

# Nomination and Governance Committee Report

## Dear Shareholder,

I am pleased to present the report of the Nomination and Governance Committee.

## Membership and meetings

The Committee met nine times during 2017.

I would like to welcome David Weymouth, Chairman of the Board, who became a member of this Committee on 1 September 2017. The other members are myself (Rod Duke) and Mary McNamara. I would also like to thank Tim Hanford, who retired from the Board on 31 December 2017, for his contribution to this Committee.

## Appointment of the Chairman

The previous Chairman, Mike Fairey, retired at the conclusion of the 2017 AGM. In anticipation of his retirement, the Committee had instructed Per Ardua<sup>1</sup> to conduct an extensive search for candidates with strong financial services experience. The remit was to provide, where possible, a 50/50 split of female and male candidates. The search was thorough and refined by preliminary interviews, to a diverse shortlist of high quality candidates. David Weymouth was selected on merit as our preferred candidate following a number of interviews, meetings, mutual due diligence and regulatory approval. David was appointed Chairman of our Bank with effect from 1 September 2017. David's biography is included on page 60, which demonstrates his extensive financial services experience in top executive, and non-executive board roles. We are satisfied that the composition of the Board is operating well, and we will continue to monitor Board and Committee membership in 2018. Further details on the composition and balance of the Board and its Committees are provided below.

## Rod Duke

Chair of the Nomination and Governance Committee and Senior Independent Director

15 March 2018



## Responsibilities

The specific responsibilities and duties of the Committee are set out in its terms of reference which are available on our website [www.osb.co.uk](http://www.osb.co.uk).

## Composition of the Board and its Committees

The Committee conducted a review of the composition of the Audit, Remuneration and Risk Committees; and its own composition during 2017, carefully considering the skills of the existing members and looking at any skills gaps applicable to each Committee. During the year, David Weymouth was appointed Chairman of the Board and Margaret Hassall was appointed as a member of the Audit Committee.

In addition, the Committee discussed and considered the size of the Board and acknowledged the benefit of maintaining the Board at its current size.

## Succession planning

The Committee considered both Board and Executive level succession planning during 2017. This included the progress of employees identified as part of the talent development programme which was rolled out the prior year. Executives are also regularly invited to attend Board and Committee meetings as part of their development.

## Diversity

Our Bank recognises and embraces the benefits of having a diverse Board and workforce, and sees diversity at Board level as an essential element in maintaining a competitive advantage. We believe that a truly diverse Board and Company workforce will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between people. The Board recognises for itself that diversity is the key to better decision making and avoiding 'group think'.

These differences are considered in determining the optimum composition of the Board and when possible will be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

1. Does not have any other connection with the Company.

The Committee regularly reviews diversity initiatives including its annual review of the Equality and Diversity policy. The Board remains committed to the Women in Finance Charter and has introduced measurable objectives with our aim continuing to be that 30% of senior management positions within the Group's UK population will be undertaken by female employees by the end of 2020. Currently, 33% of our Board are female. Our Bank has also appointed a Diversity Champion to promote a series of diversity initiatives such as our commitment to those with a disability, mental health in the workplace and unconscious bias training.

Further details relating to diversity and inclusion are set out on page 53.

### Governance

The Committee reviewed changes in the regulatory landscape, particularly the proposals on Corporate Governance Reform, the government's nine point action plan and the Company's approach to addressing them.

### Activities during 2017

In last year's report the Committee identified six key priorities.

A summary of actions taken and outcomes are set out in the table below:

Objective	Action taken
Review and embed Board effectiveness recommendations from the Promontory Report <sup>2</sup>	The recommendations from the Promontory Report <sup>2</sup> have been implemented and the Committee will continue to monitor and ensure that they are embedded.
Chairman search	The Committee spent a considerable amount of time searching for a new Chairman. A new Chairman has been appointed with effect from 1 September 2017.
Succession planning for senior executives	The Committee considered succession planning of senior executives.
Developing the talent pipeline	The Committee considered reports on the talent pool and the actions being taken to develop and retain key talent.
Development of corporate purpose and sustainability	The Group has enhanced its environmental policy. This will continue to be an area of focus in 2018.
Oversee the successful implementation of diversity initiatives	A number of diversity initiatives relating to disability, mental health and unconscious bias were introduced throughout the Group.
Focusing on the attainment of the Women in Finance Charter target by 2020	With an Executive Committee and senior management team that to date have seen little attrition, we are aware that this target is something that will take time to achieve. To address our current position we are introducing a range of initiatives, including seeking to interview equal numbers of male and female candidates at first round interview stage for all vacant roles at management level and above.

2. Promontory Financial Group LLC, does not have any other connection with the Company.

### Priorities for 2018

The Committee's priorities for 2018 are:

- Continue to focus on fulfilling our commitment to the Women in Finance Charter
- Oversee the development and implementation of our action plan for Gender Pay Gap Reporting
- Oversee a revised approach to cultural engagement within the Group
- Corporate governance reform
- Corporate purpose and sustainability
- Board and Committee succession planning
- Embedding diversity initiatives
- Board and Committee effectiveness
- Oversee development of the talent pipeline