

We are pleased to respond to the Nominet governance consultation.

We are a small company and have been a member of Nominet for several years. We register .uk domain names for end users (both individuals and corporate) and for our own use.

Question 1: Do you agree with the proposed changes to Board composition?

**We do not agree with all of these proposals.**

**We believe that the board should retain a majority of elected directors, but we do feel it appropriate for Nominet to propose candidates.**

**We support the six year concept (on the basis that it is not mandatory) but would prefer for it to be three terms of two years rather than the other way round.**

Question 2: Do you agree with the proposed changes to executive directors?

**We agree with these proposals.**

Question 3: Do you agree with the proposed changes to elected non-executive directors?

**No. We do not support the reduction in the number of elected non-executive directors.**

Question 4: Do you agree with the proposed changes to appointed non-executive directors?

**We do not agree with these proposals. We think that Nominet should be able to propose candidates for election as per our answer to question 1.**

Question 5: Do you agree with the proposed other changes relating to directors?

**See comments under each item:**

#### **3.2.1 Alternate Directors**

- Currently there is no ability to appoint alternate directors
- It is proposed to introduce the ability for directors to appoint an alternate director, for example if they are unable to attend a meeting. This is standard practice in company articles.

**This seems reasonable.**

#### **3.2.2 Committees**

- Currently, directors can delegate any of their powers to committees, comprised of other directors.

- It is proposed to introduce the ability for directors to delegate their powers to any committee comprised of one or more person. This is standard practice, and makes delegation to staff members more feasible. Of course, directors still retain responsibility for any delegated action.

**This also seems reasonable.**

### 3.2.3 No age limit

- Currently, our articles are silent as to age limits for directors, so company law applies.
- Company law requires that directors must stand down at the age of 70. It is common practice to exclude this provision in a company's articles.
- We propose to exclude any age limit for directors, on the basis that it is better to choose the right people for the job, than have potential candidates automatically excluded on the grounds of age alone. The Companies Act 2006 will introduce a minimum age for directors of 16.

**Also reasonable.**

### 3.2.4 Disqualification

- Currently, the articles set out an exhaustive list of circumstances when directors shall cease to hold office. The board currently has no ability to remove non-executive directors, which makes compliance with corporate governance best practice difficult.
- It is proposed to bring these in line with legal drafting best practice. This incorporates the usual wording set out in Table C, but makes small amendments, including the ability for directors to be "otherwise duly removed". This is because directors will have a contract of engagement, which will include usual termination provisions for the board.

**Without having a copy of Table C to hand, it is difficult to comment on this.**

### 3.2.5 Remuneration

- Currently, the memorandum allows for payment of directors, but the articles do not include any detail.
- In accordance with corporate governance best practice, the company has a remuneration committee, which reviews and determines the Nominet's policy on remuneration and advises on the specific remuneration packages of senior management.
- It is proposed to introduce some detail (following legal drafting best practice) to allow for payment of extra remuneration to directors who perform special services, such as travelling abroad on company business, and for reimbursement of expenses.

**We have no problem with reimbursement of expenses incurred when carrying out company business but cannot sanction payment for "special services" without more detail. Travelling abroad (the example mentioned) does not seem sufficiently "special" to warrant additional remuneration – surely the odd trip abroad is part of the job?**

### 3.2.6 Notice to directors

- Currently, the articles have general notice provisions which apply both to directors and members. It is proposed to introduce legal drafting best practice to cover notice to directors.

**Too vague to comment.**

### 3.2.7 Sole director

- Currently, the articles make no provision for a situation where there is only one director (The default position under Company law is that there are two directors). It is proposed to incorporate legal drafting best practice, so that the company could still operate if there was temporarily only one director.

**We do not feel it appropriate for Nominet to be run under the sole control of one director – even if only temporary.**

### 3.2.8 Resolution in writing

- Currently, there is no provision allowing directors to pass resolutions in writing. Company law (Table A) allows this, and it is proposed to incorporate this ability. It is proposed to make it clear that a written resolution can be by letter or electronic communication.

**We have no problem with this.**

**3.2.9 Directors' conflict of interest**

- Currently, there is no provision relating to directors' conflict of interest in the current articles.
- In compliance with corporate governance best practice, the board has a register of interests, and conflicts of interest are declared at board meetings.
- We propose that directors with a conflict may still count towards a quorum and vote. This complies with legal drafting best practice, and avoids deadlock. *For example*, all directors are members in their own right, and will have a technical conflict of interest on any membership matter, for example, the recent raising industry standards project. Unless they can also count towards a quorum and vote, there would be deadlock and the board could be unable to deal with such matters.

**We do not believe that conflicted directors should be allowed to vote unless the conflict is trivial. Where deadlock arises as a result, the issue should be passed down to the Membership for voting.**

Question 6: Do you agree with the proposed changes to policy?

**Yes we agree with these.**

Question 7: Do you agree with the proposed changes to fees?

**We do not agree with these changes.**

**Furthermore we believe that the other fees that the board does control (DAC, DRS, tag change, transfers, PRSS) should be charged on a "proper" cost recovery basis. By "proper" we mean that the fee calculation should be done on the same basis and that it should be the subject of independent verification by the auditors to the membership every year.**

**Servitor Limited  
9 May 2007**