

# Nominations Committee – Terms of Reference

## 1. Objectives

The objectives of the Committee are:

- (a) to assist the Board in ensuring that the Board has a mix of Directors with the necessary skills, experience and independence to govern the Society effectively;
- (b) to assist the Board in ensuring that suitable candidates are identified to fill vacancies or to add to the strength of the Society's Board;
- (c) to review, on an ongoing basis, the appropriateness and suitability of each Director for continuing membership of the Board; and
- (d) to assist the Board to meet, wherever possible, the standards set out in Principle A4 and the related provisions included in the Combined Code applicable to listed companies (and included for reference purposes as an Appendix to these Terms of Reference).

## 2. Membership

Members of the Committee shall be appointed by the Board from amongst the Directors of the Society and shall consist of not less than 3 members, a majority of whom shall be non-executive Directors. A quorum shall be 2 members, of whom at least one shall be a non-executive Director.

The Chairman of the Committee shall either be the Chairman of the Society or a non-executive Director, and shall be appointed by the Board.

## 3. Attendance at meetings

In addition to members of the Committee, the Chairman may request that others attend any or all meetings of the Committee, including:

- (a) Officers of the Group and the Society, including the Chief Executive.
- (b) Professional advisers – to consider/report to the Committee on specific matters relating to Directors' appointment and suitability.

The Company Secretary, or a suitable delegate, shall be the Secretary of the Committee.

## 4. Frequency of meetings

Meetings shall be held as circumstances require.

## 5. Authority

The Committee is authorised by the Board:

- (a) to investigate any activity within its terms of reference;

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- (b) to seek any information it requires from any employee related to any matter within the Committee's terms of reference, and all employees are directed to co-operate with any request made by the Committee;
- (c) to obtain any legal or other independent professional advice relevant to its duties, commissioning such reports on these matters as the Committee may require. The fee limit for that advice in relation to any one matter shall be £5,000. Fees in excess of this amount shall be referred to the full Board for prior approval;
- (d) to invite third parties with relevant experience and expertise to attend meetings of the Committee, if it considers this necessary to properly discharge its duties;
- (e) to obtain, at the Group's expense, external legal or other professional advice on any matter falling within its terms of reference; and
- (f) to periodically review and update its terms of reference, requesting approval from the Board for all proposed changes.

### 6. Duties

The Nominations Committee's duties cover all aspects of the appointment of, and continuing review of the overall suitability of, Directors of the Society. The specific duties of the Nominations Committee shall be to consider and make recommendations to the Board regarding:

- (a) the appointment, reappointment, resignation and removal of Directors;
- (b) the terms of appointment for Directors;
- (c) procedures for the appointment of Directors;
- (d) any matters arising concerning the 'independence' of a Director, including any conflicts of interest; and
- (e) the relevant aspects of the Combined Code applicable to listed companies.

### 7. Exclusions

The Nominations Committee makes recommendations to the Board – it does not have the authority to enter into any implied or actual agreement, contract or terms for the appointment or removal of Directors.

### 8. Secretarial and reporting procedures

The Secretary and Chairman of the Committee shall prepare an agenda for each meeting, to be circulated to members prior to the meeting. Where appropriate, any other papers due to be considered at the Committee meeting shall be circulated with the agenda.

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The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board. The Committee shall be responsible for agreeing the accuracy and completeness of those minutes.

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## Appendix

### Relevant extracts from the Combined Code on Corporate Governance

Insertions from the Annotated Code are shown in shaded boxes below

#### A.4 Appointments to the Board

##### Main Principle

**There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.**

##### Supporting Principles

Appointments to the board should be made on merit and against objective criteria. Care should be taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanships.

The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board.

##### Code provisions

- A.4.1 There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available<sup>4</sup> its terms of reference, explaining its role and the authority delegated to it by the board.
- A.4.2 The nomination committee should evaluate the balance of skills, knowledge and experience on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- A.4.3 For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and included in the next annual report. No

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individual should be appointed to a second chairmanship of a FTSE 100 company<sup>5</sup>.

For mutual insurers, which are of equivalent size to a FTSE 100 company, a chairman should not be appointed to the chairmanship of either a FTSE 100 company or another company of equivalent size to a FTSE 100 company.

A.4.4 The terms and conditions of appointment of non-executive directors should be made available for inspection<sup>6</sup>. The letter of appointment should set out the expected time commitment. 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 the board should be informed of subsequent changes.

A.4.5 The board should not agree to a full time executive director taking on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.

For mutual insurers, which are of equivalent size to a FTSE 100 company, no full-time executive director should be appointed to more than one non-executive directorship, or the chairmanship, of either a FTSE 100 company or another company of equivalent size to a FTSE 100 company.

A.4.6 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. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director.

In mutual insurers, the recruitment process should involve appropriate sources of objective external opinion. When seeking to appoint independent directors, as well as considering the use of external recruitment consultants to lead the process, the nomination committee may wish to seek other outside views, for example by utilising methods for facilitating direct member dialogue and involvement that may be in place (such as member forums or panels and/or delegate systems). The advertising of posts should also be considered as a way of reducing the reliance on the personal connections of existing board members.

<sup>4</sup> The requirement to make the information available would be met by including the information on a website that is maintained by or on behalf of the company.

<sup>5</sup> Compliance or otherwise with this provision need only be reported for the year in which the appointment is made.

<sup>6</sup> The terms and conditions of appointment of non-executive directors should be made available for inspection by any person at the company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).