



The Stafford
Building Society

Nominations and Governance Committee

Terms of Reference

Author: Head of Risk

Reviewed By Committee: 17 October 2022

Approved by Board: 17 January 2023

The Stafford Building Society

Nominations and Governance Committee

Terms of Reference

1. Purpose

The principal functions of the Nominations and Governance Committee are:

- 1.1. Leading the process for appointments, ensuring plans are in place for orderly succession to the Board and Leadership Team positions, and overseeing the development of a diverse plan for succession whilst being mindful of the regulatory regime for Senior Managers and Certified Staff ('SM&CR'); and
- 1.2. Providing an oversight for the Society's governance structure and an independent review of the Board effectiveness, as well as compliance with the Society Rules and the Corporate Governance Code.

2. Membership

- 2.1. The Committee shall comprise of the Society Chair, Senior Independent Director ('SID') and Chief Executive ('CE') and at least one other Non-Executive Director ('NED'), selected by Board.
- 2.2. Only members of the Committee have the right to attend Committee meetings. However, individuals such as External Advisers may be invited to attend for all or part of the meeting as and when appropriate. Other Non-Executive Directors may attend all or part of any meeting with prior consent from the Chair.
- 2.3. The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director or the Society Chair, but the Chair should not chair the Committee when it is dealing with the appointment of a successor to the Chair. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

- 3.1. The Executive Directors' Personal Assistant shall act as the minute-taker and will ensure that the Committee receives information and papers in a timely manner to enable a full and proper consideration to be given to the issues on the agenda.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions vested in or exercisable by the Committee.
- 4.2. A majority of votes shall decide all matters. Every member present, including the Chair shall have one vote. In the event of a tie, the Chair shall have a second and casting vote.

5. Frequency of Meetings

- 5.1. The Committee shall meet at least twice a year and otherwise as required.

6. Notice of Meetings

- 6.1. The Chair, in accordance with the agreed annual agenda schedule, shall call meetings of the Committee. Additional meetings may be called by any Committee member or at the request of the Chief Executive if he or she considers it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend, no later than five days before the date of the meeting. All supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 6.3. Members of the Committee may participate in a meeting by means of Microsoft Teams (or equivalent), that is, 'virtually' where all persons participating can hear each other at the same time. Participation by such means shall constitute presence at a meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. The draft minutes will be circulated promptly to the Chair of the Committee. Once reviewed, the minutes should be circulated to all other members of the Committee. The Executive Director 'Personal Assistant shall record any conflicts of interest declared at the meeting.
- 7.3. Once approved, the minutes should be submitted to the Board for noting unless it would be inappropriate to do so.

8. Duties

The Committee shall:

<u>Responsibility</u>
<p>Board Structure, Size and Composition</p> <ul style="list-style-type: none"> • Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.

<u>Responsibility</u>
<p>Board Performance</p> <ul style="list-style-type: none"> • Review the results of the Board performance evaluation process which relate to the composition of the Board and succession planning and identify specific training requirements for the Board. • Review annually the time required from Non-Executive Directors. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties. • Work and liaise as necessary with all other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly. • Receive an annual report from the Chair, confirming that Board members remain fit and proper persons to be Directors and Approved Persons under the requirements of the PRA and FCA. <p>Recommendations to the Board regarding:</p> <ul style="list-style-type: none"> • The re-election by members of any Directors under the annual re-election provisions of the Code or the retirement by rotation having due regard to performance and ability and why their contribution is important to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board taking into account the length of service of individual directors, the Chair and the Board as a whole.

Responsibility

Succession Planning

- Ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Society and the skills and expertise needed by the Board in the future.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise

Recommendations to the Board regarding:

- Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
- Suitable candidates as new Directors and succession for existing Directors.
- Membership of the Audit, Risk and Remuneration Committees as appropriate in consultation with the Chairs of those Committees.

Responsibility

Board Appointments

- Before any appointment is made by the Board evaluate the balance of skills, knowledge, experience and diversity of the Board as detailed in the Skills Matrix and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and time commitment expected. In identifying suitable candidates, the Committee shall:
 - Use open advertising or the services of External Advisers to facilitate the search;
 - Consider candidates from a wide range of backgrounds; and
 - Consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, taking care that appointees have enough available time to devote to the position.
- Prior to the appointment of a director, other significant professional time commitments should be disclosed, and any additional future commitments should not be undertaken without prior approval of the Board. The proposed appointee should also be required to disclose any other business interests which may result in a conflict of interest. These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board.
- Ensure that on appointment to the Board, Non-Executive Directors receive a formal Letter of Appointment setting out clearly what is expected of them in terms of their Senior Management Responsibilities, time commitment, Committee service and involvement outside Board meetings.

Recommendations to the Board regarding:

- The re-appointment of any Non-Executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- Any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Society subject to the provisions of the law and their service contract
- The appointment of any Director to Executive or other office

Responsibility

Executive Directors

- Keep under review the leadership needs of the Society, both Executive and Non-Executive, with a view to ensuring the continued ability of the Society to compete effectively in the marketplace.

<u>Responsibility</u>
<p>Building Society Sector</p> <ul style="list-style-type: none"> • Ensure the Board is kept up to date on relevant nominations and governance issues.

<u>Responsibility</u>
<p>Risk Management</p> <p>Recommendations to the Board regarding:</p> <p>Approval of First and Second Line key policies as outlined by the Society's Risk Management Framework including the Conflict of Interests Policy, Nominations of Directors Policy and the Corporate Governance Manual.</p>

9. Reporting Responsibilities

The Committee Chair shall:

- 9.1 Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 Produce a report of its activities to be included in the Society's Annual Report and Accounts describing the work of the Nominations and Governance Committee including:
 - The process used in relation to appointments, its approach to succession planning and how both support and development of a diverse pipeline;
 - How the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual directors, the outcomes and actions taken, and how it has influenced or will influence Bboard composition;
 - The policy on diversity and inclusion, its objectives and linkage to the Society's strategy, how it has been implemented and progress on achieving the objectives; and
 - The gender balance of those in the senior management team and their direct reports about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and accounts and a statement made as to whether it has any connection with the Society.
- 9.4 If an external search consultancy has been engaged, it should be identified in the Annual Report and Accounts alongside a statement about any other connection it has with the Society or individual Directors.
- 9.5 Safeguard the independence and oversee the performance of the Committee.

10. Other Matters

The Committee shall:

- 10.1. Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary for advice and assistance as required.
- 10.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 10.3. Give due consideration to laws and regulations, the provisions of the Code and the requirements of any other applicable rules as appropriate.
- 10.4. Oversee any investigation of activities which are within its Terms of Reference.

- 10.5. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and Terms of Reference in order that changes are made in line with the developing risk environment and good practice and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised by the Board to:

- 11.1. Seek any information it requires from any employee of the Society in order to perform its duties.
- 11.2. Obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.
- 11.3. Request the attendance of any employee at a meeting of the Committee as and when required.

12. Annual General Meeting ('AGM')

- 12.1. The Committee Chair should attend the AGM to answer members' questions on the Committee's activities.

13. Rapid Response Protocol

- 13.1. The Rapid Response Protocol seeks to facilitate decision making between meetings, whereby a minimum quorum must be present, either in person or over the phone. The Protocol is typically applied between meetings when, for example, unexpected regulatory or legislative announcements occur.
- 13.2. All decisions made under the Rapid Response Protocol are to be ratified at the following Nominations and Governance Committee meeting.

<u>Date</u>	<u>Version</u>	<u>Summary of Changes Made</u>	<u>Changes Made By</u>
03/10/2022	2022V1	Annual review and Update	Head of Risk
17/10/2022	2022V1	Annual Review by Committee	NomGovCo
17/01/2023	2022V2	Board approval	Board