

Chairman's governance letter



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Dear Shareholders,

During the course of the year, the Financial Reporting Council (FRC) published its report on Corporate Culture and the Role of Boards. The report contained key observations about the value of culture in driving the right behaviours in the boardroom and at all levels in the company. We were pleased to see that the report included a case study on BAE Systems, illustrating the work we had undertaken over a number of years to foster high levels of personal trust between trade unions and the Company's senior leadership. As part of this year's Board evaluation, we have asked Board members to reflect on the questions asked in the FRC's report concerning corporate culture and provide their thoughts on what they see within BAE Systems. In 2017, we will be using the output from this to guide the Board in its further consideration of this important governance matter.

We welcomed the FRC's report and the principles of stakeholder engagement, directors' duties and the importance of corporate integrity and responsible behaviour that it outlined.

Towards the end of 2016, there was another important governance publication, with the UK government publishing a wide-ranging Green Paper on Corporate Governance Reform. Both documents quote in full the basic duty of a company director as detailed in Section 172 of the Companies Act.

In summary, the duty is to promote the success of the company and, in doing so, have regard to, amongst other matters, the long-term consequences of any decisions, the interests of employees and other stakeholders, and the desirability of maintaining high standards of business conduct. As required by the Companies Act, this Annual Report informs shareholders how the directors have performed this duty.

Governance highlights

- Charles Woodburn recruited during 2016 and the Board has announced that he will succeed Ian King as Chief Executive with effect from 1 July 2017
- Elizabeth Corley joined the Board as a non-executive director
- A review of the Directors' remuneration policy completed by the Remuneration Committee – following engagement and discussion with the Company's principal shareholders. The new policy will be put to this year's Annual General Meeting (AGM) for approval
- Auditor re-tender initiated by the Audit Committee, which will result in new auditors being proposed for appointment at the 2018 AGM
- A new programme of informal meetings created, enabling non-executive directors and senior executives below the Board to meet and help directors develop their knowledge of the Company's management resources and business issues
- An externally-facilitated Board performance evaluation completed during the year and a number of actions agreed based on the findings

In particular, you will find on page 66 an outline of our governance structure, including how the Board sets the values, behavioural expectations, policies and processes that guide all that we do in BAE Systems – and also how the Board maintains oversight over performance and compliance with these delegated requirements. As our Chief Executive tells all employees, "It's not just about what we do, but how we do it."

Achieving high standards of corporate governance is an intrinsic part of the Board's agenda and, to that end, we completed a wide-ranging externally-facilitated evaluation of Board performance during the year.

The review reported very favourably on Board member attitude, engagement and contribution, and on the processes, practices and principles employed by the Company. A summary of the areas for development agreed by the Board is shown above.

We have recently completed the internal performance evaluation for 2017, which will focus on the areas recommended for improvement in 2016 and, as mentioned above, any actions necessary in response to the FRC's report on culture.

In parallel with an independent appraisal of Board performance, from time to time we commission an independent survey of our shareholders' views and perceptions of the performance of the Company. This document is shared with all Board members as a supplement to the updates provided by senior executive Board members. In addition, as Chairman, I consult with our large shareholders to ensure they have a full understanding of our strategy and I and the Board have received direct feedback on their views on the Company, its performance and governance.

My contact is supplemented by independent meetings held by the Chairman of the Remuneration Committee with specific reference to our pay policy and reward structures. Of course, as required by the UK Corporate Governance Code, shareholders have access to the Senior Independent Director if there are concerns that cannot be resolved through the normal Chairman or Chief Executive channels.

As a Board, we are committed to the highest standards of behaviour, transparency and open discussion, together with diversity of opinion, experience, background and gender.

Board evaluation – development areas

- **Succession planning** – greater Board engagement in executive development and succession planning, including greater visibility of high-potential individuals.
- **Board composition** – continue the non-executive succession planning activity with a view to recruiting an additional director.
- **Induction process** – produce a new induction manual for newly-appointed directors.
- **Board meetings and papers** – review the Board's annual schedule of meetings in the interests of efficient use of time, travel and Board engagement. Continue to improve the balance of detail, overview and analysis provided in Board papers.

The evaluation was undertaken by Independent Board Evaluation, who have no other connection with the Company.

By adopting this approach, and regular engagement and involvement with all our stakeholders, the Board believes that it is best placed to align its policies and practices in keeping with the required governance standards of the day.

The following report details how the Board has applied the UK Corporate Governance Code principles in the conduct of our business during the year.



Sir Roger Carr Chairman

Board governance

Shareholders

Approximately 100,000 individual, corporate and employee shareholders who are invited to meet at least annually (in person or by proxy) and exercise their stewardship voting rights on the basis of one share/one vote.

Annual General Meeting

Shareholders vote on key governance matters, including the re-election of directors, their remuneration, the payment of dividends and the appointment of the auditors.

Shareholder relations

The Chief Executive and Group Finance Director meet the Company's principal shareholders on a regular basis. Separately, the Chairman maintains regular contact with the Company's principal shareholders on governance matters and ensures that all directors are aware of their views.

Board

Currently comprising 11 directors who meet regularly and make decisions on a collective basis. The directors have a legal duty to promote the success of the Company.

The Board has adopted a governance structure based on the UK Corporate Governance Code (the Code). This is detailed in the Operational Framework (see opposite), which delegates matters to employees in a manner that has been designed to provide ongoing oversight of performance and adherence to policies and behavioural expectations.

Board composition

The Board consists of executive and independent non-executive directors, plus a non-executive chairman who was independent in accordance with the Code on his appointment.

The non-executive directors constructively challenge and help develop proposals on strategy. They also scrutinise the performance of management in meeting agreed goals and objectives, and satisfy themselves as to the integrity of financial information, and that systems of risk management are robust and defensible. In addition, they set the remuneration of the executive directors and oversee board succession planning.

Chairman

Responsible for leading the Board and ensuring that it discharges its duties efficiently.

Chief Executive

Responsible for the implementation and delivery of the strategy agreed by the Board.

Senior Independent Director

Acts as a sounding board for the Chairman and acts as an intermediary for the other directors as necessary.

Company Secretary

Responsible to the Board for ensuring that Board procedures are complied with. Through the Chairman, he is responsible for ensuring that directors are supplied with information in a timely manner.

Delegated authority
Oversight of performance and compliance with the Operational Framework

Delegation through committee terms of reference

Reporting, as appropriate, to the Board on matters considered and agreed

Board committees

The membership of the principal board committees (see below) solely comprises non-executive directors. They provide leadership, scrutiny and oversight over key governance areas.

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Audit Committee

 P76

Corporate Responsibility Committee

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Nominations Committee

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Remuneration Committee

Operational Framework

The Board has put in place a detailed governance framework, the Operational Framework. It sets out how we do business across BAE Systems and encapsulates our values, policies and processes, together with clear levels of delegated responsibility aimed at ensuring that all of our employees and businesses act in a clear, accountable and consistent manner.



How we work

The processes and policies in the Operational Framework set out the principles of good governance which, together with our culture, guide our work and behaviour in support of the strategy set in our Group strategic framework (see page 16). Here we set out the values that we ask all our employees to demonstrate in their day-to-day work, wherever they are in the world. We also confirm our commitment to Total Performance which defines how we achieve success based on Customer Focus, Programme Execution, Financial Performance and Responsible Behaviour.

Organisation

From the Board downwards, we set out how we are organised and the responsibilities of the Board, the Chairman, the Chief Executive, the Executive Committee, our Functional Councils (such as Engineering, Human Resources and Procurement) and the senior executives charged with running our businesses.

Governance

The UK Corporate Governance Code's (the Code) principles are embedded in the Operational Framework and its policies and processes underpin all the disclosures made by the Board pursuant to Code provisions.

How we conduct our business is fundamental to the success of BAE Systems. The Operational Framework sets out our approach and the standards to which we adhere. It includes the following:

Code of Conduct

Sets the standards to which we all work.

Responsible Trading Principles

We do not compromise on the way we do business and here we mandate a principles-based approach to our business activity.

Internal controls

These are the controls that apply to all our businesses and provide assurance regarding:

- the reliability and integrity of information;
- compliance with policies, processes, laws, regulations and contracts;
- the safeguarding of assets and protection against fraud; and
- the economical and efficient use of resources.

Operational Assurance Statement (OAS)

This key governance process requires that a return is completed every six months by each operational and functional business head, reporting their formal view against such matters as compliance with law and regulation, ethical business conduct, financial controls, risk management, compliance with business planning processes, health and safety, conflicts of interest, delegated authorities, appointment of advisers and product safety. There is a separate OAS process for our joint ventures. Our Internal Audit function owns the OAS process. It is managed independently from management functions with the Internal Audit Director being responsible to the Audit Committee and reporting directly to the Chief Executive.

Risk framework

This is how we identify, analyse, evaluate and mitigate risk (see page 58).

Workplace and operational environment

This covers how we expect our people to be managed and the obligations placed on us all concerning avoiding conflicts of interest, anti-bribery, and managing the security of our people, information and other assets.

Delegated authorities

As part of a robust system of internal controls, the Board has delegated certain authorities to executive management. Delegation is subject to financial limits and other restrictions, above which matters must be referred to the Board.

Core business processes

These core business processes are mandated by the Operational Framework and designed to ensure consistent planning, reporting and review of business performance across all businesses:

IBP

(Integrated Business Planning)

Approved by the Board annually, creates a consistent approach to strategic planning, aligning resources with the delivery of forecast financial performance and strategic objectives.

LCM

(Lifecycle Management Policy)

How we plan and manage the execution of all projects above a certain minimum level, providing decision gate reviews at key stages from initial opportunity to final closure.

M&A

(Mergers & Acquisitions Policy)

A structured approach to mergers, acquisitions and disposals.

TPL

(Total Performance Leadership)

A set of people-related activities that help to identify, select, manage and reward leaders, and facilitates succession planning.

Board of directors

Chairman



Sir Roger Carr
Chairman

Appointed to the Board: 2013 **Nationality:** UK

Skills, competence and experience

Having joined the Board in 2013, Sir Roger was appointed Chairman in 2014. He is an experienced company chairman with a wealth of knowledge gained across a number of business sectors. He currently serves as vice chairman of the BBC Trust, a position he has held since March 2015.

With over two decades of boardroom experience, Sir Roger has a deep understanding of corporate governance and what is required to lead an effective board.

Prior to joining BAE Systems, Sir Roger was Chairman of Centrica plc and Deputy Chairman of the Court of the Bank of England. In the past, he has also served as chairman of Thames Water plc, Cadbury plc, Chubb and Mitchells & Butlers plc. He has been active in representing UK business having previously served as President of the CBI and as a member of the Prime Minister's Business Advisory Group. He was a member of the Higgs Committee on Corporate Governance, which assisted in further developing the UK Corporate Governance Code.

Other appointments

A senior adviser to Kohlberg Kravis Roberts, a fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce, an honorary fellow of the Institute of Chartered Secretaries and Administrators, and a visiting fellow to the Said Business School, Oxford.

Other past appointments

Chief Executive, Williams plc.

Committee membership

Chairman of the Nominations Committee and the Non-Executive Directors' Fees Committee.

Executive directors



Ian King
Chief Executive

Appointed to the Board: 2007 **Nationality:** UK

Skills, competence and experience

Ian was appointed as Chief Executive in 2008 having been originally appointed to the Board as Chief Operating Officer, UK and Rest of the World. He will retire on 30 June 2017. He was previously Group Managing Director of the Company's Customer Solutions & Support business and, prior to that, Group Strategy and Planning Director. Prior to the BAe/MES merger, he was Chief Executive of Alenia Marconi Systems, having previously served as Finance Director of Marconi Electronic Systems.

Other appointments

Non-executive director of Schroders plc.

Other past appointments

Non-executive director and senior independent director of Rotork plc.

Committee membership

Non-Executive Directors' Fees Committee.



Jerry DeMuro
President and Chief Executive Officer of BAE Systems, Inc.

Appointed to the Board: 2014 **Nationality:** US

Skills, competence and experience

Appointed to the Board on 1 February 2014 as President and Chief Executive Officer of BAE Systems, Inc., Jerry is an experienced US executive who has worked in the national security, technology and aerospace industry for over 30 years. Most recently, he served as executive vice president and corporate vice president of General Dynamics' Information Systems and Technology Group. Earlier in his career, he spent almost a decade as an acquisition official at the US Department of Defense.

Other appointments

Non-executive director of Aero Communications, Inc.

Committee membership

Non-Executive Directors' Fees Committee.



Charles Woodburn
Chief Operating Officer

Appointed to the Board: 2016 **Nationality:** UK

Skills, competence and experience

Charles joined BAE Systems in May 2016 as Chief Operating Officer. He will succeed Ian King as Chief Executive with effect from 1 July 2017. Prior to joining the Company, he spent over 20 years in the oil and gas industry, holding a number of senior management positions in the Far East, Australia, Europe and the US. He joined the Company from the oilfield services business, Expro Group, where he served as Chief Executive Officer. Prior to that, he spent 15 years with Schlumberger Limited.

Other past appointments

Non-executive director of Seadrill Limited.



Peter Lynas
Group Finance Director

Appointed to the Board: 2011 **Nationality:** UK

Skills, competence and experience

Peter, a qualified accountant, was appointed to the Board as Group Finance Director in 2011. He previously served for a number of years as Director, Financial Control, Reporting & Treasury. He joined GEC-Marconi in 1985 having previously worked for other companies in the UK and Europe. After progressing through a number of positions, he was appointed Finance Director of GEC's Marconi Electronic Systems business, which was subsequently acquired by British Aerospace in 1999 to become BAE Systems.

Other appointments

Non-executive director of SSE plc and chairman of its audit committee.

Strategic report

Directors' report

Financial statements

Non-executive directors



Elizabeth Corley CBE
Non-executive director

Appointed to the Board: 2016 **Nationality:** UK

Skills, competence and experience

Elizabeth brings investor, governance and boardroom experience to the Board. She is currently non-executive vice-chair of Allianz Global Investors, and a non-executive director of Pearson plc and the UK Financial Reporting Council.

She served as Chief Executive Officer of Allianz Global Investors, initially for Europe then globally, from 2005 to 2016. Prior to that, she worked for Merrill Lynch Investment Managers. She is a governor of the CFA Institute and a trustee of the British Museum.

Elizabeth is active in representing the investment industry and developing standards within it. She is a member of the FICC Market Standards Board, the European Securities and Markets Authority's stakeholder group and of the advisory council of TheCityUK. Elizabeth is also an acclaimed writer and member of the Royal Society of Arts.

Other appointments

Chair of the advisory group to the UK government on social impact investing.

Committee membership

Nominations Committee and Remuneration Committee.



Paula Rosput Reynolds
Non-executive director

Appointed to the Board: 2011 **Nationality:** US

Skills, competence and experience

An experienced company director in both the UK and North America, Paula is currently Chief Executive Officer and President of the business advisory group PreferWest LLC, and a non-executive director of BP p.l.c., CBRE Group, Inc. and TransCanada Corporation.

Starting her career as an economist, she spent over 20 years in the energy sector, culminating in her appointment as President and Chief Executive Officer of AGL Resources in 2002. She served as President and Chief Executive Officer of Safeco Corporation before becoming Vice Chairman and Chief Restructuring Officer of American International Group, overseeing its divestiture of assets and serving as chief liaison with the Federal Reserve Bank of New York.

She received the National Association of Corporate Directors National Lifetime Achievement Award in 2014.

Other past appointments

Non-executive director of Coca-Cola Enterprises Inc., Anadarko Petroleum Corporation, Delta Air Lines Inc., Air Products and Chemicals Inc., and Siluria Technologies, Inc.

Committee membership

Chairman of the Remuneration Committee, and member of the Audit Committee and Nominations Committee.



Harriet Green OBE
Non-executive director

Appointed to the Board: 2010 **Nationality:** UK

Skills, competence and experience

Harriet is a transformative business leader with international operational and boardroom experience. She is currently General Manager of Watson Customer Engagement, Watson Internet of Things and Education at IBM.

Harriet has extensive global business leadership experience. She previously served as Chief Executive Officer and executive director of Thomas Cook plc. Prior to that, she was Chief Executive Officer and executive director of Premier Farnell plc. Previously, she was also a non-executive director of Emerson Electric Co.

In 2016, she won the Women in Technology Institute Award and, in 2014, she received the Veuve Clicquot Business Woman Award.

Other appointments

Member of the British Chambers of Commerce's International Advisory Council.

Other past appointments

Member of the Prime Minister's Business Advisory Group.

Committee membership

Corporate Responsibility Committee and Nominations Committee.



Nick Rose
Non-executive director and Senior Independent Director

Appointed to the Board: 2010 **Nationality:** UK

Skills, competence and experience

Nick brings to the Board considerable financial expertise and boardroom experience. He is currently Chairman of Williams Grand Prix Holdings PLC, and a non-executive director and senior independent director of BT Group plc.

Nick was Chief Financial Officer of Diageo plc for over ten years until 2010. In this role, he was responsible for supply, procurement, strategy and IT on a global basis. His financial experience was developed during his time as group treasurer and group controller at Diageo, and also in his earlier career at Ford Finance. He is a former Chairman of the engineering technology company Edwards Group Limited.

Other appointments

Adviser to CCMP Capital Advisors, LLC and non-executive chairman of Loch Lomond Group.

Other past appointments

Non-executive director of Moët Hennessy SNC and Scottish Power plc.

Committee membership

Chairman of the Audit Committee, and member of the Nominations Committee and Remuneration Committee.



Chris Grigg
Non-executive director

Appointed to the Board: 2013 **Nationality:** UK

Skills, competence and experience

As chief executive of a FTSE 100 company, Chris brings management and boardroom experience to the Board. He is currently Chief Executive of The British Land Company PLC, a position he has held since 2009.

Chris has more than 30 years' experience in the banking and real estate industries. Prior to joining British Land, he was Chief Executive of Barclays Commercial Bank. Before that, he was a partner at Goldman Sachs.

Other appointments

Member of the executive board of the European Public Real Estate Association and the board of the British Property Federation.

Committee membership

Corporate Responsibility Committee and Nominations Committee.



Ian Tyler
Non-executive director

Appointed to the Board: 2013 **Nationality:** UK

Skills, competence and experience

Ian brings considerable financial and long-term international contracting experience to the Board. He is currently chairman of two UK listed companies, Bovis Homes Group PLC and Cairn Energy plc.

Having qualified as a chartered accountant, Ian subsequently held a number of senior finance and operational positions within industrial companies before being appointed Finance Director of Balfour Beatty plc in 1996. He was subsequently appointed Chief Executive, a position he stepped down from in 2013.

Other appointments

Chairman of AWE Management Limited.

Other past appointments

Non-executive director of Mediclinic International plc, Cable & Wireless Communications Plc and VT Group plc.

Committee membership

Chairman of the Corporate Responsibility Committee, and member of the Audit Committee and Nominations Committee.

Board information

Membership

	Committee membership	Nationality	Date of appointment to the Board	Date current term ends	Current term as director
Sir Roger Carr Chairman	N		2013 ¹	2020	Second
Elizabeth Corley Non-executive director	N R		2016	2019	First
Harriet Green Non-executive director	C N		2010	2019	Third
Chris Grigg Non-executive director	C N		2013	2019	Second
Paula Rosput Reynolds Non-executive director	A N R		2011	2017	Second ²
Nick Rose Non-executive director and Senior Independent Director	A N R		2010	2019	Third
Ian Tyler Non-executive director	A C N		2013	2019	Second

The average length of appointment of non-executive members of the Board (as at 31 December 2016) was 4.3 years.

Ian King Chief Executive		2007
Peter Lynas Group Finance Director		2011
Jerry DeMuro President and Chief Executive Officer of BAE Systems, Inc.		2014
Charles Woodburn Chief Operating Officer		2016

The average length of appointment of executive members of the Board (as at 31 December 2016) was 4.8 years.

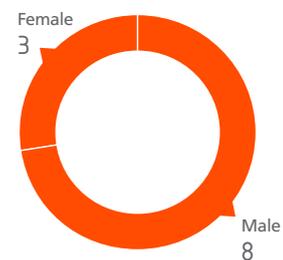
Chairman	Committee chair
Non-executive director	Audit Committee
Executive director	Nominations Committee
	Corporate Responsibility Committee
	Remuneration Committee

Attendance

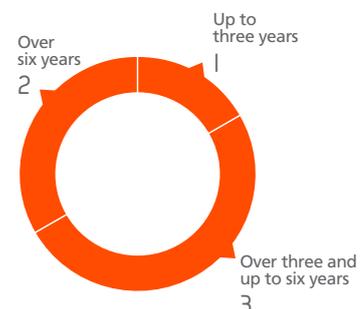
Individual directors' attendance at meetings of the Board and its committees in 2016

	Board	Audit Committee	Corporate Responsibility Committee	Nominations Committee	Remuneration Committee
Sir Roger Carr	11/11	–	–	3/3	–
Elizabeth Corley	11/11	–	–	3/3	5/5
Jerry DeMuro	10/11	–	–	–	–
Harriet Green	9/11	–	4/4	3/3	–
Chris Grigg	11/11	–	3/4	3/3	1/1
Ian King	11/11	–	–	–	–
Peter Lynas	9/11	–	–	–	–
Paula Rosput Reynolds	9/11	5/5	–	3/3	6/6
Nick Rose	10/11	5/5	–	3/3	5/6
Ian Tyler	11/11	5/5	4/4	3/3	–
Charles Woodburn	5/5	–	–	–	–

Diversity – Board



Tenure – independent non-executive directors



1. Sir Roger Carr joined the Board in October 2013 and was appointed as Chairman in February 2014.
2. It has been agreed that Paula Rosput Reynolds will serve a third term with effect from 1 April 2017.

Governance disclosures

UK Corporate Governance Code (the Code) Compliance

The Company was compliant with the provisions of the Code throughout 2016 and the Board has applied its principles in its governance structure and operations. The following statements are made in compliance with the Code.

Risk management and internal control statement

The Board is responsible for the Company's risk management and internal control systems. It has delegated responsibility for reviewing in detail the effectiveness of these systems to the Audit Committee, which reports to the Board on its findings so that all directors can take a view on the matter.

An overview of the processes used to identify, evaluate and manage the principal risks can be found on pages 58 and 59. These processes are an integral part of our governance framework, the Operational Framework, details of which can be found on page 67. The Operational Framework mandates the Operational Assurance Statement process, which is owned by the Company's Internal Audit function and is one of the principal processes used by the Board in monitoring the effectiveness of control systems.

The risk management and internal control systems detailed in the Operational Framework were in place throughout the year and the Board, having reviewed their effectiveness, believes they accord with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Viability statement

As required by the provisions of the Code, the Board has undertaken an assessment of the future prospects of the Company taking into account the Company's current position and principal risks. This assessment was informed by the following business processes:

Risk management process

The Company has developed a structured approach to the management of risk (see above) and the principal risks identified are considered as part of the Board's annual review of the Integrated Business Plan.

Integrated Business Plan (IBP)

The IBP represents a common process with standard outputs and requirements that produces an integrated strategic and business plan for the Group and also for each of its businesses over the following five years. The use of a five-year period provides a robust planning tool against which long-term decisions can be made concerning, amongst other things, strategic priorities, funding requirements (including commitments to Group pension schemes), returns made to shareholders, capital expenditure and resource planning. Longer-term strategic inputs also form part of the IBP process and, where activity is required to meet such long-term priorities, this is provided for in the plan.

The detailed plan is reviewed each year by the Board as part of its strategy review process. Once approved by the Board, the IBP provides the basis for setting all detailed financial budgets and strategic actions across the businesses, and is subsequently used by the Board to monitor performance.

Liquidity analysis

The Board regularly reviews an analysis based on the financial output from the IBP, looking at the forecast working capital requirements, cash flow, and committed borrowing and other funding facilities available to the Company over the five-year period covered by the IBP. This analysis includes 'stress testing' of the Company's liquidity under severe, but plausible, scenarios as developed from the IBP, including the impact of changes to the terms of trade it enjoys with different customers and its funding commitments to Group pension schemes.

In undertaking its review of the IBP in 2016, the Board considered the prospects of the Company over the five-year period covered by the process. On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Company will be able to continue in operation and meet its liabilities as they fall due over the following five years. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. Also, this assessment was made recognising the principal risks that could have an impact on the future performance of the Company (see pages 60 to 63).

Going concern statement

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis and the Code requires that, if appropriate, this report includes a statement to that effect. Following review, the directors have concluded that it is appropriate to adopt the going concern basis for these financial statements and have not identified any material uncertainties concerning the Company's ability to do so in the 12-month period from the date of approving them. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors

In compliance with the Code, all directors are subject to annual election by shareholders. The Chairman has confirmed that, based on the formal performance evaluations undertaken in 2016 and 2017, all remain committed to the role and the individual performance of all directors continues to be effective. Also, in compliance with the Code, the Company ensures that non-executive directors have sufficient time to fulfil their obligations. This is assessed when a director is appointed and also in the event of there being a material change to an individual's circumstances.

During the year, Ian Tyler was appointed chairman of AWE Management Limited, a non-listed company, which was in addition to his chairmanship appointments with Cairn Energy and Bovis Homes Group. In 2016, the Chairman led an assessment of Mr Tyler's other time commitments and agreed that they would not impact his ability to fulfil his commitments to the Company, but it was agreed that this should be reviewed on an annual basis. This review was undertaken and it was confirmed that his other commitments were not having an impact on his ability to fulfil his commitments to the Company. His other commitments have reduced recently as a result of him stepping down from the board of Mediclinic International plc.

Elizabeth Corley and Charles Woodburn, who joined the Board during the year, completed structured induction programmes.

The Company considers that all of the non-executive directors identified on page 69 of this report are independent in accordance with Code provisions.