



VON DER HEYDEN GROUP

VON DER HEYDEN GROUP FINANCE PLC

COMPANY REGISTRATION NUMBER: C 77266

REGISTERED OFFICE:

SPINOLA PALACE
46, ST. CHRISTOPHER STREET
VLT 1464
VALLETTA
MALTA

(hereinafter referred to as “the Company”)

THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

PREAMBLE

These principles are designed to enhance our legal, institutional and regulatory framework for good governance in Malta. They thus complement the current provisions included in our Memorandum and Articles of Association and as already in force in the Companies Act providing a comprehensive corporate governance framework based on the guidelines provided by the Organization for Economic Cooperation and Development.

Malta, October 2016

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1. THE BOARD

- 1.1 The board should be composed of persons who are fit and proper to direct the business of the company. The concept of fit and proper requires Directors to conduct themselves with honesty, competence and integrity.
- 1.2 The shareholders, as the owners of the company, have the jurisdiction and discretion to appoint or remove Directors on the board. The process of appointment should be transparent and conducted at properly constituted general meetings where the views of the minority can be expressed.
- 1.3 All Directors should:
 - 1.3.1 exercise prudent and effective controls which enables risk to be assessed and managed in order to achieve continued prosperity of the company;
 - 1.3.2 be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
 - 1.3.3 determine the company's strategic aims and the organizational structure;
 - 1.3.4 regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
 - 1.3.5 acquire a broad knowledge of the business of the company;
 - 1.3.6 be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
 - 1.3.7 allocate sufficient time to perform their responsibilities; and
 - 1.3.8 regularly attend meetings of the board.
- 1.4 In cases when a Director is unable to agree with a decision of the board because a proposed course of action is not deemed to be consonant with his statutory or fiduciary duties and responsibilities and all reasonable steps have been taken to resolve the issue, the Director may feel that resignation may be a better alternative to submission. In such instances, the shareholders are entitled to an honest account of any such disagreements between Directors.

2. CHAIRMAN AND CHIEF EXECUTIVE

- 2.1 The position of the Chairman and that of the Chief Executive should be occupied by different individuals. The division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the board. Where the Chairman and the Chief Executive Officer are not different individuals, the Company should provide an explanation to its shareholders for the decision to combine the two roles.
- 2.2 The Chairman is responsible to:
 - 2.2.1 lead the board and set its agenda;

- 2.2.2 ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
 - 2.2.3 ensure effective communication with shareholders;
 - 2.2.4 encourage active engagement by all members of the board for discussion of complex or contentious issues.
- 2.3 The Chairman should meet independence criteria. A Chief Executive should not go on to be Chairman of the same company. If exceptionally a board decides that a Chief Executive should become Chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

3. COMPOSITION OF THE BOARD

- 3.1 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:
- 3.1.1 has been an executive officer or employee of the company or a subsidiary or parent of the company, as the case may be, within the last three years;
 - 3.1.2 has, or has had within the last three years, a significant business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
 - 3.1.3 has received or receives significant additional remuneration from the company or any member of the group of which the company forms part in addition to a director's fee, such as participation in the company's share option or a performance-related pay scheme, or membership of the company's pension scheme, except where the benefits are fixed;
 - 3.1.4 has close family ties with any of the company's executive directors or senior employees;
 - 3.1.5 has served on the board for more than twelve consecutive years; or
 - 3.1.6 is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the company or any member of the group of which the company forms part.

For the purposes of Code Provision 3.1.2, "business relationship" includes the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the company or its group.

- 3.2 Each Director should apply to his duties the necessary time and attention, and should undertake to limit the number of any Directorships held in other companies to such an extent that the proper performance of his duties is assured.

- 3.3 Every person who is appointed as a non-executive director shall declare in writing to the board that he undertakes:-
- 3.3.1 to maintain in all circumstances his independence of analysis, decision and action;
 - 3.3.2 not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
 - 3.3.3 to clearly express his opposition in the event that he finds that a decision of the board may harm the company.
- 3.4 When the board has made decisions about which an independent non-executive director has serious reservations, he should draw all the appropriate consequences from this. If he were to resign, he should explain his reasons in a letter to the board or the audit committee, and – where appropriate – to any relevant body external to the company.

4. THE RESPONSIBILITIES OF THE BOARD

- 4.1 The board should ensure that its level of power is known by all Directors and the senior management of the company. Any delegation of responsibilities and functions should also be clear and unequivocal. Independently of any powers and functions that the Directors may from time to time validly delegate to management, it remains a fundamental responsibility of Directors to monitor effectively the implementation of strategy and policy by management.
- 4.2 The board should:
- 4.2.1 define in clear and concise terms, the company's strategy, policies, management performance criteria and business policies which can be measured in a precise and tangible manner;
 - 4.2.2 establish a clear internal and external reporting system so that the board has continuous access to accurate, relevant and timely information such that the board can discharge its duties, exercise objective judgment on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the board;
 - 4.2.3 establish an Audit Committee;
 - 4.2.4 continuously assess and monitor the company's present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses;
 - 4.2.5 evaluate the management's implementation of corporate strategy and financial objectives. The strategy, processes and policies adopted for implementation should be regularly reviewed by the board using key performance indicators so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the enterprise;
 - 4.2.6 ensure that the Company has appropriate policies and procedures in place to assure that the Company and its employees maintain the highest standards of

corporate conduct, including compliance with applicable laws, regulations, business and ethical standards;

4.2.7 develop a succession policy for the future composition of the board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility.

4.3 The Board should organise regular information sessions to ensure that Directors are made aware of, inter alia;

4.3.1 their statutory and fiduciary duties;

4.3.2 the company's operations and prospects;

4.3.3 the skills and competence of senior management;

4.3.4 the general business environment; and

4.3.5 the board's expectations.

4.4 The board should assess regularly any circumstances, whether actual or potential, that could expose the Company or its Directors to risk, and take appropriate action.

4.5 The business risk and key performance indicators should be benchmarked against industry norms so that the company's performance can be effectively evaluated.

4.6 The board shall require management to constantly monitor performance and report to its satisfaction, at least on a quarterly basis, fully and accurately on the key performance indicators.

4.7 The board shall ensure that the financial statements of the Company and the annual audit thereof are completed within the stipulated time periods.

5. BOARD MEETINGS

5.1 The board should set procedures to determine the frequency, purpose, conduct and duration of meetings and meet regularly in line with the nature and demands of the company's business.

5.2 The attendance of board members should be reported to shareholders at annual general meetings.

5.3 Notice of the dates of the forthcoming meetings together with the supporting material should be circulated well in advance to the Directors so that they have ample opportunity to appropriately consider the information prior to the next scheduled board meeting. Advance notice should be given of ad hoc meetings of the board to allow all Directors sufficient time to re-arrange their commitments in order to be able to participate. .

5.4 After each board meeting and before the next meeting, minutes that faithfully record attendance and decisions should be prepared and should be circulated to all Directors as soon as practicable after the meeting.

6. INFORMATION AND PROFESSIONAL DEVELOPMENT

- 6.1 All new Directors should be offered a tailored induction programme on joining the board which covers to the extent necessary the company's organization and activities and his responsibilities as a Director.
- 6.2 The board should ensure that the Directors, especially non-executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- 6.3 All Directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with.
- 6.4 The Chief Executive Officer should ensure that systems are in place:
 - 6.4.1 to provide for the development and training of the management and employees generally so that the Company remains competitive;
 - 6.4.2 to provide additional training for individual Directors where necessary;
 - 6.4.3 to monitor management and staff morale; and
 - 6.4.4 to establish a succession plan for senior management.
- 6.5 The Chief Executive Officer should be responsible for the recruitment and appointment of senior management.

7. EVALUATION OF THE BOARD'S PERFORMANCE

- 7.1 The board should appoint a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role.
- 7.2 The committee is to report directly to the Chairman who should act on the results of the performance evaluation process in order to ascertain the strengths and to address the weaknesses of the board and to report to the board and, where appropriate, to the Annual General Meeting.
- 7.3 The non-executive Directors should be responsible for the evaluation of the Chairman, taking into account the views of the executive directors.
- 7.4 As part of the disclosure requirements in the annual report, the board should provide adequate information about its internal organization and including an indication of the extent to which the self-evaluation of the board has led to any material changes in the company's governance structures and organization.

8. COMMITTEES

A. Remuneration Committee

For the purposes of this section the term “senior executive” shall mean any person reporting directly to the Board of Directors.

- 8.A.1 The board of Directors should establish a Remuneration Committee composed of non-executive Directors with no personal financial interest other than as shareholders in the company, one of whom shall be independent and shall chair the Committee.
- 8.A.2 Where, however, the remuneration of Directors is not performance-related, the functions of the Remuneration Committee may be carried out by the board and in such case any reference to such Committee in this section shall be construed as a reference to the board of directors. For the purposes of this supporting principle “performance-related” remuneration includes share options and pension benefits, profit sharing arrangements and any other emolument payable to the Directors that is related to the performance of the Company in question.
- 8.A.3 The Remuneration Committee shall prepare a report which forms part of the annual report providing information regarding its membership, the number of meetings held, the attendance over the year and its main activities.
- 8.A.4 The annual report should contain a “Remuneration Statement” which discloses at least the following information:
 - 8.A.4.1 the current remuneration policy of the Company, including profit-sharing, share options and pension benefits, as well as specific arrangements relating to the disclosure of information on performance, highlighting any significant changes in the Company’s remuneration policy as compared to the previous financial year as well as any changes that the Company intends to effect in its remuneration policy for the following financial year;
 - 8.A.4.2 an explanation of the relative importance of the variable and non-variable components of directors’ and/or senior executives’ remuneration;
 - 8.A.4.3 sufficient information on the performance criteria on which any entitlement to share options, shares or variable components of remuneration is based;
 - 8.A.4.4 sufficient information on the linkage between remuneration and performance;
 - 8.A.4.5 the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
 - 8.A.4.6 a description of the main characteristics of supplementary pension or early retirement schemes for Directors and/or senior executives;
 - 8.A.4.7 a summary and an explanation of the Company’s policy with regard to the terms and conditions of the contracts of executive Directors and senior executives including information on the duration of such contracts, the applicable notice periods and details of provisions for termination payments and other payments linked to early termination under the said contracts;
 - 8.A.4.8 the total emoluments, whether in cash or otherwise, received by Directors from the Company or any other undertaking of the Group of which the

Company forms part;

8.A.4.9 the total emoluments, whether in cash or otherwise, received by senior executives from the Company or any other undertaking of the Group of which the Company forms part;

8.A.4.10 the compensation paid or receivable by each former executive Director in connection with the termination of his activities during that financial year;

8.A.4.11 the compensation paid or receivable by each former senior executive in connection with the termination of his activities during that financial year;

8.A.4.12 with respect to shares and/or rights to acquire share options and/or all other share-incentive schemes:-

8.A.4.12.1 the number of share options offered or shares granted by the Company or any other undertaking of the group of which the Company forms part during the relevant financial year and their conditions of application;

8.A.4.12.2 the number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;

8.A.4.12.3 the number of share options unexercised at the end of the financial year, their exercise price, the exercise date and the main conditions for the exercise of the rights; and

8.A.4.12.4 any change in the terms and conditions of existing share options occurring during the financial year; and

8.A.4.13 with respect to supplementary pension schemes:-

8.A.4.13.1 when the pension scheme is a defined-benefit scheme, changes in the accrued benefits under that scheme during the relevant financial year; and

8.A.4.13.2 when the scheme is a defined-contribution scheme, details of the total contributions paid or payable by the Company or any other undertaking of the Group of which the Company forms part during the relevant financial year.

8.A.5 The company shall report separately on Code Provisions 8.A.4.8 and 8.A.4.9, and, in doing so, it shall divide the part dealing with the emoluments of directors and the other dealing with the emoluments of senior executives into four sections entitled “fixed remuneration”, “variable remuneration”, “share options” and “others”. The company may also provide an explanation on which items fall under one of the four categories of emoluments referred to herein.

8.A.6 Without prejudice to the requirements of Code Provision 8.A.2 the disclosure of any information in the Remuneration Statement shall not oblige the Company to disclose commercially sensitive information.

B. Nomination Committee

- 8.B.1 The board should establish a Nomination Committee to lead the process for board appointments and to make recommendations to it. Such committee should be composed entirely of Directors of the company.
- 8.B.2 No member of the Nomination Committee shall be present while his nomination as a director of the Company is discussed at a meeting of such Committee.
- 8.B.3 For any new appointment to the board, the skills, knowledge and experience already present and those needed on the board should be evaluated and, in the light of that evaluation, a description of the role and skills, experience and knowledge needed should be prepared by the Nomination Committee.
- 8.B.4 With respect to the appointment of the chairman, the Nomination Committee should prepare a job specification, including an assessment of the time commitment expected. A chairman's other significant commitments should be disclosed to the board before appointment and any changes to such commitments should be reported to the board as they arise.
- 8.B.4A The letter of appointment issued to non-executive Directors should set out the expected time commitment and non-executive Directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and subsequent changes should be notified to the board.
- 8.B.5 Any proposal for the appointment of a director by the general meeting of shareholders should be accompanied by a recommendation from the board, based on the advice of the Nomination Committee.
- 8.B.6 The lists of candidates to the office of director, accompanied by exhaustive information on the expertise and professional qualifications of the candidates with an indication, where appropriate, of their eligibility to qualify as independent and competent in accounting and/or auditing, shall be deposited at the Company's registered office at least fourteen (14) days prior to the date fixed for the Annual General Meeting.
- 8.B.7 A separate section of the annual report should describe the work of the Nomination Committee, including the process it has used in relation to board appointments.
- 8.B.8 The Nomination Committee shall periodically assess the skills, knowledge and experience of individual directors, and report on this to the board.

9. RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

- 9.1 The Chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the Annual General Meeting and for all directors to attend.
- 9.2 Minority shareholders should be able to call special meetings on matters of importance to the company. However a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the company, should be set up before a Group or an individual may call a special meeting.

- 9.3 Procedures should be established to resolve conflicts between minority shareholders and controlling shareholders. To resolve conflicts, there should be some mechanism, disclosed in the Company's Memorandum or Articles, to trigger arbitration.
- 9.4 Minority shareholders should be allowed to formally present an issue to the board of Directors.

10. INSTITUTIONAL SHAREHOLDERS

The term 'institutional shareholders' should be interpreted widely and includes any person who by profession, whether directly or indirectly, takes a position in investments as principal, or Manager or holds funds for or on behalf of others and includes Custodians, banks, financial institutions, fund managers, stockbrokers, investment managers and others.

(A) Shareholder voting

Institutional shareholders have a responsibility to make considered use of their votes.

(B) Evaluation of governance disclosures

When evaluating the Company's governance arrangements, particularly those relating to board structure and composition, institutional shareholders should give due weight to all relevant factors drawn to their attention.

11. CONFLICTS OF INTEREST

- 11.1 Should an actual or potential conflict arise during the tenure of a Directorship, a Director must disclose and record the conflict in full and in time to the board. A Director shall not participate in a discussion concerning matters in which he has a conflict of interest unless the board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter. In certain circumstances it may be appropriate for the board to disclose in a public document that an actual conflict or potential conflict of interest has arisen.
- 11.2 A Director having a continuing material interest that conflicts with the interests of the Company, should take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.
- 11.3 Each Director should declare to the Company his or her interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest and should only deal in such shares as allowed by law.

12. CORPORATE SOCIAL RESPONSIBILITY

Directors should seek to adhere to accepted principles of corporate social responsibility in their day-to-day management practices of their company.



