

The Companies Act 2006

SC252526

Company Limited by Guarantee and not having a share capital

**Articles of Association
of
LORETTO CARE**

**1 Constitution of the Company**

The model Articles as prescribed in Schedule 2 to The Companies (Model Articles) Regulations 2008 are excluded in respect of this Company.

2 Defined Terms and Interpretation

2.1 In these Articles and the Memorandum (as hereinafter defined) the following definitions and rules of interpretation shall apply:

- 2.1.1 **"2005 Act"** means the Charities and Trustee Investment (Scotland) Act 2005;
- 2.1.2 **"Act"** means the Companies Act 2006;
- 2.1.3 **"Articles"** means the articles of association of the Company;
- 2.1.4 **"Board"** means the board of directors from time to time of the Company or the directors present at a duly constituted meeting of the directors;
- 2.1.5 **"charitable"** means both charitable under section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts;
- 2.1.6 **"clear days"** means in relation to the period of notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;
- 2.1.7 **"Company"** means Loretto Care;
- 2.1.8 **"Conflict Situation"** means any situation or matter (other than one which cannot reasonably be regarded as likely to give rise to a conflict of interest) in which any director has or could have a direct or

indirect interest that conflicts, or possibly might conflict, with the interests of the Company including (without limitation) any such situation or matter which relates to the exploitation of any property, information or opportunity (irrespective of whether the Company could take advantage of the property, information or opportunity);.

2.1.9 **"Electronic Communication"** has the same meaning as is assigned to that expression in the Electronic Communications Act 2000;

2.1.10 **"Group"** means (a) the Parent and (b) any company or corporate entity which is or becomes a holding company of either the Parent or any subsidiary, subsidiary undertaking or associate of the Parent or any such holding company; and for this purpose the terms **"holding company"** and **"subsidiary"** have the meaning set out in section 1159 of the Companies Act 2006, **"subsidiary undertaking"** has the meaning set out in section 1162 of the Companies Act 2006 and **"associate"** has the meaning set out in section 435 of the Insolvency Act 1986;

2.1.11 **"Independent Director"** means a director of the Company from time to time other than the Parent Appointee;

2.1.12 **"Memorandum"** means the Memorandum of Association of the Company;

2.1.13 **"OSCR"** means the Office of the Scottish Charity Regulator;

2.1.14 **"Parent"** means Wheatley Housing Group Limited, a company registered in Scotland (with registered number SC426094), having its registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL;

2.1.15 **"Parent Appointee"** means a director of the Company appointed by the Parent from time to time; and

2.1.16 **"Taxes Acts"** means Part 11 of the Corporation Tax Act 2010 as read with Schedule 6 of the Finance Act 2010 and any statute or statutory provision which amends, extends, consolidates or replaces the same.

2.2 Any reference in these Articles to a statutory provision or legislation (including any provision contained in a statutory instrument or statutory instrument) shall be deemed to include any modification or re-enactment of that provision or statutory modification or re-enactment of that provision in force from time to time.

2.3 References in these Articles to the singular shall be deemed to include the plural.

Objects

- 3.1 The Company's objects are to promote the relief of disability, poverty, illness and suffering and the advancement of education in such ways as the Company shall from time to time think fit without regard to race, nationality, creed, age, gender or sexual orientation and without geographical restriction and in particular (but without prejudice to the generality of such objects):
- 3.1.1 by establishing, maintaining and conducting (i) residential care and other support services and (ii) residential nursing homes for the reception and care of persons who are suffering from any chronic illness or from any other physical or mental infirmity, disability or disease and by providing medical or other treatment and attention for any such persons;
 - 3.1.2 the practical care and support of persons suffering from the effects of disability, illness, poverty or suffering (such persons being hereinafter referred to as the "**Service User Group**") which care and support may include, without prejudice to the foregoing generality, the provision of counselling and emotional, therapeutic, financial, educational and domiciliary support, the provision of information advice and training, the provision and facilitating of accommodation, and the provision of nursing and medical services and providing or facilitating the provision of vocational training or other training and employment services to the Service User Group;
 - 3.1.3 by conducting or promoting or encouraging research and evaluation into care, welfare and support of the Service User Group and the dissemination of knowledge;
 - 3.1.4 by providing or encouraging or assisting in the teaching or training of any person connected with the care or welfare of the Service User Group and by providing or facilitating the provision of vocational training or other training services to such persons;
 - 3.1.5 by providing counselling services and practical care and support for the relatives and friends and other carers of the Service User Group,

PROVIDED that each and every article of these Articles shall be interpreted as if it incorporated an over-riding qualification to the effect that in any case in which an activity permitted under this article 3 is in its nature capable of being carried on for purposes which are not charitable or only partially so as well as for purposes which are wholly charitable. The powers of the Company under article 4 in respect of the carrying on of such activity shall be deemed to be limited to the carrying on of such activity in such manner as will not prejudice the charitable status of the Company.

- 3.2 These objects are subject also to article 3.3.

- 3.3 The Company may, subject to first obtaining the consent of OSCR, add to, remove or alter the statement of the Company's objects in article 3.1; on any occasion when it does so, it must give notice to the Registrar of Companies and the amendment will not be effective until that notice is registered on the Register of Companies.

4 Powers

- 4.1 Subject to the over-riding qualification in article 3.1 and in pursuance of the purposes or objects set out in article 3.1 (but not otherwise), the Company shall have the following powers:
- 4.1.1 to provide advice and assistance to others on matters within the objects of the Company either free of charge or subject to such payment as the Company thinks fit;
 - 4.1.2 to acquire and take over the whole or any part of the undertaking and liabilities of any body holding property or rights which are suitable for the Company's activities;
 - 4.1.3 to purchase, take on lease, hire, or otherwise acquire, any property or rights which are suitable for the Company's activities;
 - 4.1.4 to sell, let, hire out, license, or otherwise dispose of, all or any part of the property and rights of the Company;
 - 4.1.5 to lend money and give credit (with or without security) and to grant guarantees and issue indemnities;
 - 4.1.6 to borrow money, and to grant security in support of any such borrowings by the Company, in support of any obligations undertaken by the Company or in support of any guarantee granted by the Company;
 - 4.1.7 to seek funds from all providers of relevant grants;
 - 4.1.8 to advertise the activities of the Company for the purposes of increasing membership and support from the community;
 - 4.1.9 to subscribe to any charities, to make any charitable donation either in cash or assets and to establish, support or manage, alone or jointly with any other persons or organisations, any other charities;
 - 4.1.10 to establish and promote companies whose activities may further one or more of the above objects, or may generate income to support the activities of the Company, acquire and hold shares in such companies and carry out, in relation to any such Company which is a subsidiary of the Company, all such functions as may be associated with a holding Company;

- 4.1.11 to improve, manage, develop, or otherwise deal with, all or any part of the property and rights of the Company;
- 4.1.12 to employ such staff as are considered appropriate for the proper conduct of the Company's activities, and to make reasonable provision for the remuneration of such staff and for the payment of pension and/or other benefits for members of staff, ex-members of staff and their dependants;
- 4.1.13 to engage such consultants and advisers as are considered appropriate from time to time;
- 4.1.14 to effect insurance of all kinds (which may, for the avoidance of doubt, include officers' liability insurance);
- 4.1.15 to invest any funds which are not immediately required for the Company's activities in such investments as may be considered appropriate (and to dispose of, and vary, such investments);
- 4.1.16 to liaise with other charitable or voluntary sector bodies, local authorities, UK or Scottish government departments and agencies, and other bodies, all with a view to furthering the Company's objects;
- 4.1.17 to establish and/or support any other charitable body, and to make donations for any charitable purpose falling within or analogous to the Company's objects;
- 4.1.18 to take such steps as may be deemed appropriate for the purpose of raising funds for the Company's activities;
- 4.1.19 to accept grants, donations, subscriptions and legacies of all kinds (and to accept any reasonable conditions attaching to them);
- 4.1.20 to oppose, or object to, any application or proceedings which may prejudice the Company's interests;
- 4.1.21 to enter into any arrangement with any organisation, government or authority which may be advantageous for the purposes of the activities of the Company, and to enter into any arrangement for co-operation or mutual assistance with any charitable body;
- 4.1.22 to amalgamate with any charitable body, whether incorporated or unincorporated, having objects altogether or in part similar to those of the Company; and
- 4.1.23 to do anything which may be incidental or conducive to the furtherance of any of the Company's objects.

And it is declared that:

- (i) in this article 4, "**property**" means any property, heritable or moveable, wherever situated; and
- (ii) in this article 4, and throughout these Articles: the expression "**charity**" shall mean a body which is either a "**Scottish charity**" within the meaning of the 2005 Act or a "**charity**" within the meaning of section 1 of the Charities Act 1996; and the expression "**charitable purpose**" shall mean a charitable purpose under section 7 of the 2005 Act which is also regarded as a charitable purpose in relation to the **Taxes Acts**; and
- (iii) any reference in these Articles to a provision of any legislation shall include any statutory modification or re-enactment of that provision in force from time to time.

5 **Restrictions on the use of the Company's assets**

- 5.1 The income and property of the Company shall be applied solely towards promoting the Company's objects (as set out in article 3).
- 5.2 No part of the income or property of the Company shall be paid or transferred (directly or indirectly) to the members of the Company, whether by way of dividend, bonus or otherwise.
- 5.3 No director of the Company shall be appointed as a paid employee of the Company; no director shall hold any office under the Company for which a salary or fee is payable.
- 5.4 No benefit (whether in money or in kind) shall be given by the Company to any director except (i) repayment of out-of-pocket expenses or (ii) reasonable payment in return for particular services (not being of a management nature) actually rendered to the Company in accordance with the terms of article 25.2.

6 **Liability of Members**

- 6.1 The liability of the members is limited.
- 6.2 The liability of each member (who, if a natural person, has attained the age of 16) is limited to £1, being the amount that each member (who, if a natural person, has attained the age of 16) undertakes to contribute to the assets of the Company in the event of its being wound up while he/she is a member or within one year after he/she ceases to be a member, for:
 - 6.2.1 payment of the Company's debts and liabilities contracted before he/she ceases to be a member;

6.2.2 payment of the costs, charges and expenses of winding up; and

6.2.3 adjustment of the rights of the contributories among themselves.

7 Winding Up

7.1 If upon the winding-up of the Company any property remains after satisfaction of all the Company's debts and liabilities, such property shall not be paid to or distributed among the members of the Company; that property shall be transferred to some other charity or charities (whether incorporated or unincorporated) whose objects are similar (wholly or in part) to the objects of the Company.

7.2 The body or bodies to which property is transferred under article 7.1 shall be determined by the Parent, at or before the time of dissolution or, failing such determination, by such court as may have jurisdiction at the time.

7.3 To the extent that effect cannot be given to the provisions of articles 7.1 and 7.2, the relevant property shall be applied to some other charitable object or objects.

8 Accounting Records

Accounting records shall be kept in accordance with all applicable statutory requirements and such accounting records shall, in particular, contain entries from day to day of all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place and a record of the assets and liabilities of the Company; such accounting records shall be open to inspection at all times by any director of the Company.

9 Sole membership

The sole member of the Company shall be the Parent.

10 Register of members

The directors shall maintain a register of members, setting out the full name and address of each member, the date of admission to membership, and the date on which any person ceased to be a member.

11 General meetings

11.1 The directors, with the prior written approval of the Parent, may convene a general meeting.

11.2 The business of each general meeting may include:

11.2.1 a report by the Board on the activities of the Company;

11.2.2 presentation of the accounts, balance sheet and auditor's report for the Company; and

11.2.3 any other business specified in the notice convening the general meeting.

11.3 The directors must convene a general meeting if there is a valid requisition by members (under section 303 of the Act) or a requisition by a resigning auditor (under section 518 of the Act).

12 Attendance and speaking at general meetings

12.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

12.2 A person is able to exercise the right to vote at a general meeting when:

12.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

12.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

12.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

12.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

12.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

13 Notice of general meetings

13.1 At least 14 clear days' notice must be given to all members in respect of a general meeting.

13.2 A notice calling a meeting shall specify:

13.2.1 the date and time of the meeting;

13.2.2 the place of the meeting;

- 13.2.3 the general nature of the business to be dealt with at the meeting;
and
 - 13.2.4 if a special resolution, or a resolution requiring special notice under the Act, is to be proposed, the notice shall also specify the intention to propose such a resolution and include the exact text of the resolution.
- 13.3 Notice of every general meeting shall be given (either in writing or, where the party to whom notice is given has notified the Company of an address to be used for the purpose of Electronic Communications, by way of an Electronic Communication) to all the members and directors, and (if there are auditors in office at the time) to the auditors.
- 13.4 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive such notice (other than the Parent) shall not invalidate the proceedings of that meeting.
- 14 **Special resolutions and ordinary resolutions**
- 14.1 For the purposes of these Articles, a "**special resolution**" means a resolution passed by 75% or more of the votes cast on the resolution, providing proper notice of the general meeting and of the intention to propose the resolution has been given in accordance with articles 13.1 to 13.3 (inclusive).
- 14.2 For the avoidance of doubt, the reference in article 14.1 to a 75% majority relates only to the number of votes cast in favour of the resolution as compared with the number of votes cast against the resolution, and accordingly no account shall be taken of abstentions or members absent from the meeting.
- 14.3 In addition to the matters expressly referred to elsewhere in these Articles, the provisions of the Act allow the Company, by special resolution:
- 14.3.1 to alter its name; or
 - 14.3.2 to alter any provision of these Articles or adopt new Articles.
- 14.4 For the purposes of these Articles, an "**ordinary resolution**" means a resolution passed by majority vote (taking account only of those votes cast in favour as compared with those votes against), providing proper notice of the meeting has been given in accordance with articles 13.1 to 13.3 (inclusive).

15 Procedure at general meetings

- 15.1 No business shall be dealt with at any general meeting unless a quorum is present. The attendance of a duly authorised representative of the Parent shall constitute a quorum.
- 15.2 If a quorum is not present within 30 minutes after the time at which a general meeting was due to commence or if, during a meeting, a quorum ceases to be present, the meeting shall stand adjourned to such time and place as may be fixed by the chair of the meeting.
- 15.3 A director shall, notwithstanding that he/she is not a member, be entitled to attend and speak at any general meeting.
- 15.4 The chairperson of the Company shall (if present and willing to act as chair) preside as chair of each general meeting; if the chairperson is not present and willing to act as chair of the meeting within 15 minutes after the time at which the meeting was due to commence, the directors present at the meeting shall elect from among themselves the person who will act as chair of that meeting.
- 15.5 The chair of a general meeting may, with the consent of the meeting, adjourn the meeting to such time and place as the chair may determine.
- 15.6 The chair of the meeting must adjourn a general meeting if directed to do so by the meeting.
- 15.7 When adjourning a general meeting, the chair of the meeting must:
 - 15.7.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and
 - 15.7.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 15.8 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least seven clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
 - 15.8.1 to the same persons to whom notice of the Company's general meetings is required to be given, and
 - 15.8.2 containing the same information which such notice is required to contain.
- 15.9 Every member shall have one vote, given by either a show of hands or secret ballot.

15.10 A resolution put to the vote at a general meeting shall be decided on a show of hands unless a secret ballot is demanded by a member; a secret ballot may be demanded either before the show of hands takes place, or immediately after the result of the show of hands is declared.

15.11 If a secret ballot is demanded, it shall be taken at the meeting and shall be conducted in such a manner as the chair of the meeting may direct; the result of the ballot shall be declared at the meeting at which the ballot was demanded.

16 **Written resolutions**

A resolution in writing signed by the Parent shall be as effective as if it had been passed at a general meeting duly convened and held.

17 **Number of directors**

17.1 The Company shall have a Board which shall have a minimum of seven and a maximum of 15 directors (including co-optees and, if appointed, the Parent Appointee) of whom:

17.1.1 up to 14 directors shall be Independent Directors; and

17.1.2 one director shall be the Parent Appointee.

18 **Register of directors**

The directors shall maintain a register of directors, setting out full details of each director, including the date on which he/she became a director, and also specifying the date on which any person ceased to hold office as a director.

19 **Appointment of directors**

19.1 The Board may appoint directors at a duly constituted Board meeting. Each director appointed under these Articles shall be appointed for a fixed term of office expiring at the conclusion of Board meeting (a "**fixed term**"). The fixed term shall be for a term of three years from the date of the Board meeting at which he/she was appointed, unless the Board has set a lower number of years for the relevant director on their appointment. No fixed term shall be set which would cause the relevant director to serve beyond their ninth consecutive year.

19.2 Notwithstanding any other provision of these Articles, the Parent shall be entitled at any time to appoint such number of directors as would constitute at the date of appointment the majority of the Board.

19.3 At the first Board meeting held in every year each director who has served their fixed term shall retire from office. Any director who retires from office at a Board meeting under this article 19.3 shall be eligible for re-appointment by the Board subject to the following:

19.3.1 where any director retiring under this article 19.3 has only served one fixed term, that director can immediately be re-appointed by the Board;

19.3.2 where any director retiring under this article 19.3 has served two fixed terms, that director shall be eligible for re-appointment by the Board for one further fixed term, but only with the prior approval of the Parent; and

19.3.3 where any director has nine years' service on the Board, that director shall automatically retire at the end of their ninth year, regardless of

whether this date is the date of a Board meeting, and shall not be eligible for re-appointment.

19.4 If a director leaves the Board for any reason other than by virtue of article 19.3, that director will not be eligible to be re-appointed to the Board until the expiry of five years following the date on which they left the Board.

19.5 Other than the Parent Appointee, no director shall serve for more than nine years' service in total on the Board, whether continuously or in aggregate.

19.6 If a director retires from the Board and is re-appointed, subject to article 19.4, any time previously served on the Board shall count towards their fixed term and the terms of article 19.3 shall apply.

19.7 So long as the Parent is the sole member of the Company, the following provisions shall apply (but without prejudice to the provisions of section 168 of the Act) and to the extent of any inconsistency shall have overriding effect as against all other provisions of these Articles:

19.7.1 the Parent may, by notice in writing, signed by or on behalf of the Parent and given to the Company (and subject to article 17) appoint any person who is willing to act to be a director (either to fill a vacancy or as an additional director) or remove any director before the expiration of his/her period of office (notwithstanding any agreement between the Company and him/her); and

19.7.2 any or all powers of the directors shall be restricted in such respects and to such extent and for such duration as the Parent may by joint notice to the Company from time to time prescribe and any such restriction may be removed or varied in such regard and to such extent as the Parent may by joint notice to the Company from time to time prescribe.

19.8 Any appointment or removal of a director under article 19.7 shall have effect from the date on which the relevant notice is given to the Company.

20 **Co-optees**

20.1 Subject to approval by the Parent, the Board can co-opt to the Board or to a sub-committee anyone it considers is suitable to become a director or member of a sub-committee. Co-optees can only serve as co-optees on the Board or sub-committee until removed by the Board at a Board meeting. A person co-opted to the Board can also serve on any sub-committees.

20.2 A person appointed as a co-optee shall undertake the role of director or member of a sub-committee and accordingly will be subject to the duties and responsibilities of a director. Co-optees can take part in discussions at the Board or any sub-committees and vote and Board and sub-committee

meetings on all matters except those which directly affect the membership of the Company or the election of the Company's office bearers. Co-optees may not be elected as one of the office bearers of the Board.

- 20.3 Directors co-opted in this way must not make up more than one-third of the total number of directors or sub-committee members at any one time. The presence of co-optees at Board meetings will not be counted when establishing whether the minimum number of directors are present to allow the meeting to take place as required by article 27.9 and the presence of co-optees will not count towards the quorum for sub-committee meetings.

21 **Termination of office**

- 21.1 A person cannot become or remain as and shall immediately cease to be a director if:

- 21.1.1 he/she ceases to be a director through the operation of any provision of the Act or becomes prohibited by law from being a director and/or a charity trustee;
- 21.1.2 he/she is or becomes disqualified from being a charity trustee pursuant to section 69 of the 2005 Act or has been suspended or removed as a charity trustee pursuant to section 34 of the 2005 Act;
- 21.1.3 he/she is found to be or have been in serious or persistent breach of any duties imposed on charity trustees pursuant to section 66 of the 2005 Act;
- 21.1.4 he/she has been adjudged bankrupt, has granted a trust deed for or entered into an arrangement with creditors or his/her estate has been sequestrated and has not been discharged;
- 21.1.5 he/she is or will be unable to attend Board meetings for a period of 12 months;
- 21.1.6 he/she is/becomes an employee of the Company;
- 21.1.7 he/she resigns office by notice to the Company;
- 21.1.8 he/she is absent (without permission of the directors) from more than four consecutive Board meetings, and the directors resolve to remove him/her from office;
- 21.1.9 he/she is sentenced to prison for a month or more or has been convicted of a crime of dishonesty for which the rehabilitation period in terms of the Rehabilitation of Offenders Act 1974 has not expired or for which rehabilitation is excluded in terms of the said Act;

- 21.1.10 he/she is involved in any legal proceedings in any court or tribunal by or against the Company;
- 21.1.11 he/she is removed from office by ordinary resolution (special notice having been given) pursuant to section 303 of the Act or has otherwise been required to vacate office in terms of this article 21;
- 21.1.12 he/she is a co-optee whose period of office is ended in accordance with article 20.2;
- 21.1.13 he/she is removed from office pursuant to a written notice from the Parent to the secretary;
- 21.1.14 he/she is removed from office by resolution of the directors on the grounds that he/she is considered to have committed a material breach of the code of conduct for directors in force from time to time (as referred to in article 24.2);
- 21.1.15 he/she has been removed from the governing body of any other member of the Group;
- 21.1.16 he/she does not meet any of the eligibility criteria set down by the Group from time to time; or
- 21.1.17 he/she has left the Board and a period of five years has not expired since his/her departure for the purposes of article 19.4.

21.2 A resolution under article 21.1.14 shall be valid only if:

- 21.2.1 the director who is the subject of the resolution is given reasonable prior written notice by the directors of the grounds upon which the resolution for his/her removal is to be proposed;
- 21.2.2 the director concerned is given the opportunity to address the meeting of directors at which the resolution is proposed, prior to the resolution being put to the vote; and
- 21.2.3 at least two thirds (to the nearest round number) of the directors then in office vote in favour of the resolution.

21.3 A director cannot be re-appointed as a director if the Board is not satisfied of the individual's continued effectiveness as a director. In these circumstances, the Board must not allow the individual to be re-appointed.

22 **Chairperson**

22.1 The chairperson of the Company shall be elected by the Board at a Board meeting in accordance with article 22.2. The chairperson shall hold office for a period which shall commence on the date of the chairperson's appointment

and shall expire immediately prior to the next scheduled Board meeting held after the expiry of three years from the date of the appointment (the "office term"), subject always to the provisions of article 19.4.

- 22.2 The chairperson must be elected from the directors, which election must then be approved in writing by the Parent. The chairperson must be prepared to act as chairperson until the end of their office term (unless he/she resigns the post). The chairperson can only be required to resign if a majority of the remaining directors present at a special meeting agree to this.
- 22.3 The chairperson can resign his/her office in writing to the secretary and must resign if he/she leaves the Board or is prevented from standing for or being elected to the Board under article 20. The Board will then elect another director as chairperson.
- 22.4 The chairperson can be re-elected upon expiry of their office term for a further maximum of two years and must not hold office continuously for more than five years, subject always to the provisions of article 19.4.
- 22.5 Upon expiry of their period of service as chairperson, the chairperson must resign as a director and leave the Board. If the chairperson resigns under article 22.2 or 22.3 then they shall also be deemed to have resigned as a director, regardless of the length of their period of service as chairperson.

23 **Directors' interests**

- 23.1 Subject to the provisions of the Act and provided that he/she has obtained the prior approval of the Parent and has disclosed to the directors the nature and extent of any personal interest which he/she has (unless immaterial) and has complied with the code of conduct (as referred to in article 24.2), a director (notwithstanding his/her office):
 - 23.1.1 may be a party to, or have some other personal interest in, any transaction or arrangement with the Company or any associated company;
 - 23.1.2 may be a party to or have some other personal interest in, any transaction or arrangement in which the Company or any associated company, has an interest;
 - 23.1.3 may be a director or secretary of, or employed by, or have some other personal interest in, any associated company; and
 - 23.1.4 shall not, because of his/her office, be accountable to the Company for any benefit which he/she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such company

and no such transaction or arrangement shall be liable to be treated as void on the ground of any such interest or benefit.

23.2 For the purposes of the preceding article:

23.2.1 an interest of which a director has no knowledge and of which it is unreasonable to expect him/her to have knowledge shall not be treated as an interest of his/hers;

23.2.2 the references to "**associated company**" shall be interpreted as references to any subsidiary of the Company or any other company in which the Company has a direct or indirect interest;

23.2.3 a director shall not be deemed to have a personal interest in any transaction or arrangement to which the Parent or any other member of the Group is a party by reason only of the fact that he/she is an officer or employee of that body.

23.3 Without prejudice to article 23.1, a director may be an officer or employee of the Parent or any other member of the Group; and any direct or indirect interest that conflicts, or possibly might conflict, with the interests of the Company arising from any such relationship with the Parent or any other member of the Group (as the case may be) in terms of section 175 of the Act is authorised and approved.

23.4 In addition to the authorisation given by article 23.3, the directors shall be entitled, for the purposes of section 175 of the Act, to authorise (by way of resolution to that effect) any Conflict Situation that may arise (such that the duty of the director concerned, under that section, to avoid conflicts of interest is not infringed) and to amend or vary any such authorisation; the directors may give such authorisation subject to such terms and conditions as they may consider appropriate and reasonable in the circumstances.

23.5 For the avoidance of doubt, articles 23.3 and 23.4 shall not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company; any conflict of interest of that nature shall be governed by the provisions of articles 23.1, 23.2 and 27.11 to 27.14 and the code of conduct referred to in article 24.2.

23.6 The directors shall procure that a register of directors' interests is maintained in accordance with the provisions in this regard contained in the code of conduct referred to in article 24.2.

23.7 The reference in article 23.1 to approval of the Parent shall be interpreted as a reference to approval by majority vote at a meeting of the directors of the Parent, subject to the qualification that if, in the opinion of the chairperson, there is an element of urgency attaching to the relevant transaction or arrangement and a significant period is likely to elapse between the date on

which the application for approval is made and the date on which the next meeting of the directors of the Parent is held, an approval on behalf of the Parent given in writing by the chair or vice chair of the Parent shall be deemed to satisfy the requirement under article 23.1 for the Parent's approval.

24 Conduct of directors

24.1 Each of the directors shall, in exercising his/her functions as a director of the Company, act in the interests of the Company and, in particular, must:

24.1.1 seek, in good faith, to ensure that the Company acts in a manner which is in accordance with its objects (as set out in these Articles);

24.1.2 act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person;

24.1.3 in circumstances giving rise to a conflict of interest or which may give rise to a conflict of interest between the Company and any other party:

24.1.3.1 put the interests of the Company before that of the other party, in taking decisions as a director; and

24.1.3.2 where any other duty prevents him/her from doing so, disclose the conflicting interest to the Company and refrain from participating in any discussions or decisions involving the other directors with regard to the matter in question;

24.1.4 ensure that the Company complies with any direction, requirement, notice or duty imposed on it by the 2005 Act; and

24.1.5 take such steps as are reasonably practicable for the purposes of ensuring:

24.1.5.1 that any breach of a duty under articles 24.1.1 to 24.1.4 inclusive is corrected by the director concerned and not repeated; and

24.1.5.2 that any director who has been in serious or persistent breach of any such duties is removed as a director in terms of article 20.

24.2 Each of the directors shall comply with the Group code of conduct adopted by the Parent and notified to the Board from time to time; for the avoidance of doubt, the code of conduct shall be supplemental to the provisions relating to the conduct of directors contained in these Articles, and the relevant provisions of these articles shall be interpreted and applied in accordance with the provisions of the code of conduct in force from time to time.

25 Directors' remuneration and expenses

25.1 Directors shall not be entitled to any remuneration, whether in respect of his/her office as a director or as the holder of any executive office under the Company.

25.2 Where a director provides services to the Company or might benefit from any remuneration paid to a connected party for such services, then:

25.2.1 the maximum amount of the remuneration must be specified in a written agreement and must be reasonable;

25.2.2 the directors must be satisfied that it would be in the interests of the Company to enter into the arrangement (taking account of that maximum amount); and

25.2.3 less than half of the directors must be receiving remuneration from the Company (or benefit from remuneration of that nature).

25.3 The directors may be paid all travelling, hotel and other expenses properly and reasonably incurred by them in connection with their attendance at Board meetings and sub-committee meetings or general meetings of the Company or otherwise in connection with the discharge of their duties.

26 Powers of directors

26.1 Subject to the provisions of the Act, and these Articles, and subject to any directions given by special resolution, the Company and its assets and undertaking shall be managed by the directors, who may exercise all the powers of the Company.

26.2 No alteration of these Articles and no direction given by special resolution shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given.

26.3 The powers conferred by article 26.1 shall not be limited by any special power conferred on the directors by these Articles.

26.4 A meeting of the Board at which a quorum is present may exercise all powers exercisable by the directors.

27 Procedure at Board meetings

27.1 Subject to the provisions of these Articles, the directors may regulate their proceedings as they think fit.

27.2 Any director may call a Board meeting or request the secretary to call a Board meeting, subject to there being at least six Board meetings in every year.

- 27.3 If at any time the number of directors in office falls below the number fixed as the quorum, the remaining director(s) may continue to act but may act only for the purpose of filling any vacancies on the Board or calling a general meeting.
- 27.4 A Board meeting shall be called by at least seven clear days' notice but may be called by shorter notice if it is so agreed by a majority of the directors. The notice calling a Board meeting shall specify the date, time and place of the meeting and shall set out in reasonable detail the general nature of the business to be transacted at the meeting. The accidental omission to give notice of a Board meeting to, or the non-receipt of notice of a meeting by, any director shall not invalidate the proceedings at that meeting.
- 27.5 All or any of the directors may participate in a Board meeting by means of a conference telephone or any other communication equipment which allows all of those participating in the meeting to communicate with each other. A director so participating shall be deemed to be present, in person, at the Board meeting and, accordingly, shall be entitled to vote and shall be taken into account in determining whether a quorum is present. Such a Board meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairperson is at the time of the meeting.
- 27.6 All speakers must direct their words to the chairperson. All directors must remain quiet and maintain order while this is happening. The chairperson will decide who can speak and for how long.
- 27.7 If any point arises which is not provided for in these Articles, the chairperson shall give a ruling on the point and his/her decision shall be final.
- 27.8 Questions arising at a Board meeting shall be decided by a majority of votes; if an equality of votes arises, the chairperson of the meeting shall have a casting vote. If any issue arises which is not dealt with in terms of these Articles, the chairperson of the meeting at which such issue arises shall decide how the issue shall be dealt with and such decision shall be final and binding on the other directors.
- 27.9 No business shall be dealt with at a Board meeting unless a quorum is present. The quorum for Board meetings may be fixed from time to time by a decision of the directors (subject to the Parent's approval), but it must never be less than four directors.
- 27.10 Unless he/she is unwilling to do so, the chairperson of the Company shall preside as chair at every Board meeting at which he/she is present; if the chairperson is unwilling to act as chair of the meeting or is not present within 15 minutes after the time when the meeting was due to commence, the directors present shall elect from among themselves the person who will act as chair of the meeting.

- 27.11 The directors may, at their discretion, allow any person who they reasonably consider appropriate, to attend and speak at any Board meeting; for the avoidance of doubt, any such person who is invited to attend a Board meeting shall not be entitled to vote and shall not be deemed to constitute a director for the purposes of the Act or any provision of these Articles.
- 27.12 All acts done in good faith as a result of a Board meeting or sub-committee meeting will be valid even if it is discovered afterwards that a director was not entitled to be on the Board.
- 27.13 A written resolution signed by not fewer than three-quarters of the directors or three-quarters of the members of a sub-committee will be as valid as if it had been passed at a Board meeting or at a sub-committee meeting duly called and constituted.
- 27.14 A director shall not vote at a Board meeting (or at a meeting of a sub-committee) on any resolution concerning a matter in which he/she has a personal interest which conflicts (or may conflict) with the interests of the Company; he/she must withdraw from the meeting while an item of that nature is being dealt with.
- 27.15 A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he/she is not entitled to vote.
- 27.16 The Company may, by ordinary resolution, suspend or relax to any extent, either generally or in relation to any particular matter, the provisions of articles 27.14 to 27.15 inclusive.

28 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money, and to grant any heritable security, floating charge or other security over its undertaking and property, or any part thereof, and to issue any debenture, whether outright or as a security for any debt, liability or obligation of the Company or any third party.

29 **Delegation to sub-committees and others**

29.1 Subject to these Articles, the Board may delegate any of the powers which are conferred on it under these Articles:

29.1.1 to such person or committee;

29.1.2 by such means (including by power of attorney);

29.1.3 to such an extent;

29.1.4 in relation to such matters or territories; and

29.1.5 on such terms and conditions,

as they think fit.

29.2 If the Board so specifies, any such delegation may authorise further delegation of the Board's powers by any person to whom they are delegated.

29.3 The Board will establish the terms of reference for delegation under article 29.1, which will be set down in writing and communicated to the recipient of delegated powers. Such delegation will be set down in writing in standing orders, schemes of delegated authority or other appropriate documentation.

29.4 In the case of a sub-committee, such delegation shall include the purposes of the sub-committee, its composition and quorum for meetings. A minimum number of members for a sub-committee shall be three. There must be at least three sub-committee members present for a meeting to take place. The Board shall be responsible for on-going monitoring and the use of delegated powers.

29.5 Any decision made by a sub-committee must be reported to the next Board meeting.

29.6 The Board may revoke any delegation in whole or part, or alter its terms and conditions.

30 **Secretary and other office bearers**

30.1 The Company may have a secretary, a chairperson and any other office bearers the Board considers necessary. The office bearers must be

directors and cannot be co-optees. An employee of the Company, the Parent or any other member of the Group may be appointed as secretary although shall not be a director.

30.2 The directors may appoint a secretary for such term, at such remuneration (if any), and upon such conditions, as they may think fit; the secretary may be removed by them at any time.

30.3 If the secretary cannot carry out his/her duties, the Board, or in an emergency the chairperson, can ask another officer or employee to carry out the secretary's duties until the secretary returns.

30.4 The appointment of a secretary or office bearer in terms of these Articles is subject to the prior written approval of the Parent.

31 **Minutes**

The directors shall ensure that minutes are made of all proceedings at general meetings, Board meetings and meetings of sub-committees; a minute of any meeting shall include the names of those present, and (as far as possible) shall be signed by the chair of the meeting.

32 **Accounting records and annual accounts**

32.1 The directors shall ensure that proper accounting records are maintained in accordance with all applicable statutory requirements.

32.2 The directors shall prepare annual accounts, complying with all relevant statutory requirements; if an audit is required under any statutory provisions or if they otherwise think fit, they shall ensure that an audit of such accounts is carried out by a qualified auditor.

32.3 Any member of the Company or the Parent shall have the right to inspect any accounting or other records, or any document of the Company at any time.

33 **Notices**

33.1 Any notice which requires to be given to a member under these Articles shall be given either in writing or by way of an Electronic Communication; such a notice may be given personally to the member or be sent by post in a pre-paid envelope addressed to the member at the address last intimated by him/her to the Company or (in the case of a member who has notified the Company of an address to be used for the purpose of Electronic Communications) may be given to the member by way of an Electronic Communication.

33.2 Any notice, if sent by post, shall be deemed to have been given at the expiry of 24 hours after posting; for the purpose of proving that any notice was

given, it shall be sufficient to prove that the envelope containing the notice was properly addressed and posted.

33.3 Any notice contained in an Electronic Communication shall be deemed to have been given at the expiry of 24 hours after it is sent; for the purpose of proving that any Electronic Communication was sent, it shall be sufficient to provide any of the evidence referred to in the relevant guidance issued from time to time by the Chartered Institute of Secretaries and Administrators.

33.4 A member present or represented at any meeting of the Company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

34 **Winding-up**

If the Company is wound up, the liquidator shall give effect to the provisions of articles 6 and 7.

35 **Indemnity**

35.1 Every director or other officer or auditor of the Company shall be indemnified (to the extent permitted by section 232, 234, 235, 532 and 533 of the Act) out of the assets of the Company against any loss or liability which he/she may sustain or incur in connection with the execution of the duties of his/her office; that may include, without prejudice to that generality, (but only to the extent permitted by those sections of the Act), any liability incurred by him/her in defending any proceedings (whether civil or criminal) in which judgement is given in his/her favour or in which he/she is acquitted or any liability in connection with an application in which relief is granted to him/her by the court from liability for negligence, default or breach of trust in relation to the affairs of the Company.

35.2 The Company shall be entitled to purchase and maintain for any director insurance against any loss or liability which any director or other officer of the Company may sustain or incur in connection with the execution of the duties of his/her office, and such insurance may extend to liabilities of the nature referred to in section 232(2) of the Act.