



TERMS OF REFERENCE

Nominations & Governance Committee

Adopted by the Board on 20th June 2018

1. Introduction

The Shepherds Nominations & Governance Committee assists the Board of the Society (the “Board”) in meeting its obligations under the Friendly Societies Act 1992, the Financial Services and Markets Act 2000 and the Financial Services Act 2012. The Nominations and Governance Committee will always seek to deliver its responsibilities within the Policy framework set by the Board and the applicable parts of the Prudential Regulation Authority and Financial Conduct Authority rulebooks.

2. Purpose

- 2.1 This Committee is established under the Authority of the Board to assist and advise the Board in exercising its governance responsibilities.
- 2.2 To provide a forum for independent oversight of the Executive team in how they implement all internal and external processes related to staffing the business appropriately in accordance with good governance and regulatory requirements.
- 2.2 To ensure that the organisation is staffed by people of good repute and integrity with the appropriate knowledge and skills to deliver a sustainable business which is member focused and managed to high regulatory standards.
- 2.3 To ensure succession planning is effective for all senior positions.
- 2.4 To oversee the process for identifying, recruiting and appointing all individuals within the SIMR Regime and notified non executive directors in line with regulatory requirements.
- 2.5 To oversee matters of a disciplinary nature in respect of all individuals within the SIMR regime.
- 2.6 To protect the interests of members and customers at all times.

3. Membership

- 3.1. The Committee will be appointed by the Board and will comprise of at least two Non-Executive Directors, and such Executive as the Board see fit. The Board will nominate one of the non-executive members of the Committee as Chairman of the Committee.
- 3.2. The Board may also elect to appoint an Independent Expert to the Nominations and Governance Committee from outside the Society in order to enhance its effectiveness;
- 3.3. The Nominations and Governance Committee will invite additional attendees from executive management; and
- 3.4. Any member should have the skills and experience necessary for them to make a useful contribution to the work of the Committee.

4. Meetings

- 4.1 Meetings will normally be held a minimum of three times a year. In case of need, the Chairman may call a special meeting of the Committee. Attendance may be by teleconference call with the consent of the Chairman;
- 4.2 The agenda will be prepared by the Chief Culture Officer and agreed with the Chairman of the Nominations and Governance Committee. The agenda and support papers will be circulated to all members and invited attendees at least five days before the next meeting;
- 4.3 Minutes of the meetings will be taken by the Chief Culture Officer or such other person as the Chairman nominates, and will then be circulated to Committee members and to Board members prior to the next meeting;
- 4.4 Two Non Executive Directors are required to constitute a quorum. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate;
- 4.5 The Nominations and Governance Committee may request any attendees to leave the meeting in order that the Committee members can discuss matters confidentially.

5. Responsibilities

The Nominations & Governance Committee is a body that will be responsible for:

5.1 Succession Planning

- a) To take overall responsibility for succession planning in respect of all key regulatory positions in the Society.

- b) To review and make recommendations to the Board at least annually, for Board succession over the longer term in order to maintain an appropriate balance of skills, experience, independence and diversity on the Board.
- c) To have oversight of the Society's succession plans for key roles not on the Board taking into account the challenges and opportunities facing the Society as well as the future needs of the Board in maintaining an appropriate balance of skills, experience, independence and diversity.
- d) To consider succession planning in the context of contingency, medium and long-term planning.

5.2 Board Governance

- a) To be responsible for assessing the performance of the Board as a whole. To review assessments of all Board meetings on an annual basis and implement changes/improvements as required.
- b) To consider an independent Board assessment once every three years to provide additional insight into Board effectiveness.
- c) To monitor that any conflicts of interest are identified and resolved appropriately. This should include monitoring that SIMR function holders and notified non-executive directors have sufficient time available to meet their commitments to the Society and remain "independent in nature".
- d) To have oversight of other Board committees ensuring that members have the required skills and experience and that the appropriate rotation of membership takes place.
- e) To review the Terms of Reference for all Board committees annually to ensure consistency of underlying principles.
- f) To approve any requests from individuals within the SIMR regime and from notified non-executive directors for taking on additional appointments which may compromise their ability to undertake their responsibilities with the Society.
- g) To review the Board manual once every three years to ensure that it continues to meet regulatory and good governance requirements.
- h) To review the Board Diversity policy on an annual basis.
- i) To monitor developing trends or initiatives in relation to Board governance issues and the way these may impact the Society and make appropriate recommendations for changes to the Board.

5.3 Fitness & Propriety

- a) To ensure that any persons appointed to a SIMR Regime function or a notified non-executive role meet as a minimum the standards of fitness & propriety as specified in the PRA and FCA rules both on appointment and on an on-going basis.
- b) To ensure that the Society is keeping appropriate records that demonstrate ongoing fitness & propriety and that the Society is maintaining its Governance Map accurately.
- c) To ensure that Board directors are maintaining their knowledge and competencies to allow them to discharge their responsibilities effectively.
- d) To take the lead in respect of ensuring any remedial actions required to improve skills and competencies are delivered successfully.
- e) To take the lead on behalf of the Board in managing any disciplinary processes that may be required.

5.4 Recruitment

- a) To be responsible for Board composition and progressive refreshing of the Board by ensuring that there are directors with the appropriate balance of skills, knowledge, experience and diversity on the Board to meet the requirements of current market and regulatory environments.
- b) To take the lead in the recruitment process for Board directors. To be responsible for specifying the role taking into account the existing skills set on the Board as well as the Society's agreed strategic priorities.
- c) To manage an "open market" approach to identifying external candidates.
- d) To lead the selection process and make recommendations to the Board about the preferred candidate.
- e) To oversee the appointment process, ensuring that it complies with regulatory requirements.
- f) To approve the service agreements for all directors.

6. Relationship with other Committees

- 6.1 To work together with the Remuneration Committee and ensure that the Committee is happy to approve the remuneration packages for the appointments recommended by the Nominations & Governance Committee.

7. Escalation and Reporting Structure

The Nominations and Governance Committee will report directly to the Board.

Matters that are deemed to be outside the responsibilities of Nominations and Governance Committee will be submitted to the Board for consideration and/or guidance.

8. Conduct Risk

The Conduct Risk Framework falls under the responsibility of the Board.

9. Authority

9.1. The Nominations and Governance Committee may inspect any records of the Society and seek information from any of its Employees;

9.2. The Nominations and Governance Committee may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities.

9.3 The Nominations and Governance Committee does not have delegated authority from the Board and makes recommendations to the Board for approval.

10. Self Appraisal

On an annual basis the Nominations and Governance Committee should formally appraise its performance against its role and objectives and minute the extent to which it has met its requirements, together with an action plan should any shortcomings be identified.