

FINANCIAL SERVICES COMPENSATION SCHEME

TERMS OF REFERENCE

NOMINATION AND GOVERNANCE COMMITTEE

Membership

1. Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three directors, comprising the Chairman of the Board, the Chief Executive and at least one other independent non-executive director. A majority of the members of the Committee should be independent non-executive directors. The Board shall appoint the Committee Chairman, who should be either the Chairman of the Board or an independent non-executive director.
2. Only members of the Committee have the right to attend Committee meetings, although others may be invited to attend for all or part of any meeting as and when appropriate.

Duties

3. The Committee shall:
 - (a) regularly review the structure, size and composition of the Board (including skills, knowledge and experience) together with Board diversity, and make recommendations to the Board with regard to any changes prior to submitting proposals to the Financial Conduct Authority ("the FCA") and the Prudential Regulation Authority ("PRA") (and, where required, HM Treasury);
 - (b) give full consideration to, and make recommendations to the Board on, succession planning for both non-executive and executive directors, in particular the Chairman and Chief Executive, taking into account the challenges and opportunities facing the Scheme as well as the skills and expertise required in the future;
 - (c) given that all members of the Board are appointed by the FCA and PRA, ensure that there is appropriate liaison generally between FSCS, the FCA and PRA with regard to Board appointments and reappointments, including making recommendations to the Board for approval by the FCA and PRA (and, where required, HM Treasury);
 - (d) provide the required FSCS input to the FCA and PRA as part of the agreed process (as amended from time to time by the FCA, PRA and FSCS) for the selection and appointment of directors, including evaluating the balance of skills, knowledge and experience on the

Board and preparing a description of the role and capabilities required for a particular appointment, and make recommendations to the Board for approval by the FCA and PRA (and, where required, HM Treasury) at relevant stages of the process;

- (e) in participating in the process for identifying suitable candidates:
- consider the use of open advertising or the services of external advisers to facilitate the search
 - consider candidates from a wide range of backgrounds
 - consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position
- (f) make recommendations to the Board for approval by the FCA and PRA (and, where required, HM Treasury) for the reappointment of existing 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 the knowledge, skills and experience required;
- (g) keep under review the leadership needs of the company to ensure its continued effectiveness;
- (h) keep under review the membership of the various Committees, in consultation with the Committee Chairmen, and make recommendations to the Board for approval;
- (i) make recommendations to the Board for the appointment of the senior independent director to provide a sounding Board for the Chairman and to serve as intermediary for the other directors when necessary;
- (j) oversee the Board's governance arrangements, both internal and external (and make recommendations to the Board for appropriate policies and practices to enable the Board to operate effectively and efficiently);
- (k) have regard to established and evolving best practice corporate governance standards and keep under review compliance with relevant corporate governance codes;
- (l) oversee the evaluation of the performance of the Board and its Committees;
- (m) oversee the annual evaluation of the performance of the Chairman, Chief Executive and Board members; and
- (n) oversee the application of the directors' conflicts of interest policy.

Authority

4. The Committee is authorised by the Board to:
 - (a) carry out its review and decision-making functions within its terms of reference;
 - (b) seek any information it requires from any employee of the company in order to perform its duties; and
 - (c) obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.

Meetings

5. The Committee shall meet at least once a year, and at other such times as the Chairman of the Committee shall require, dates of meetings being notified by the Company Secretary as and when arranged.
6. The Company Secretary, or their nominee, shall act as the secretary of the Committee, and shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to Committee members for approval.
7. The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors. 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.
8. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

Reporting Responsibilities

9. The Committee Chairman or their nominee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. Minutes of Committee meetings shall be circulated to all members of the Board, unless a conflict of interest exists.
10. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.
11. The Committee shall ensure that an appropriate statement of its activities is made in the company's Annual Report.

Other

12. The Committee or the Board (as agreed from time to time) shall evaluate the performance of the Committee on an annual basis.
13. The Committee shall review and update its terms of reference from time to time and receive approval of changes from the Board.

Last reviewed - 23 January 2019