

HINCKLEY AND RUGBY BUILDING SOCIETY

NOMINATIONS AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

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These Terms of Reference are reviewed on an annual basis and will be approved at the end of each financial year in readiness for the year ahead.

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Introduction

The Nominations and Governance Committee (Committee) is a sub-committee of the Hinckley and Rugby Building Society's, (The Society) Board of Directors (The Board). The Committee has been established to lead the process for appointments, ensure plans are in place for orderly succession to both the Board and Senior Management positions, and oversee the development of a diverse pipeline for succession. The Committee leads on the development and implementation of corporate governance processes and best practice.

1. Membership

- 1.1. The Committee shall comprise at least three directors. A majority of the members of the committee shall be independent Non-Executive Directors.
- 1.2. Appointments to the Committee are made by the Board on the recommendation of the Nominations and Governance Committee.
- 1.3. Only members of the committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief People Officer and Company Secretary will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The Board shall appoint the Committee Chair who should be either the Chair of the Board or an Independent Non-Executive Director. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board. The Chair of the Board shall not Chair the Committee when it is dealing with the matter of succession of the Chair of the Board.

2. Secretary

The Company Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

The quorum necessary for the transaction of business shall be two members.

- 3.1. A decision of the Committee may be taken by written resolution or via electronic means. A decision in this instance will be valid only if taken by a quorum as set out in the terms of reference
- 3.2. The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone, video or other communication equipment. For the avoidance of doubt, a quorum in such event shall be as set out in 3 above. Such a meeting shall be deemed to take place where the largest group of members of the Committee participating is assembled or, if there is no such group, where the Chair of the meeting is located.

4. Frequency of meetings

The Committee shall meet at least four times a year and otherwise as required.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members.
- 5.2. 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 and any other person required to attend no later than six clear days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of the meeting

- 6.1. The Secretary, or their nominee shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2. The draft minutes of Committee meetings shall be circulated to all members of the Committee and approved at the following meeting.

7. Engagement with members

- 7.1. The Committee Chair should attend the Annual General Meeting to answer any member questions on the Committee's activities.

8. Duties

Composition of the Board

- 8.1. 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. Responsibilities of specific Directors.
- 8.2. Consider the appropriateness of any targets for the representation of the under-represented characteristics of age, disability, ethnicity, education and social background in the Board and workforce and, if appropriate, approve a policy on how to increase the number of the under-represented characteristics in the Board and workforce in order to meet those targets.

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- 8.3. To periodically and at least annually assess the Society Skills Matrix ensuring the current needs are met and assess future requirements against the Society strategy.
- 8.4. Keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- 8.5. Keep up-to-date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates.

Succession and new appointments

- 8.6. 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 on the board in the future. Where appropriate to consider inclusion of non-financial service experience to create a wide and diverse pool of talent.
- 8.7. Be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise.
- 8.8. Before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. In identifying suitable candidates the committee shall:
 - 8.8.1. Use open advertising or the services of external advisers to facilitate the search
 - 8.8.2. Consider candidates from a wide range of backgrounds
 - 8.8.3. Consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the board and taking care that appointees have enough time available to devote to the position.
 - 8.8.4. assessing the suitability of candidates by reference to the 'fit and proper' test including competence and capability criteria.
 - 8.8.5. agreeing any special requirements that should apply to the selection and appointment of the Chair and CEO, including, if appropriate, the establishment of a special committee. In keeping with best practice governance standards, any such committee will comprise solely non-executive Directors. In relation to Chair succession, the search will be led by the Senior Independent Director or other non-executive Director nominated by the Committee for that purpose. Neither the Chair of the Board nor any director seeking appointment as Chair will be eligible to participate in the process.
- 8.9. Prior to the appointment of a Director, other significant 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 that 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.
- 8.10. 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 time commitment, committee service and involvement outside Board meetings.
- 8.11. Ensure that all Directors receive a full suite of statements of responsibility and Job descriptions.

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- 8.12. Ensure, together with the Company Secretary, that a full, formal, and tailored induction training programme is in place for a new Independent Director.
Serving directors
- 8.13. To consider the frequency of the carrying out of an externally facilitated Board evaluation, review the findings of any such evaluation and to report and make recommendations to the Board.
- 8.14. To ensure there is a formal and rigorous annual performance review of the performance of the Board, its committees, the Chair, and individual directors.
- 8.15. Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- 8.16. Engaging external facilitators as required for an independent evaluation of the effectiveness of the Board at least every three years.
- 8.17. 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.
- 8.18. To recommend to the Board for re-election by members, any director of the Society under the annual re-election provisions recommended by the UK Corporate Governance Code having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of membership of the Board and Committees.
- 8.19. To assess at least annually and make recommendations to the Board concerning the independence of each of the non-executive directors of the Society (excluding the Chair of the Society) to ensure that they continue to meet the independence requirements of the UK Corporate Governance Code.
- 8.20. To consider any matters relating to the continuation in office of any Director of the Society at any time including the suspension or termination of service of any executive director as an employee of the Society subject to the provisions of the law and his/her service contract.
- 8.21. To consider and recommend to the Board the membership of each Board Committee based on operational requirements of the business.
- 8.22. Assist the Board in its ongoing oversight of the quality of governance.
- 8.23. Monitor developments in relation to the Senior Managers Regime and Certification Regime where appropriate, review the potential impact on the Society and make recommendations to the Board on any changes to be implemented.
- 8.24. To identify any changes in the population of Certification staff (to whom the Principles of the Remuneration Code will apply) and Material Risk Takers (the group of employees to whom the Principles of the Remuneration Part of the PRA Rulebook will apply) including all employees whose professional activities have a material impact on the Society's risk.
Conflicts of interest
- 8.25. With assistance from the Company Secretary, ensure that prospective executive and non-executive Directors disclose any business interests that may result in any actual or potential conflict of interests with those of Society prior to any offer of appointment being made and be required to report any future business interest that could result in a conflict of interest.
- 8.26. Consider and authorise, subject to ratification by the Board, any situational conflict in which a director may have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Society, as recorded in the Directors' Register of Interests.

- 8.27. Have regard to the possible time required to fulfil this role of Board or Committee member, and all other outside commitments notified by the Director, and whether it could impede the Director from spending sufficient time to fulfil his/her obligations to the Society.

Conduct an annual review of the Conflicts Register and review any disclosure relating to conflicts of interest to be made public. To review and recommend Board policies and documents:

- a. Conflicts of Interest Policy (and controls oversight)
- b. ESG Policy
- c. Equality Diversity and Inclusion Strategy and Targets
- d. Board Skills Matrix
- e. The Board Code of Conduct
- f. Policy Framework
- g. Matters Reserved for the Board
- h. Governance Manual
- i. The Succession Plan
- j. Whistleblowing Policy

9. Reporting Responsibilities

The Committee shall report and make recommendations to the Board concerning:

- 9.1. Any changes needed to the Succession Plan.
- 9.2. Suitable candidates as new directors and succession for existing directors.
- 9.3. Membership of the Board committees as appropriate, in consultation with the chair of those committees.
- 9.4. The re-appointment of Non-Executive Directors 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 knowledge, skills and experience required.
- 9.5. The re-election by members of Directors under the annual re-election provisions of the Code, having due regard to their performance and ability, and why their contribution is important to the Society's long-term sustainable success in the light of the skills, experience and knowledge 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.
- 9.6. 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 company subject to the provisions of the law and their service contract.
- 9.7. The appointment of any Director to Executive or other office.
- 9.8. The committee shall produce a report to be included in the Society's annual report describing the work of the nomination committee, including:
 - 9.8.1. the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline
 - 9.8.2. how 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 board composition
 - 9.8.3. the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives, and

- 9.8.4. the gender balance of those in the senior management team and their direct reports.
- 9.8.5. If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.
- 9.8.6. An explanation of why any Non-Executive Director has served for longer than nine years.
- 9.9. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10. Other Matters

- 10.1. The Chair will lead on the annual performance evaluation of the Committee.

11. Authority

- 11.1. These Terms are the responsibility of the Board and cannot be delegated
- 11.2. These Terms will be reviewed and approved on an annual basis at the end of each financial year