

Nomination and Governance Committee: Terms of Reference

1. The Role of the Nomination and Governance Committee

- a) The Committee is a committee of the Board of Scottish Building Society from which it derives its authority and was established by the Board to review Board constitution, skills, performance, succession plans, directors' elections and the senior management structure. The Committee also has oversight of the Society's Corporate Governance arrangements including the Senior Managers and Certification Regime and related Responsibilities Map.

2. Membership and Attendees

- a) The Committee is appointed by the Board. The majority of members of the Committee are independent, non-executive directors of the Society. The Committee consists of not less than three members and a quorum is two members present in person or by video or audio conference. The Chairperson of the Board may be a member of, but may not chair the Committee.
- b) Only members of the Committee have the right to attend Committee meetings. Other individuals such as other members of the Executive or Management team may be invited to attend as and when appropriate and necessary.
- c) The Committee may sub-delegate any or all of its powers and authorities as it thinks fit to one or more of its members or the Society Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

3. Secretary

- a) The Society Secretary or his or her nominee shall act as the Secretary of the Committee.

4. Meeting Governance

- a) The Committee shall meet for the despatch of business as often as it shall find necessary, with expectations of a minimum of four full and formal Committee meetings. The meetings of the Committee may be held in parallel with those of the Remuneration Committee although the agenda for each meeting is split into two parts to ensure nomination and remuneration issues are considered separately and to recognise the different membership of the two committees.
- b) The Secretary of the Committee shall call meetings in accordance with the schedule agreed. Additional meetings may be called by any Committee member or at the request of the Chief Executive, Finance Director or the Chief Risk Officer.
- c) 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 five working 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.
- d) Meetings of the Committee may be conducted when the members are physically present together or by using the form of video and/or audio conferences.

- e) At each meeting, the Committee shall, review and evaluate any potential or actual conflict of interest of the Committee members.
- f) Questions arising at a meeting shall be resolved by a majority of votes and, in the case of equal votes, the Chairperson of the meeting shall have a second or casting vote.
- g) Written resolutions are permitted but must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.

5. Minutes of meetings

- a) The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- b) Draft minutes of the Committee meetings shall be circulated promptly to the Chairperson of the Committee. Once approved, minutes should be circulated to all other members of the Committee unless it would be inappropriate to do so.
- c) Final signed copies of the minutes of the meetings of the Committee should be maintained for the Society's records.

6. Responsibilities

Board Composition and Effectiveness

- a) To review regularly the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and make recommendations to the Board regarding changes.
- b) To give full consideration to succession planning for both the Board and senior management positions, 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 and senior management team in the future.
- c) To consider annually which directors should seek re-election in accordance with the Society's Rules regarding 'retirement by rotation' or under the requirements of the UK Corporate Governance Code.
- d) To consider feedback from the Board Chairperson on the Board Appraisal process and review Board effectiveness, taking into account this feedback and any other relevant factors.
- e) To review annually the time required from non-executive directors and whether each non-executive director has been able to devote enough time to fulfil their duties.

Appointment of Directors

- f) To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- g) Before any appointment is made by the Board, evaluate the balance of skills, experience, knowledge and diversity on the Board and, in light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

- i. where appropriate, use open advertising or the services of external advisers to facilitate the search;
 - ii. consider candidates from a wide range of backgrounds; and
 - iii. consider candidates on merit and against objective criteria and with due regard for the benefits of diversity including gender, social and ethnic backgrounds, and cognitive and personal strengths, taking care that appointees have enough time available to devote to the position.
- h) 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 Chairperson. 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 Chairperson prior to appointment and any future business interest that could result in a conflict of interest must not be undertaken without prior authorisation of the Chairperson.
- i) 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.
- j) Review the results of the Board Effectiveness Review that relate to the composition of the Board and succession planning.
- k) 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.
- l) Make recommendations to the Board concerning:
- l.1. any changes to the succession planning process,
 - l.2. suitable candidates as new directors and succession for existing directors
 - l.3. membership of any other Board Committees as appropriate and in consultation with the chair of those committees.
 - l.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.
 - l.5. The re-election by shareholders under the Filling of Casual Vacancies and Retirement by Rotation provisions of the Society Rules.
 - l.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 Society subject to the provisions of the law and their service contract.

Senior Manager and Certification Regime

- m) To review and approve the Society's policies relating to the Senior Managers and Certification Regime.
- n) To review an assessment of the continued fitness and propriety of Senior Management Function (SMF) holders (including notified Non-Executive Directors) together with the Responsibilities Map at least annually (and when there are any material changes).

- o) To review the roles, capabilities, Statements of Responsibilities and job descriptions of non-executive directors, executive directors and senior management and to make recommendations to the Board regarding changes.

Whistleblowing

- p) To review and maintain ongoing oversight of specific issues relating to the Society's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing, where delegated by the Board.
- q) To review at least annually the Society's Whistleblowing Policy and procedure to ensure it remains up to date, appropriate and accessible to all employees.

7. Delegated Authority from Board

- a) The Board has a formal schedule of matters that are reserved to it, and it has delegated authority to the Nomination & Governance Committee, as detailed in the appendix to the Board Terms of Reference.
- b) In managing the authorities delegated to the Nomination & Governance Committee, the Board shall receive from the Committee Chair a report on proceedings after each meeting on key decisions and discussions within its duties and responsibilities.
- c) The Committee Chair should perform a periodic assessment of whether responsibilities included in the Terms of Reference document have been achieved. The results of this exercise should be reported to the Board and appropriate action should be taken where it is identified that responsibilities have not been realised.
- d) The Committee is authorised to make whatever recommendations deemed appropriate on any area within its remit where action or improvement is needed.

8. Other Matters

- a) Committee members are authorised to seek any information required from any employee of the Society in order to perform their duties.
- b) The Committee is authorised to obtain, at the Society's expense, external legal or other professional advice on any matter within its authority.

Date Remit last reviewed

June 2021