

A WORD FROM THE  
CHAIR OF THE BOARD  
GOVERNANCE AND  
NOMINATIONS COMMITTEE

# BOARD GOVERNANCE AND NOMINATIONS COMMITTEE REPORT

COMPLIANCE

I am pleased to introduce the annual report of the Board Governance and Nominations Committee and provide a summary of the work that the Committee has been doing during the year. We have had a strong focus on future recruitment and succession planning for our Board in 2019 to make sure that now and in the future we have the skills and experience we need to be effective and ensure the long-term success of the Society.

During 2020 the Committee will continue its role in supporting our Board to ensure we have the highest standards of corporate governance. It will carry on its work to make sure that succession planning is in place and future retirements and appointments are managed to support the ongoing effectiveness of our Board, whilst maintaining the focus on diversity and inclusion.

**John Heaps**

**Chair of the Board Governance and Nominations Committee**

## BOARD GOVERNANCE AND NOMINATIONS COMMITTEE MEMBERS AND MEETINGS

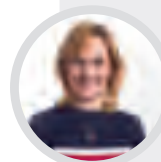
### THE MEMBERS OF THE COMMITTEE ARE:



**John Heaps**  
Committee Chair



**Mark Pain**  
Independent  
Non-Executive  
Director



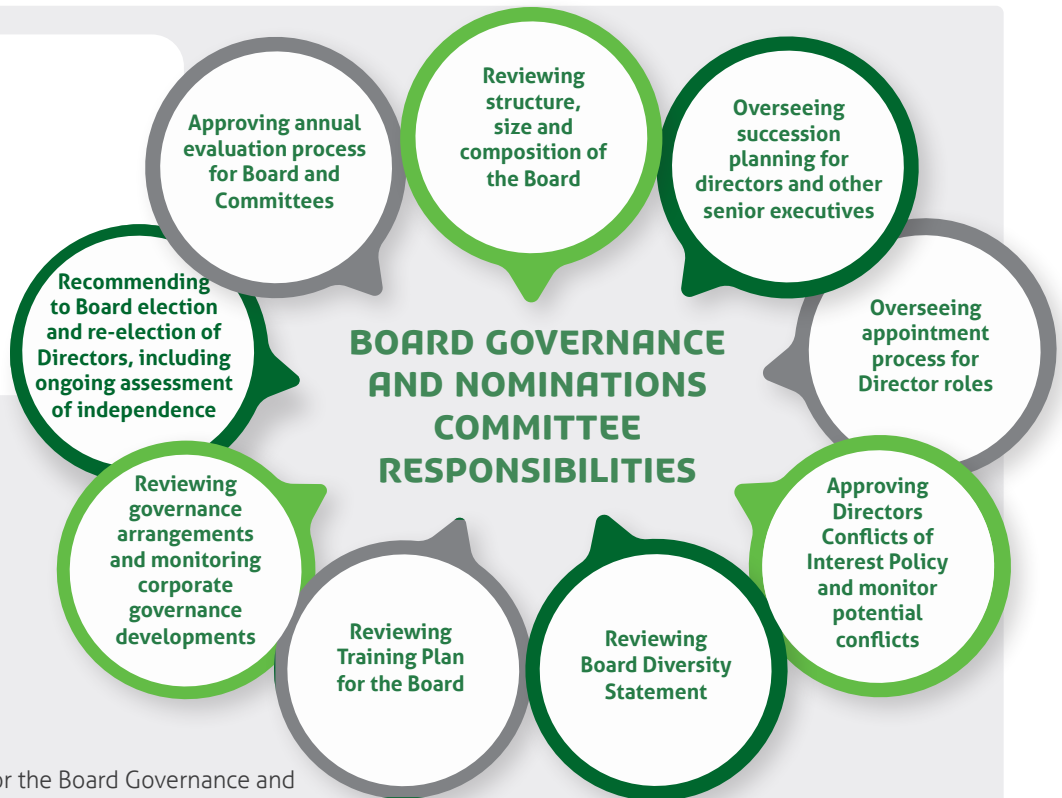
**Alison Hutchinson**  
Independent  
Non-Executive Director

Only members of the Board Governance and Nominations Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. Our Chief Executive and Chief People Officer are usually invited to attend each meeting.

The Committee met four times in 2019 and also agreed one resolution in writing.

**The number of meetings attended by each member is available on page 72.**

## BOARD GOVERNANCE AND NOMINATIONS COMMITTEE RESPONSIBILITIES



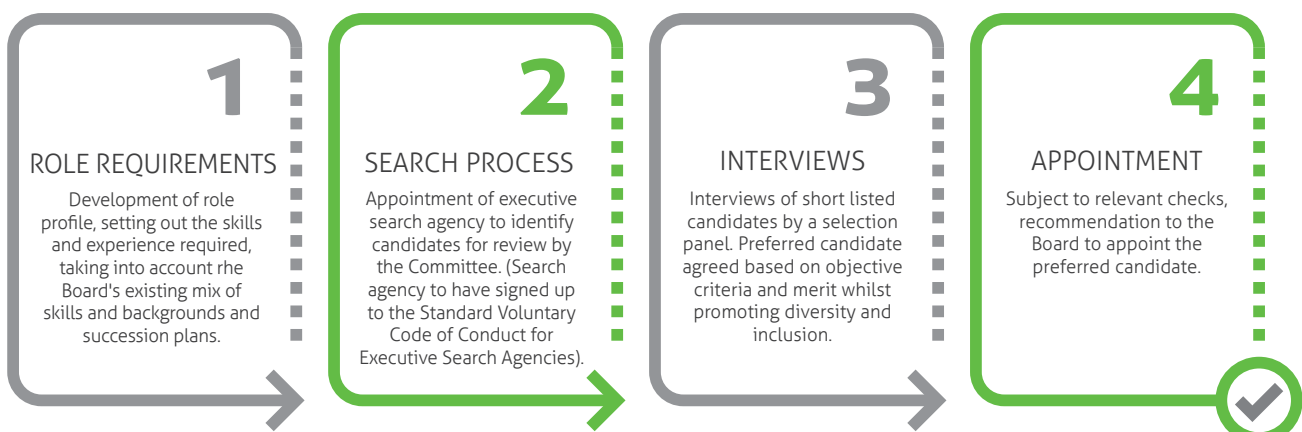
The terms of reference for the Board Governance and Nominations Committee can be found on the Your Society section of our website, at [ybs.co.uk/board](https://ybs.co.uk/board).

## CORPORATE GOVERNANCE

The Committee has an important role in making sure we work within a strong corporate governance framework. It keeps up to date on any new developments and recommends changes to the Board to ensure we continue to have a framework based on best practice.

## RECRUITING DIRECTORS

The Committee leads the recruitment of any new Non-Executive Directors on behalf of our Board, using the following process:



As a result of recruitment in 2018, Guy Bainbridge was appointed as a Non-Executive Director from 1 January 2019. Details of his recruitment process can be found in the 2018 Annual Review.

In 2019 the Committee began a new search to find a candidate as part of future succession planning, which is

still ongoing. External recruitment consultancy Egon Zehnder was appointed to support the search. Egon Zehnder have previously supported the appointment of the Chairman and Alison Hutchinson as Non-Executive Directors and assisted in the search for the Chief Operating Officer and Chief Executive.

The Committee is responsible for supporting the recruitment of any new Executive Directors.

No new Executive Directors were appointed during 2019.

## SUCCESSION PLANNING FOR DIRECTORS

The Board works to ensure it has the right members both now and in the future to deliver our strategy and ensure our long-term success. To support this, the Committee carries out a detailed review of succession planning for Directors at its annual strategy session in March each year and keeps the plan under review at each meeting. It also plans ahead for future recruitment to make sure that our Board continues to have the skills and experience it needs.

Each year the Board Governance and Nominations Committee also reviews the succession and talent pipeline for all our senior roles to understand the skills required to manage the business and assess any risks or potential gaps. This is then used to identify any of our current colleagues who may have high potential for future roles on the Board.

**The Board Governance and Nominations Committee has access to a range of information to support succession planning including:**

- **Skills Matrix and Skills Map**  
based on an annual self-evaluation by our directors of their skills and experience.
- **Succession Timeline**  
setting out appointment dates, terms of office and expected retirement dates against the succession plan.
- **Board Committee Membership**  
setting out current Board Committee membership, composition and any future requirements.
- **Board Diversity Statement**  
setting out our Board’s commitments to diversity and inclusion.

## BOARD DIVERSITY

We understand the importance of having a diverse and inclusive Board and workforce generally. Our Board has agreed a Diversity Statement to support this ambition, which is reviewed by the Board Governance and Nominations Committee and approved each year.

The table below provides an update on progress during 2019 based on the targets set out in the Diversity Statement:

Diversity Statement Ambitions	Progress 2019
<b>Aim to have 30% female representation on the Board in the medium term.</b>	Our Board seeks to ensure that its composition reflects a wide range of different skills, experience and perspectives. However, it also believes that all appointments should be based on merit and the skills and experience an individual can bring to our Board as a whole.  In 2016 our Board agreed our target of achieving 30% of female representation in the medium term, taking into account the Hampton Alexander Review <sup>28</sup> recommendation of 33%.  The percentage of women on our Board at 31 December 2019 was 20% (2018: 22%). We did not meet our medium term target during 2019, however our Board remains committed to working towards achieving this target.
<b>Only use search and specialist recruitment agencies that have signed up to the Standard Voluntary Code of Conduct for Executive Search Firms</b> (with a preference for those signed up to the Enhanced Code).	The Voluntary Code of Conduct was created by executive search firms themselves with the aim of raising the standards of professionalism and conduct in the recruitment of women to the boards of FTSE350 companies (the largest 350 companies listed on the London Stock Exchange).  Egon Zehnder was appointed to support the search for a new Non-Executive Director during 2019. Egon Zehnder was one of the firms that helped develop the code and were amongst the first to be accredited under the Enhanced Code for recruitment practices, leading to measurable success in increased gender diversity on FTSE350 company boards.
<b>Commitment to fostering an inclusive culture</b> and investing in the talent pipeline, particularly nurturing black, Asian and minority ethnic (BAME) and female talent and delivering tailored leadership development and robust succession planning.	Our diversity and inclusion ambition is to support an inclusive environment where everyone can contribute to our success. The Board believes investing in this culture is key to making sure it achieves its target. The importance of having a diverse workforce is recognised because it reflects the composition of our membership and the wider community.  A review of talent takes place annually; further details are provided in the Director succession planning section.
<b>Regularly review and assess the composition of the Board and its Committees</b> , including succession plans, considering the balance of skills, experience, independence and knowledge with its diverse composition.	The Committee regularly reviews the composition of our Board. Further information is included in the Director succession planning section.

The Committee will continue to monitor progress against the Board Diversity Statement and provide an annual update on progress.

<sup>28</sup> Hampton Alexander Review was an independent review set up to increase the number of women on the boards of the FTSE350 (the largest 350 public companies on the London Stock Exchange).

## DIVERSE TALENT PIPELINES

An important role for the Committee is to oversee the process which ensures a diverse talent pool exists for future vacancies. The Committee ensures that diverse talent is encouraged and in place for our Leadership Team, as part of its work on succession planning.

We have signed the HM Treasury's Women in Finance Charter and are committed to improving gender balance, particularly at senior levels in our organisation.

Further details on the Society's progress in relation to diversity and inclusion and our colleagues can be found in the Strategic Report on pages 40 to 44.

By way of further information, we had the following percentages of women colleagues at 31 December 2019 (and for comparison 2018):

### Executive Committee

The Leadership Team immediately below our Board (as set out in the UK Corporate Governance Code)



### Senior Managers

Our colleagues in roles Grade E or above (in accordance with our commitments under the Women in Finance Charter)



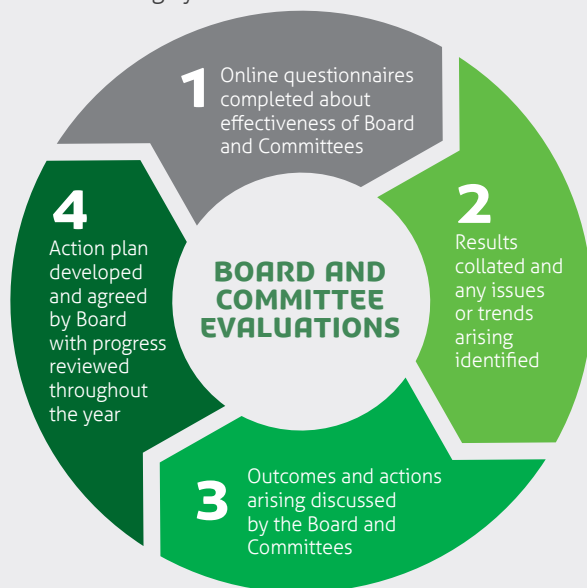
### All Colleagues



## EVALUATION OF THE BOARD AND ITS COMMITTEES

The Board Governance and Nominations Committee agree and recommend to the Board the process for the annual review of the Board's performance and that of each of its committees.

For 2019, it was agreed that an internal review would be completed based on the following cycle:



In 2019 the same approach was used as the previous year, to allow our Board and its committees to see the progress they had made as well as to identify any issues or trends. The evaluation covered key areas to help our Board review how effective it is, including its composition, diversity and how our Board members work together to achieve its objectives.

This approach fits with the requirements of the Code, which asks that boards complete an external evaluation once every three years by an independent third party. Our last external evaluation took place in 2017, with the next one due in 2020 which will be reported on in the 2020 Annual Report and Accounts. In between, we have conducted annual internal evaluations.



For an update on the outcomes of our Board evaluation process for 2019 please see page 74.

The composition of our Board will also be reviewed at the Committee's annual strategy session on succession planning to be held in March 2020, taking into account the outcomes of the evaluation process.

## EVALUATION OF BOARD MEMBERS

### Chairman

Our Senior Independent Director meets with our Chairman twice a year on behalf of our Board. The results of the Chairman's year end evaluation were discussed at the February 2020 Board meeting and it was agreed that he continued to provide strong and effective leadership to our Board.

### Non-Executive Directors

Our Chairman also has twice yearly meetings with each Non-Executive Director to review their performance and look at areas for development.

### Executive Directors

Executive Director evaluations are done by our Chief Executive, (or the Chairman in the case of the Chief Executive), against agreed objectives on an annual basis.

## EVALUATION OF THE BOARD GOVERNANCE AND NOMINATIONS COMMITTEE

The Board Governance and Nominations Committee completed an evaluation of its own effectiveness in 2019. The outcomes of the review were discussed at the meeting in January 2020 and it was agreed that the Committee continued to be effective.

The key theme from the Committee's evaluation was the need to ensure that the Committee remains effective at planning the succession of Board members. During 2020 the Committee will work on this area, making recommendations to the Board to make sure that robust plans are in place.

On behalf of the Board

### John Heaps

Chair of the Board Governance and Nominations Committee

26 February 2020