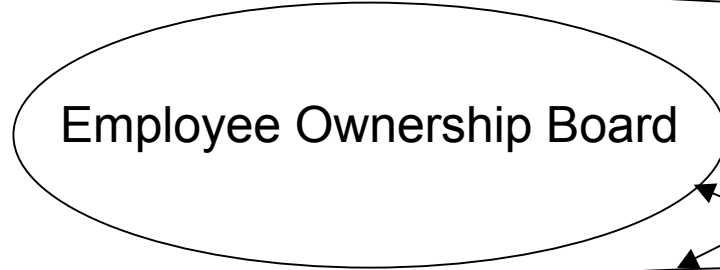
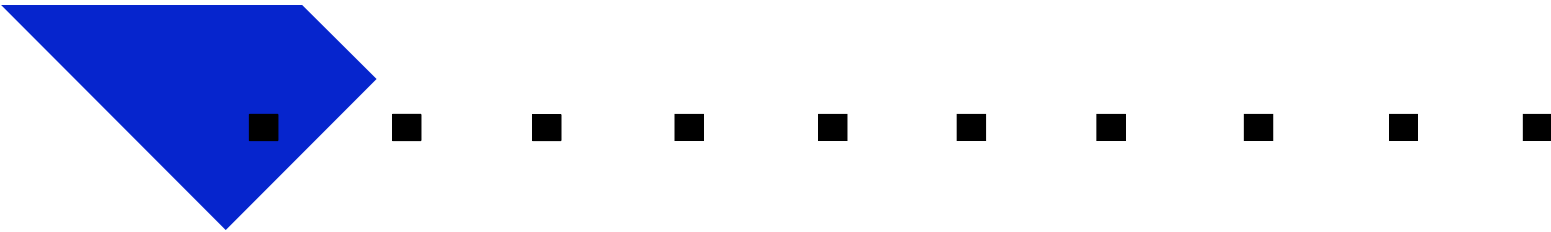
TR Ownership March 2009 (%)



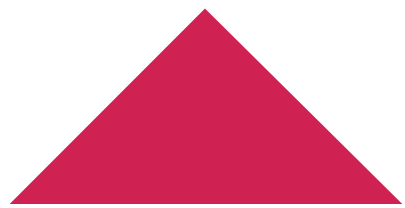
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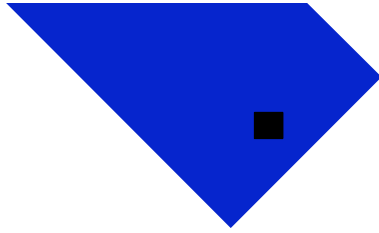


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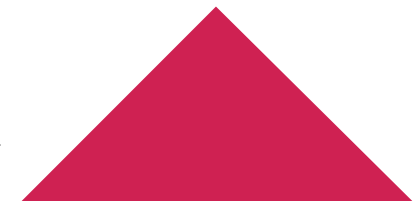


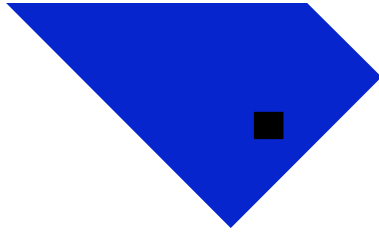
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- Share council has been in existence since 1985 representing employee shareholders in share related matters
- Since 1994 buyout, role of the Share Council has changed
 - More involved with governance of the company
 - Shareholding matters effectively dealt with e.g. methods for distribution, amounts to be distributed, mechanisms for voting etc
- Review of the role of the Share Council undertaken by members at seminar
- Remit agreed – to help make Tullis Russell successful over the long-term as an independent company with majority employee ownership





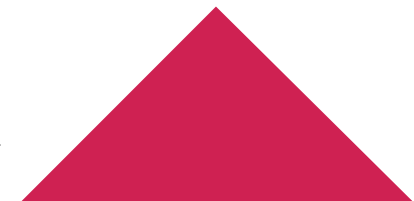
Share Council decided to change their name to the

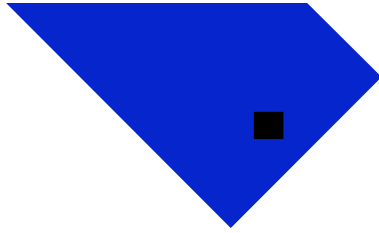


Employee Ownership Board



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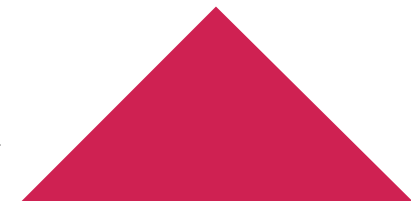


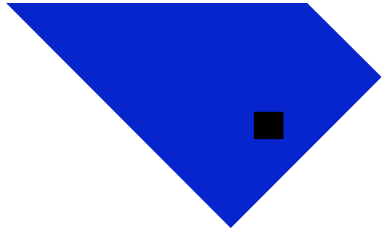
The Role of the Employee Ownership Board

- The role of the EOB was agreed as being to represent employee shareholders interests by ensuring that the appropriate governance and stewardship standards were established and operated effectively through the TR Group Board, in a manner that is at all times consistent with the company values
- Company values recently re-established with wide input from employee shareholders and the EOB
- A decision making matrix was agreed with the Group Board setting out the Employee Ownership Board's involvement in various key areas of decision making



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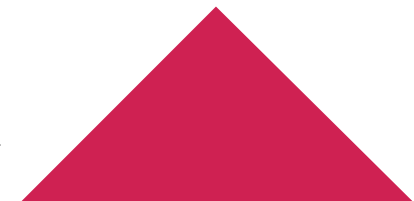


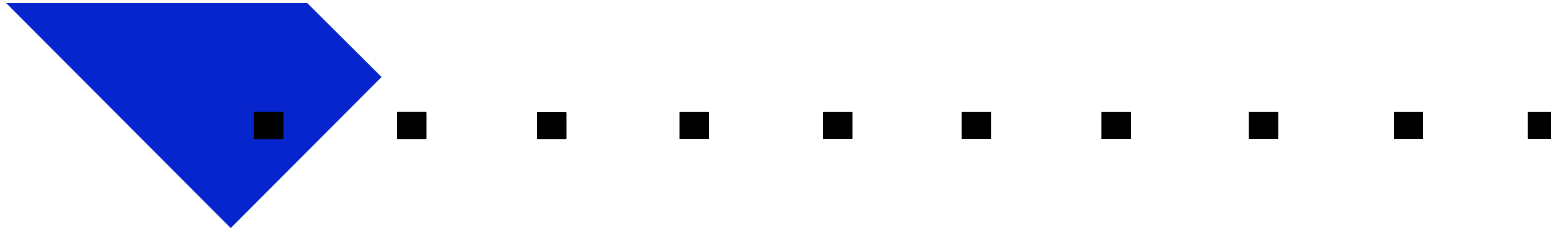
The Role of the Employee Ownership Board

- A key principle underpinning this constitution is that Managers are allowed to manage day-to-day without undue interference, but within a strategy and policy framework discussed and agreed by the Employee Ownership Board. This would typically cover areas of strategy, yearly budgets and plans, policies arising from this strategy e.g. acquisition, remuneration etc.



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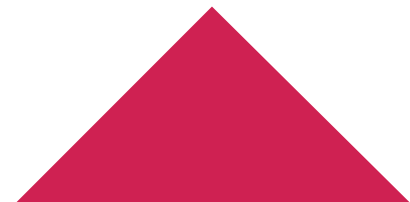


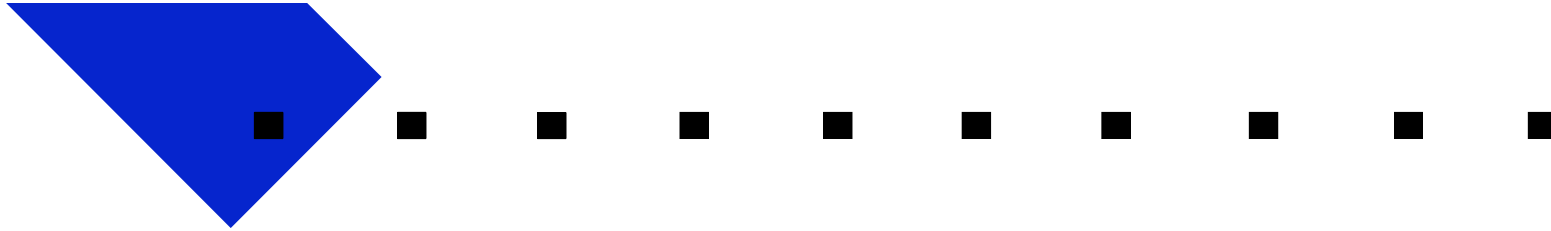


So how does it all work ?



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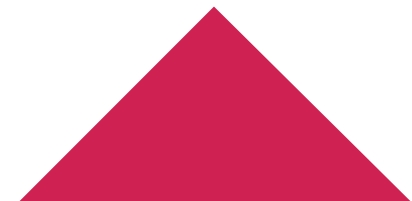


Composition of the Employee Ownership Board

- 11 elected Employee Board Members
 - Geographical split across all production sites - Markinch, Bollington and Korea
- 4 appointed members from the Group Board
- 1 Independent member
- 1 Honorary Member
 - David Erdal



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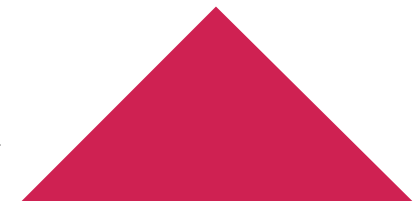


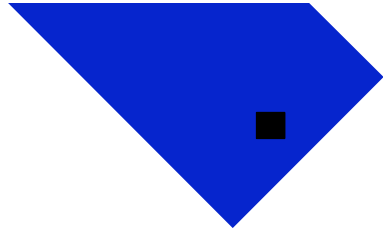
Meetings of the Employee Ownership Board

- We have four quarterly meetings (open to any employee shareholder to attend) where we receive updates on company performance from company MD's and Group Finance Director
- Two consultation meetings with the full Group Board
- Meeting with non executive directors twice a year. No executive directors present
- Once a year in March, we have a residential seminar weekend that is used for an annual review of strategy, training or discussing important issues that need more time than our regular meetings allow
- Extraordinary meetings are called as and when required, for example to discuss an acquisition



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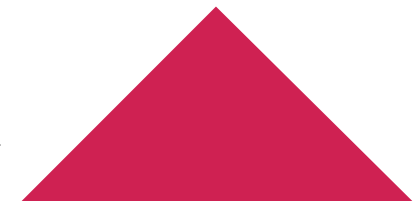


Role of the Employee Ownership Board

- At last year's seminar, we had a session on defining the role of the share council
- Talk about more than shares
- Developed a chart to show areas where we
 - Are informed/communicated with
 - Are consulted/can influence decision
 - Review and monitor
 - Make decisions



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Values

1. Inform/Communicate

Redundancies

2. Consult/Influence

Remuneration Policy (setting)

Strategy (setting)

Company performance

Acquisitions

Use of funds

Pension Deficit

Board committees

Reward & Recognition

PRP

Composition of Board

3. Review/Monitor

Remuneration Policy (Ongoing/Compliance)

Performance of Non-Executive Directors

Performance of Executive Directors

Board evaluation

Strategy (implementation)

Company performance

Acquisitions (post implementation)

PRP (ongoing post implementation)

Board Committees (ongoing)

Audit

Remuneration

Nomination

Reward & Recognition (ongoing compliance).

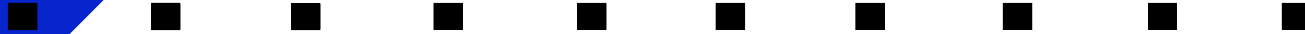
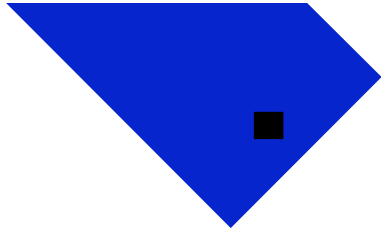
4. Approve

**Non Executive Directors appointment
(approve or not /Nomination Committee
recommendation – right of veto)**

Veto right regarding Company proposals
on Share Schemes

Acquisitions >£15m

Elected Trust Directors

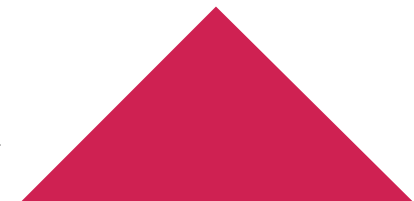


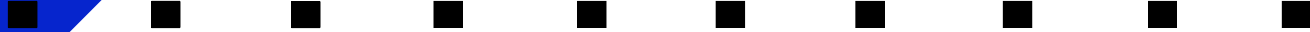
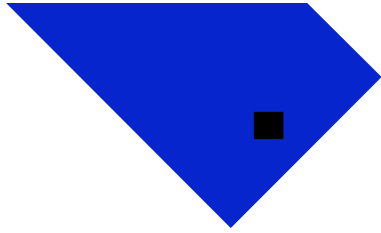
To summarise

- Review your constitution often to make sure it is appropriate, keeping the changing business environment in mind
- Be open minded when considering the role of your employee representatives
- Involve everyone in the discussions
- Look to external companies for guidance, don't limit to employee owned companies



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Employee Ownership Board



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